

UPJOHN INSTITUTE

Employment Research

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The Upjohn Institute
Celebrates 60 Years

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“Noteworthy Books”

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Employment Research is published quarterly by the W.E. Upjohn Institute for Employment Research. Issues appear in January, April, July, and October.

The Institute is a nonprofit research organization devoted to finding and promoting solutions to employment-related problems at the national, state, and local level. The Institute is an activity of the W.E. Upjohn Unemployment Trustee Corporation, which was established in 1932 to administer a fund set aside by Dr. W.E. Upjohn, founder of the Upjohn Company, to conduct research on the causes and effects of unemployment and seek measures for the alleviation of the hardships suffered by the unemployed.

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The Upjohn Institute Celebrates 60 Years

This year marks the Institute's 60th anniversary. The Institute has pursued its mission of researching and publicizing practical solutions to the hardships of unemployment since 1945. The fact that the Institute can celebrate 60 years of researching and informing policymakers about employment-related issues underscores the enduring importance of labor market issues on the national and international agenda.

The Institute grew out of one man's concern for the precarious fate of workers in his community. The year was 1932 and the nation was plunged into a deep economic depression. Upwards of 25 percent of the nation's workforce were without jobs, leaving countless families destitute. Dr. W.E. Upjohn, founder and head of the Upjohn Company, employed a good share of the workforce within the Kalamazoo area, and he was concerned about the prospect of laying off his own workers as well as the broader problem of the hardships of the unemployed in the community. At this time in the nation's history, no government-supported safety net for the jobless existed. Social Security had not yet been established, and neither had the unemployment insurance (UI) system.

To address this void, Dr. Upjohn established the W.E. Upjohn Unemployment Trustee Corporation, which as stated in his will, was “. . . for the purpose of establishing a benevolent

and charitable institution for research into the causes and effects of unemployment and to study and investigate the feasibility and methods of insuring against unemployment and devise ways and means of preventing and alleviating the distress and hardship caused by unemployment.”

The trust also provided for experimenting with innovative solutions to employment problems. To address the immediate issue of the joblessness around him, Dr. Upjohn purchased a large tract

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of farmland northeast of Kalamazoo. As a physician who started his career practicing in rural Michigan, he saw farming as a way of providing the social safety net that could protect workers from the vagaries of an industrial economy. On this piece of land, he envisioned laid-off workers growing enough food for their families and some extra to sell for other essential items.

The farm program did not last long, however. Economic conditions began to improve and, fortunately, the company was not forced to lay off workers. It is reported that a few displaced workers

FAR Photography



The Institute’s facilities from 1945 to the present.

from other companies availed themselves of the free land to provide for their families. In 1935, the federal government stepped in with Social Security pensions, the UI system, which provided short-term cash support, and an extensive public works program, which offered work opportunities. The grand experiment of setting aside land outside of America’s cities was replaced with other programs. Yet, the concern about unemployment

and its flip side, sustainable full employment, remained a top national priority.

In fulfilling the mission of the trust to research employment issues, the trustees established the Institute in 1945. They consulted with many experts from around the country. The trustees had few models to guide their decision. Some

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experts whom the trustees consulted had floated the idea of funding an entity associated with a university or other larger organization. Yet, the trustees were concerned that such affiliations, while offering benefits, could also create distractions from pursuing its central purpose. They decided that an independent organization was the best way to ensure the pursuit of its unique mission.

During its early years, the Institute focused on local employment issues. Its first program centered on a plan for a closely coordinated comprehensive

community manpower service system. It included vocational guidance, testing, counseling, training, placement, and job analysis. Central to this program was a strong research function, dedicated to understanding the local labor market and to evaluating the effectiveness of various programs. The Institute also solicited input from local business leaders on their employment needs. In retrospect, these elements were precursors to the system that is governing the federal and state workforce development programs today—locally administered reemployment and training services guided by input from the local business community.

As the federal government continued to assume an increasing role in addressing workforce issues, the Institute also expanded its scope to include national issues of job separation, unemployment and income maintenance, hiring practices throughout the business cycle, the job-seeking of youth, and UI program design. The Institute sought to provide insight into the issues confronting policymakers and to better understand the policies devised to address these issues. For instance, the Institute commissioned the first comprehensive description and analysis of the UI system, which became the “bible” of academics, policymakers, and practitioners for several decades. The Institute established a Washington, D.C., office so it could be a major participant in designing and evaluating federal programs and in informing lawmakers. Later as these government programs were scaled back and responsibilities for workforce programs were increasingly devolved to state and local governments, the Institute consolidated its activities in Kalamazoo.

Today, the Upjohn Institute numbers nearly 60 employees divided between two divisions. The research division, with nine Ph.D. economists and a strong support staff, continues the mission of conducting research on practical solutions to employment-related problems. It also publishes books on these topics and gives out grants to researchers around the world. As a modern-day equivalent of the “farm” experiment, the Institute, through its Employment Management Services



Dr. W.E. Upjohn.

Division, also administers the federal and state employment job training and welfare-to-work programs for the local area. These programs provide job training and job search assistance to thousands of local residents annually.

The marriage of research and operations provides a unique opportunity for the Institute to pursue innovative projects. During the past decade, the Institute has partnered with federal, state, and local agencies to use research findings and techniques to develop systems and management tools that help to improve the delivery of employment services, which in turn enhance the employment and earnings outcomes of workers. These initiatives include a system of management tools that use statistical analysis of administrative data

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and wage records to provide customized information to job seekers and frontline staff in one-stop career centers; a performance adjustment model for states and local workforce development areas that accounts for factors outside the local administrators' control, so that they can focus on what matters for improving the delivery of services; a pilot program that uses a statistical model to target resources to welfare-to-work participants; plus many others.

The Institute has also recently unveiled a "model program" for the delivery of workforce development services that its Employment and Management Services Division is implementing with the active participation of local employers and social service agencies. Besides being the "model program" for delivering services, the Employment and Management Services Division is also one of three pilot sites in the state for a new prisoner reentry program.



Groundbreaking ceremony at 300 S. Westnedge in June of 1964.

The Institute continues to strive to better understand the effectiveness of workforce programs through rigorous evaluation at all levels. Members of the staff have engaged in evaluations of the national UI system, state workforce programs, and local initiatives. The Institute's research agenda also includes studies on the effect of education and job training on employment outcomes, efforts to expand our understanding of local labor market and employer workforce needs, and assessments of the administration of workers' compensation programs. Staff members have also devoted considerable attention to the disadvantaged. Major projects include exploring the importance of creating additional jobs for low-wage workers and the long-run effectiveness of using alternative job search arrangements, such as temporary help agencies, in securing and retaining employment and in career advancement. Our staff also pioneered research into the measures employers can take to reduce accidents and workers' compensation claims.

The Institute has also expanded its scope to include international issues, recognizing the global nature of the

economy and the lessons that can be shared across different institutions and cultures. Projects include examining job reallocations in transitioning eastern European countries, explaining the factors behind entrepreneurship and new firm startups, and developing and evaluating active labor market programs in these countries. In pursuing these issues, the Institute has worked

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closely with organizations such as the Organisation for Economic Co-operation and Development (OECD), the World Bank, the International Labor Organization, and the European Union.

Throughout its 60 years, the Institute has benefited from a unique perspective on employment issues. As an organization, we have grown up with the nation's attempts to address the consequences and hardships

of unemployment, dating from the establishment of the public employment service in 1933 and the passage of the Social Security Act and the creation of the UI system in 1935, to the Workforce Investment Act, which was enacted in 1998 and currently governs our nation's workforce development programs. All of these programs began when the trusteeship was established and have matured during the years when the Institute was engaged in research on these issues.

Throughout this evolution of programs, we have seen a need to be the unbiased evaluator of the issues before us; to help determine what works and doesn't work in meeting these social needs. We pride ourselves in offering that service and in providing accessible information to all those who are concerned and engaged in these issues—academics, policymakers, and practitioners—as evidenced in part by the more than 200 books we have published.

At the same time, our perspective on employment issues has always included the well-being of the individual and the local community, both of which were the focus of Dr. Upjohn's compassion and concern. We began with a local focus and it continues to drive the research and other activities of the Institute. Undoubtedly, the issues that the Institute has addressed during its first 60 years will continue to dominate local, national, and international agendas. While specific issues move up and down the priority list as political agendas change, the Institute will maintain a store of knowledge to help inform the policy discussion, regardless of the topic. We plan to continue to pursue our mission of providing rigorous research on these matters, and to be a resource and catalyst for devising innovative ways to improve the circumstances of those lacking employment opportunities and experiencing the hardships of unemployment.

2005 Dissertation Award Results

FIRST PRIZE

Dr. Chris Riddell

University of Toronto

Three Essays on Labour Policy

Legislation is typically passed to accomplish some goal that benefits the majority of society. Sometimes, however, public policies lead to unanticipated and undesirable outcomes. This dissertation examines the “side-effects” of three very different and very important labour laws in Canada.

The first chapter examines the impact of union recognition laws and the role of management opposition using data on private sector certifications from British Columbia between 1978 and 1998. Overall, the results indicate that virtually the entire 19-percentage-point decline in success rates that occurred during the 1984–1992 election regime can be attributed to the union recognition procedure alone. Moreover, management opposition to unions was about twice as effective in the voting system.

The second chapter examines the impact of the availability of welfare checks on drug consumption and health outcomes using hospital records on injection users from a major hospital in Vancouver. The results indicate that drug users are much more likely to leave the hospital against medical advice—thereby interrupting their treatment—on check day.

The final chapter utilizes a natural experiment to evaluate the long-run impact of unemployment insurance in New Brunswick. Using the five decennial censuses over the period 1940–1991, the paper exploits the comparison over time between New Brunswick and Maine to estimate the long-term effects of UI program parameters on labor market outcomes. The results indicate that New Brunswick's shift to a more generous UI system in 1955, and particularly in 1972, significantly increased the frequency of part-year work, especially among women.

HONORABLE MENTION

Dr. Joel Elvery

University of Maryland

The Impact of Enterprise Zones on Resident Employment: An Evaluation of the Enterprise Zone Programs of California and Florida

This dissertation estimates the impact of two geographically targeted economic development programs on the employment of people living in the targeted area. This question is difficult to address for a number of reasons. Unlike in most program evaluation problems, the process that determines the outcome of interest (resident employment) happens at a lower level of aggregation than the process that determines selection for treatment. Therefore, standard program evaluation techniques have to be modified to address this issue. The enterprise zone programs of California and Florida were designated at a very detailed level of geography, making it hard to measure the location and characteristics of the zones.

A methodology is developed to address the unusual selection process of these programs. The first step is to create a neighborhood-level measure of the component of residents' employment probabilities explained by the neighborhood conditional on characteristics of area residents. The next step is to estimate the effect of enterprise zones on resident employment by comparing the conditional employment probabilities of neighborhoods containing enterprise zones with those of comparable areas.

The findings reveal that a substantial portion of the variation across neighborhoods in employment rates can be explained by controlling for the attributes of residents. This indicates that it is important to control for resident characteristics when making cross-neighborhood comparisons. Even though the focus is on two very targeted and generous enterprise zone programs, there is no evidence that the programs impacted the employment of zone residents.