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Data Analysis of the Implementation of the Recovery Act: Workforce Development and Unemployment Insurance Provisions

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**Data Analysis of the Implementation of the
Recovery Act: Workforce Development and
Unemployment Insurance Provisions**

**Randall W. Eberts
Stephen Wandner**

in

***Implementation of the American Recovery and
Reinvestment Act: Workforce Development and
Unemployment Insurance Provisions: Final Report***

Burt S. Barnow, Richard A. Hobbie Project Co-Directors
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DATA ANALYSIS OF THE IMPLEMENTATION OF THE RECOVERY ACT WORKFORCE DEVELOPMENT AND UNEMPLOYMENT INSURANCE PROVISIONS

Overview

This chapter uses administrative data to examine the response of the nation's workforce system to the needs of workers during the recent recession and the Recovery Act funding period.⁴³ The Recovery Act provided funds so that states could respond to worker needs at two levels. The first level expanded the short-term capacity of the workforce system to meet the surge in demand for reemployment services and training. This required more staff and office space and often an upgrade of telephone and Internet capabilities. The second level of response required strategic decisions to improve the infrastructure of the nation's workforce development system. This included reshaping and improving the capacity of the system to meet future needs more efficiently and developing innovative service delivery systems that attempt to anticipate the changing structure of the workforce and the economy (USDOL 2009b).

Using state-level administrative data, this chapter examines the response of state workforce agencies in providing public workforce and unemployment insurance services to unemployed workers before, during, and after the recent recession. It tracks participant flows, service receipts, expenditures, and outcomes of the major workforce programs during this period. It also compares changes in the flow of services with changes in expenditures. In particular, it analyzes total expenditures and expenditures per participant, highlighting the reduction in expenditures per participant, compared with prerecession levels, as the workforce programs were

⁴³ This chapter contains portions of a larger, forthcoming report funded by the U.S. Department of Labor that provides data analyses with respect to the workforce system's response to ARRA supplemental funding.

inundated with new participants. While the analysis is conducted at the state level, the results are aggregated to the national level in order for the chapter to fit within the page constraint of the report.⁴⁴

The chapter begins with a short review of the programs and data used for our analysis, described in the next section. The third section traces the flow of workers through the unemployment insurance (UI) system, the Employment Service, and the two adult WIA programs. The fourth section examines program expenditures and participation for the various programs. It specifically analyzes the difference between expenditures before the recession and during the Recovery Act period. The final section offers concluding remarks.

Workforce Programs and Data Sources

During an economic downturn, the unemployed rely heavily on three basic workforce services for assistance in finding reemployment—1) unemployment compensation, 2) labor exchange and reemployment services, and 3) job training. The federal government, in partnership with states and local entities, provide these services through the Unemployment Insurance (UI) system, the Wagner-Peyser Act Employment Service (ES), and the Workforce Investment Act (WIA) programs. The UI system offers eligible unemployed workers cash assistance for up to 26 weeks in normal times and longer during recessions while they look for work. The Wagner-Peyser Act Employment Service provides job search assistance, such as help with writing résumés and accessing job postings. The WIA programs provide more intensive job search assistance and job training to dislocated workers and economically disadvantaged adults. Additional federally funded programs, including WIA Youth and Job Corps for youth, Trade Adjustment Assistance programs for workers displaced by foreign competition, and the

⁴⁴ State-level analyses will be included in a separate report.

Community Service Employment Program for Older Americans (also known as the Senior Community Service Employment Program) for low-income workers over the age of 55, offer assistance, but these are not included in the analysis.⁴⁵

This chapter uses administrative data from the U.S. Department of Labor's reporting system.⁴⁶ The data set covers participant and expenditure data for the three largest federally funded workforce programs: Unemployment Insurance (UI), Wagner-Peyser Act Employment Service (ES), and the Workforce Investment Act (WIA) programs for Adults and for Dislocated Workers (DW).⁴⁷ The data are collected quarterly for each state, the District of Columbia, and territories and are compiled in a database called the Public Workforce System Dataset (PWSD). For this analysis, the original database was updated to 2011Q3 for UI and the Employment Service and to 2011Q1 for the two adult WIA programs, the most recent data available at the time.

Tracking the Flow of Participants Through the Workforce System

This section provides a framework for tracking the flow of participants through the workforce system. The flow diagrams displayed in Figures 9.1, 9.8, and 9.11 offer graphical representations of the three major workforce programs: the Unemployment Insurance system, the Wagner-Peyser Employment Service, and the Adult and Dislocated Worker Workforce Investment Act programs. While each program is considered separately in the analysis, they are interconnected as well as overlapping through referrals and coenrollment. Programs overlap when they have responsibilities for delivering similar services, such as occurs between adult

⁴⁵ The primary reason for the omission of these programs from the analysis is the unavailability of data at the time the study was conducted.

⁴⁶ A fuller description of the data will be included in the separate final report that we will produce.

⁴⁷ This analysis does not include Trade Adjustment Assistance program data from the PWSD, since it has not yet been updated and made available to the authors. The WIA updates were generated from the WIA Standardized Record Data (WIASRD).

WIA programs and the Employment Service. Moreover, the practice of coenrollment in ES and WIA, which began around 2006, has had a large impact on the number of participants in WIA, particularly the Adult program. The number of entrants into the WIA Adult program jumped 125 percent in one quarter, from 67,000 in 2006Q2 to 151,000 in the next quarter. In New York alone, the number of entrants into the WIA Adult program increased tenfold between those two quarters, accounting for a large share of the nationwide increase.

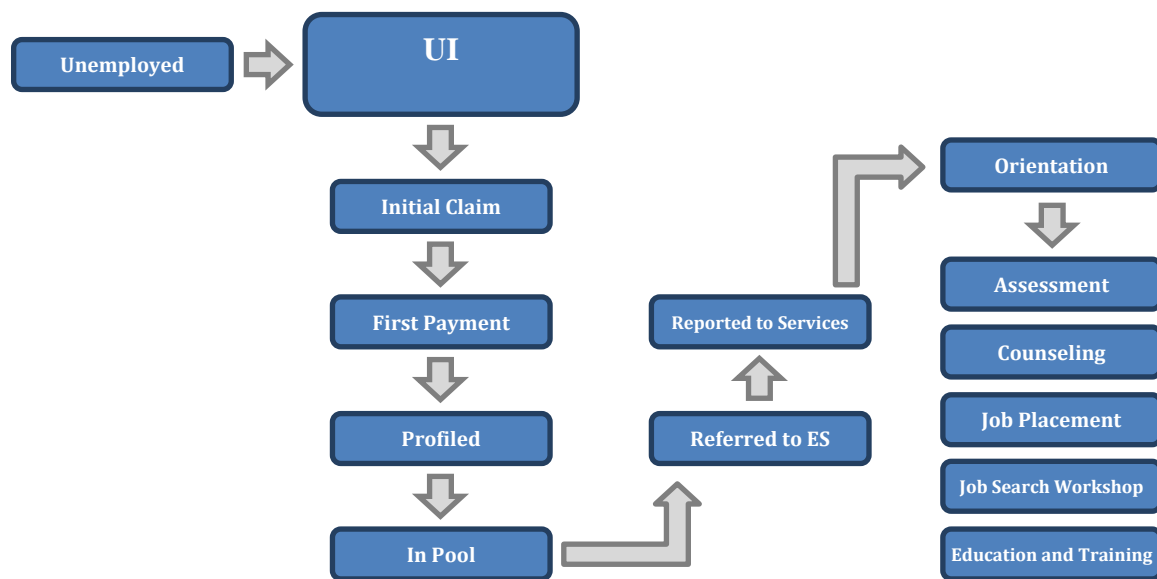
Unemployment Insurance system

According to data on initial claims and benefit payouts, the unemployment insurance program was severely tested during the recent recession. It paid out more benefits to more unemployed workers for longer periods of time than it ever had in its 80-year history. Benefit payments quintupled from \$31 billion in Fiscal Year 2006 to \$156 billion in FY 2010. The unemployed receiving first payments doubled from 7.4 million in FY 2006 to 14.4 million in FY 2009. The number of regular UI beneficiaries exhausting their entitlement to benefits increased from 2.6 million in FY 2006 to 7.0 million in FY 2010. The dramatic increase in the use of the UI system obviously reflects the surge in the number of unemployed during the recession. Nearly 8 million people joined the ranks of the unemployed from the beginning of the recession in December 2007 to October 2009, pushing up the unemployment rate to a high of 10.0 percent. During that same period, the economy lost 8.5 million payroll jobs. The combination of fewer jobs and more people looking for work increased the need for reemployment services for UI beneficiaries, both when they first became unemployed and during the unprecedented length of time they remained unemployed.

Figure 9.1 shows the flow of unemployed workers into and through the UI system, as well as through the process of referral to and receipt of reemployment services. The process begins when unemployed workers file an initial claim for UI benefits. UI beneficiaries are then

screened through the basic Worker Profiling and Reemployment Services system to determine their likelihood of exhausting regular benefits—that is, their likelihood of not finding a job during the time they are eligible for regular benefits. Most states use a statistically based screening tool based on a recipient’s employment history, education, and barriers to employment. Those who are identified as likely to exhaust their benefits are then referred to orientation and other reemployment services shortly after they first receive benefits.⁴⁸ Most of the reemployment services, such as assessment, counseling, job placement, and job-search workshop, are provided through the Wagner-Peyser Act Employment Service and are not necessarily delivered in any particular sequence, as indicated by the absence of arrows in that part of the diagram.

Figure 9.1 Flow Diagram of the Unemployment Insurance System

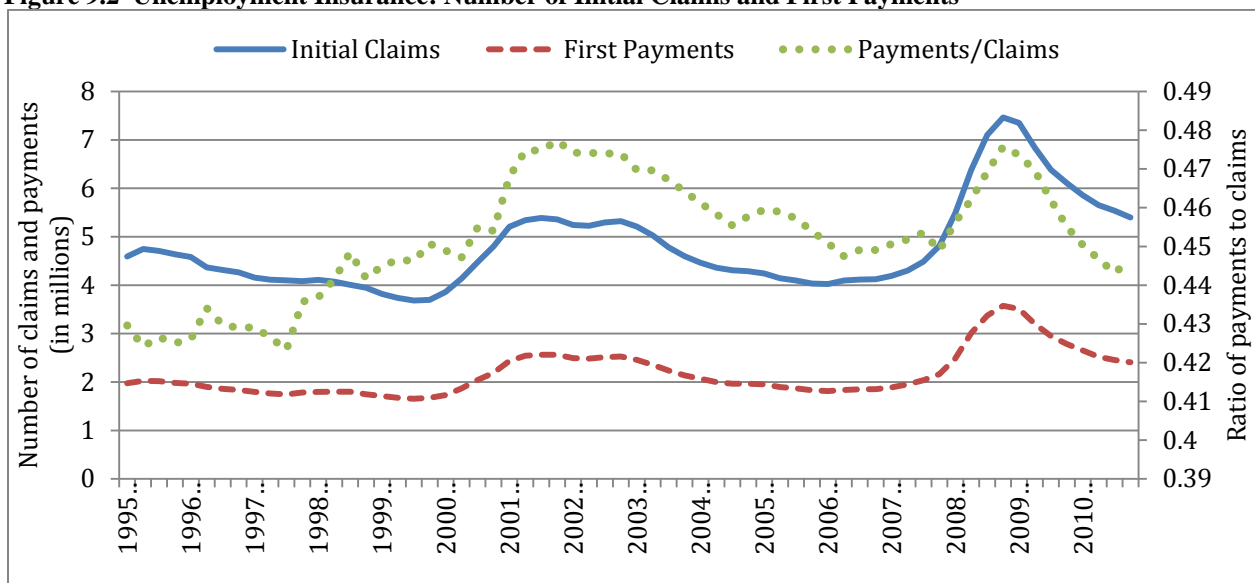


The following figures show the flow of participants through the UI system as depicted in the diagram above. The strong seasonality in both initial claims and first payments obscures this

⁴⁸ The basic WPRS system is mandated by federal statute. States are free to expand WPRS to target the provision of reemployment services in other ways. The Department of Labor encouraged states to try other targeting approaches in its March 2009 Recovery Act guidance.

relationship to some extent. To gain a better perspective of the ability of the UI system to process initial claims and send out first payments, we eliminated the seasonality by using a four-quarter moving average. Figure 9.2 displays the seasonally adjusted data and reveals that the ratio of initial claims to first payments has actually increased throughout the recession. A similar increase is observed during the previous recession. Some of the increase may reflect the increase in eligible claimants as a result of more claimants losing their jobs through no fault of their own.

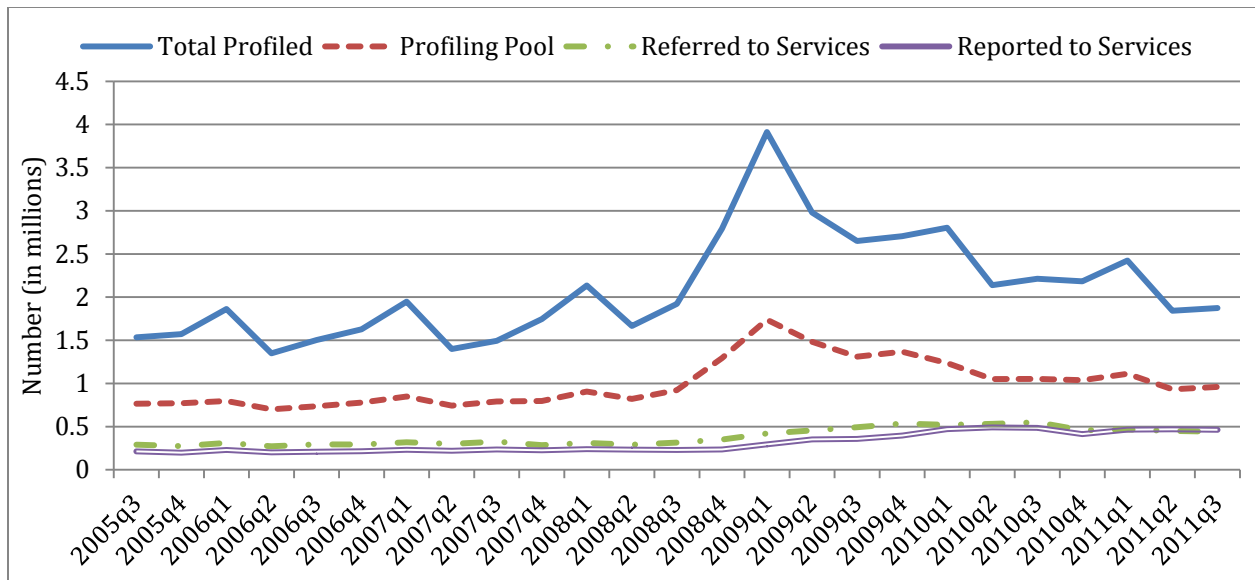
Figure 9.2 Unemployment Insurance: Number of Initial Claims and First Payments



NOTE: All three series are seasonally adjusted by using the average of four lagging quarters.
SOURCE: U.S. Department of Labor.

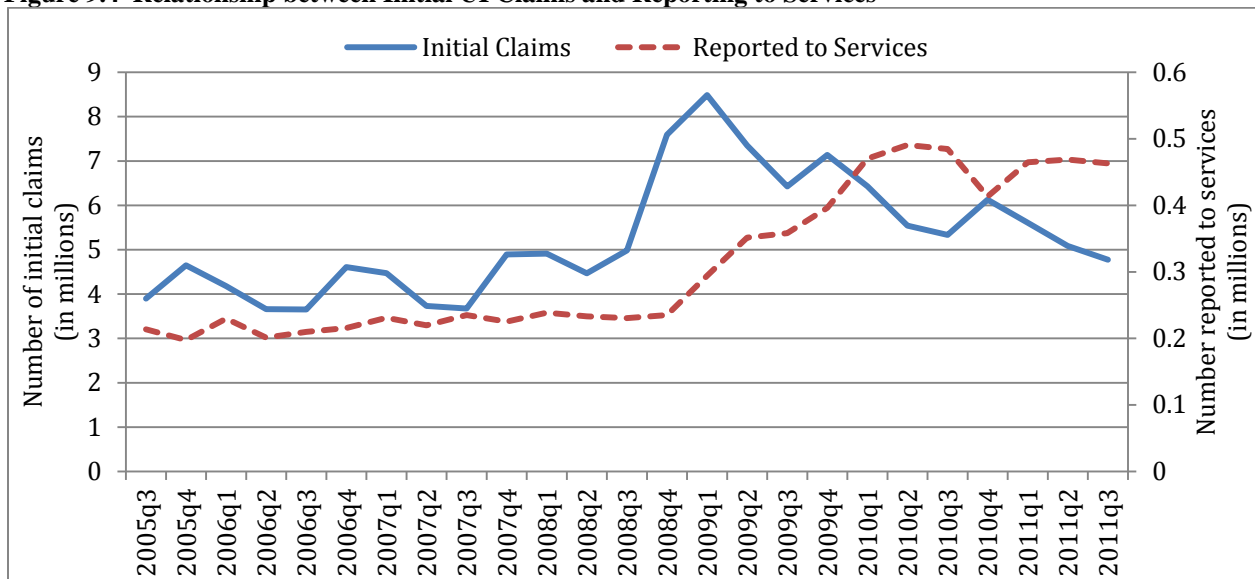
Figure 9.3 shows the flow of services from the worker profiling process to the referral and reporting-to-services stages. Worker profiling takes place near the time of first UI payment, and consequently the observed influx of profiled beneficiaries occurred at approximately the same time as the sharp increase in the number of laid-off workers receiving first payments. However, the referral to services and the receipt of services did not occur simultaneously, as

Figure 9.3 The Worker Profiling Process and Referral to Services in the UI System



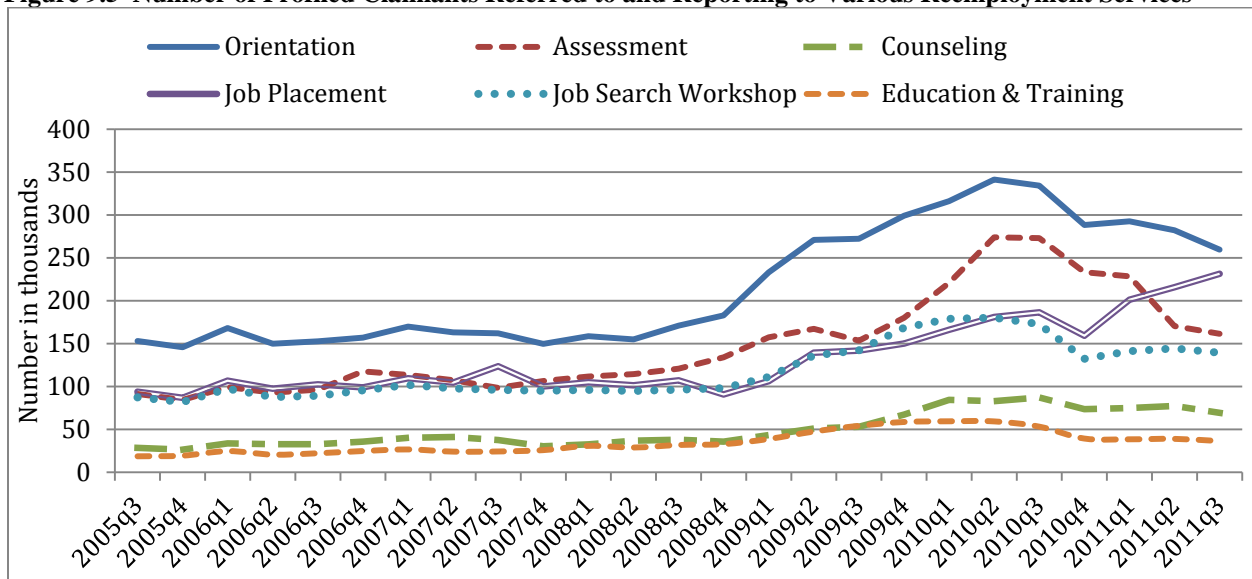
shown in more detail in Figure 9.4. Three quarters elapsed (2009Q1 to 2009Q4) between the peak in first payments and the peak in referrals to services; two more quarters elapsed before the number of beneficiaries receiving services peaked in 2010Q2. The sequence of events resulted in a total lag of five quarters between the receipt of first payments and receipt of services (2009Q1 to 2010Q2).

Figure 9.4 Relationship between Initial UI Claims and Reporting to Services



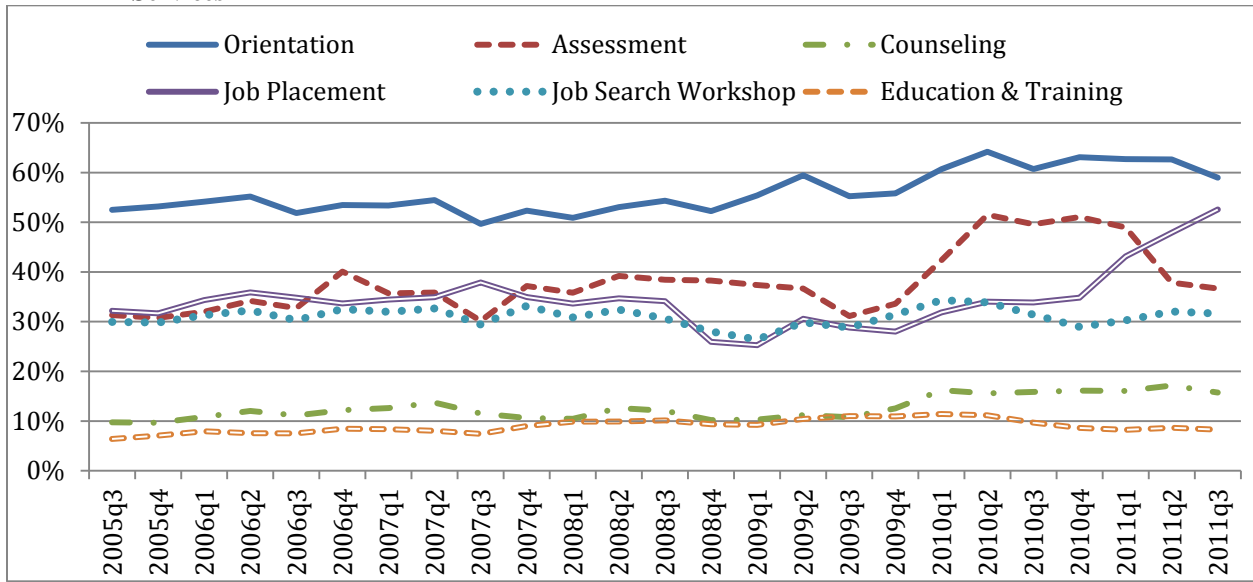
The number of UI-profiled claimants referred to and reporting to services increased during that time, as shown in Figure 9.5. Low-cost services—orientations and assessments—received the largest enrollments; the more expensive and intensive services of education, training, and counseling experienced the smallest enrollments.⁴⁹ Figure 9.6 shows the distribution of services before and during the recession (profiled claimants could enroll in more than one service). Of those profiled claimants referred to and reporting to services, the percentage receiving orientations increased from approximately 50 percent to slightly over 60 percent during the recession and period of Recovery Act funding. The percentage of profiled claimants receiving assessments increased as well, jumping sharply from 30 percent to 50 percent within two to three quarters following the availability of Recovery Act funds. Referrals to education and training remained at roughly 10 percent throughout the entire period, and counseling increased from 10 percent to 17 percent during that same period.

Figure 9.5 Number of Profiled Claimants Referred to and Reporting to Various Reemployment Services



⁴⁹ As shown in Figure 9.5, some services, including education and training, experienced a bigger increase in service provision than the increase in ARRA funding for the WIA Dislocated Worker program, indicating a substantial effort by state workforce agencies to use ARRA funds to increase training.

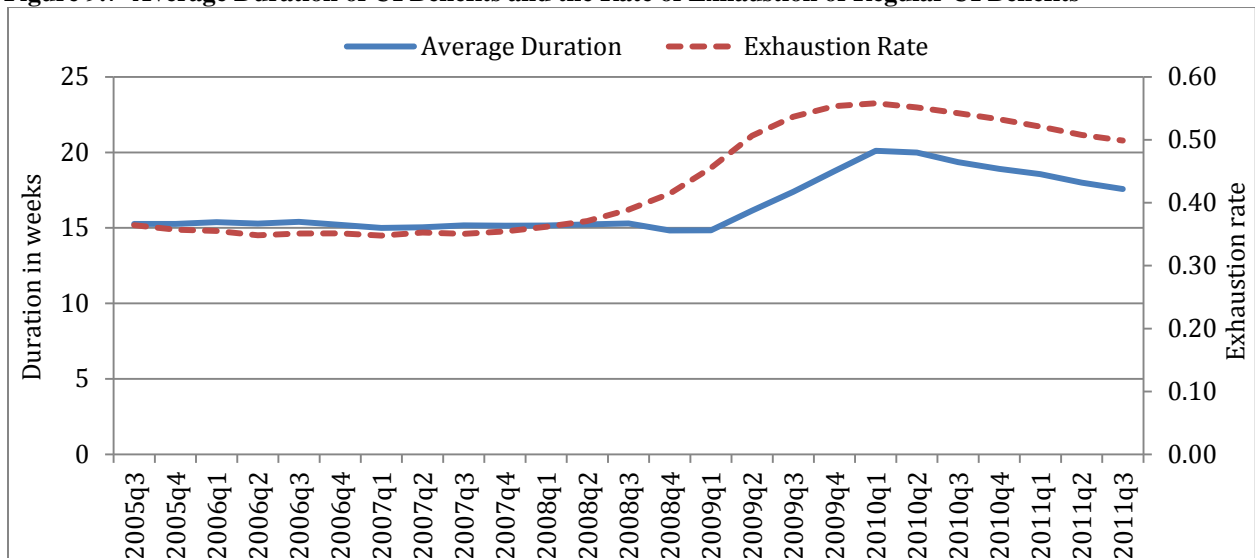
Figure 9.6 The Percentage of Profiled Claimants Referred to and Reporting to Various Reemployment Services



NOTE: The denominator underlying this figure is the number of profiled claimants who were referred to and reported to services in general; and the numerator is the number of profiled claimants who were referred to and reported to that specific service, such as orientation.

The average duration of regular UI benefits and the exhaustion rate increased during the Recovery Act period. Both peaked in 2010Q1, as shown in Figure 9.7. The exhaustion rate peaked at 56 percent, and the average duration of UI receipts reached its maximum of 20 weeks duration that quarter.

Figure 9.7 Average Duration of UI Benefits and the Rate of Exhaustion of Regular UI Benefits



The Employment Service

The Employment Service (ES) provides a variety of labor exchange services, including but not limited to job search assistance, job referral, and placement assistance for job seekers, reemployment services to UI claimants, and recruitment and screening services to employers with job openings. Services are delivered in one of three modes: 1) self-service, 2) facilitated self-help services, and 3) staff-assisted. Depending upon the needs of the customers, other services may be available. They include an assessment of skill levels, abilities and aptitudes, career guidance when appropriate, job search workshops, and referral to training. These reemployment services overlap with the core and intensive services provided by WIA programs, and many ES participants are also WIA participants because of coenrollment between the two programs.

The flow diagram in Figure 9.8 depicts the basic steps in receiving these services. Participants enter the ES system either through a referral from the UI system or on their own. Under federal law, the UI “work test” closely links the ES system to the UI system. In order to be eligible for UI benefits, claimants must be able and available for work, and in most states they must demonstrate that they are actively looking for employment. Consequently, UI recipients are required to register for work and are referred to local workforce offices. However, a large majority of ES participants enter the system on their own. They can be employed and looking for a better position or unemployed and seeking help to find employment. All are eligible to receive basic reemployment services.

As shown in Figure 9.9, the increase in the number of ES participants accelerated near the end of 2007 and continued to climb until cresting in 2010Q3 at nearly 5 million individuals.

Figure 9.8 Flow Diagram of the Wagner-Peyser Employment Service System

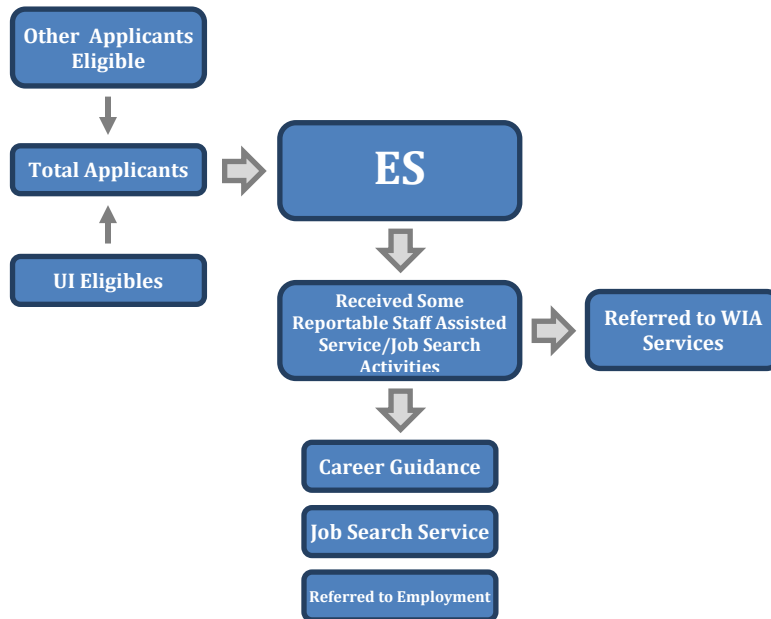
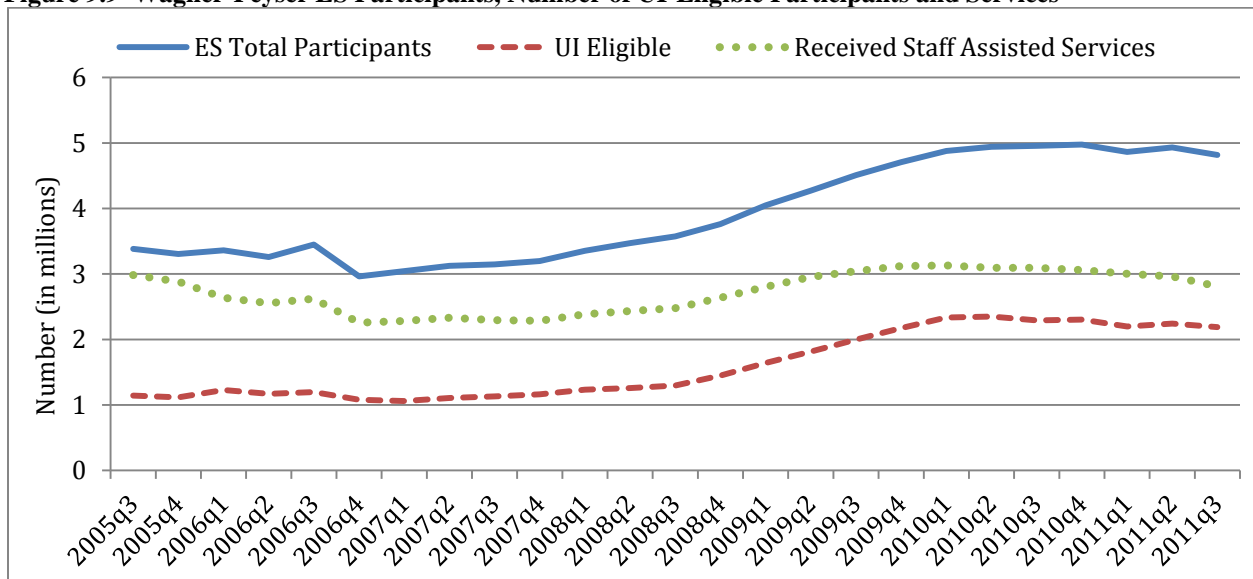


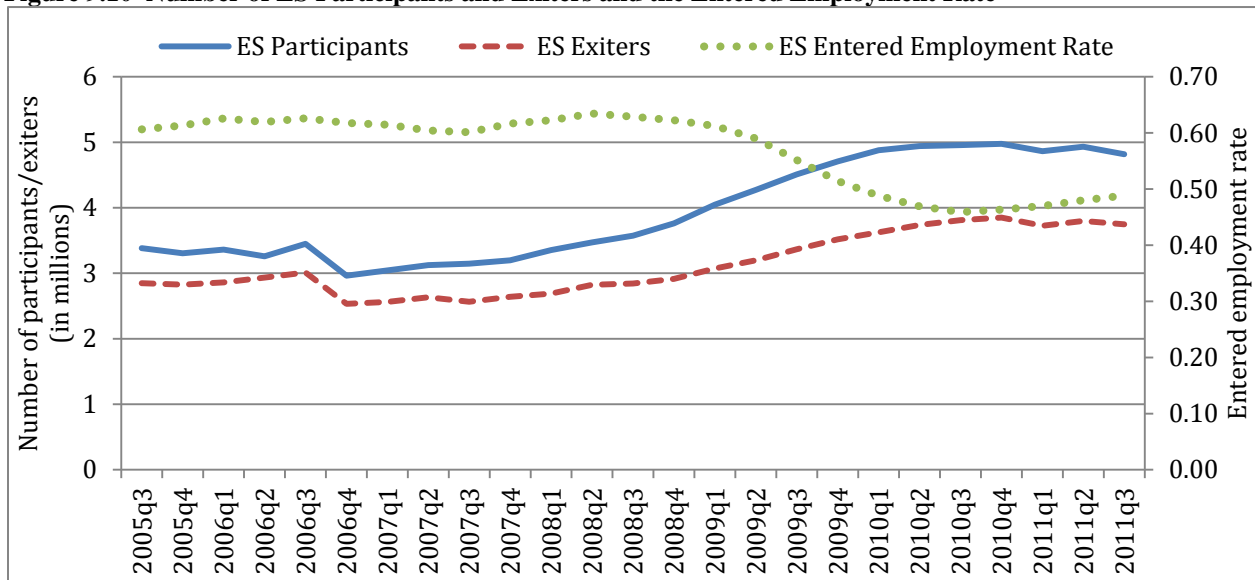
Figure 9.9 Wagner-Peyser ES Participants, Number of UI-Eligible Participants and Services



The number of participants receiving staff-assisted services followed closely but at a slower pace. It leveled off at 3.1 million a few quarters before the peak in participants and slowly declined throughout the remainder of the recession and the Recovery Act funding period. With the sharp increase in unemployment and the number of job seekers and the drop in the number of

people hired during that period, it is not surprising that the percentage of exiters finding employment fell. As shown in Figure 9.10, the ES entered employment rate (the percentage of exiters who were employed the first quarter after exit) dropped from around 60 percent to under 50 percent between 2009Q2 and 2010Q2.

Figure 9.10 Number of ES Participants and Exiters and the Entered Employment Rate

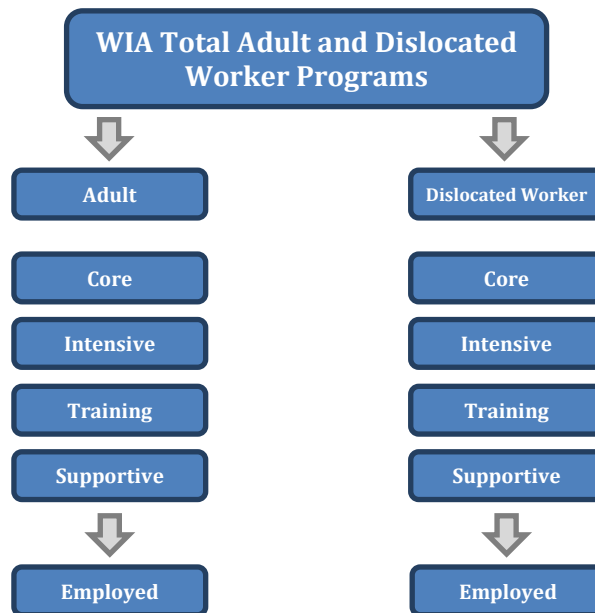


WIA core, intensive, and training services

The Workforce Investment Act system (WIA) provides core, intensive, and training services to eligible adults and youth. Services range from basic reemployment services, such as assistance with résumé writing and job interviewing, to occupational training. While WIA is the main provider of training for the workforce system, only a quarter of adults who leave the program (exiters) received training services. The large majority received core and intensive services. WIA also includes a youth program, which is not included in the analysis. Most of the Recovery Act funding for the youth program was used for temporary employment of economically disadvantaged youth in the summer of 2009. Recovery Act funding for the adult WIA programs, on other hand, was used to help the unemployed find more permanent employment.

The flow of participants through the WIA Adult and Dislocated Worker programs is depicted in Figure 9.11. WIA participants can be referred from the ES program or can come into the program on their own. In either case, they must meet specific eligibility criteria for enrolling in the WIA Adult and the WIA Dislocated Worker programs. As previously mentioned, some states coenroll ES program participants in WIA programs. All workers are eligible to receive core self-services or staff-assisted services.⁵⁰ Once enrolled in WIA, participants can be referred to more intensive staff-assisted services, which include reemployment services and job training

Figure 9.11 Flow Diagram of the WIA Adult and WIA Dislocated Worker Programs



programs. Each successive level of service, from core self-assisted through job training, requires progressively greater staff intervention and consequently is more expensive to provide. WIA was

⁵⁰ Recognizing the reporting problems associated with self-served services, particularly at the national aggregate level, we have elected to omit these services from the national-level analysis presented in this chapter. While it is generally recognized that a large number of participants receive self-served services, some states do not record them in WIASRD and thus they are under-reported at the national level. One issue contributing to under-reporting is the way in which states enroll WIA participants. In some states, people can use services without registering, whereas in other states everyone using services is required to register. For staff-assisted services, the recording procedure is uniform across all states and straightforward. The WIASRD reporting system counts everyone enrolled in WIA as receiving staff-assisted services, which leads to 100 percent of WIA exiters receiving such services. We will include self-served services in the analysis presented in the full report for selected states that are considered to accurately record the receipt of these services.

initially designed so that participants would progress sequentially from the least staff-intensive to the most staff-intensive services until they succeeded in finding employment. In recent years, many states have changed to a more customized approach. While many participants were still referred to core services when they entered the program, One-Stop Career Center staff was more likely to refer participants directly to services that best meet their needs, hence the omission of arrows in Figure 9.11.⁵¹

For the following analysis of the WIA programs, the reference point for counting the number and percentage of services is the entrant into the program. That is, when we refer to the number of services received, we refer to the services received by the individual who enters the program. We identify the date at which an individual enters the program, and then we look forward to see whether or not that person received a service. In some USDOL publications, the reference point is the exiter. In that case, they identify a person who exits the program and then they look back in time to see whether or not that person received a service and what type of service he or she received. Since the purpose of this analysis is to examine the response of the workforce system to the needs of people entering the system, we contend that entrants, not exiters, are the appropriate point of reference. The difference is significant. The average length of time between registering for the program and first receiving training, for example, is 38 days for the WIA Adult program and 58 days for the WIA Dislocated Worker program. In contrast, the number of days between receiving training and exiting the program is 300 days for the WIA Adult program and 378 days for the WIA Dislocated Worker program. These averages are computed for the period 2005Q3 through 2011Q2. Furthermore, the pattern of length of time between entrants to service and service to exiters is also different. The length of time between

⁵¹ This may explain why the number of services received and the average duration in the program were greater in the early years of WIA than more recently, as discussed later in this section. However, coenrollment of ES participants in the WIA programs confounds this interpretation.

registration and receiving training peaks in 2008Q4, and the length of time between receipt of training and the time of exit peaks in 2011Q1. These time intervals are obtained by analyzing the individual participant data from the WIASRD files. The one exception in using entrants as the reference point is the reporting of outcome measures, such as the entered employment rate. In this case, the reference is the exiter, and the denominator in the entered employment rate calculation is the adjusted number of exiters.

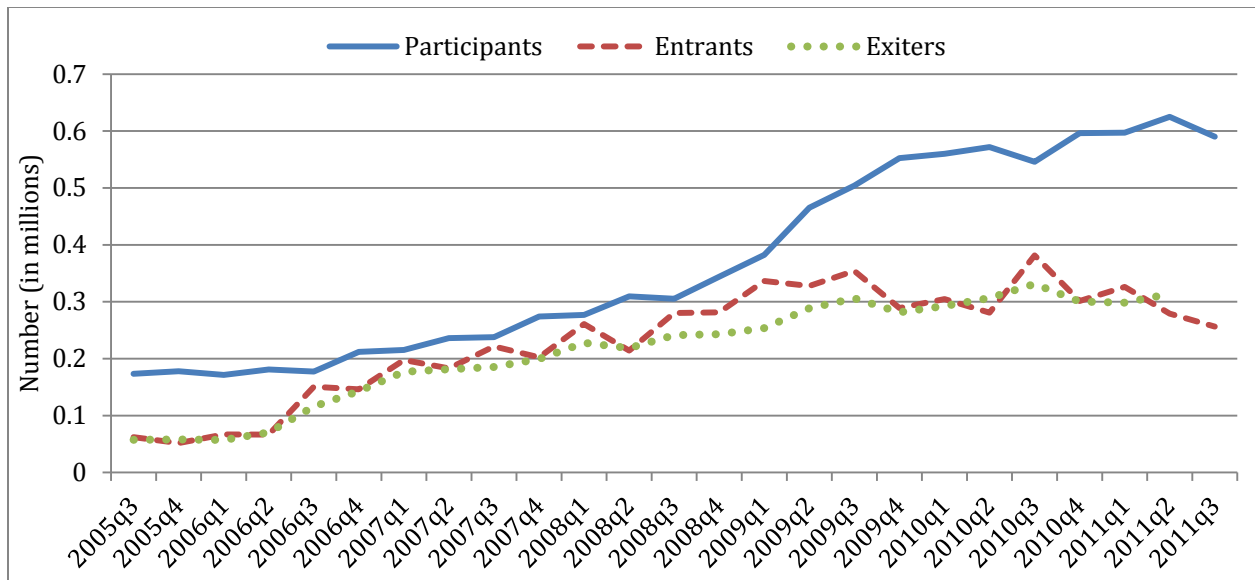
WIA Adult Program

Figure 9.12 shows the increase in the number of entrants, participants, and exiters,⁵² which began in 2006, long before the recession and the enactment of the Recovery Act. The primary reason for the increase was the issuance at that time of reporting instructions by the U.S. Department of Labor that permitted states to coenroll ES participants (and other program participants) in WIA programs. Several large states coenrolled all ES participants, swelling the number of participants not only within those states but nationally as well. Nonetheless, between 2008Q3 and 2009Q3, the gap between the number of entrants and exiters widened, leading to a surge in the number of participants. During that time, the number of exiters continued to climb, but not as fast as the number of new entrants. Shortly after 2009Q3, however, the number of entrants and exiters leveled off and remained flat at about 300,000 new entrants and exiters thereafter, except for a spike of entrants in 2010Q3.⁵³

Figure 9.12 Number of Participants, Entrants, and Exiters in the WIA Adult Program

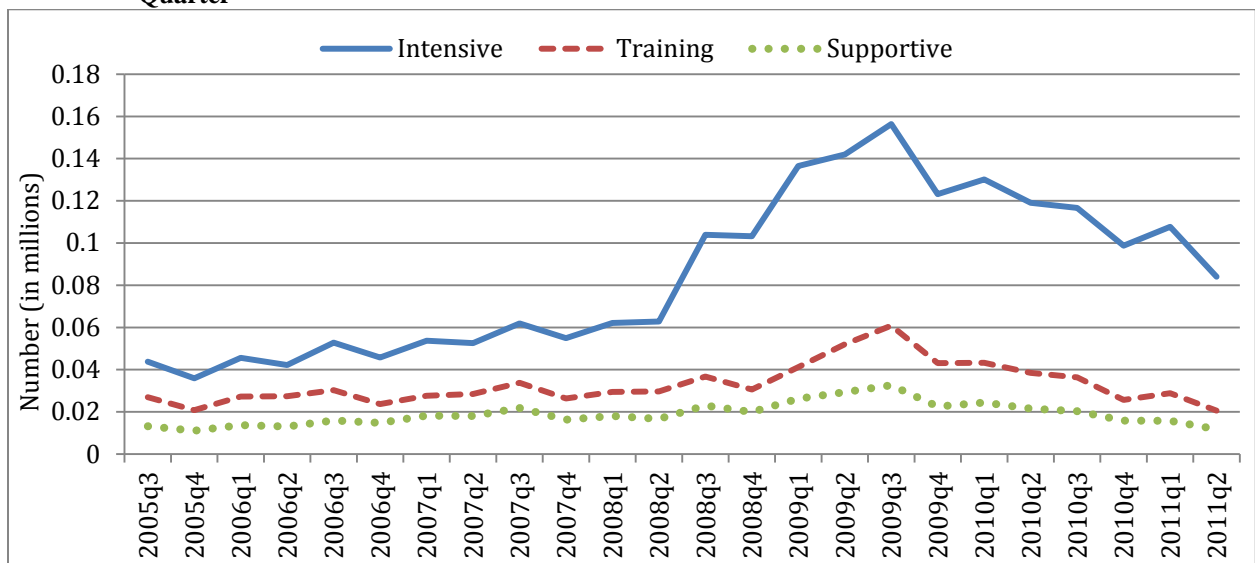
⁵² Entrants and exiters measure the flow of individuals into and out of the program, whereas participants measure the stock of workers in the program.

⁵³ According to the Job Openings and Labor Turnover Survey (JOLTS) data compiled by the Bureau of Labor Statistics (BLS), the average number of hires each month during the second half of 2009 was 1.6 million below the average monthly number of hires from 2005Q3 through 2007Q4, a 30 percent reduction.



The number receiving WIA Adult staff-assisted services quickly increased as the recession deepened, even before Recovery Act funds became available. As shown in Figure 9.13, intensive services receipts increased abruptly in 2008Q3 from 63,000 per quarter to 104,000 per quarter, peaking a year later (2009Q3) at 156,000. The number receiving training and supportive services also doubled, but within an even shorter time period, beginning in 2009Q1 and peaking

Figure 9.13 Number of Entrants Receiving WIA Adult Intensive, Training, and Supportive Services per Quarter

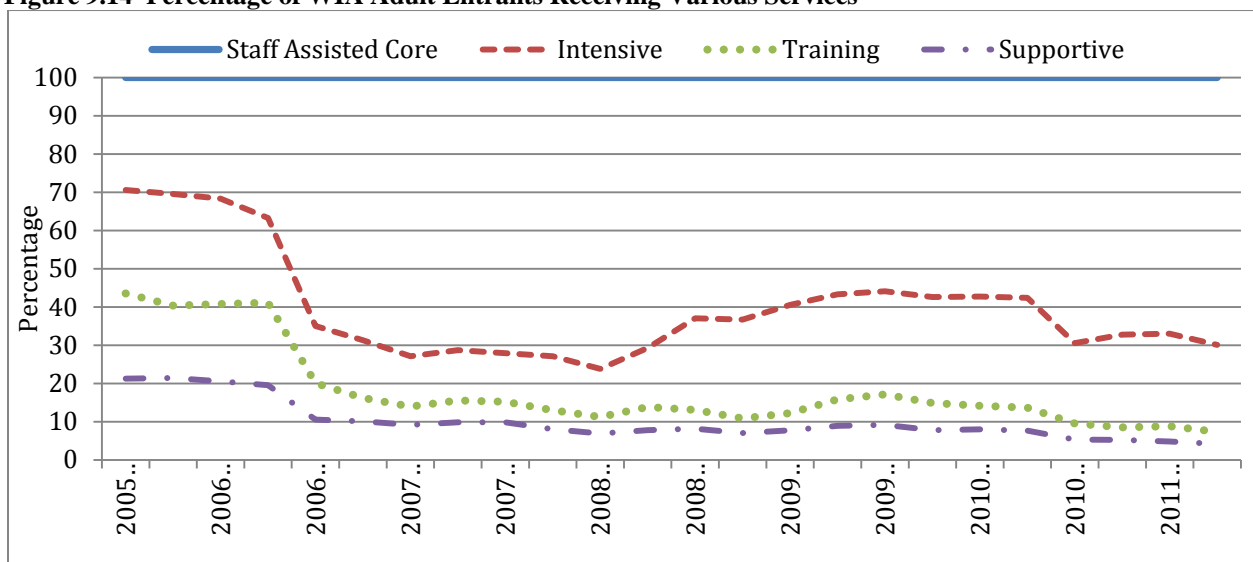


in 2009Q3. Between 2008Q4 and 2009Q3, the number receiving training increased from 30,000 a quarter to 60,000 a quarter. However, the heightened service receipt lasted only one quarter before starting to decline. By the following quarter, service receipt among the three services fell by as much as 30 percent and continued declining throughout the remainder of the Recovery Act period. The surge in services, particularly training services, is consistent with the U.S.

Department of Labor’s directive to states at the time the Recovery Act was enacted for them to use the available funds expeditiously to make services available to participants as quickly as possible.

The rapid increase in the number receiving services in the latter half of 2008 led to a higher percentage of entrants receiving services than during the year before. From 2008Q1 through 2009Q3, as shown in Figure 9.14, the percentage of entrants receiving intensive services rose from 23.8 to 44.1 percent, a much greater increase than the increase in WIA Adult funding (as shown in a later chart).⁵⁴ The percentage of entrants receiving high-cost job training services

Figure 9.14 Percentage of WIA Adult Entrants Receiving Various Services

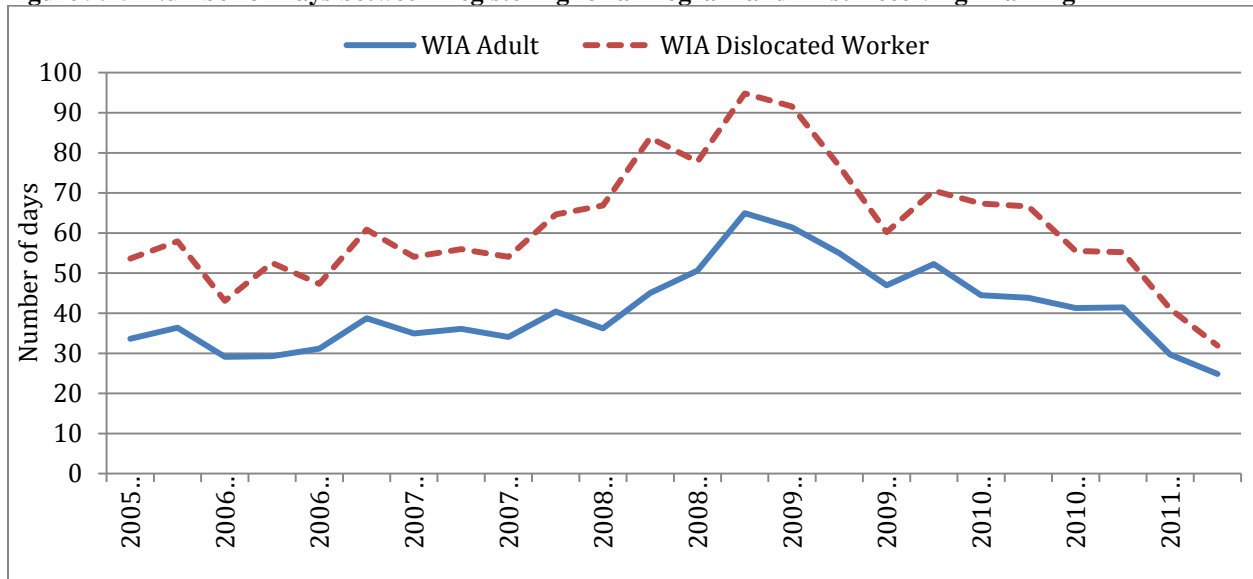


⁵⁴ It should be noted that prior to 2006 and before coenrollment, the share of participants receiving intensive services reached a high of 70 percent. Again, the abrupt decline in the percentage receiving intensive services after 2006 can be attributed to coenrollment.

reached 17 percent as Recovery Act funds became available in the middle of 2009, and the share of entrants receiving supportive services peaked at 9 percent. However, within a year after the peak, the percentage of entrants receiving training fell to 9 percent and that of supportive services to 5 percent. By 2010Q3 the share of each service was below its rate before the Recovery Act was instituted, because of a combination of reduced services and a continued high level of entrants. The share of those receiving intensive services, on the other hand, remained about the same at the end of the Recovery Act period as before the act was passed. The percentage receiving staff-assisted services is also included in the analysis. However, the percentage of entrants receiving these services is always 100 percent, since WIASRD reporting definitions count all new entrants as receiving staff-assisted core services.

As the number of entrants into the WIA Adult program started to increase significantly in 2008Q3, state and local workforce agencies may not have had the capacity to respond quickly to the increased demand for services. The lack of capacity may be reflected in the number of days between the point of registration and the receipt of services, particularly training services. From 2008Q1 to 2008Q4, the number of days between registration and commencement of receiving the first training services increased precipitously, from 36 days to a peak of 65 days (Figure 9.15). However, after 2008Q4, the length of time between registration and training start-time began to decline, and the decline continued throughout the remaining period in which Recovery Act funds were available. The shortening of the waiting period around the time Recovery Act funds became available suggests that Recovery Act funding provided resources necessary to increase the capacity of state and local workforce agencies to provide additional services.

Figure 9.15 Number of Days between Registering for a Program and First Receiving Training

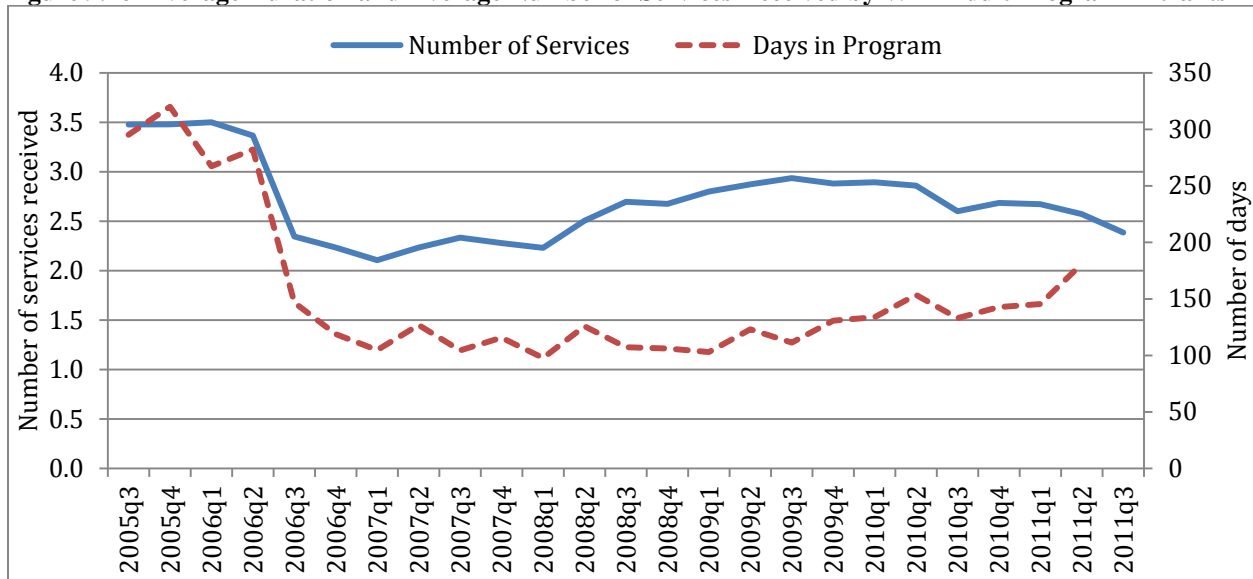


At about the time of the uptick in the number and percentage of entrants receiving the various staff-assisted services, the average number of services received by entrants also started to increase. As shown in Figure 9.16, the average number of services per entrant climbed from 2.2 in 2008Q1 to 2.9 in 2009Q3, indicating that not only were entrants moving into services that required more staff time but they were also receiving a greater number of services on average.⁵⁵ Another indication of the greater number and intensity of services was the increase in the number of days in the program. This increase occurred about four quarters after the number of services started to rise. However, the increase in average duration in the program could also be attributed to the difficulty in finding employment, as the number of days continued to climb even after the number of services received began to decline.⁵⁶

⁵⁵ The number of services received is by registration quarter, while days in program is by exit quarter.

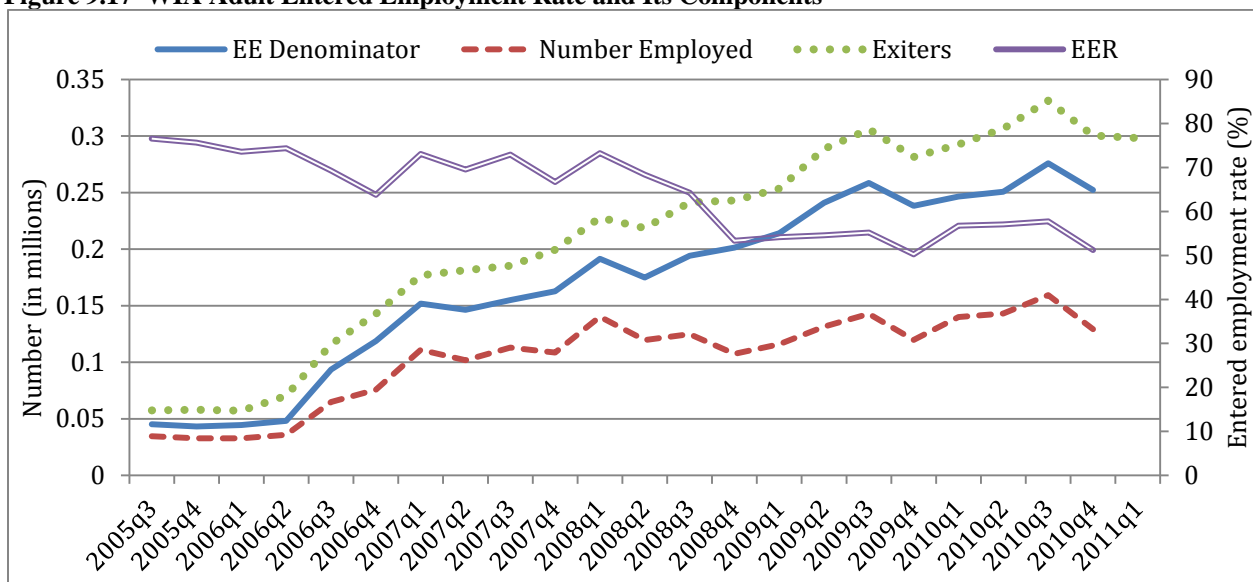
⁵⁶ As with the other trends in services, the average duration in the program and the number of services appear to be influenced by the advent of coenrollment in 2006. Immediately prior to that time, the average number of services was around 3.5 and the average duration in the program was around 300 days. By 2006Q4, these numbers had fallen to 2.2 and 119, respectively.

Figure 9.16 Average Duration and Average Number of Services Received by WIA Adult Program Entrants



As the unemployment rate continued to climb in 2008, WIA Adult participants showed increasing difficulty in finding employment. As shown in Figure 9.17, the percentage of exiters moving immediately into employment (as measured by the entered employment rate) fell from 73 percent to 53 percent in that one year. From that point on, the entered employment rate remained virtually flat. However, during that period of a constant entered employment rate, the

Figure 9.17 WIA Adult Entered Employment Rate and Its Components

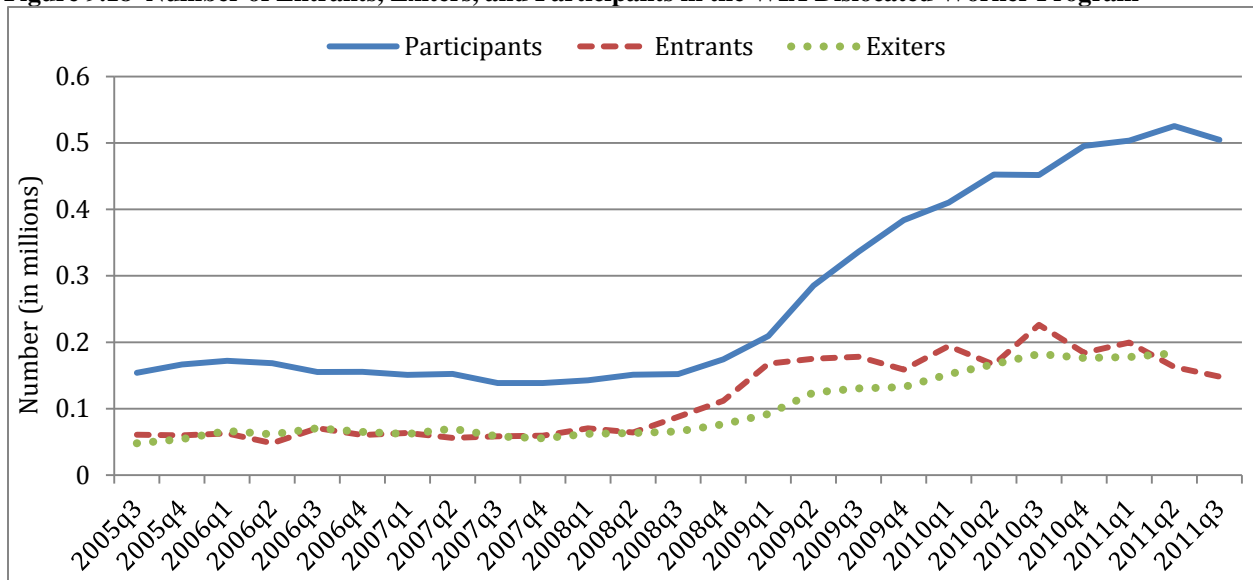


number of exiters who found employment rose by 52,000, from 107,000 in 2008Q3 to 159,000 in 2010Q3, an increase of nearly 50 percent. This increase can be explained to a large extent by the greater number of participants in the program. The number of exiters rose at roughly the same rate, which kept the entered employment rate constant throughout this period.

WIA Dislocated Worker Program

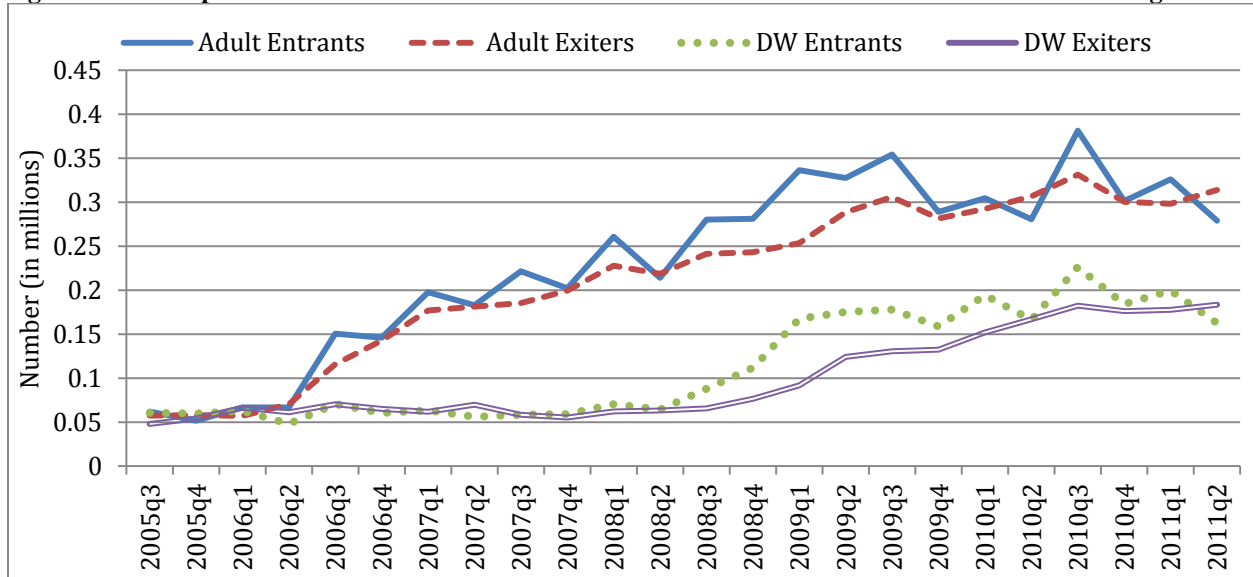
The WIA Dislocated Worker (DW) program provides services to experienced workers who permanently lose their jobs through no fault of their own. Consequently, as the unemployment rolls swelled during 2008, the number of entrants into the WIA DW program also increased. Figure 9.18 shows the flow of new entrants into the program. From 2005 to the middle of 2008, the number of new entrants averaged approximately 61,000 per quarter. As the recession set in, the number of new entrants increased sharply. Between 2008Q2 and 2009Q2, the number of unemployed increased by 6 million, swelling the ranks to 14.3 million in that one-year period, an increase of 74 percent. During that same period, the number of entrants into the WIA Dislocated Worker program increased by 110,000 per quarter, which was a much larger

Figure 9.18 Number of Entrants, Exiters, and Participants in the WIA Dislocated Worker Program



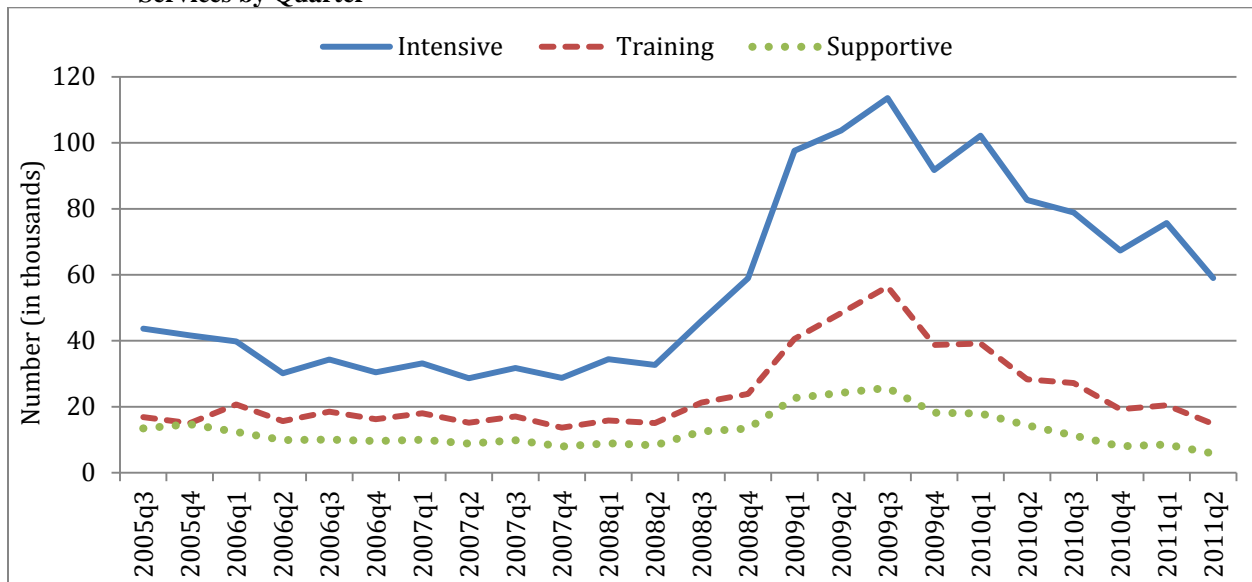
percentage increase (173 percent) than the percentage increase in the unemployed. In contrast, entrants into the WIA Adult program increased by a much larger percentage, but the upward trend started long before the recession began, as shown in Figure 9.19. As previously noted, the increase in WIA Adult entrants resulted primarily from the decision by several populous states to coenroll all ES participants as WIA Adult participants.

Figure 9.19 Comparison of Entrants and Exiters in the WIA Adult and WIA Dislocated Worker Programs



The influx of entrants into the program was promptly met by an increase in the number of services provided. Figure 9.20 shows that the increase in intensive, training, and supportive services at least doubled for each of these services between 2008Q3 and 2009Q3. As with the WIA Adult program, state workforce agencies responded strongly to the USDOL’s call for increased training and other intensive services. For all three types of services, the number receiving the services started to increase even before the Recovery Act funds became available in 2009Q2. During this period, the number receiving intensive services grew from 46,000 to

Figure 9.20 Number of Entrants Receiving WIA Dislocated Worker Intensive, Training, and Supportive Services by Quarter

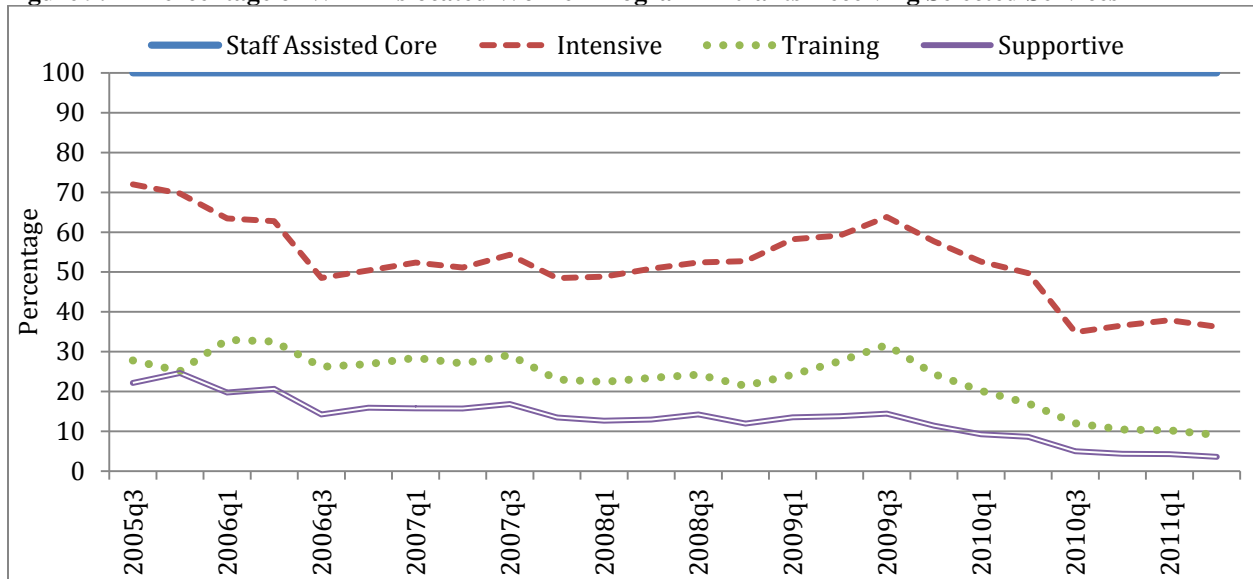


114,000, those receiving training jumped from 21,000 to 56,000, and those receiving supportive services increased from 12,500 to 25,700. The surge in services lasted only a few quarters, however. Immediately after peaking in 2009Q3, the number receiving services declined and continued a downward trend through 2011Q3.

During the initial quarters of the Recovery Act period, the WIA DW program appeared to have the capacity to provide services to the influx of entrants. As shown in Figure 9.21, the percentage of entrants receiving intensive services, training, and supportive services increased during the two quarters prior to 2009Q3, the quarter in which the percentages peaked. However, for the remainder of the Recovery Act period, the percentages trended downward and ended in 2011Q3 below what they were before the Recovery Act period began.

As with the WIA Adult program, state and local workforce agencies did not respond immediately to the increased demand for WIA Dislocated Worker services. The number of days between the time a person registered for the WIA Dislocated Worker program and the time that

Figure 9.21 Percentage of WIA Dislocated Worker Program Entrants Receiving Selected Services

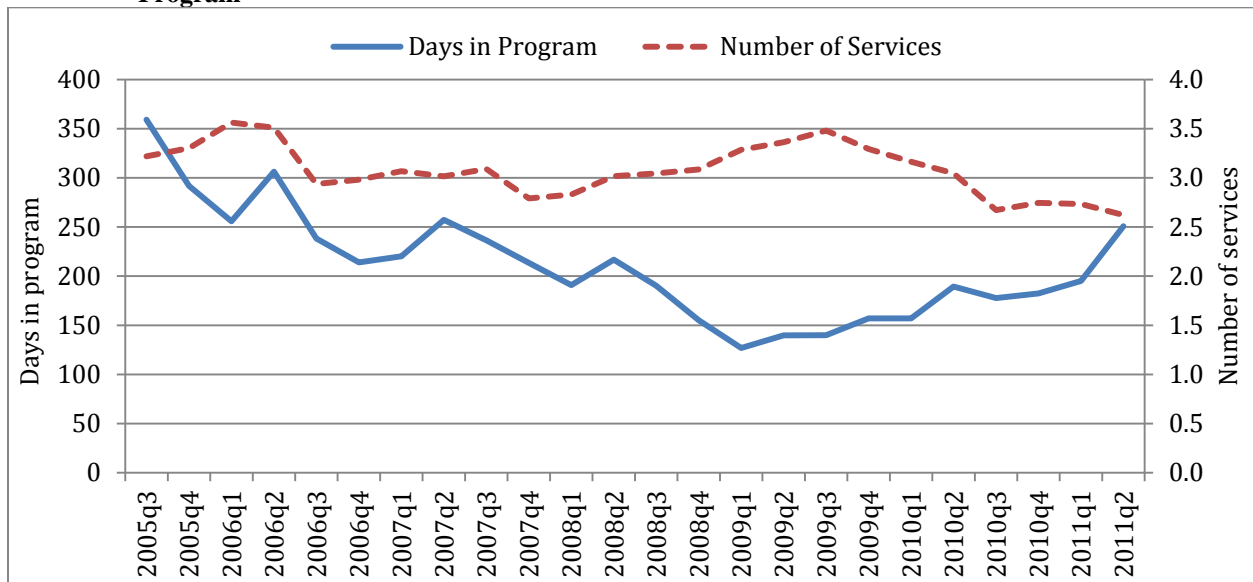


person first received training services increased dramatically beginning in 2007Q3 (shown in Figure 9.15). The number of days increased from 54 in 2007Q3 to 95 in 2008Q3. From that quarter on and throughout the time Recovery Act funds were available, the number of days steadily declined until it reached a low of 31 in 2011Q2. It is interesting that the number of days between registration and service receipt began to increase at least three quarters before the number of entrants into the program started to increase. This could suggest a diminished capacity to provide services during that period, a time period that corresponded to a 9 percent reduction in WIA Dislocated Worker funding (PY2007 through PY2009).

Starting in 2009Q2, the average duration of entrants in the WIA DW program began to increase, as displayed in Figure 9.22.⁵⁷ This occurred at the same time Recovery Act funding became available, but the upward trend continued throughout the entire funding period, long after the number and percentage of exiters receiving training declined. Moreover, the average number of services received by DW entrants also trended downward during most of that period.

⁵⁷ The number of services received is by registration quarter, while days in program is by exit quarter.

Figure 9.22 Average Duration and Number of Services Received by Entrants in the WIA Dislocated Worker Program

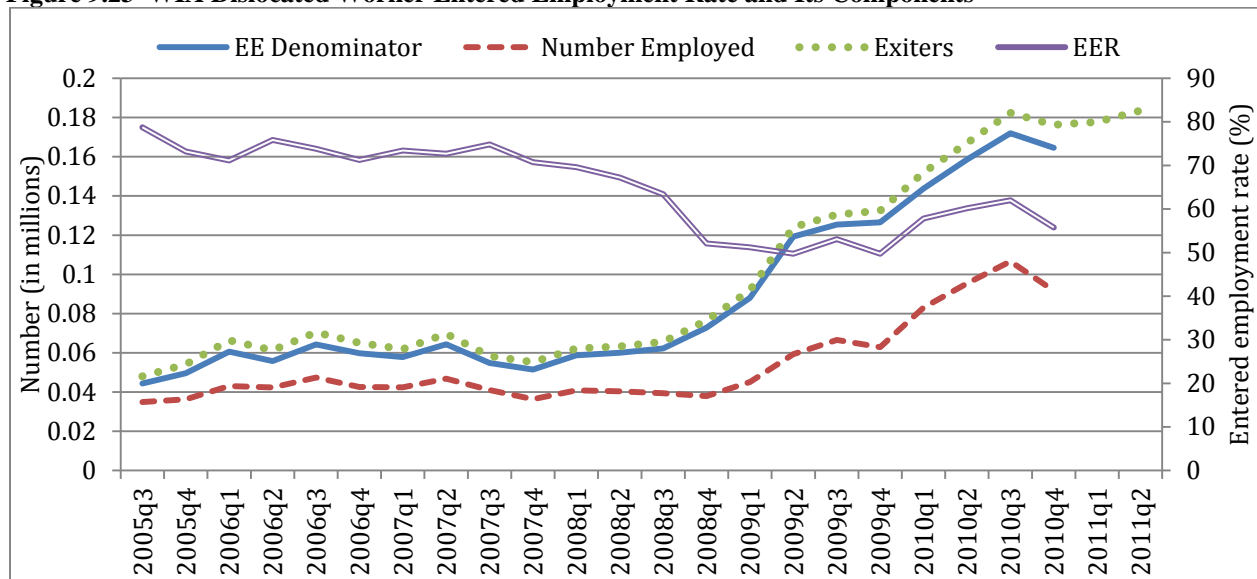


While the increased usage of more intensive services may have contributed to the increased duration in the program, at least in the early part of Recovery Act funding period, this cannot explain the continued increase in the length of time in the program, since the percentage of entrants receiving intensive services and training fell after 2009Q3.

Another explanation for the increased duration may be the reduction in job prospects. The percentage of WIA DW exiters finding employment immediately after leaving the program (defined as the entered employment rate) dipped during the recession. As shown in Figure 9.23, the entered employment rate fell from 70 percent in late 2007 to around 50 percent by 2008Q4. It remained at that rate until the beginning of 2010, when it began to increase, although it only reached 60 percent before falling back to 55 percent at the end of 2010Q4, the last quarter for which these data are available.

Despite the lower entered employment rate, the number of exiters finding employment steadily increased throughout the Recovery Act period. From 2009Q1 through 2010Q3, the

Figure 9.23 WIA Dislocated Worker Entered Employment Rate and Its Components



number employed grew from 45,000 to 106,000, an increase of 135 percent. This increase stands out, as the number of hires nationwide declined by 2.8 percent and the number of private sector jobs fell by 2.2 percent during that period.⁵⁸ Part of the explanation is in the greater number of exiters during that period, an increase of 86 percent, but at a lower rate than the number finding employment. It may also be explained by an improvement in the effectiveness of the services and the qualifications of participants.

Expenditures and Participation

Recovery Act appropriations for workforce programs were intended to support the increased need for reemployment and training services as unemployment climbed during the recession.⁵⁹ Total Recovery Act funding for the three workforce programs—the Employment

⁵⁸ The number of hires is from the BLS JOLTS data, and the number of private sector jobs is from BLS.

⁵⁹ The American Recovery and Reinvestment Act of 2009, which we refer to as the Recovery Act, provided additional budget authority to federal agencies to obligate funds above the levels provided in the previously enacted fiscal year 2009 budget. Much of the spending, particularly for workforce programs, was based on pre-existing formulas or mechanisms. The March 18, 2009 Training and Employment Guidance Letter (TEGL 14-08) states, “Recovery Act funding may only be used for authorized WIA and Wagner-Peyser Act activities as provided in this TEGL. ETA expects states and local areas to fully utilize the additional workforce funding to substantially increase

Service, the WIA Adult program, and WIA Dislocated Worker program—amounted to \$2.35 billion. The Employment Service and the WIA Adult Programs received roughly 55 percent of their 2009 fiscal year budget, and the WIA Dislocated Worker Program received 108 percent of its 2009 fiscal year budget. The Act provided funding for two years, but as an economic stimulus program, the administration encouraged its agencies to spend the funds as quickly as prudently feasible. The U.S. Department of Labor’s (USDOL’s) March 2009 field guidance directed states to spend the Recovery Act funds “expeditiously and effectively,” which resulted in many states spending a majority of the funds in the first year (USDOL 2009b, p. 3). The Employment Service responded the fastest of the three programs. By 2010Q2, a year after Recovery Act funding began, the Employment Service had spent 85 percent of its available Recovery Act funding, the WIA Adult program spent 72 percent, and the WIA Dislocated Worker program spent 60 percent of its funds. While helping to accommodate the influx of participants into the three programs and to provide more intensive services, the speed at which funds were used within the first year left disproportionately fewer funds for the second year, even as the number of participants in the three programs still remained high.

The relationship between expenditures and participation

Figures 9.24 through 9.29 show the patterns by which the three workforce programs spent the Recovery Act funding. Expenditures for all three workforce programs are expressed in current dollars. Annual appropriations and expenditures for the three workforce programs were mostly flat before and after the Recovery Act funding period. For example, FY2009 funding for the three programs amounted to \$3.09 billion compared with FY2011 funding of \$3.00 billion, a

the number of customers served, and to substantially increase the number and proportion of those customers who receive training. These funds must be used to supplement annual WIA/Wagner-Peyser appropriations and must only be used for activities that are in addition to those otherwise available in the local area (WIA sec. 195[2]). To that end, Recovery Act funding is to be spent concurrently with other WIA and Wagner-Peyser funding, and should not be used to replace state or local funding currently dedicated to workforce development and summer jobs.”

Figure 9.24 Wagner-Peyser Act ES Expenditures and Participants by Quarter, with and without Recovery Act Funding

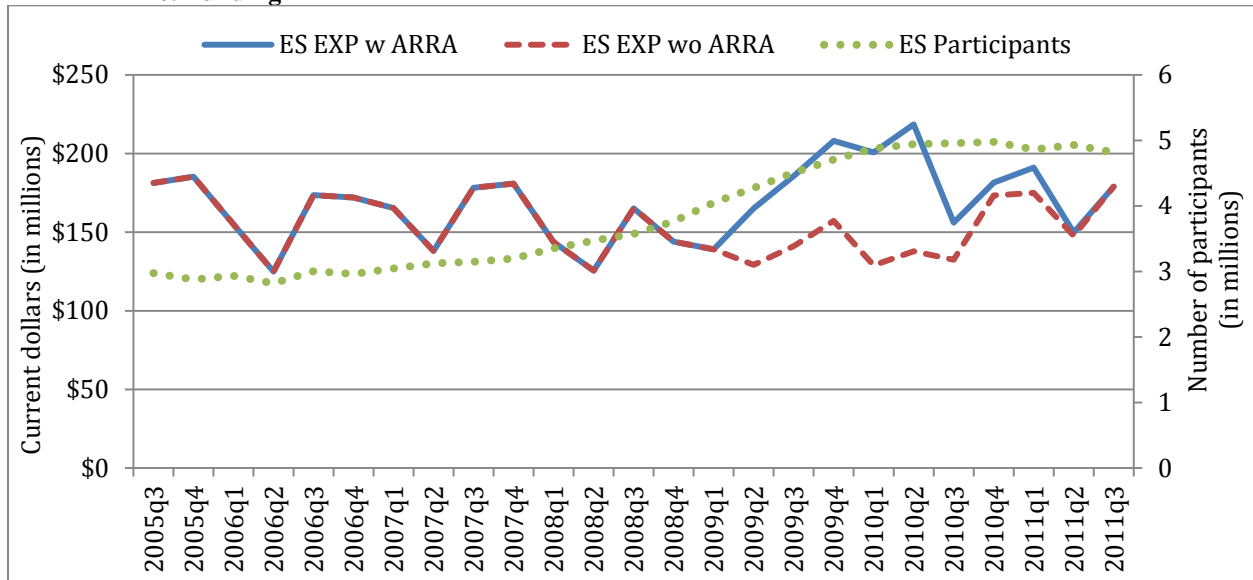


Figure 9.25 Wagner-Peyser Act ES Expenditures per Participant, with and without Recovery Act Funding

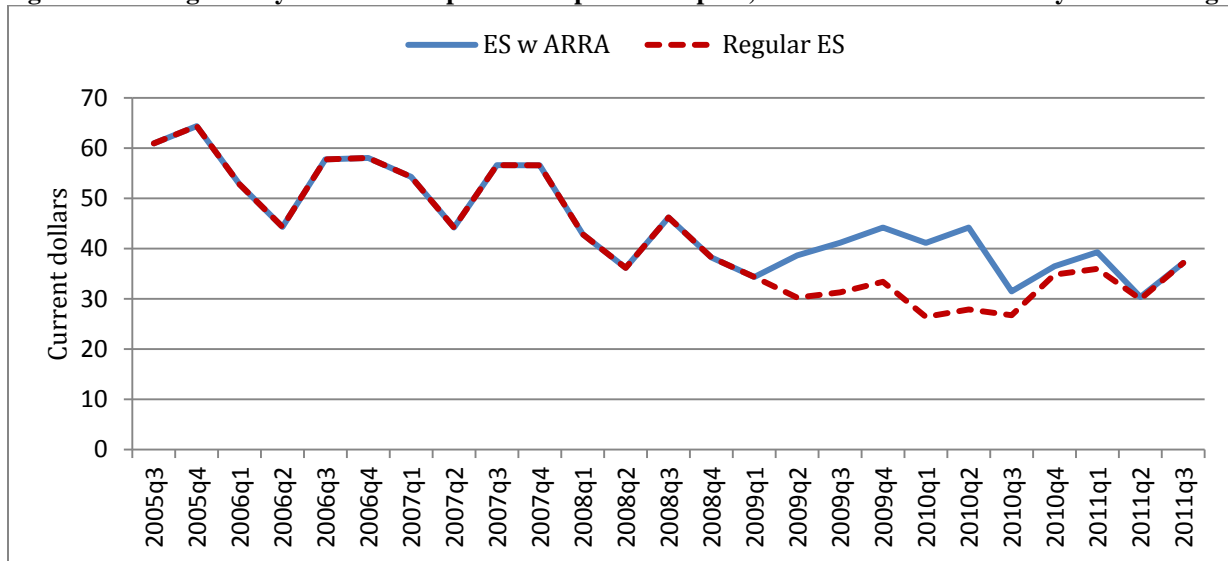


Figure 9.26 WIA Adult Participants and Expenditures, with and without Recovery Act Funding

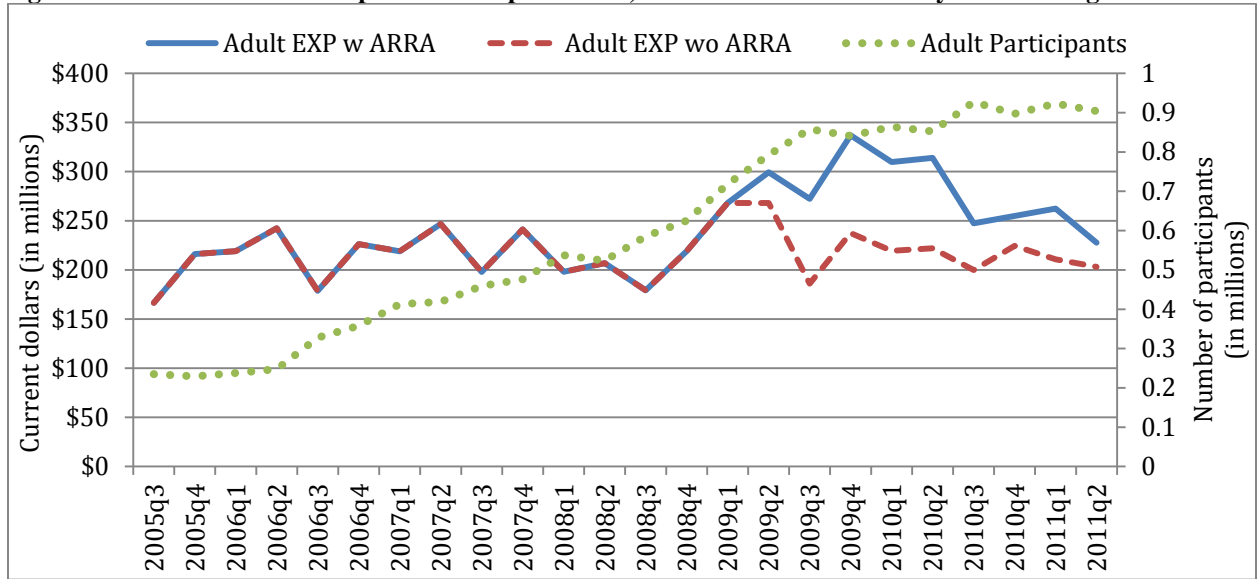


Figure 9.27 WIA Dislocated Worker Participants and Expenditures, with and without Recovery Act Funding

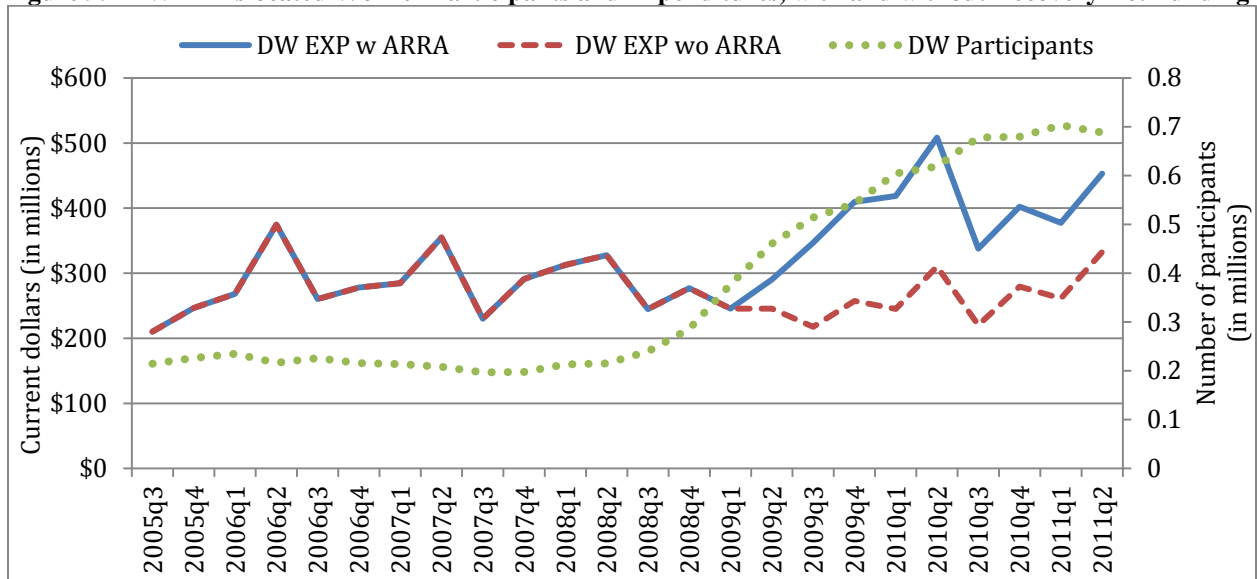


Figure 9.28 WIA Adult Expenditure per Participant, with and without Recovery Act Funding

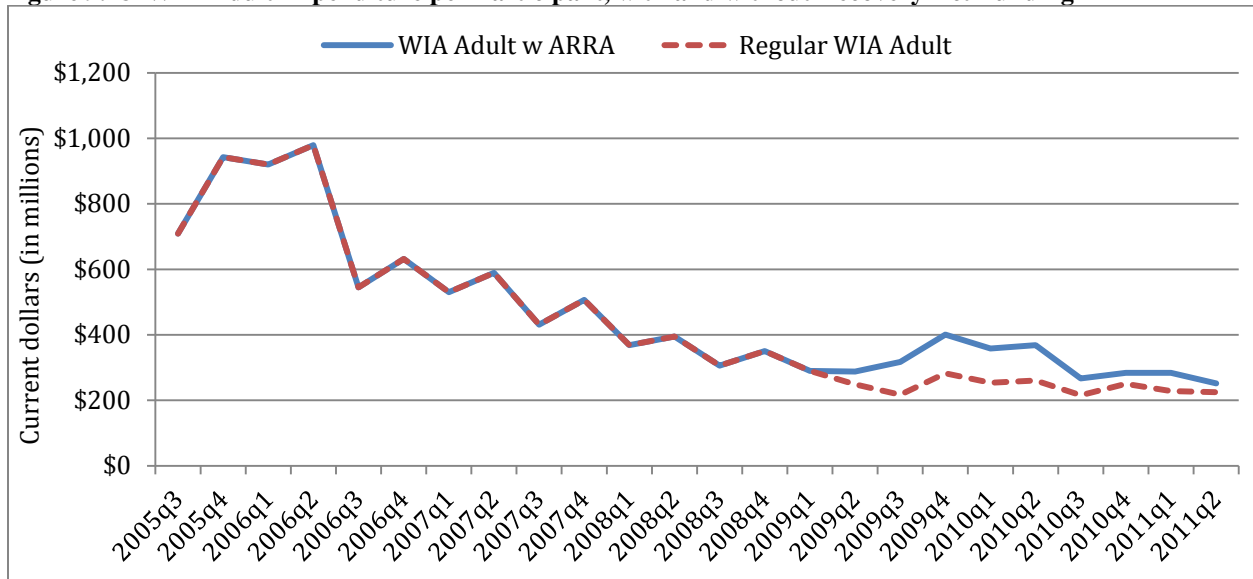
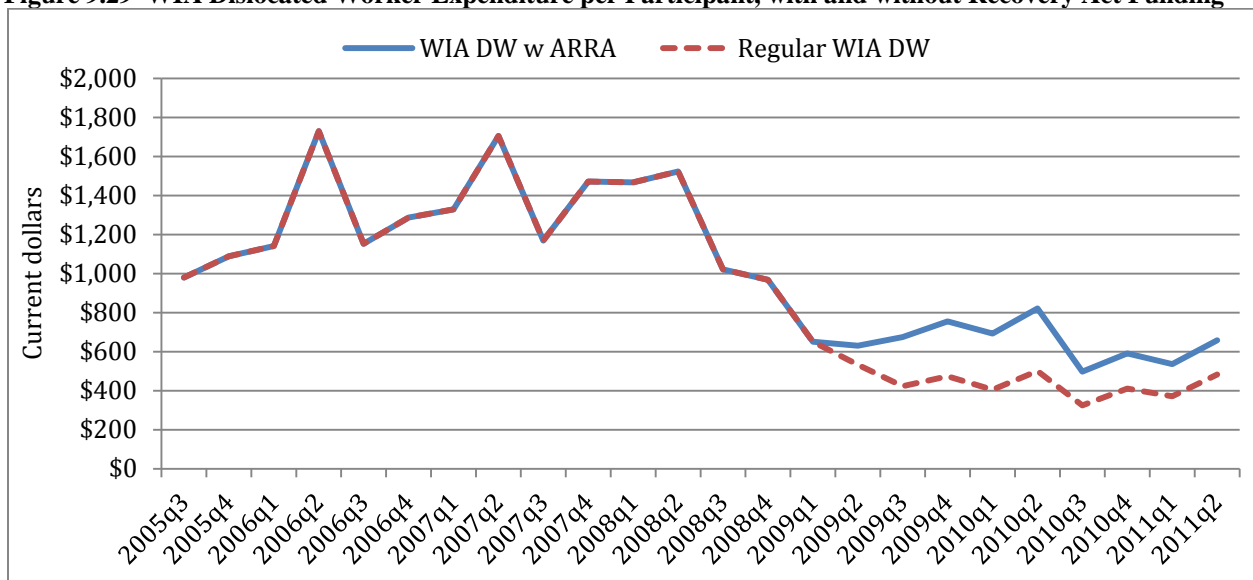


Figure 9.29 WIA Dislocated Worker Expenditure per Participant, with and without Recovery Act Funding



reduction of 3.0 percent. For all three programs, Recovery Act funding provided additional resources during a time of increased program participation, which was more than enough to raise expenditures per participant for the first year of Recovery Act funding. However, the Recovery Act funds that remained for the second year were not enough to offset the continued increase in

the number of participants in each program, and subsequently expenditures per participant fell in the second year of the Recovery Act funding period. Despite increased dollars, funding per participant (in current dollars) of the three workforce programs was lower throughout the Recovery Act funding period than it had been before the recession. Recovery Act funds filled a portion of this difference, but appropriations were not sufficient to keep up with the increase in enrollments and to return expenditures per participant to prerecession levels.

Comparison of per participant expenditures before and during the Recovery Act funding period

This section provides estimates of the level of funding required to restore per-participant expenditures in each of the three programs to prerecession levels. The estimates are intended to illustrate the cost of accommodating the influx of participants during the recession at levels of service that were provided before the recession began. For this analysis, average expenditures per participant may be viewed as an approximation of the level and type of services. However, various factors may confound the linkage between per-participant expenditures and the level and type of services. One is inflation, which over time increases the cost of providing a unit of service. Expenditures are expressed in current dollars for ease of presentation, so the estimates underestimate the expenditures required to maintain the level of service that was provided before the recession during the Recovery Act period.⁶⁰ Another factor may be a shift in need or preference of participants and workforce staff for the types and levels of services offered. The types of reemployment services required by workers during an economic expansion may be different from those needed during a recession. Another factor, particularly for the WIA Adult program, is coenrollment, which started during what we defined as the prerecession period.

⁶⁰ The expenditures are in nominal terms. If converted to constant dollars, the difference would be even greater, as the consumer price index grew by 10 percent from 2005 through 2011, even though it took a sizable dip in 2008.

Despite these confounding factors, expenditures per participant can serve as a rough proxy for levels of service.

Two types of comparisons are presented. First, we estimate the additional funding required to accommodate the increase in the number of participants during the Recovery Act period at prerecession average-per-participant expenditures. More succinctly, we calculate the difference in the average number of participants between the Recovery Act period and the prerecession period ($x_1 - x_0$) and multiply that difference by the average per-participant expenditure in the prerecession period ($[x_1 - x_0]b_0$). Second, we estimate the amount “saved” due to a lower expenditure per-participant during the recession than before the recession ($[b_1 - b_0]x_1$). The notion of saving costs is only in the context of the difference in providing services at higher prerecession expenditure-per-participant levels versus lower Recovery Act levels for the additional participants enrolled in the programs during the Recovery Act period. Adding together these two weighted differences provides an estimate of the average difference in expenditures between the prerecession period and the Recovery Act period ($x_1b_1 - b_0x_0$). Therefore, the two comparisons provide a way of decomposing the difference in expenditures between the differences in the number of participants and the differences in the average per-participant expenditures. It should be noted that the second comparison does not presuppose that a particular per-participant funding target was set for the Recovery Act period. Setting such a target would have been difficult since it would have required an accurate forecast of the number of participants entering the programs, which in turn depended upon the depth and length of the recession. Rather, the average expenditure per participant during the Recovery Act period was the product of the confluence of the severity of the recession and the enactment of federal legislation.

Both of these comparisons are motivated by the following question: “What additional funds would be required to provide participants with the same level of services during the Recovery Act period (as measured by expenditures per participant) as had been provided before the recession?” The first comparison shows that the regular budgeting process had not kept pace with the increase in participants during the recession. The second comparison highlights that the Recovery Act funding, although intended to provide additional funding to accommodate the increase in enrollment and the greater need for intensive services, provided a lower per-participant expenditure level than was attained before the recession.

To compare per-participant expenditures before and during the Recovery Act funding period, we estimated the average expenditure per participant for two time periods. We defined the prerecession period as having extended from 2005Q3 through 2007Q4 and the Recovery Act period as having extended from 2009Q2 through 2011Q2. We also computed the average expenditure per participant with and without the Recovery Act funds. Table 9.2 displays the quarterly average per-participant expenditures along with the quarterly average number of participants in each of the three programs for these time periods. Multiplying the average number of participants by the average per-participant expenditures yields the average quarterly expenditure for a specific program. Multiplying the average quarterly expenditure by the nine quarters of the Recovery Act period provides an estimate of the total expenditure for that nine-quarter period. We use the nine-quarter period to compare the expenditures during the Recovery Act period with expenditures during a nine-quarter period before the recession.

The change in the level of expenditures per participant depends upon the change in number of participants and the change in expenditures. Table 9.1 shows the relationship between percentage change in participants and expenditures between the Recovery Act and the

prerecession period that resulted in the decline in per-participant expenditure. For example, the number of participants of the WIA Adult program grew by 157 percent, while total expenditures without Recovery Act funds increased by only 1.7 percent and with Recovery Act funds grew 30.3 percent. In both cases, expenditures grew at a slower pace than the number of participants, resulting in a decline in the average per-participant expenditures of 60 percent when Recovery Act funds are not included and a decline of 49 percent when the funds are included.

Table 9.1 Percentage Changes in Number of Participants and Expenditures from the Prerecession Period to the Recovery Act Period, by Program

% change from prerecession period to Recovery Act period	Program		
	ES	WIA Adult	WIA DW
Participants	58.9	156.7	183.5
Avg. expenditure/participant without Recovery Act funds	-44.1	-60.4	-66.8
Avg. expenditure/participant with Recovery Act funds	-30.0	-49.3	-50.3
Expenditures without Recovery Act funds	-11.2	1.7	-5.9
Expenditures with Recovery Act funds	11.2	30.3	40.7

NOTE: Percentage changes are calculated between the time periods 2005Q3–2007Q4 and 2009Q2–2011Q2, based on quarterly averages within each period.

The basic question of this section is what amount of additional funds are required to accommodate the increase in enrollment at prerecession levels of per-participant expenditures. To address this question, we consider the hypothetical increase in expenditures if the level of per participant expenditures stayed at prerecession levels. For example, as displayed in Table 9.2, the average prerecession per-participant expenditure for the WIA Adult Program was \$633; the per-participant expenditure during the Recovery Act period was \$251 without the Recovery Act funds. The average quarterly number of participants increased from 340,231 before the recession to 873,324 during the Recovery Act period. In order to provide the same level of services, as measured by per-participant expenditures, expenditures would have increased by the difference

Table 9.2 Hypothetical Funds Needed to Maintain Prerecession Per-Participant Expenditure Levels during the Recovery Act Period

Period	Average quarterly participants (x)	Avg. \$ expenditure/ participant w/o recovery funds (b)	Avg. \$ expenditure/ participant w/ recovery funds (b _R)	$(x_1 - x_0)b_0$ \$ (millions)	$(b_1 - b_0)x_1$ \$ (millions)	$(b_{1R} - b_0)x_1$ \$ (millions)
Employment Service						
Prerecession 2005Q3–2007Q4	3,008,622	55				
Recovery Act 2009Q2–2011Q2	4,781,915	31	38	877	-1,032	-731
WIA Adult						
Prerecession 2005Q3–2007Q4	340,231	633				
Recovery Act 2009Q2–2011Q2	873,724	251	321	3,037	-3,003	-2,450
WIA Dislocated Worker						
Prerecession 2005Q3–2007Q4	215,099	1,301				
Recovery Act 2009Q2–2011Q2	609,832	432	646	4,622	-4,770	-3,595

NOTE: Authors' calculations of the workforce expenditure and administrative data. See text for sources.

in participants times the prerecession per-participant expenditures (i.e., $(x_1 - x_0)b_0$ times 9 quarters). For the WIA Adult program, the increase would have amounted to \$3.04 billion (i.e., $(873,324 - 340,231) \times 633 \times 9$). Based on average quarterly estimates, the program actually spent \$33 million more from the annual appropriations (not including Recovery Act funds) during the nine-quarter Recovery Act period than in an average nine-quarter period before the recession. The difference was due to the lower average per-participant expenditures in the Recovery Act period, which amounted to a hypothetical reduction of \$3.0 billion. This latter reduction is calculated as the difference in the per-participant expenditures between the two

periods times the number of participants during the Recovery Act Period (i.e., $(\$251 - \$633) \times 873,324 \times 9$). Factoring in the Recovery Act funds expended during that period, the program spent \$586 million more during the nine-quarter Recovery Act period than in an average nine-quarter prerecession period. This increase included the \$33 million increase from annual appropriations, with the remainder coming from Recovery Act funds. Nonetheless, an additional \$2.45 billion would have been required to bring the participants during the Recovery Act period to the per-participant expenditure during the prerecession period.

Changes in the WIA Dislocated Worker program between these two periods followed patterns similar to those of the WIA Adult program. The number of participants of the WIA Dislocated Worker program increased by 184 percent between the two periods, while the average expenditures without Recovery Act funds fell by 5.9 percent (Table 9.1). The infusion of Recovery Act funds increased total expenditures by 40.7 percent, but this increase fell far short of the nearly tripling of the number of participants, resulting in a decline in the average expenditures per participant of 49 percent. Recovery Act funds inserted an additional \$1.17 billion into the program over the nine-month period, raising the average per-participant expenditure from \$432 without the funds to \$646 with the funds. This per-participant spending level was still half of the amount of the prerecession period. To reach that level for the number of participants in the program during the Recovery Act period, an additional \$3.6 billion would have been required.

Although the ES program boasted the largest number of participants of the three programs, it experienced the lowest rate of increase in participants between the two periods. Between the prerecession period and the Recovery Act period, the number of participants increased by 59 percent (Table 9.1). Total expenditures, without including Recovery Act

expenditures, decreased by 11.2 percent. Consequently, the decline in per-participant expenditures was the least of the three programs, exhibiting a 44 percent decrease. To bring the Recovery Act period per-participant expenditures up to the prerecession level would require an additional \$877 million, as shown in Table 9.2. Recovery Act expenditures infused an additional \$333 million into the ES program, which raised the average expenditure per participant from \$31 to \$38. This level is still \$17 below the prerecession level of \$55. Another \$731 million would be required to bring the per-participant expenditure up to the prerecession level.

The previous analysis averaged expenditures per participant over the entire nine-quarter period in which Recovery Act funding was available. However, as we have shown in a previous section, a greater proportion of these funds were spent in the first half of that period than in the latter half. Since the number of participants in the programs remained high throughout the Recovery Act period, expenditures per participant fell. Table 9.3 shows the expenditures per participant for the three time periods: the prerecession period (2005Q3–2007Q4), Recovery Act Period One (2009Q2–2010Q2), and Recovery Act Period Two (2010Q3–2011Q2), in which the Recovery Act period was divided into the first five quarters and the latter four quarters. The ES spent the Recovery Act funds the fastest, with 85 percent of the available funds expended in the first five quarters. If the funds were spent evenly over the nine quarters, 55 percent of the funds would be expended during the first five quarters. The WIA Adult program spent 72 percent of available Recovery Act funds the first five quarters, and the WIA Dislocated Worker program spent 60 percent.

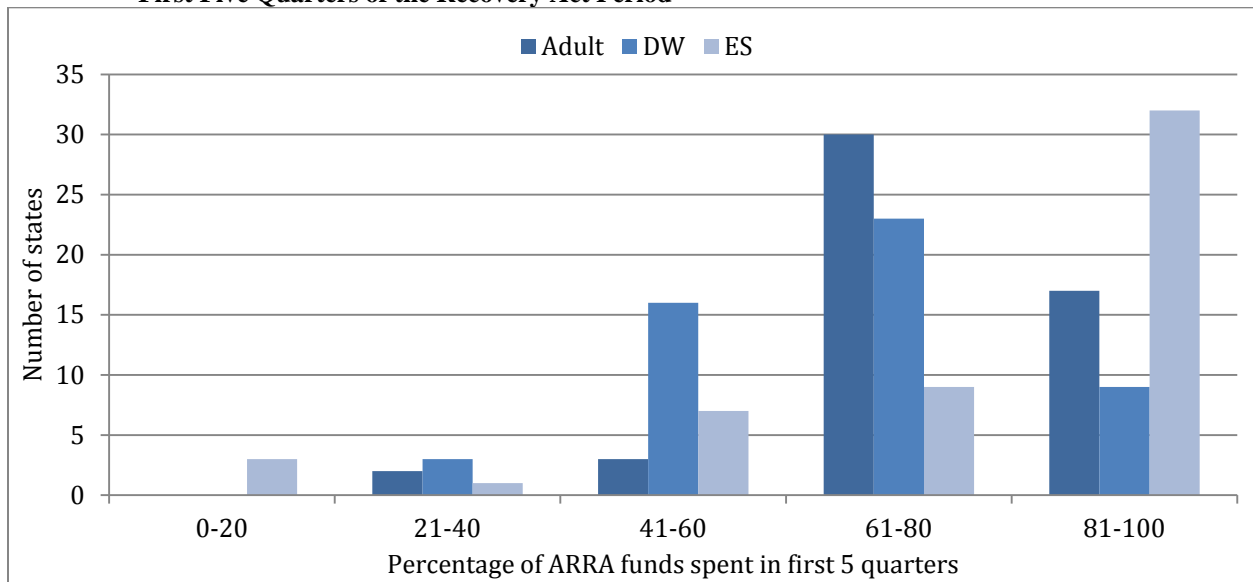
Figure 9.30 shows the distribution of states by the percentage of Recovery Act funds that they spent during the first five quarters of the Recovery Act period. The distribution reflects the national percentages, described above. Thirty-two states spent 80 percent or more of their ES

Table 9.3 Participants and Expenditures by Precession and Recovery Act Periods

Period	Avg. quarterly number of participants	Avg. quarterly expenditures per participant without Recovery Act funds (\$)	Avg. quarterly expenditures per participant with Recovery Act funds (\$)	% Recovery Act funds expended in period
Employment Service				
Precession 2005Q3–2007Q4	3,008,622	55		
Recovery Act 1 2009Q2–2010Q2	4,661,847	30	42	85
Recovery Act 2 2010Q3–2011Q2	4,931,999	32	34	15
WIA Adult				
Precession 2005Q3–2007Q4	340,231	633		
Recovery Act 1 2009Q2–2010Q2	841,581	269	364	72
Recovery Act 2 2010Q3–2011Q2	912,800	230	272	28
WIA Dislocated Worker				
Precession 2005Q3–2007Q4	245,099	1,301		
Recovery Act 1 2009Q2–2010Q2	547,975	466	720	60
Recovery Act 2 2010Q3–2011Q2	687,153	398	571	40

Recovery Act funds within the first five quarters, whereas only 17 and nine states spent 80 percent or more of their Adult and DW Recovery Act funds, respectively, during the first five quarters. For the WIA Adult and WIA DW program, the largest number of states spent between 60 and 80 percent of their Recovery Act funds during the first five quarters.

Figure 9.30 The Number of States that Spent Various Percentages of their Recovery Act Funds during the First Five Quarters of the Recovery Act Period



NOTE: The District of Columbia and Puerto Rico are included along with the 50 states.

For all three programs the number of participants was higher on average in the second half of the Recovery Act period than in the first half, and expenditures per participant (including the Recovery Act expenditures) were also lower the second half. While still higher than expenditures per participant from regular appropriations, in all cases expenditures per participant in the second half of the Recovery Act period approached expenditures per participant without Recovery Act funding. Therefore, as the Recovery Act funds were spent down and the number of participants remained high, the level of service as measured by expenditures per participant continued to decline.

Conclusion

This chapter demonstrates that the American workforce system responded to the needs of workers during the recent recession by spending available Recovery Act funds expeditiously to provide reemployment and training services to the influx of participants into three workforce programs—Employment Service, WIA Adult, and WIA Dislocated Worker. However, increases

in the number of participants were greater than increases in funds available through the Recovery Act and regular appropriations, forcing states to substitute proportionately more lower-cost services for higher-cost staff-assisted services such as training and counseling.

Overall, we found that the flows of workforce services did not keep pace with the needs of unemployed workers. Recovery Act funds only partially compensated for the increase in participants during and immediately after the recession. As a result, workforce programs did not serve participants with the same level or type of service that was provided before the recession. This is evidenced by the reduction in expenditures per participant and in the lower percentage of workers receiving more intensive services and training.

In general, funding for public workforce services was inadequate to avoid a substantial decline in nominal per-participant spending that had already been developing before the recession and that continued during and after it. Recovery Act funding countered part of the decline, but mostly during parts of 2009 and 2010. For the Recovery Act period as a whole, an additional \$8.5 billion would have been needed to accommodate the influx of participants into the three programs during the Recovery Act period at the prerecession level of service, as measured by expenditures per participant. The Recovery Act provided \$2.03 billion, which was about a quarter of the funds needed to maintain the prerecession expenditure per participant. When we split the Recovery Act period in two, we found that the gap in funding was much greater in the second Recovery Act period than the first. The results confirm that the state workforce agencies took seriously the U.S. Department of Labor's March 2009 field guidance that the Recovery Act funds should be spent "expeditiously and effectively," so the great majority of the funds were spent in the first year.

Considering the supplemental funding appropriated through the Recovery Act for all workforce programs and the UI system, our findings are not surprising. Federal policymakers put almost all the new money in the UI program for income maintenance purposes and relatively little into reemployment and training services. Policy emphasis was heavily placed on what the Organisation for Economic Co-operation and Development calls “passive labor market policy” rather than on “active labor market policy.” As a stimulus initiative, this may have been an appropriate decision, since the intent was to put money in workers’ pockets to provide a temporary, timely, and targeted stimulus to the economy.⁶¹

Our analysis covered only up to 2011Q2, because of the lack of more recent data when the report was prepared. However, it is important to understand what happened afterward, when unemployment and program participation remained high while funding was reduced to prerecession levels. To continue the analysis, the Public Workforce System Dataset (PWSD) should be updated and used to examine what happened after Recovery Act funding terminated. An extension of this study could analyze the flow of unemployed workers into and through reemployment services and training, examining the funding of the workforce system and determining the extent to which limited funding might constrain the ability of the system to provide adequately for those workers who continue to become and remain unemployed.

⁶¹ In testimony before the Joint Economic Committee on January 18, 2008, Lawrence Summers, Harvard University professor and former secretary of the Treasury, echoed his previous call for a fiscal stimulus that was “timely, targeted, and temporary,” which for many became the basic principles for an effective stimulus package.

Implementation of the American Recovery and Reinvestment Act: Workforce Development and Unemployment Insurance Provisions

FINAL REPORT

October 2012

SUBMITTED BY:

**Center for Employment Security Education and Research (CESER)
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