

# Public Workforce Program Response to ARRA During and After the Great Recession

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# The Issue

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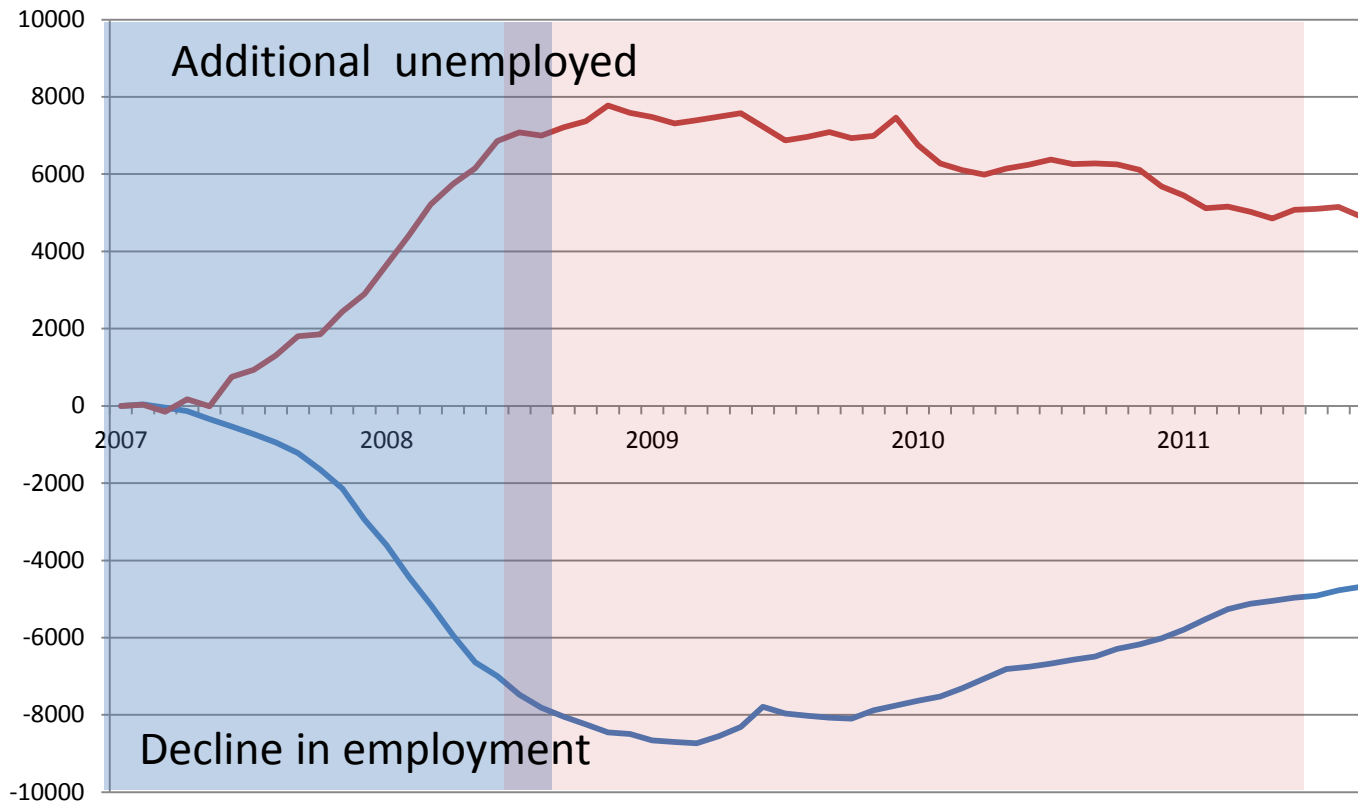
- Workforce and UI systems received substantial Recovery Act (ARRA) funds from 2009 to 2011 to help serve record number of jobseekers during the recession
- Most ARRA funds were exhausted by late 2010 while unemployment remained high and unemployment durations remained long
- What was the response of the public workforce system?
- Presentation combines finding of two studies:
  - Urban Institute study funded by Ford Foundation as part of the “Unemployment and Recovery Act Project”
  - Upjohn analysis funded by USDOL through NASWA

# Two Surveys and PWSD

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- National Association of State Workforce Agencies (NASWA) conducted two surveys of workforce and UI administrators in the fall of 2012
- Survey developed by NASWA staff with author covering period 2010-2012
- 45 states responded to workforce survey
- 44 states responded to UI survey
- Study is available on Urban Institute website at <http://www.urban.org/publications/412866.html>
- Upjohn study is available in *ARRA: The Role of Workforce Programs*, forthcoming, Upjohn Press

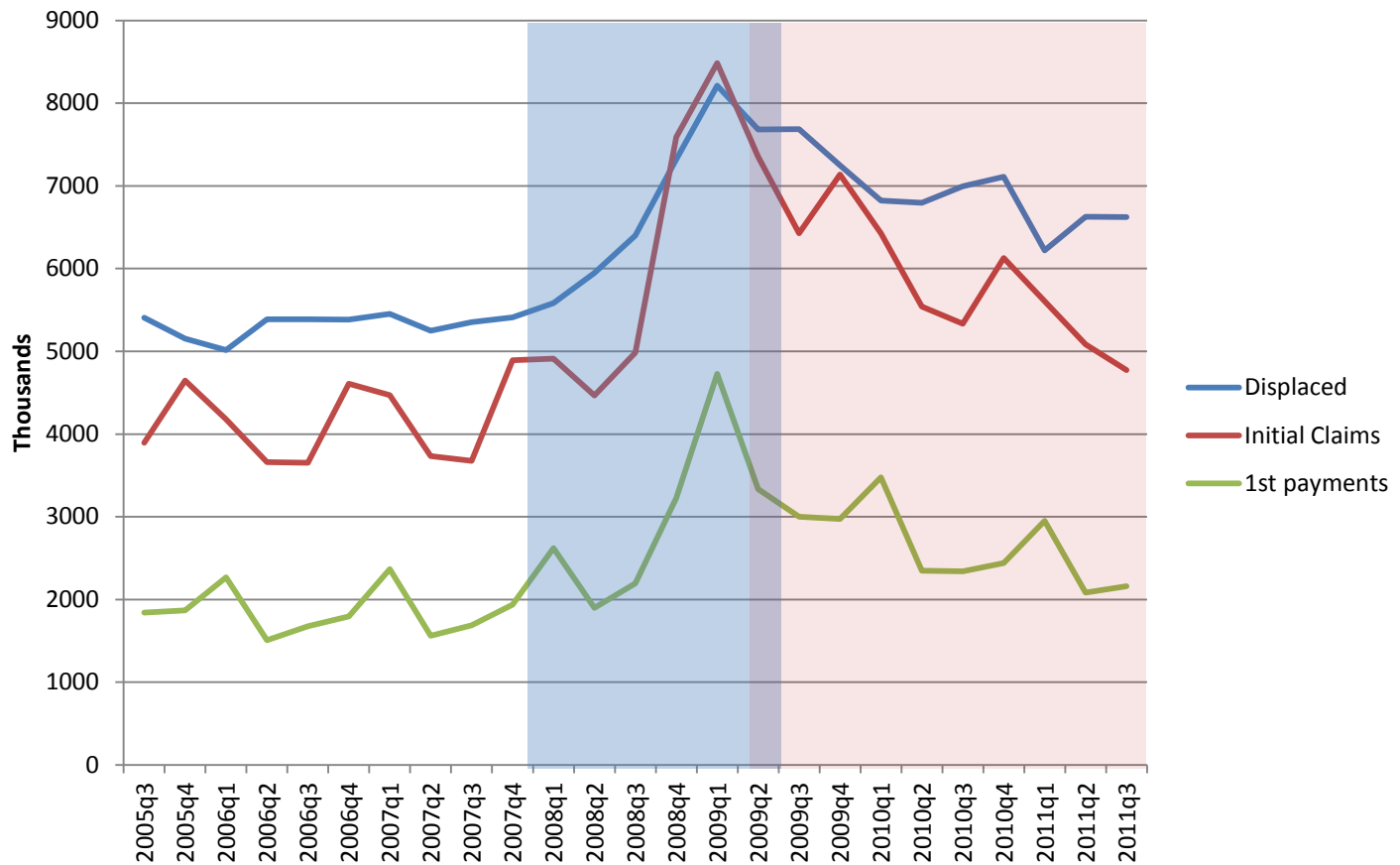
During the recession, employment declined by 8.7 million, leaving an additional 7.8 million unemployed. The number of unemployed peaked in October 2009 at 15.4 million, resulting in an unemployment rate of 10 percent. ARRA was enacted a few months before the recession officially ended.



Blue shading: recession from December 2007 to July 2009;  
red shading: Recovery Act funding period from March 2009 through Sept. 2011

# Unemployment Insurance System

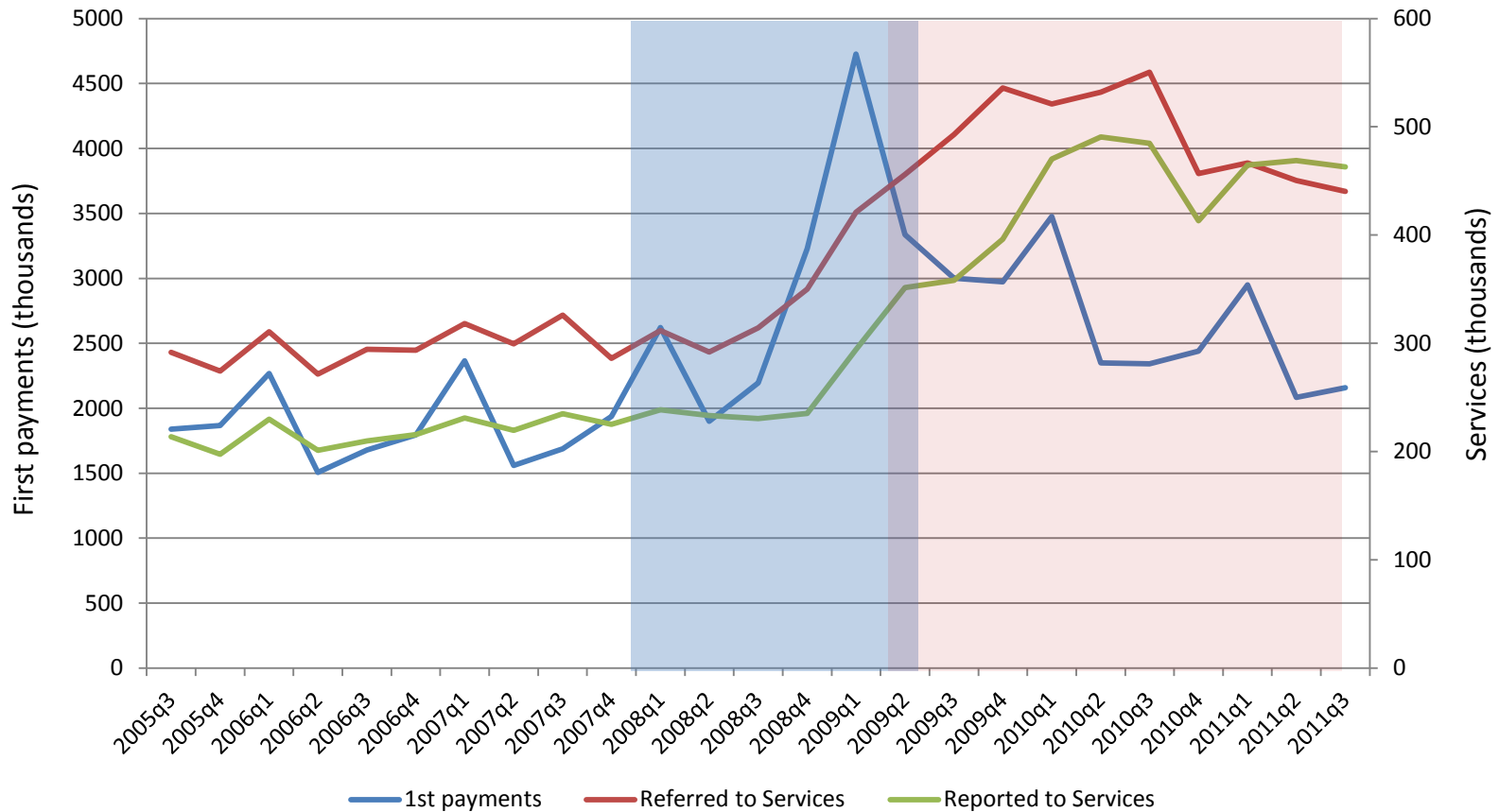
The number of initial claims for UI benefits quickly accelerated with the surge of displaced workers. After the initial surge, first payments lagged initial claims by one quarter, as they did before the recession.



Blue shading: recession; red shading: Recovery Act funding period.

# UI to Employment Service

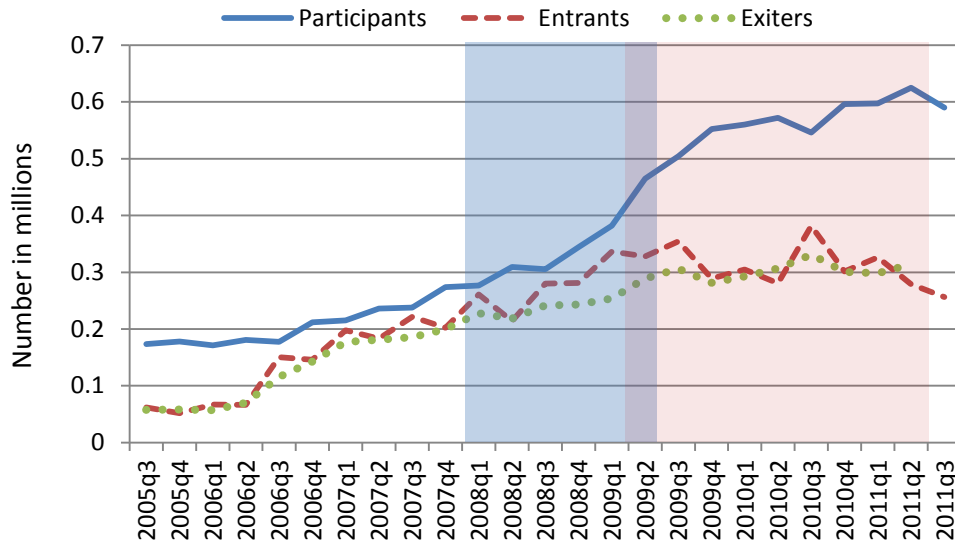
Referrals increased 92% and receipt of services increased 117% from the start of the recession to their respective peaks. Yet, it took time to move recipients into services. Five quarters elapsed between the peak of first payments and the peak of service receipt.



Blue shading: recession; red shading: Recovery Act funding period.

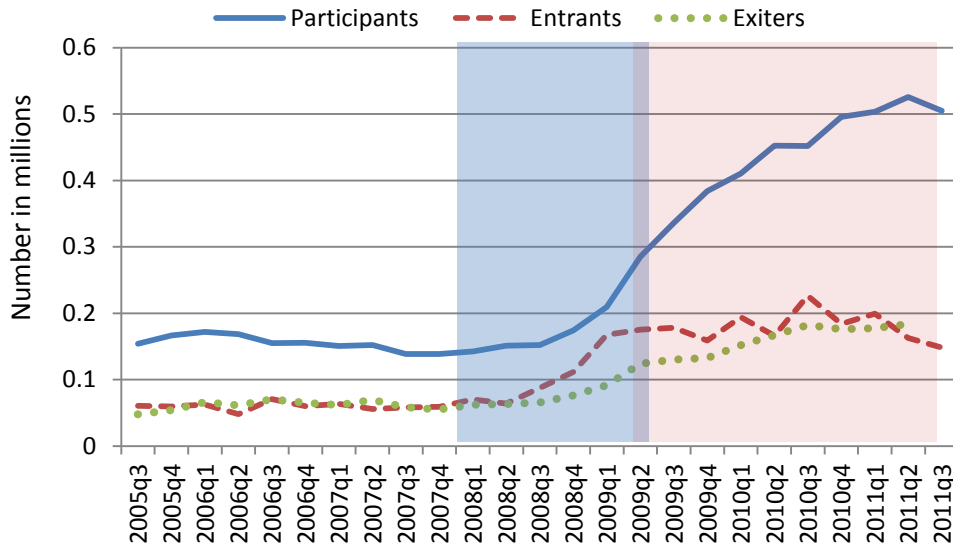
# WIA Participants, Entrants, and Exiters

## WIA Adult



The increase in enrollment in the WIA Adult program started long before the recession, due to co-enrollment of ES. Between 2008Q3 and 2009Q3, entrants outpaced exiters, however, resulting in a surge of 65% in participants.

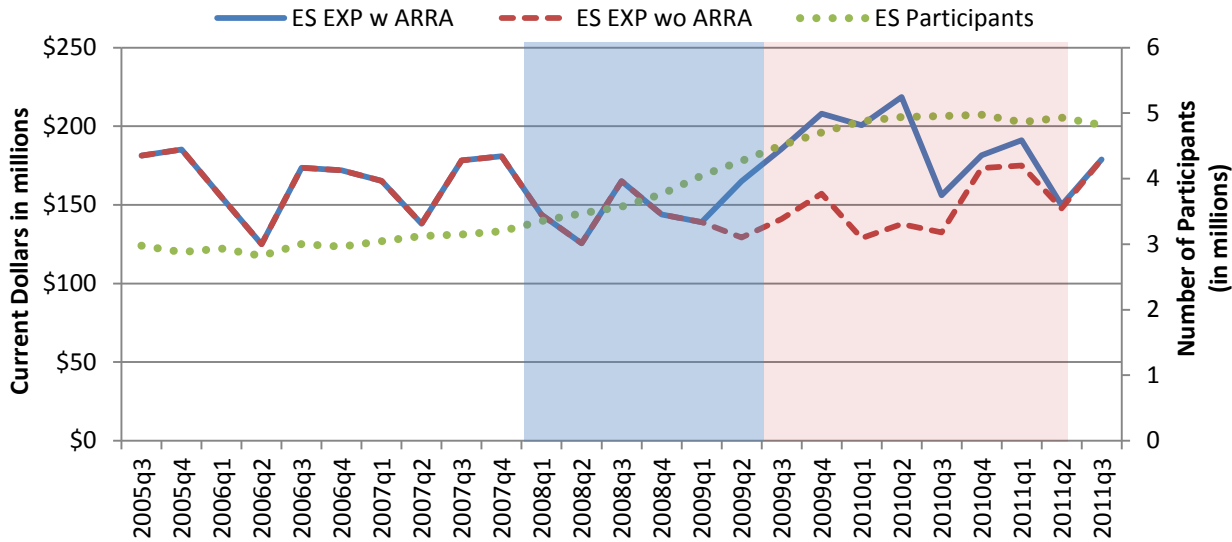
## WIA Dislocated Worker



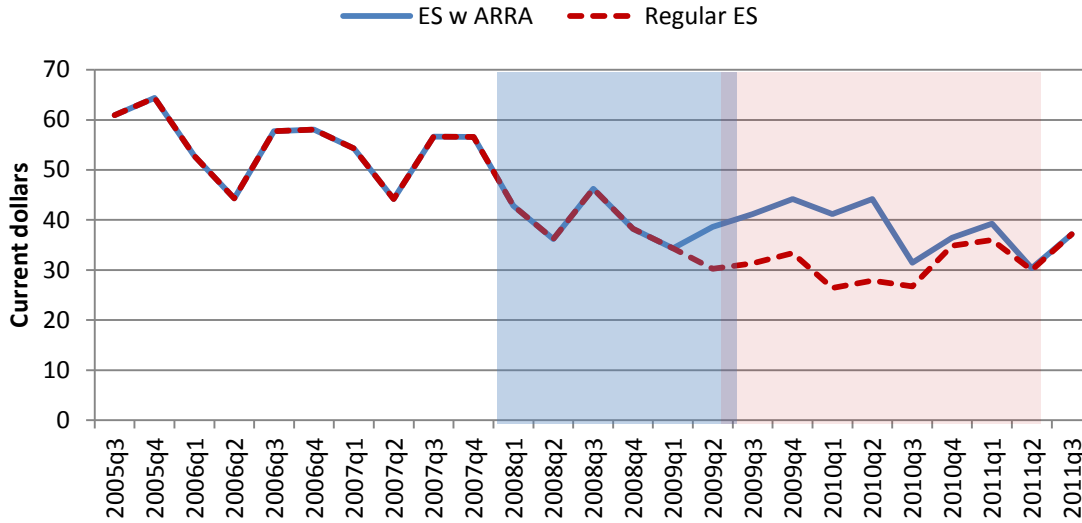
The surge in enrollees into the DW started about the same time. Between 2008Q3 and 2009Q3, the number of participants increased by 121%. The number of participants continued to climb as more people entered the program than exited.

# Wagner-Peyser ES Program Expenditures

Total Expenditures



Expenditures Per Participant

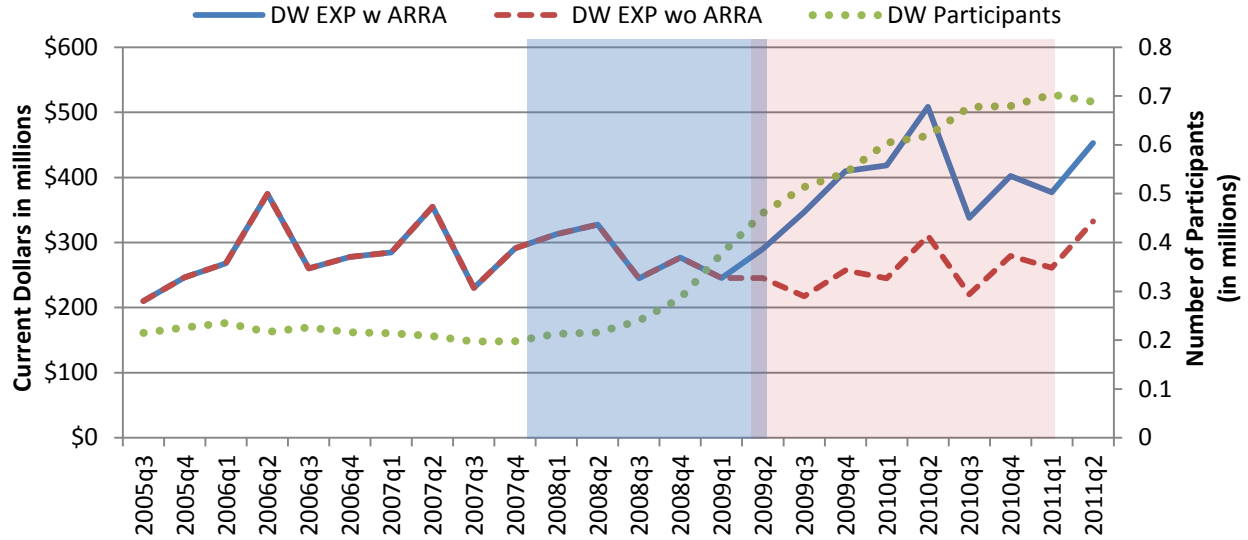


For all three programs, the addition of ARRA funding increased total expenditures above pre-recession levels, but average expenditures per participant were lower due to the influx of participants.

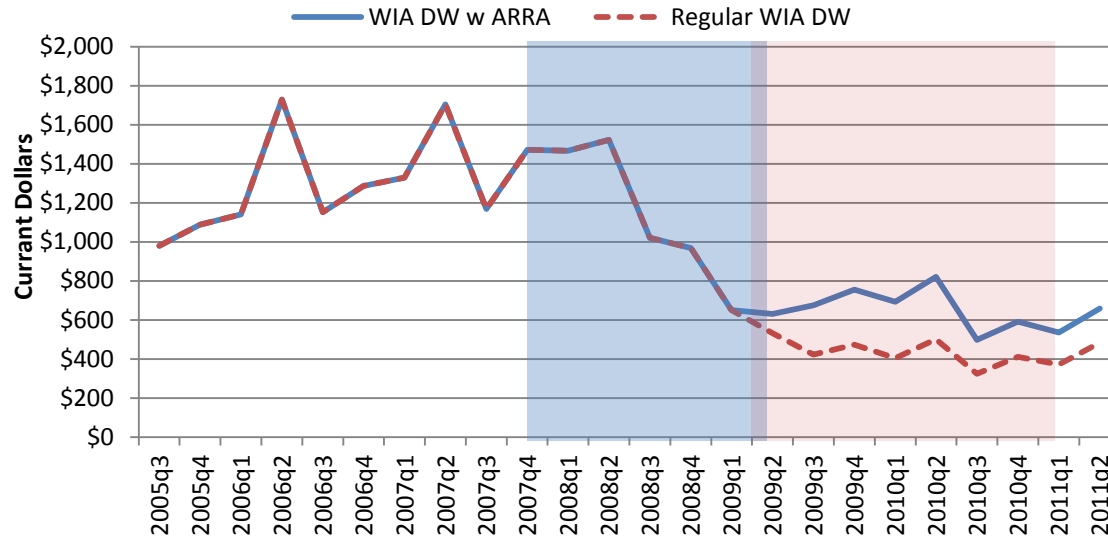


# WIA Dislocated Worker Program Expenditures

Total Expenditures

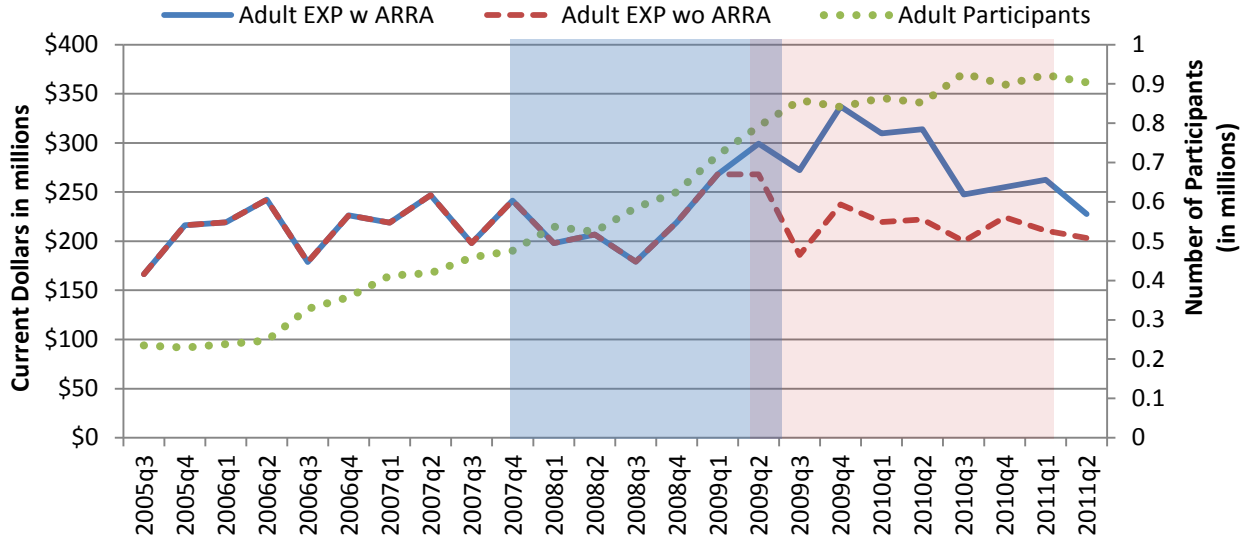


Expenditures Per Participant

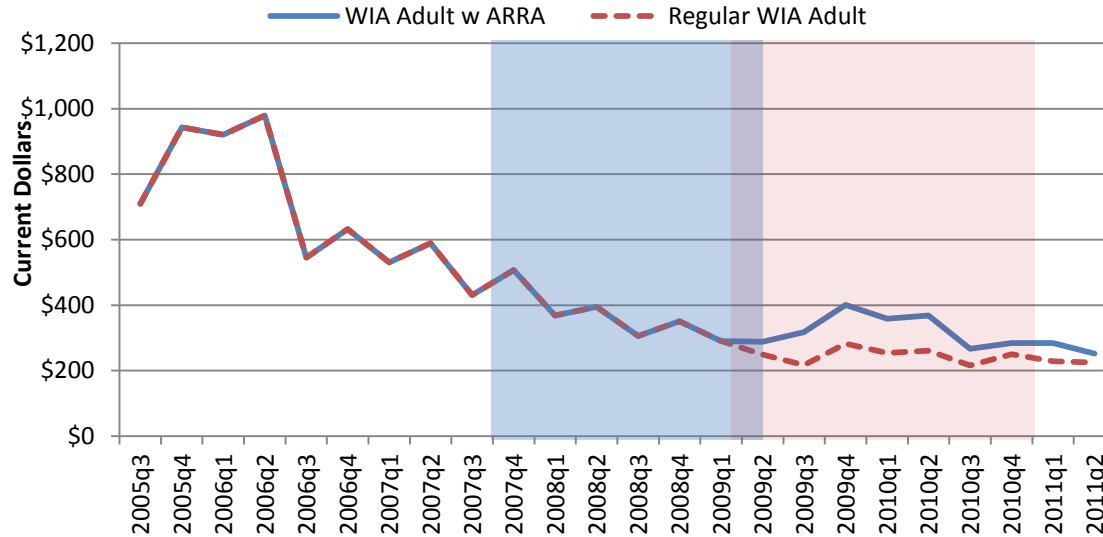


# WIA Adult Program Expenditures

Total Expenditures

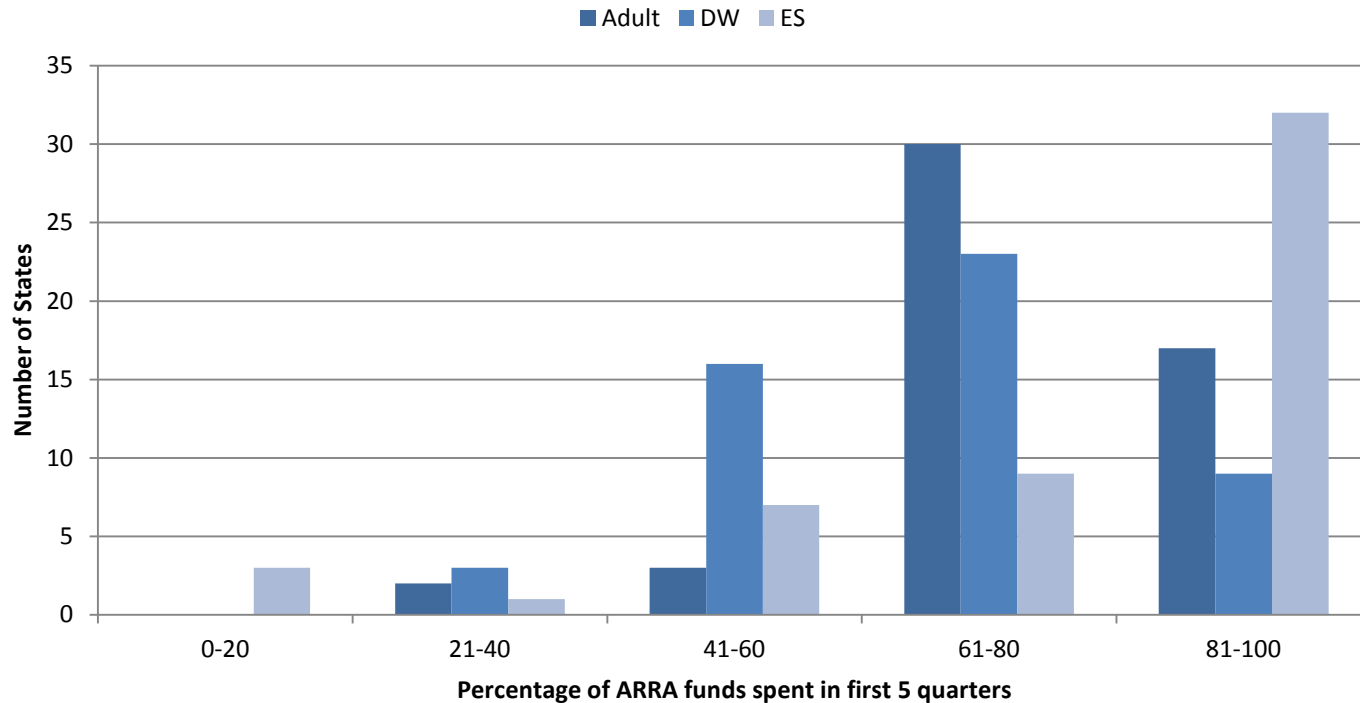


Expenditures Per Participant



# Timing of ARRA Expenditures

A large majority of states spent more than 60% of their ARRA funds within the first five quarters of the ARRA funding period. States spent ES ARRA funding the fastest with 85% of the funds spent within the first five quarters. It took states the longest to spend Dislocated Worker ARRA funding, with 60% of funds spent within the first five months.



# WIA-Wagner Peyser Programs Response to Funding Decline

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- Funding Supplementation: 29 states did not supplement. 16 states supplemented – 11 for Wagner-Peyser Act (W-PA) programs, 5 for WIA
- Supplementation from state general revenue, Reed Act, P&I, special state funds
- Need to reduce costs across all states

# Workforce Program Reductions

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- ARRA funded projects cut: 82% of states
- WIA state grants reduced from 15% to 5%:  
92% of states eliminated projects
- Yet 42% of states maintained funding for one or more WIA/W-PA projects/initiatives, especially Reemployment Services (RES), Reemployment and Eligibility Assessments (REA), general W-PA (9 states)

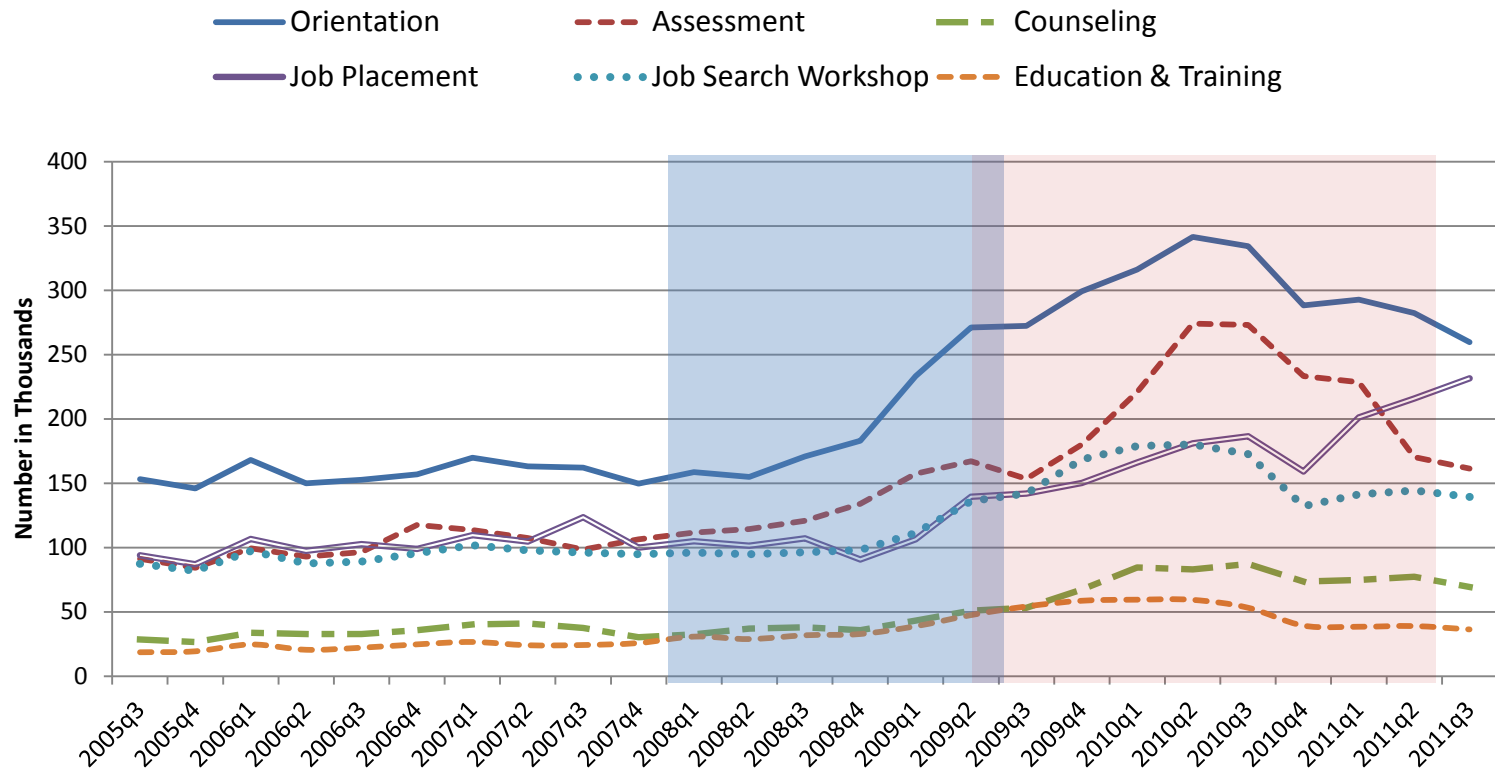
# WIA/W-PA Changing Mix of Services

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- Most states substituted low cost reemployment services for high cost services
  - WIA training decreased: 69% of states
  - WIA intensive services decreased: 65%
- States found they could not retain the greater emphasis on training from the ARRA period
- Shift to less costly W-PA services (47%) vs service mix unchanged (49%). Shifts especially from 1-on-1 services to automated self-service and on-line services

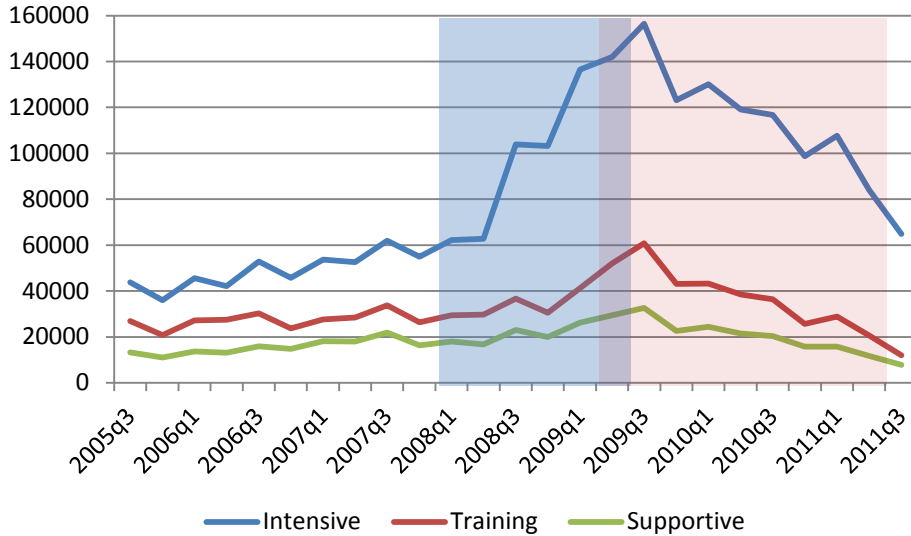
# UI Recipient use of Wagner-Peyser ES services

Low-cost services—orientations and assessments—received the largest increases in enrollments; the more intensive and expensive services received the smallest increases.



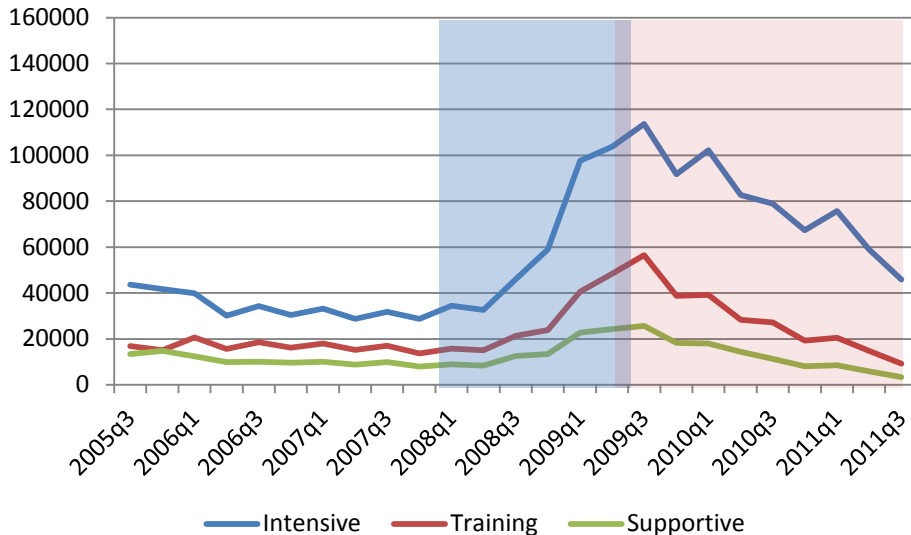
# Number Receiving Services

## WIA Adult



Between 2008Q4 and 2009Q3, the number receiving training increased from 30,000 a quarter to 60,000 a quarter. This increase lasted only one quarter before the numbers started declining throughout the rest of the ARRA funding period.

## WIA Dislocated Worker



For all three services, the number receiving services started to increase several quarters before ARRA funding became available. Those receiving training jumped from 21,000 to 56,000 a quarter.



# WIA/W-PA Reduced Staffing

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- More than 80% of states reduced staffing
- Methods of staff reduction, by importance: permanent staff attrition, expiration of temporary positions, staff reassignment, layoffs, furloughs

# Fewer Local Workforce Offices

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- States reduced the number of American Job Centers (AJCs) from 3,600 in 2003/ 2004 to below 2,800 by end of 2008
- ARRA helped stabilize and increase number of AJCs. With end of ARRA, 10% decline in AJCs from 3,000 in September 2010 to less than 2,600 in October 2013. Decline mostly in affiliate offices
- 80% of states adopted new delivery systems: virtual services enhancement (14 states), services at public facilities (12), mobile AJCs (7), satellite offices (2)

# WIA/W-PA Increasing Automation

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- 82% of states increased automation
- Increased automation: serve more customers (26), improved service quality (22), reduced cost (16), diluted service quality (11), reduce staff needs (9)
- Other cost cutting methods: travel restrictions, staff training reductions/on-line training, reduced overhead/support, reduction in services or service options, reduced materials for customers

# Impact on Customers

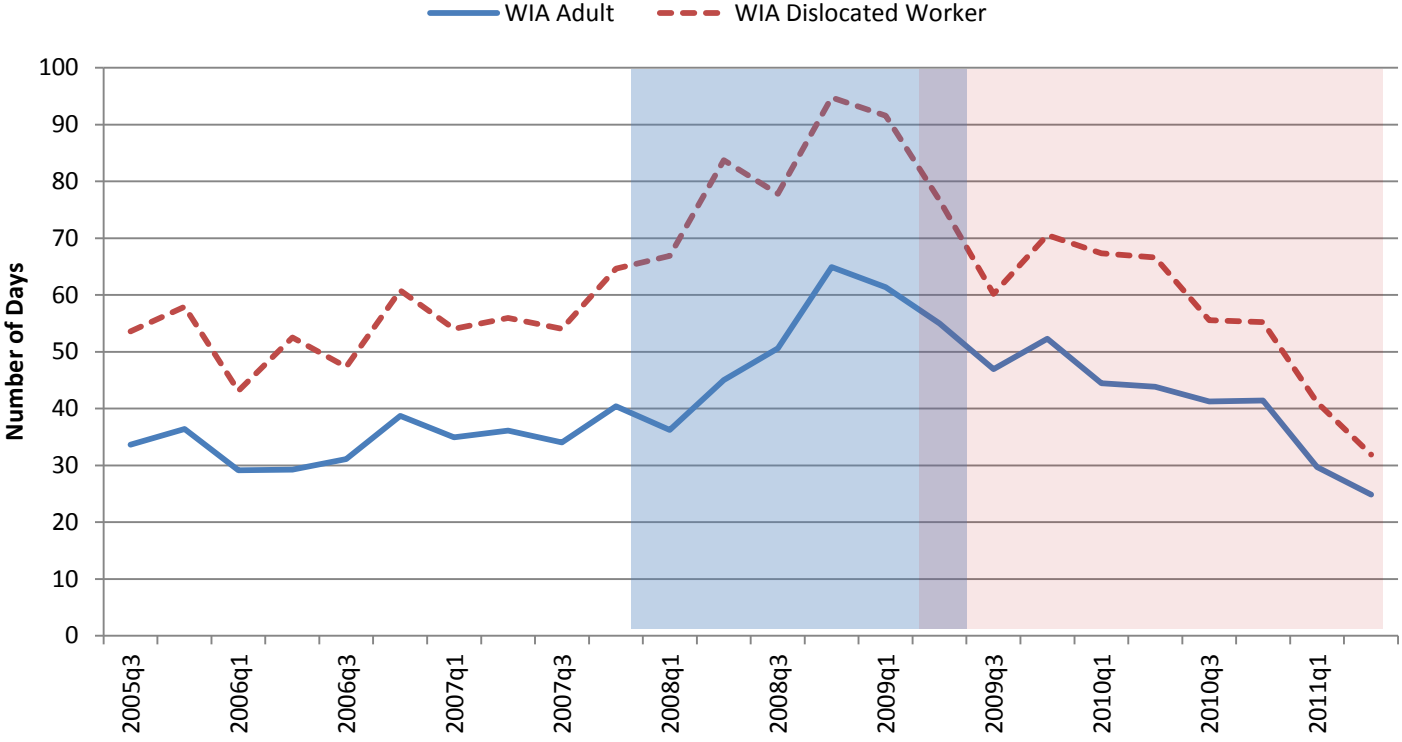
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Very few states indicated that cost cutting improved customer experience. Split between no significant impact and diminished experience.

	None	Improved	Diminished
Customer wait times	42%	2%	56%
Lines	58	2	40
Service Access	44	6	42

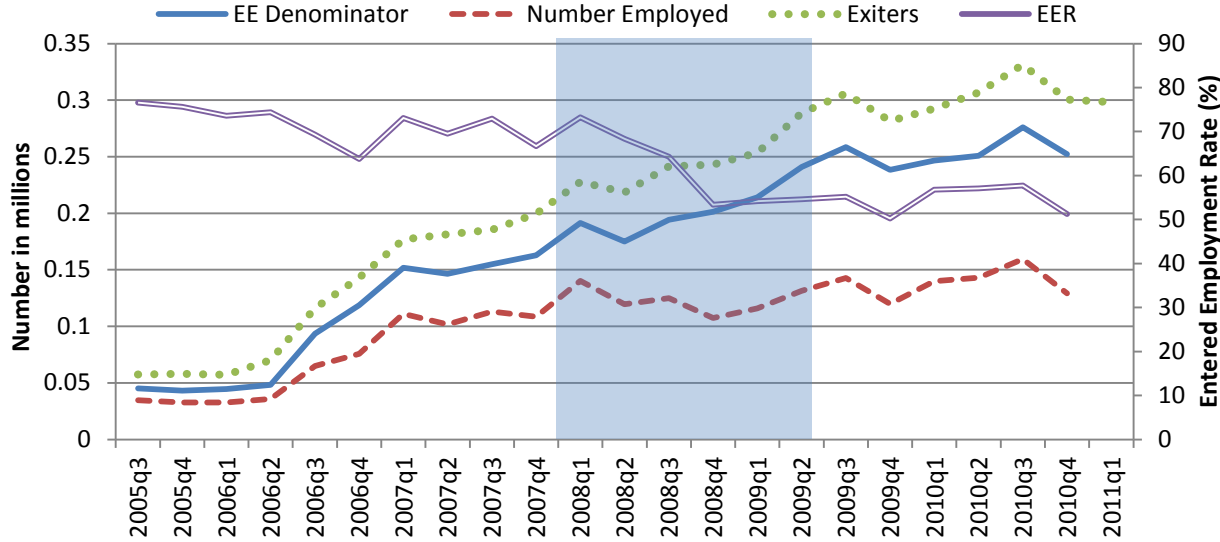
# Number of Days Between Registering and Receiving Training

The number of days between the time a person registered for the WIA Adult and DW programs and the time they first received training services increased dramatically beginning in 2007Q3. They increased from 54 in 2007Q3 to 95 in 2008Q3 for WIA DW and from 34 to 65 for WIA Adult. As ARRA funding became available, the number of days declined.



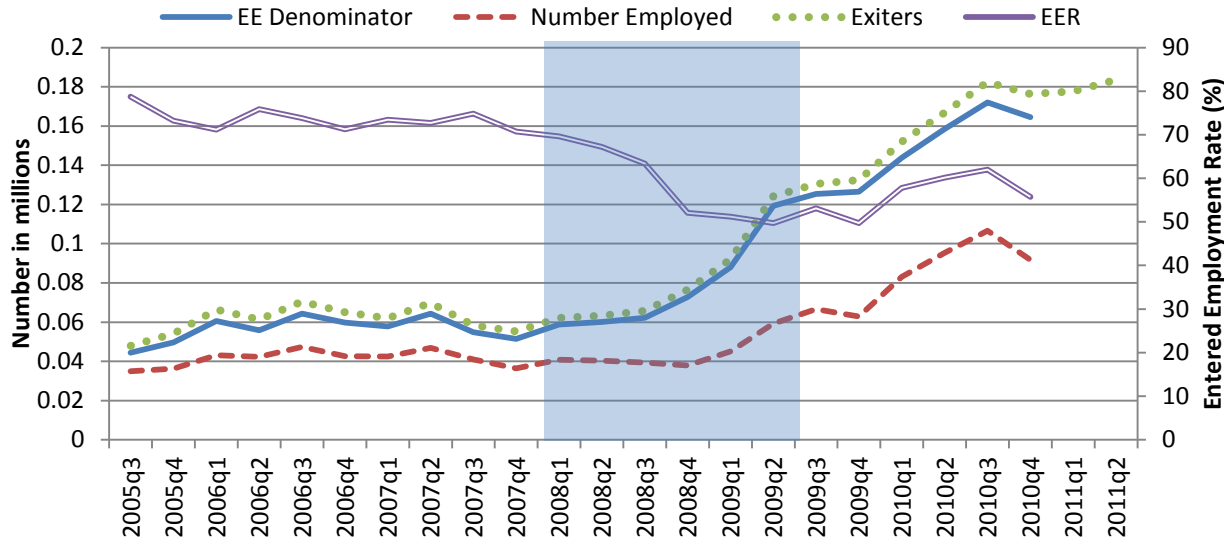
# Program Outcomes

## WIA Adult



The **number** of program participants finding employment increased for both WIA Adult and WIA DW programs, at a time with the number of hires nationwide declined and the number of private sector jobs fell.

## WIA Dislocated Worker



However, the **Entered Employment Rate** was lower during the ARRA funding period than before the recession.

# WIA/W-PA Program Administration

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- 27 states reported major changes in state or local program administration between July 2010 and June 2012
- Responses: 1) reorganizations, reassignments, mergers, and consolidations (11 states), 2) business reengineering (6 states), and 3) no change (18 states)
- 20 states were considering program and administrative changes in the future

# State UI Programs After the Great Recession: Economy & Funding

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- Insured unemployment peaked in 2009 and as it decline UI administrative funding declined, although the Emergency Unemployment Compensation program continued after the ARRA program funding was exhausted
- Loss of one-time ARRA \$500K for UI administration
- Adjustments to decreased administrative funding



# UI Staff Reductions

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- Two-thirds of states reported staff reductions in at least one functional area (10/10 – 9/12)
  - About 50% of states reduced the initial claims and continued claims functions
  - One third reduced adjudication and appeals
  - 28% in tax function
- Most reductions for current budget shortfalls, but some for anticipated shortfalls

# Response: Automation

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84% of states increased automation of UI administration for a wide variety of functions.

Result of Automation	
Improved Service Quality	69%
Reduced Cost	53
Other	30
Reduced staff needed	22
Diluted Service Quality	8

# Response: Staff-assisted UI Customer Service

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58% of states did not increase staff-assisted UI customer services (other than RES/REA) at their AJCs, over phone, or through other means

No change, improvement or diminished customer service wait times

	No Change	Improved	Diminished
Call Center	23%	21%	56%
In-person	74	2	23
Other	42	15	44

# Response: Postponing Projects

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- 81% of states did not postpone, reduce or eliminate any major projects funded by \$500 million ARRA distribution. Most projects affected were technology initiatives
- 70% of states did not postpone, reduce or eliminate non-ARRA funded projects. Projects affected included online benefit, tax, and adjudication systems

# References

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Stephen A. Wandner, “The Public Workforce System’s Response to Declining Funding After the Great Recession,” Working Paper 5, Unemployment and Recovery Project, May 2013.

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