

The Response of the U.S. Workforce System to the Needs of Workers During the Current Recession

Unemployment and the Global Financial Crisis: Policy, Partnerships, and Practice

Organized by the Centre for Public Policy, University of Melbourne

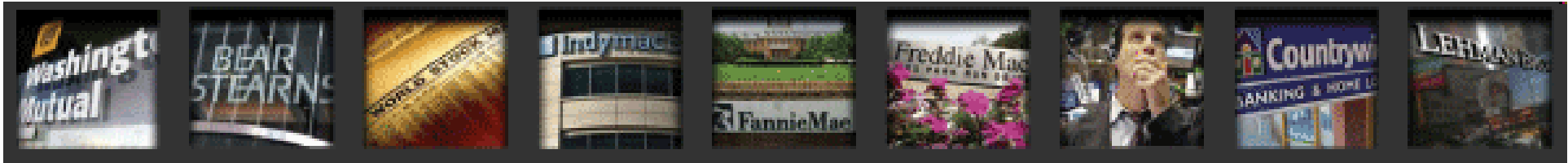
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01-02 December, 2009

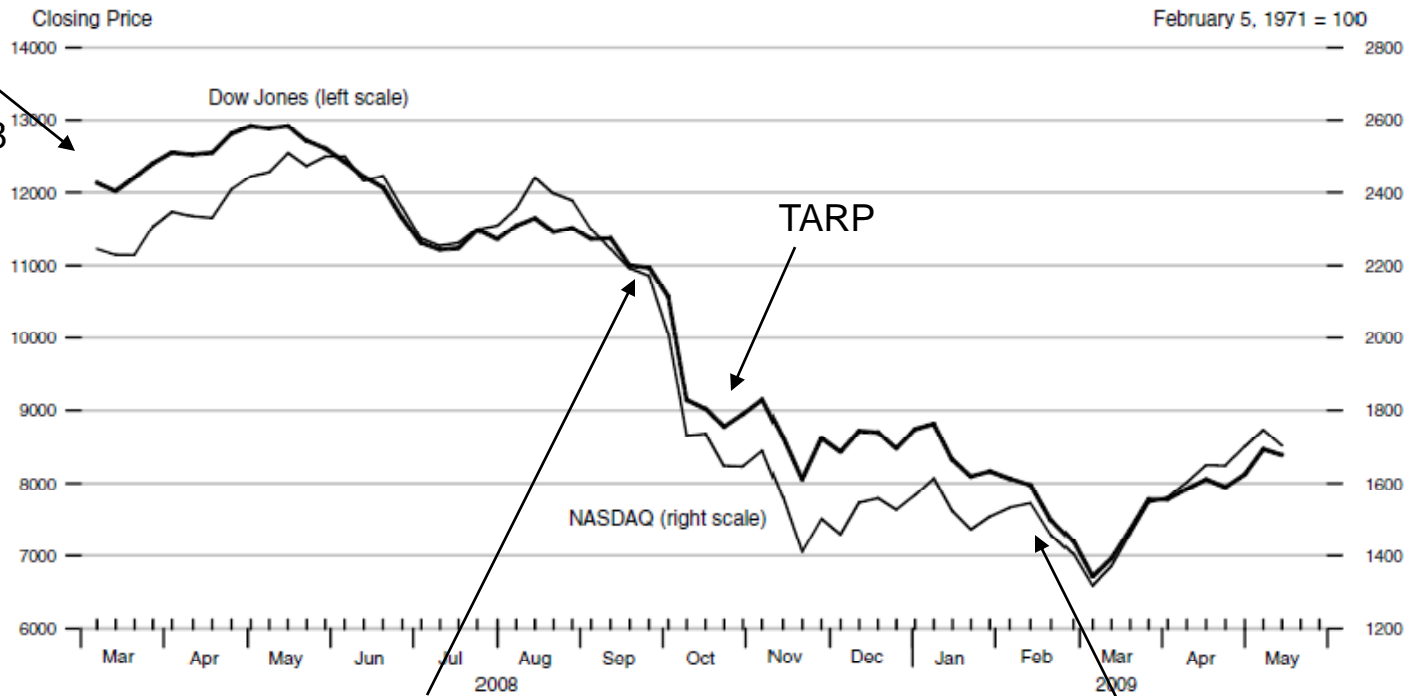
Purpose

- Assess the current economic situation in the United States
- Track the impact of the stimulus package on the workforce system and the economy
- Examine the extent to which the response has changed the delivery of reemployment and training services to meet current and future needs
- Consider the future direction of the US workforce system



Dow Jones Industrial Average and NASDAQ Composite®

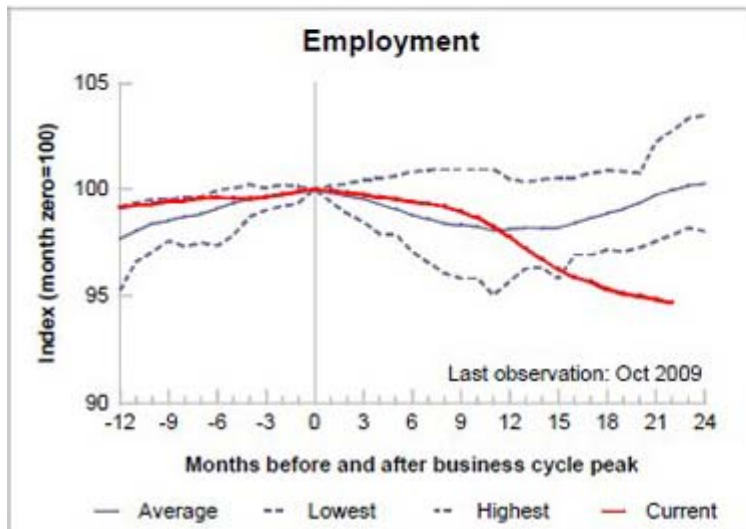
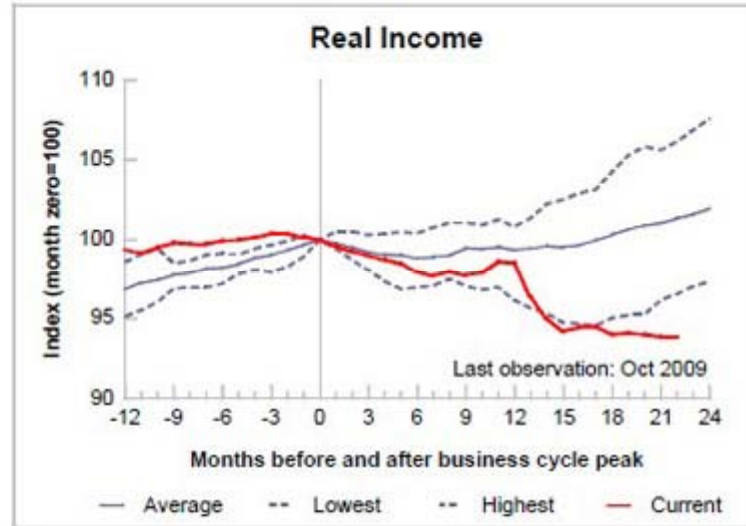
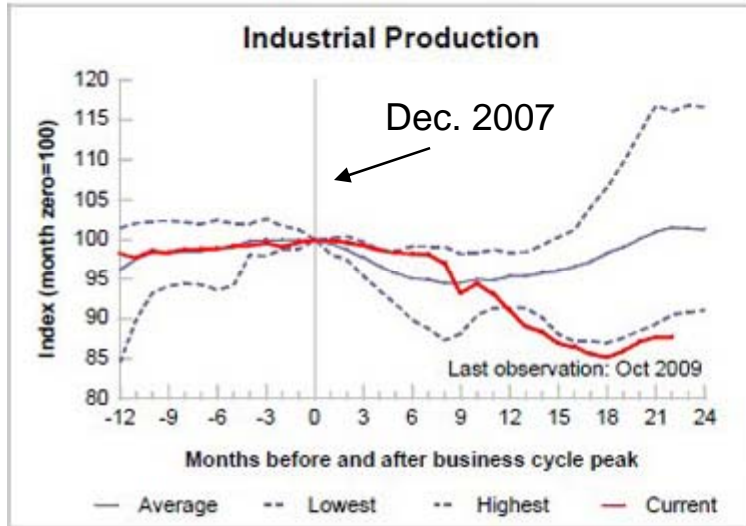
Averages of Daily Figures



Fannie Mae
Lehman Bros.
AIG defaults;
B of A buys Merrill Lynch

Stimulus Act
Of 2009 (ARRA)

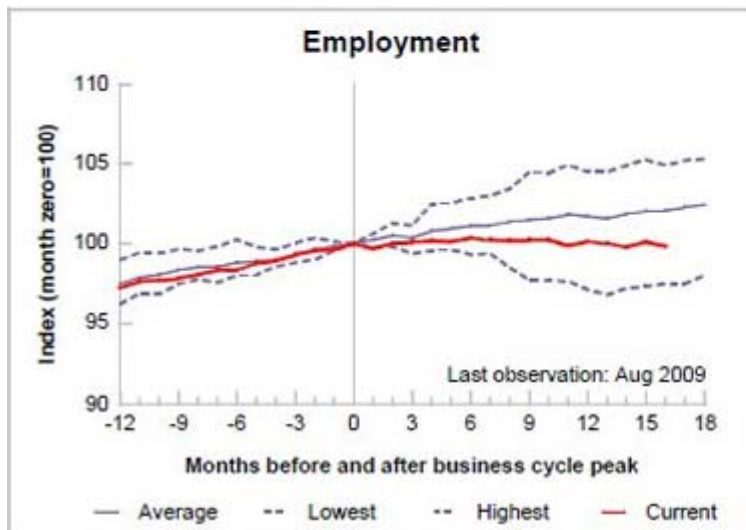
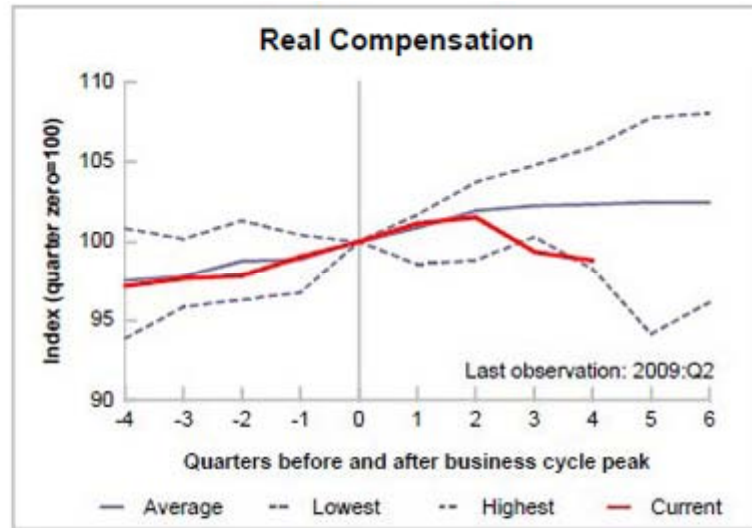
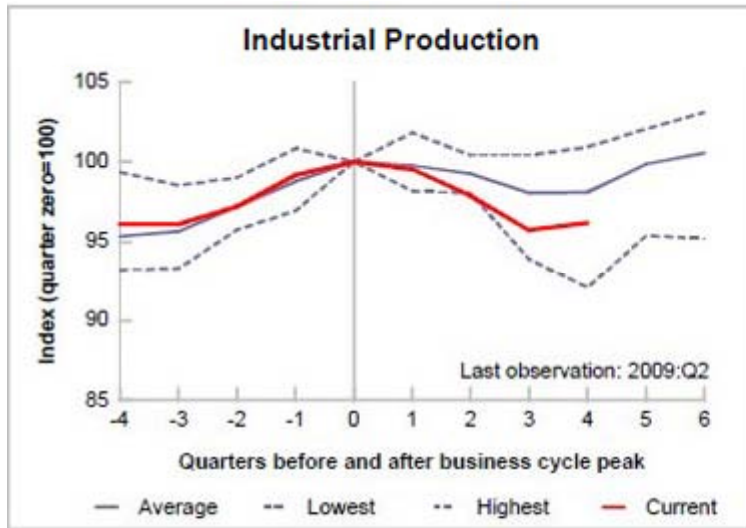
United States



Data last updated 2009-11-25.

Federal Reserve Bank of St. Louis

Australia



Data last updated 2009-11-06.

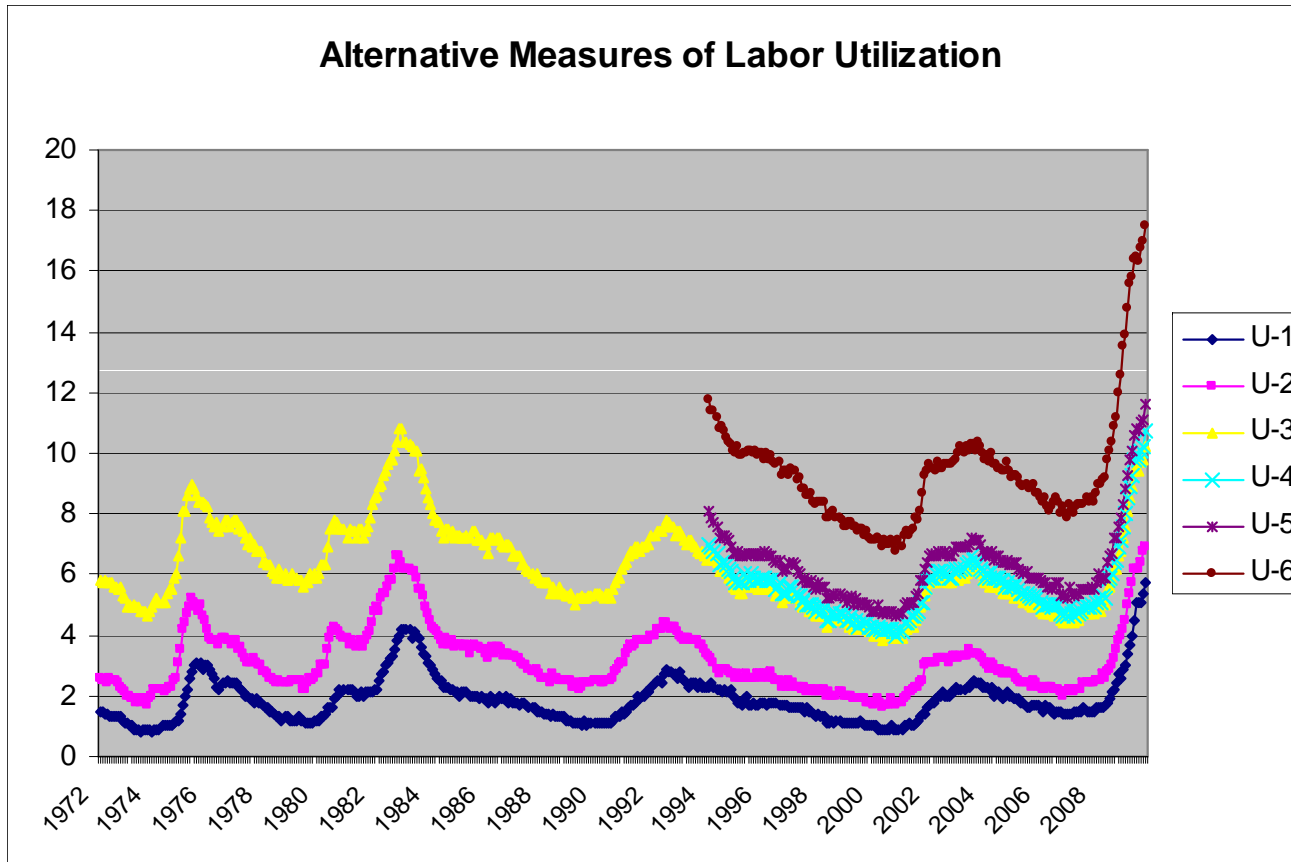
Federal Reserve Bank of St. Louis

Another “Jobless” Recovery

- Most troubling aspect of this recession is the continued employment losses and mounting unemployment
- Since the beginning of the recession (December 2007):
 - Unemployment has risen by 8.2 million
 - Payroll jobs have declined by 7.3 million and still counting although the decline is easing
 - Totals 15.2 million unemployed
(10.2% unemployment rate)

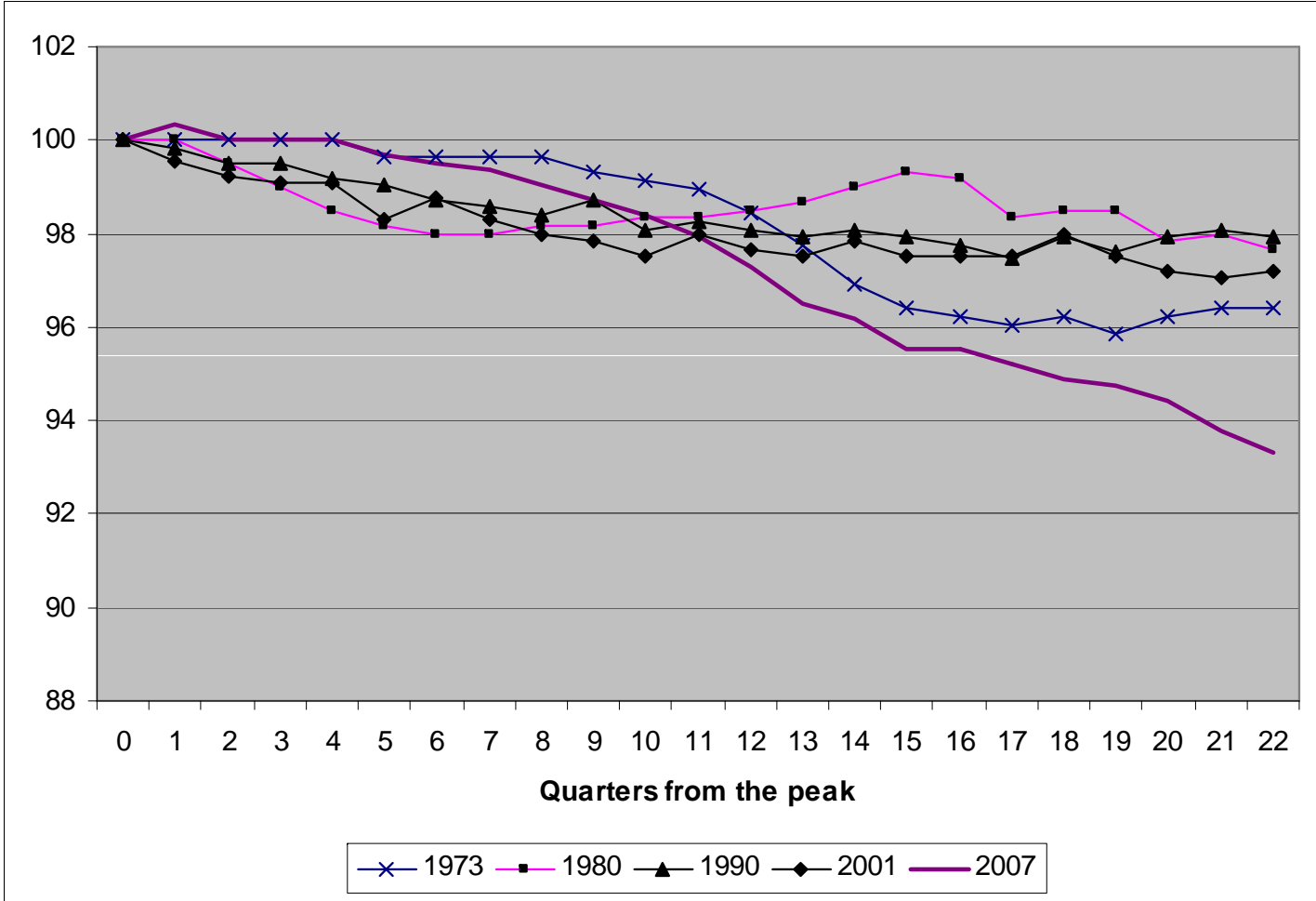
By nearly all measures the labor market has suffered the worst recession in 70 years.

Shown from bottom to top:

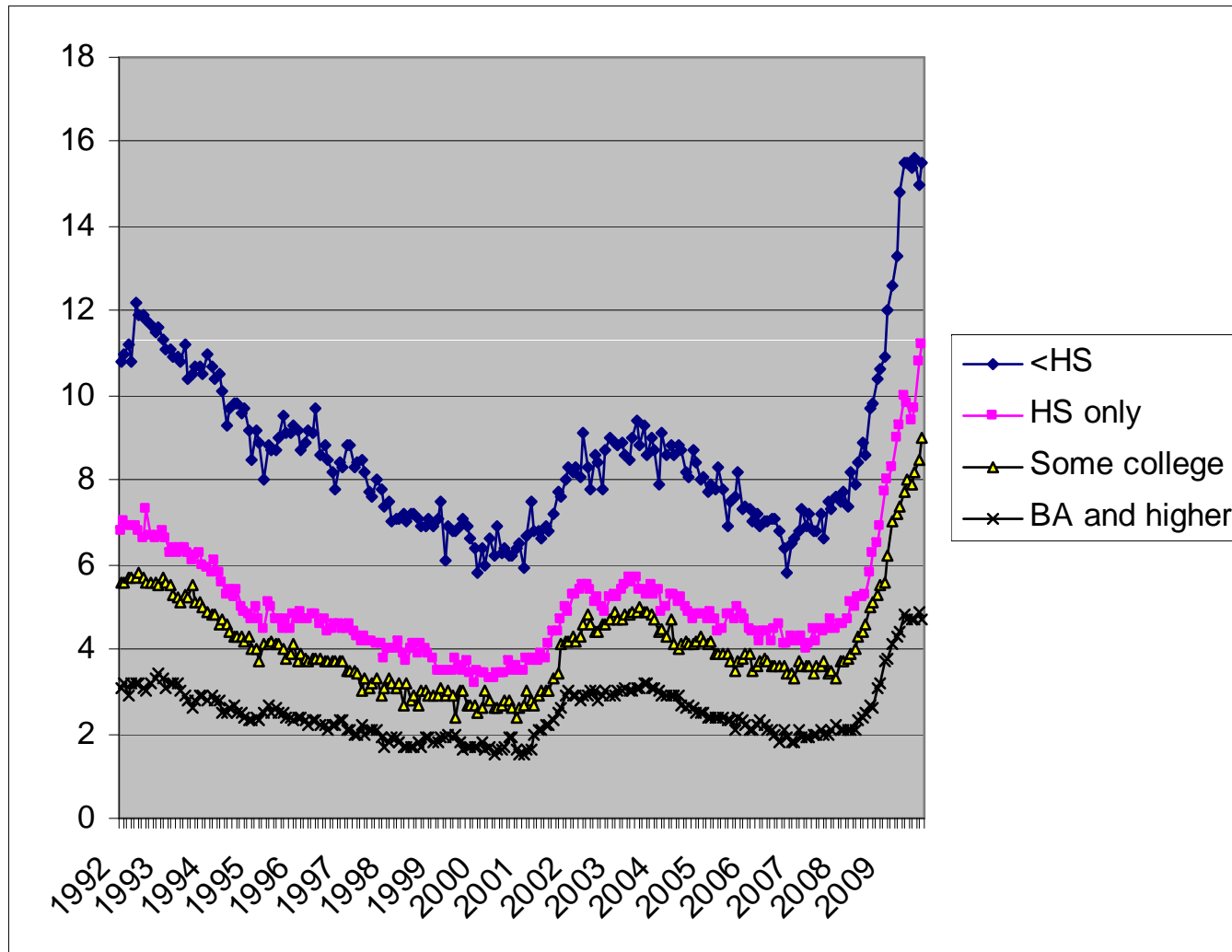


- U-1:** Persons unemployed 15 weeks or longer
- U-2:** Job losers and persons who completed temporary jobs
- U-3:** Total unemployed, (official unemployment rate);
- U-4:** Total unemployed plus discouraged workers,
- U-5:** Total unemployed, plus discouraged workers, plus all other marginally attached workers,
- U-6:** Total unemployed, plus all marginally attached workers, plus total employed part time for economic reasons

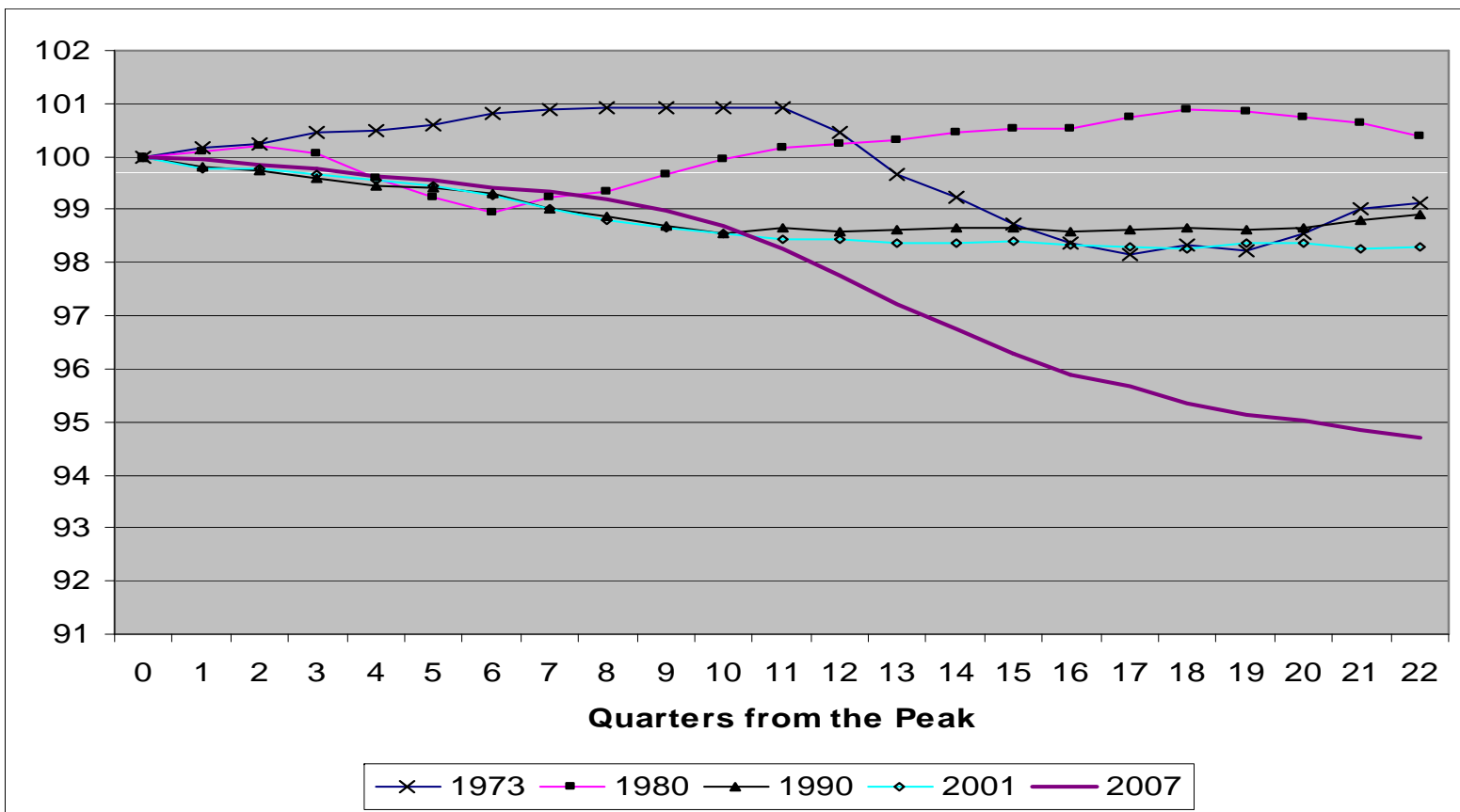
The employment-to-population ratio continues to fall and has declined further than during the past four recessions.



It's still better to have more education. Unemployment rates for those with a BA or higher is less than half the rate for those with only a high school degree.



The problem is the lack of jobs. By this time in the previous four recessions employment had stabilized or started to rebound. Not this time. Jobs are still being lost, but at least not as quickly as they were 6-12 months ago. A Federal Reserve Bank study forecasts that the jobless rate will persist for some time.



Stimulus Package

- Congress passed the [American Recovery and Reinvestment Act](#) in February 2009
- Purpose: create and preserve jobs and to assist those impacted by the recession
- \$787 billion over two years
- \$56 billion for the workforce system
 - \$45 billion for unemployment compensation
 - \$4.4 billion for training and employment services
- Bill created no new programs but helped to reinvigorate the workforce system through additional funding
- Relies on the existing Federal workforce system, which has been in place since the 1930s, except for training which was started in the 1960s
- System has evolved into the current partnership among Federal, State, and local entities

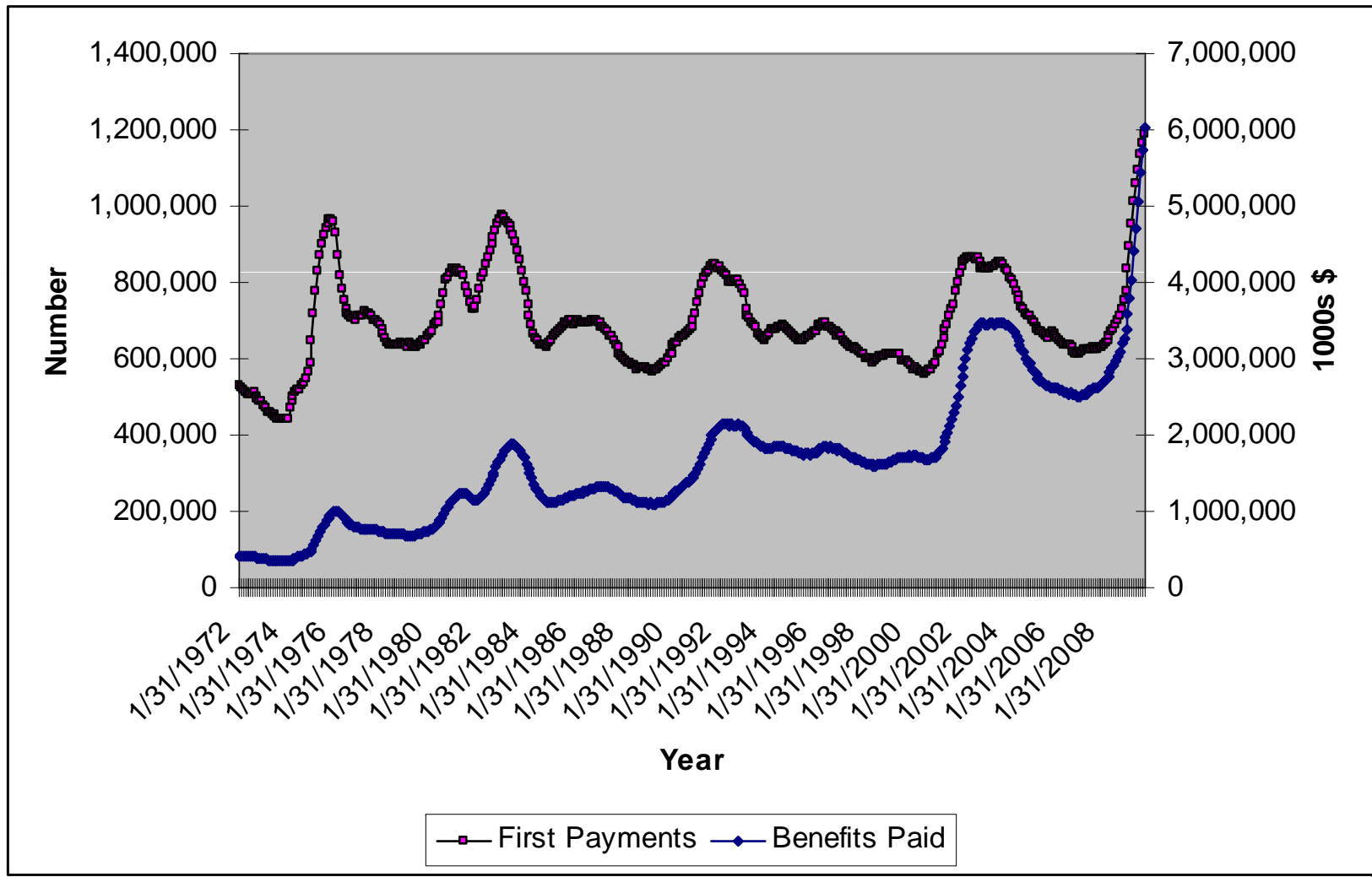
U.S. Workforce System

	UI	Wagner-Peyser	WIA	TAA
Unemployment Compensation	X			X
Reemployment Services		X	X	X
Training			X	X
Support Services				X
# Participants		19.6 million	5.5 million	10,000
Budget (PY2009)		\$0.73 billion	\$3.2 billion	\$0.96 billion
\$/exiter		\$50-\$100	\$1,000/\$5,300	\$100,000

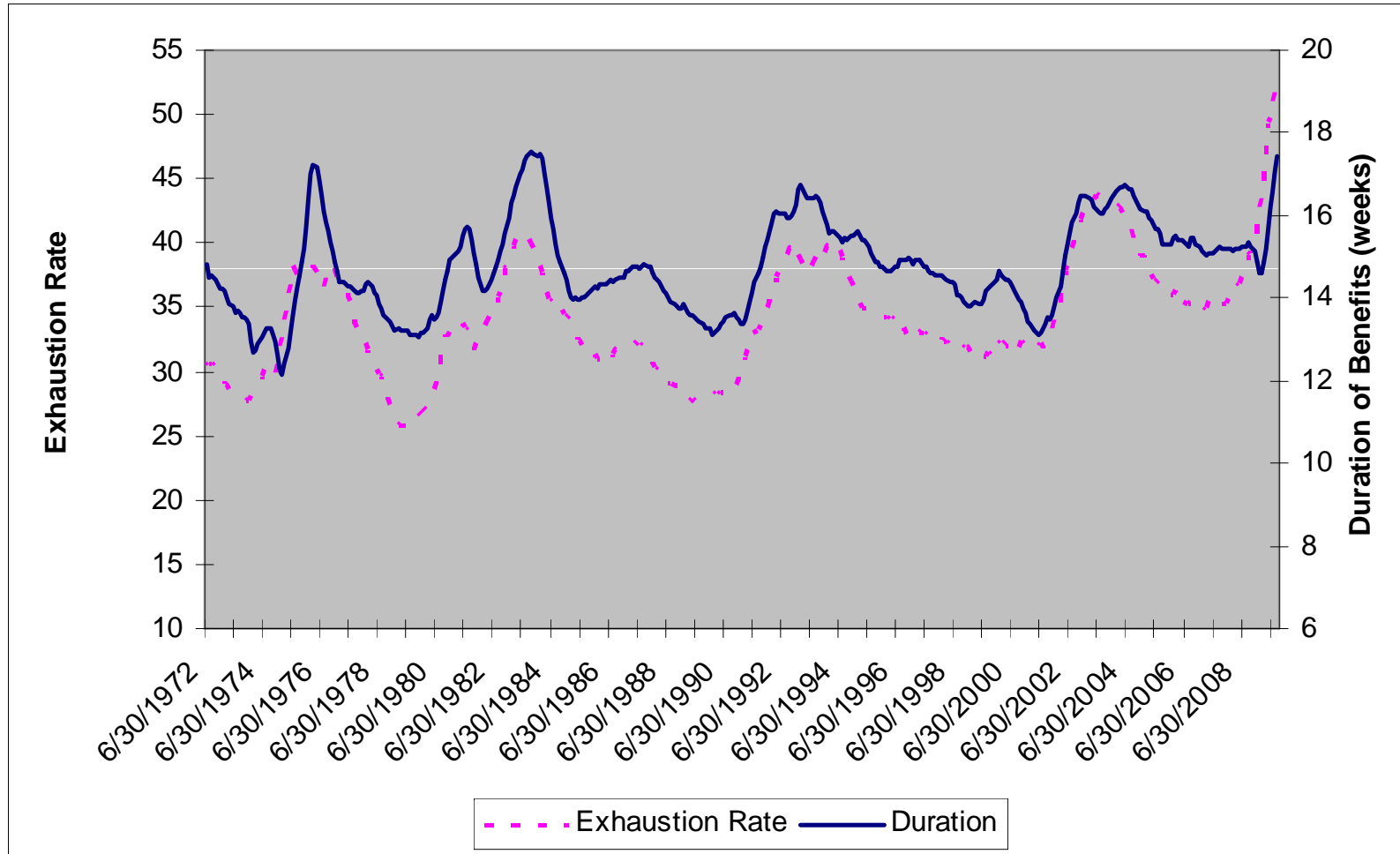
Unemployment Insurance System

- Purpose is to partially replace lost income for individual workers who are temporarily displaced
- Partnership between Federal government and States
 - Broad Federal rules and guidelines, but considerable flexibility for States to set eligibility rules and benefit amounts
- Most states provide 26 weeks of regular UI benefits
 - Extended benefits provide for up to 92 weeks of benefits for claimants in the hardest hit states
- System financed through payroll taxes with a portion of the tax revenue going to the Federal government and a portion to the States
- A number of States (17) include short-time compensation as part of UI benefits, which provides partial benefits to individuals whose work hours have been reduced

The UI system has been utilized more in this recession than in the previous four, with first payments and benefits paid reaching new highs, although new claims and first payments have recently returned to more typical levels.



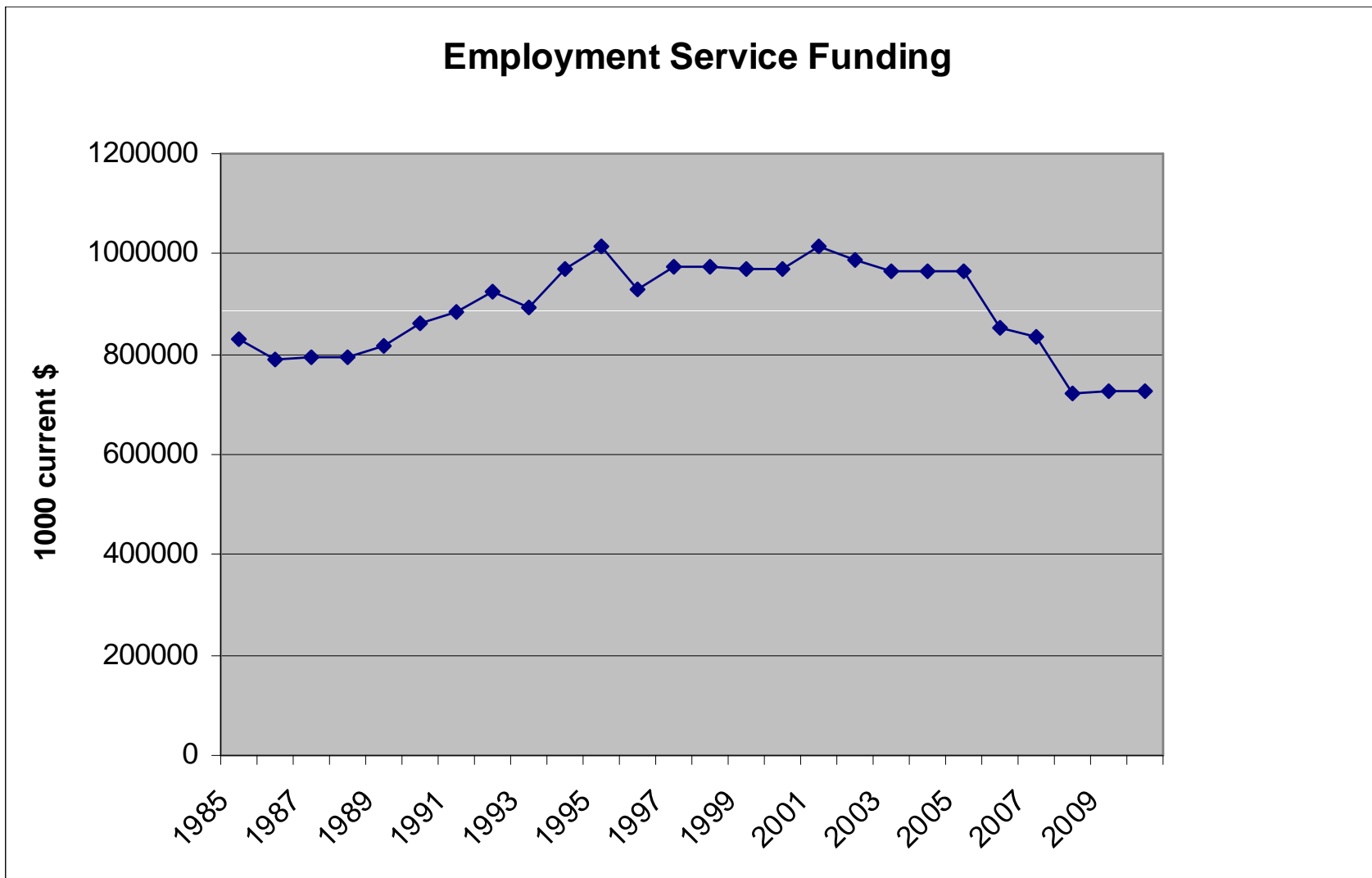
Exhaustion rates (unemployed longer than 26 weeks) and duration of benefits have also risen dramatically during the past year.



Wagner-Peyser Employment Service

- Closely linked to the UI System and WIA
 - Provides services to help displaced workers return to work
 - Services are provided through the One-Stop Career Centers operated under WIA
- Services are delivered in three modes:
 - Self-service
 - Facilitated self-help
 - Staff assisted
- Services include:
 - Workforce information (31%)
 - Career guidance (11%)
 - Job search assistance (27%)

While the number of participants has increased, funding has been reduced in recent years.



Workforce Investment Act (WIA)

- Partnership among Federal, State, and Local entities
- Three programs:
 - Adult (economically disadvantaged)
 - Dislocated Worker
 - Youth
- Most funding comes from the Federal government (USDOL, Employment and Training Administration)
- Services are delivered through 600 local workforce investment boards that operate nearly 3,000 One-Stop Career Centers
 - Most services are provided under one roof and integrated to varying degrees
- LWIBs contract with local public and private entities to deliver services

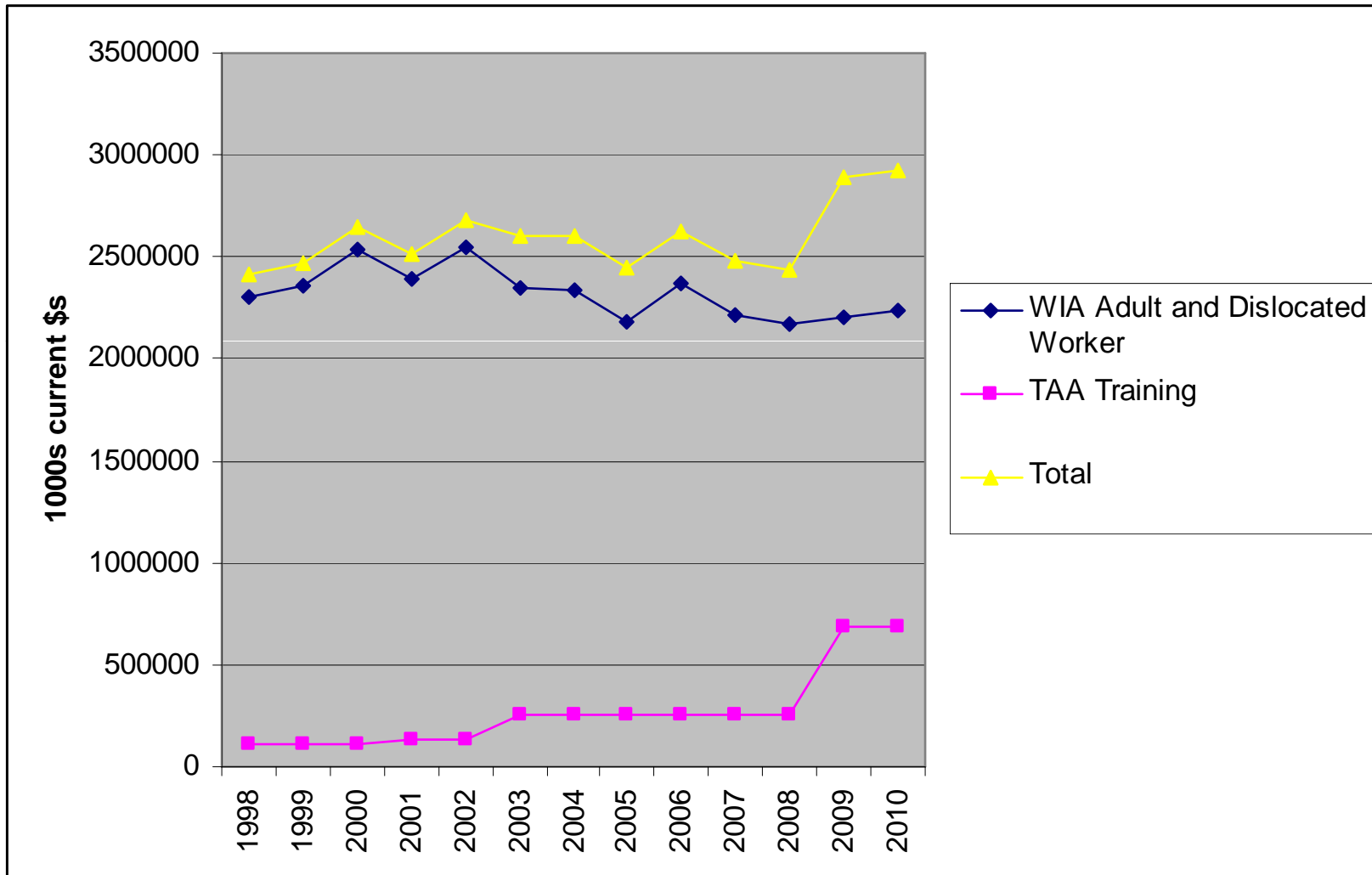
WIA Services

Services	Adult	Dislocated Worker
Core only	70.8%	49.3%
Core and Intensive	14.8	25.2
Training	14.3	25.5
Training Accounts	8.3	18.0
Supportive services	8.2	14.7

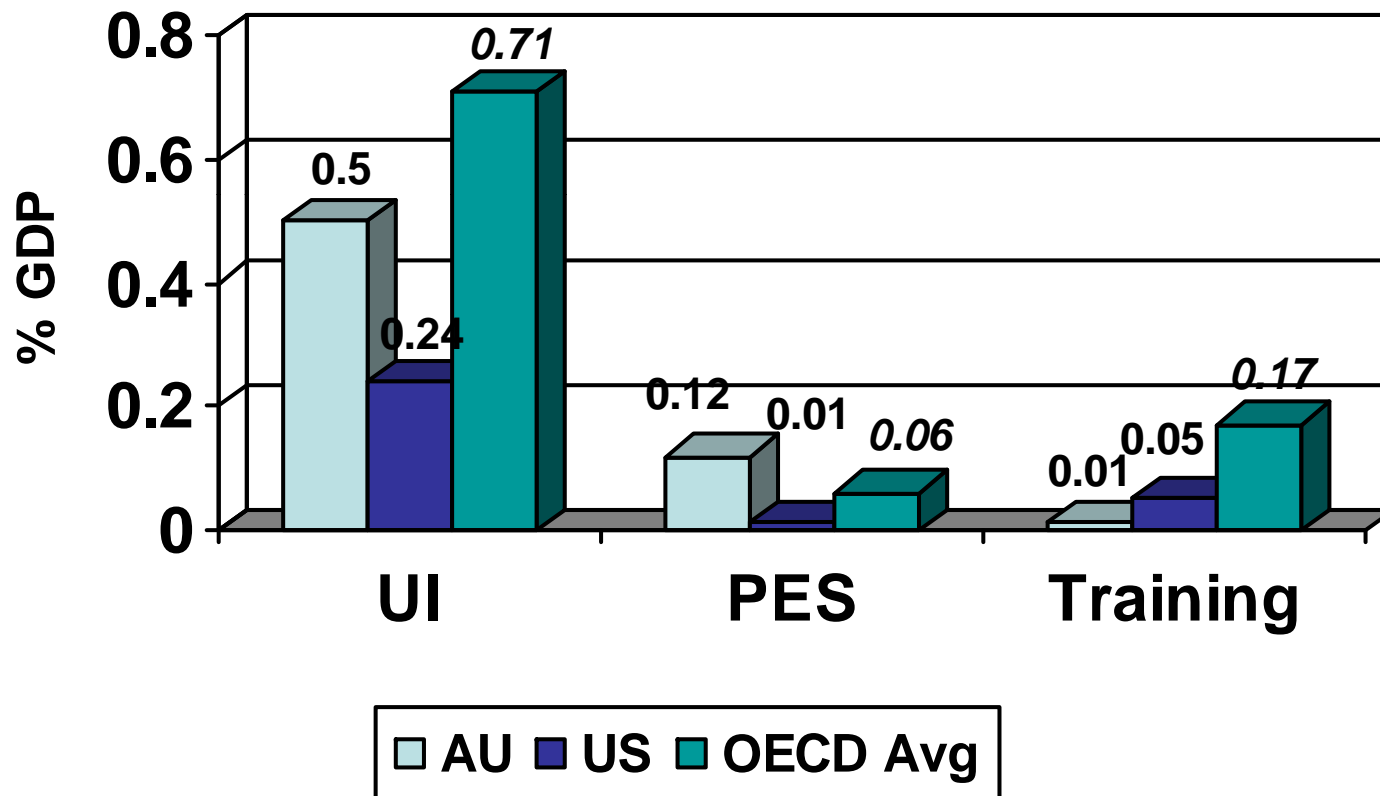
Trade Adjustment Assistance Act

- Similar to WIA dislocated worker program
 - Provides training and reemployment services
- Differs in that:
 - It is intended for only those workers who lose their job because of foreign competition
 - Provides cash assistance and other supportive services for workers while in training
 - Offers up to 130 weeks of cash payments, provides subsidized health insurance, and covers costs associated with job search and relocation

Funding for WIA programs has declined in recent years, both in nominal and real terms. TAA training has increased in response to the recession.



International Perspective



Effectiveness: Employment Service

- Employment Service (reemployment services) is cost-effective and services are complementary with WIA services not duplicative
 - Benefits exceed costs by 20%
- Major forms of reemployment services—job search assistance, UI work test, and referrals to job openings—are cost effective separately and even more so when provided jointly
- Cooperation between UI and One-Stop Center staff can enhance the effectiveness of reemployment services for UI claimants
- Stronger enforcement of UI work test can reduce the duration of unemployment
- WPRS: identifying those likely to exhaust UI benefits and engaging them in reemployment services early in their unemployment spell reduces unemployment spell

Effectiveness: Training

- Training can be effective but one size does not fit all
 - Women and economically disadvantaged have more positive outcomes than displaced workers and more educated participants
- We get what we pay for: Public training funding is exceedingly small compared to the magnitude of the skill deficiencies that programs are trying to address
 - Expenditures per participant are smaller under WIA than under JTPA
- ITA evaluation shows no difference in outcomes between counselor directed and customer-directed training
- Youth training: publicly funded training has been shown not to be effective for economically disadvantaged youth except for some promising results for the residential-based intensive Job Corps program

ARRA Funding for Training and Employment Services

	FY2009	ARRA	FY2010
Training and Employment Services	\$3,626,448	\$3,950,000	\$3,833,563
WIA Adult	861,540	500,000	861,540
WIA Dislocated Worker	1,341,891	1,450,000	1,413,000
Youth	994,069	1,250,000	1,038,545
Worker Training Grants	0	742,500	0
High Growth-Green Jobs		495,000	
High Growth and Emerging Ind.		247,500	
Employment Services	\$724,445	\$400,000	\$724,445
TAA	\$958,000	0	\$1,818,400

Spending the ARRA Funds

- The intent of Congress and the Administration is to spend the money as quickly and effectively as possible
- After 8 months, 60 percent of the workforce system funds have been spent, but most of that has been through the UI system
 - Training and employment services (mostly through WIA) have spent only 30 percent
 - States have spent only 18% of discretionary funds
- Reasons for the slow response
 - Although Federal funds, some states require the spending to be approved by their State Legislatures
 - State and local WIBs are concerned that influx of participants will lower their performance and will be sanctioned by Feds
 - Political posturing by Governors
 - States and local WIBs differ in their capacity to move quickly

Has the ARRA Helped?

- So far, \$36 billion in ARRA funds have been spent
 - Accounts for only 23% of the \$158 billion awarded
- Recent reporting by all ARRA recipients revealed that the \$36 billion has created or saved 640,000 jobs
 - Average cost of \$58,000 per job
 - President's Council of Economic Advisers came up with similar estimates of the number of jobs created or saved for 2009
 - CEA also estimates that 3.5 million jobs will be created or saved by the ARRA in the two-year period
 - Estimates by other economists show that up to 2 tenths of the GDP growth has been the result of the stimulus package
- ARRA funding for training and employment services created or saved 73,000 job at a cost of \$11,500/job

Training and Employment Services

- Direct job creation is not the primary intent of funding for the workforce system
- Providing training and employment services to those impacted by the recession
- Funding has more than doubled
- Participants have increased, but not sure of the number because of the delay in reporting
- Reinvigorated the workforce system, particularly the employment service which had experienced significant budget cuts in prior years

What's Ahead for the Workforce System?

- USDOL's directives to States sees the investment of stimulus funds as presenting "an extraordinary and unique opportunity for the workforce system to advance transformational efforts and demonstrate its full capacity to innovate and implement effective One-Stop service delivery systems."
- WIA Reauthorization may be next on Congress's agenda after the health care bill

Looking Ahead

- USDOL has emphasized several principles that focus on enhanced demand-driven training and education
 - Needs of workers and employers are equally important in developing thriving communities
 - All seamless movement between the labor market, education, and training in order to advance careers
 - Youth must connect through multiple pathways to education and training
 - Education and training are fully aligned with economic and community development strategies
 - Education and training would be closely aligned with jobs and industries important to local and regional economies
 - Assessments and certifications linked to the requirements of the next level of education and employment

In addition...

- Attention is being given to shortcomings of existing WIA system:
 - Balancing accountability and flexibility
 - Cooperation among Federal, State, and local entities in providing workforce, economic, and educational services
 - Reporting and performance requirements should not affect customer selection (creaming) and should reflect value added
 - Engaging business on a continuous basis
 - Maintaining and nurturing strong leadership

Current Initiatives

- WIRED: regional partnerships to enhance innovation in workforce and economic development
 - ARRA has additional funds for high-growth sectors and green job initiatives
- Performance monitoring: adjusting performance targets for economic conditions and participant characteristics
- Targeting resources and evidence-based decision making
 - ARRA provides funds to update the Worker Profiling and Reemployment Services System
 - Integrate education and workforce administrative data through Data Quality initiative (\$250 million from ARRA)
- Some talk of job creation tax credits
- Increase in grants and scholarships for college

Conclusion

- Worst recession in 70 years has challenged the U.S. workforce system
 - The core programs in place today were created in response to the Great Depression and have evolved over time to become a more decentralized system with partnerships at Federal, State, and local levels
- ARRA doubled the funding for training and employment services, but decentralization and partnerships have slowed the spending rate
- Yet, no fundamental changes have occurred, except for a greater emphasis on demand-driven training and enhanced educational opportunities
 - Evaluations show that training and reemployment services are effective for some groups of workers, but the level of public spending is still low relative to other developed countries
- ARRA Funding and the economic crisis provide opportunities to make transformational changes within the workforce system
 - Principles have been proposed but too soon to tell if anything markedly different will emerge
- Congress is due to reauthorize the current training and employment system after the health care bill is finished...we'll see what happens

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