

# Employment and Training Policy in the United States during the Financial Crisis

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# Overview

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The labor market situation in the economic crisis

- Trends in employment and unemployment
- Unemployment occurring from economic crisis

Employment and training programs in the economic crisis

- Existing frameworks
- Changes adopted in the economic crisis

Roles of related programs

- Financial support during training program participation
- Efforts to promote participation in training programs
- Reemployment services after completion of training programs

Summary and Conclusions

# Background

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Federal leadership in employment policy during times of economic crisis

States reluctant to burden resident employers with taxes

Triad of public employment programs

- Employment Service
- Job Training
- Unemployment Insurance

# Background

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Original public employment programs

1933 U.S. Employment Service

1933 Emergency Conservation Work Act

- Civilian Conservation Corps (CCC)

1935 Unemployment Insurance

1935 Emergency Relief Appropriation Act

- Works Progress Administration (WPA)

# Background

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## Employment and Training Programs

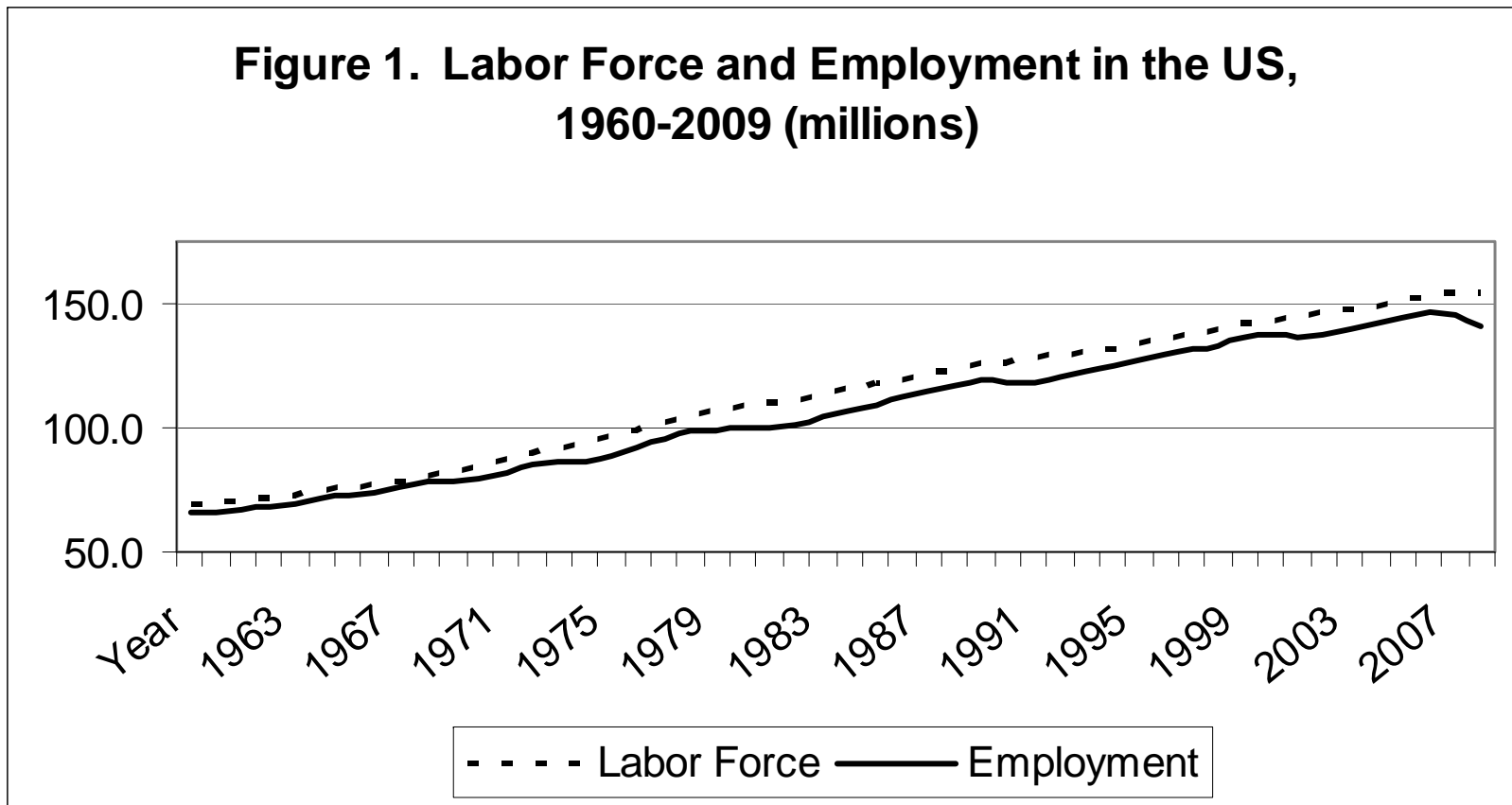
- Economic crisis drives concern
- Liberals and conservatives collaborate
- Evaluation a key in compromise
- Sunset date with required evaluation
  - Post World War II programs

# Labor Force (LF) Trends

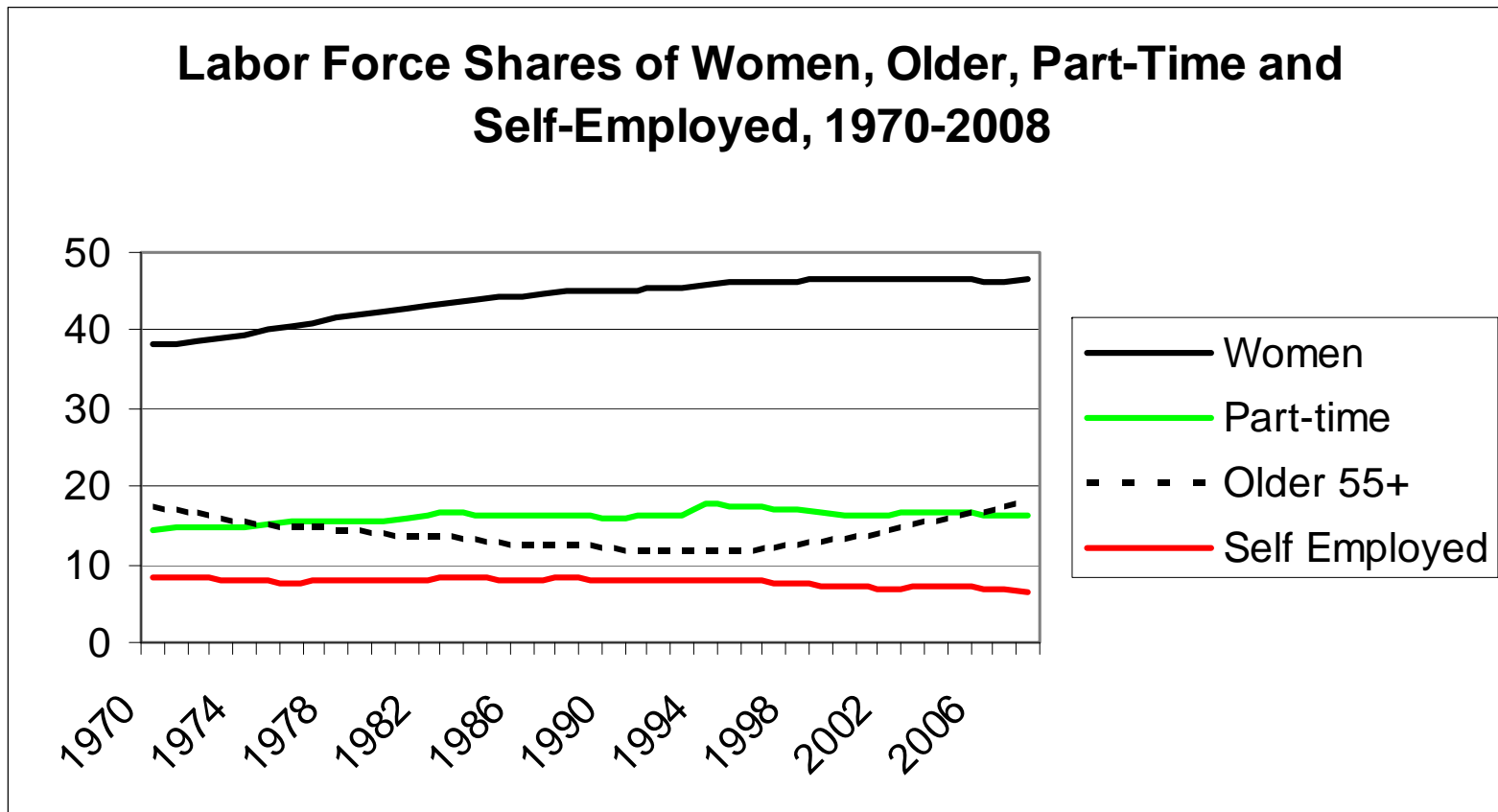
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- 1960 to 2009 LF growth 1.6% per year
- 70 million in 1960 to 154 million in 2009
- Females 38% in 1970 to 47% in 2009
- Older (55+) in range 12% to 18% of LF
- Part-time (LT 33 hrs) 14% to 17% of LF
- Self-employed 6% to 9% of LF

# US Employment



# Composition of Labor Force



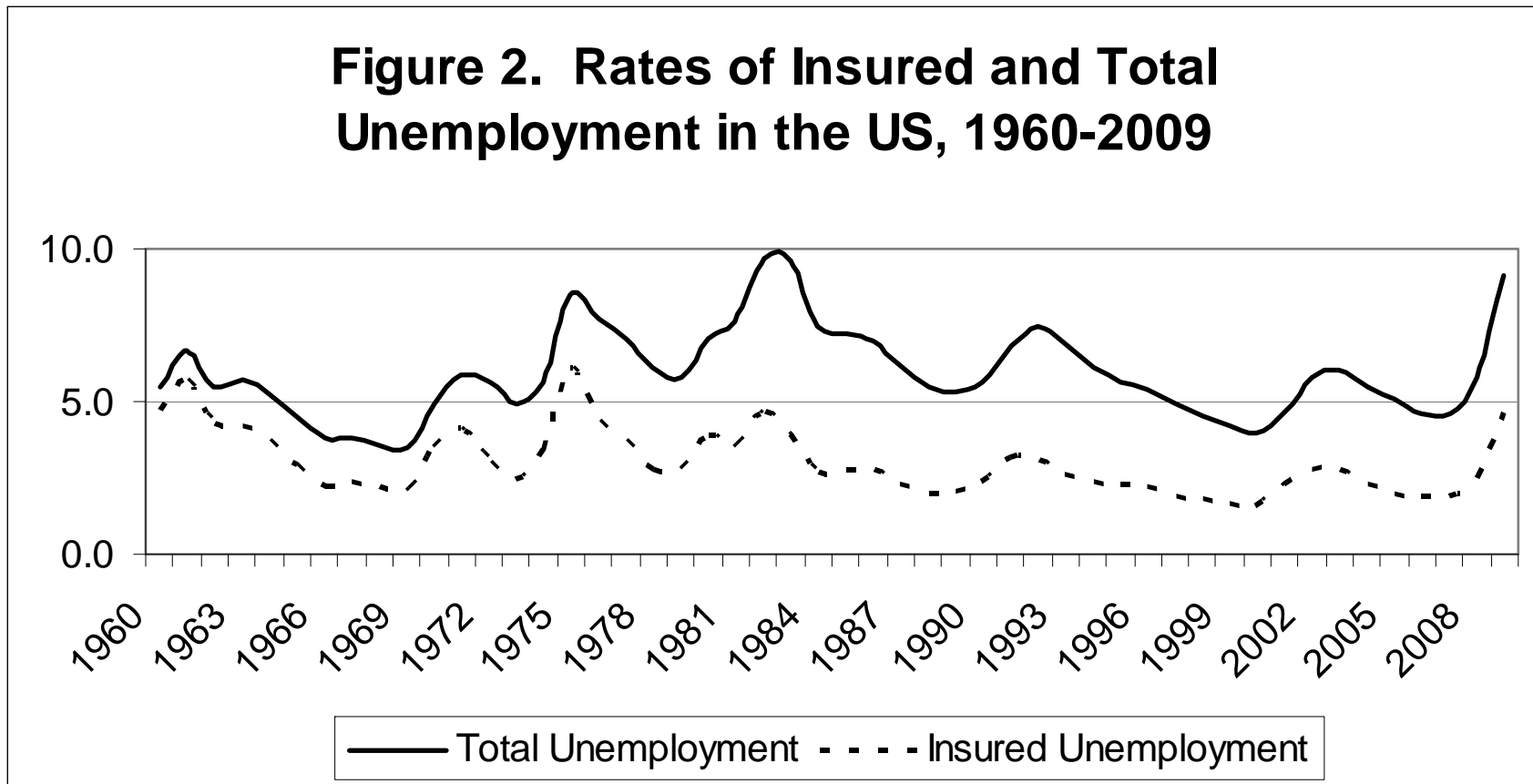


# Unemployment Trends

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- Unemployment minimums during expansions rising before 1982
- Unemployment minimums during expansions falling after 1982
- Temporary layoffs more common before 1982
- Permanent layoffs rising after 1982
  - Reduced manufacturing employment and rising employment in services

# Insured and Total Unemployment



# Insured Unemployment Trends

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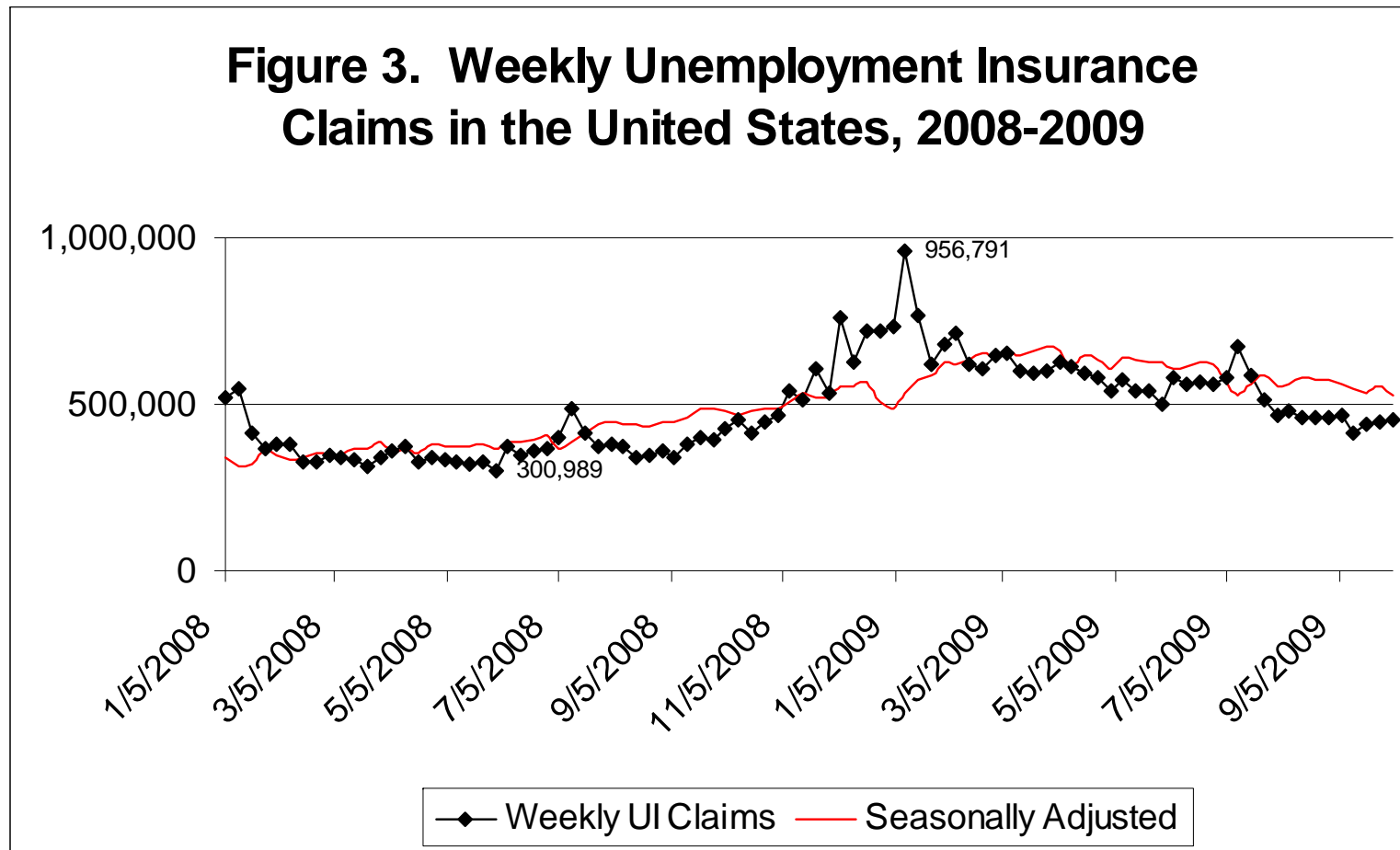
- Divergence between unemployment and rate of unemployment insurance (UI) from 1975 to 2000
- Financing challenges and tightened eligibility in 1982
- Post 2000 benefits rise but not financing
- Now challenges to pay for increased UI

# Unemployment in the Crisis

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- New UI claims averaged 322,000 per week from 2005 through 2007
- From October, 2008 to October, 2009 UI claims averaged 577,000 per week
- The week ending January 10, 2009 UI claims were 956,791
- President Obama inaugurated January 20, 2009
- American Recovery and Reinvestment Act (ARRA) signed in February, 2009

# UI Claims in Great Recession



# Changes from September, 2008 to September, 2009

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Unemployment rose from 6.2% to 9.8%

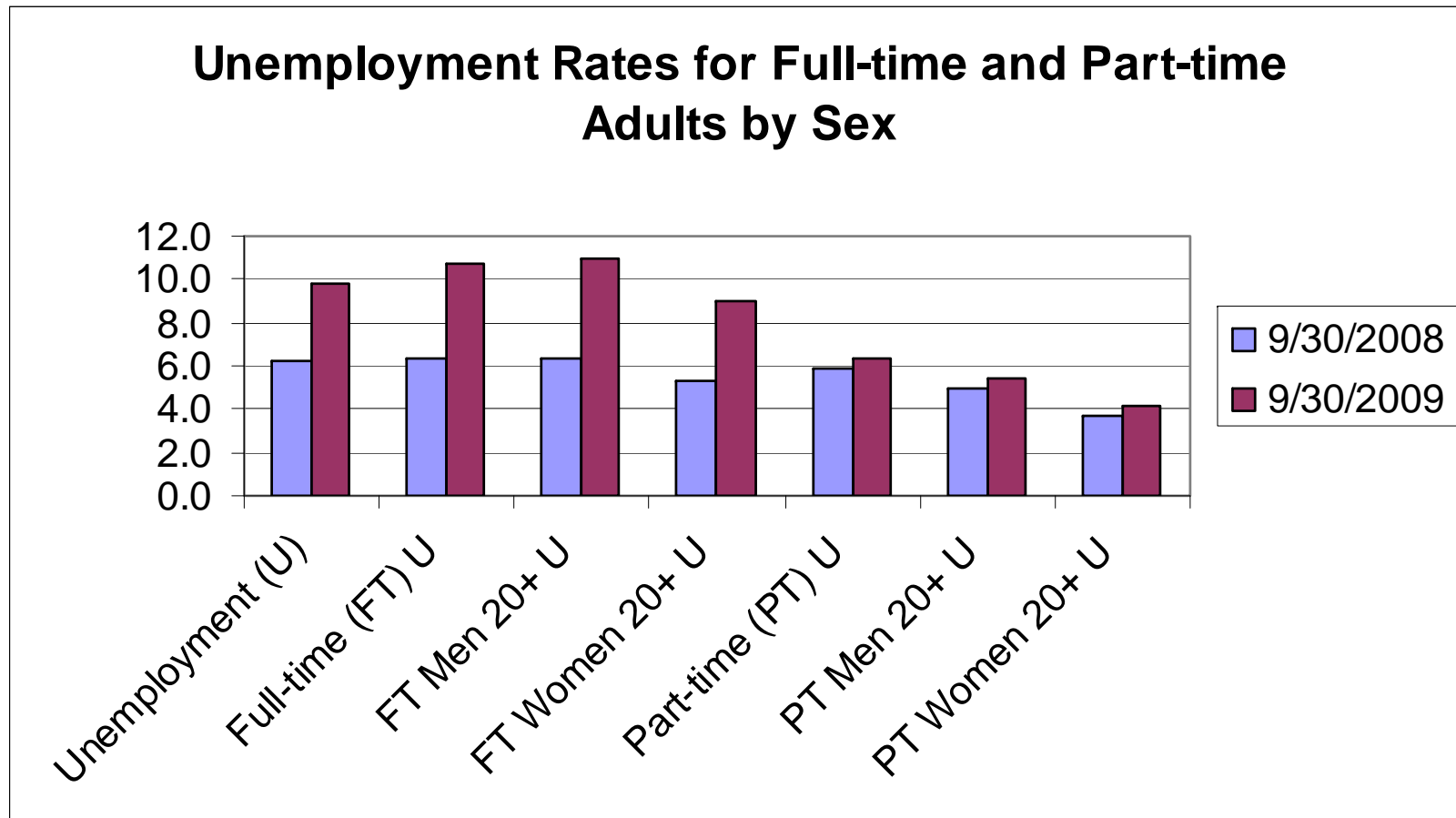
- Full-time adults from 6.3% to 10.7%
- Part-time adults from 5.9% to 6.4%
  - Involuntary part-time work increased
- Full-time youths from 29.6% to 43.3%
- Part-time youths from 14.4% to 17.3%

# Unemployment among Full and Part-time Workers by Sex

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	9/30/2008	9/30/2009
Unemployment (U)	6.2	9.8
Full-time (FT) U	6.3	10.7
<b>FT Men 20+ U</b>	<b>6.3</b>	<b>11.0</b>
<b>FT Women 20+ U</b>	<b>5.3</b>	<b>9.0</b>
Part-time (PT) U	5.9	6.4
<b>PT Men 20+ U</b>	<b>5.0</b>	<b>5.4</b>
<b>PT Women 20+ U</b>	<b>3.7</b>	<b>4.2</b>

# Changes in Unemployment Rates





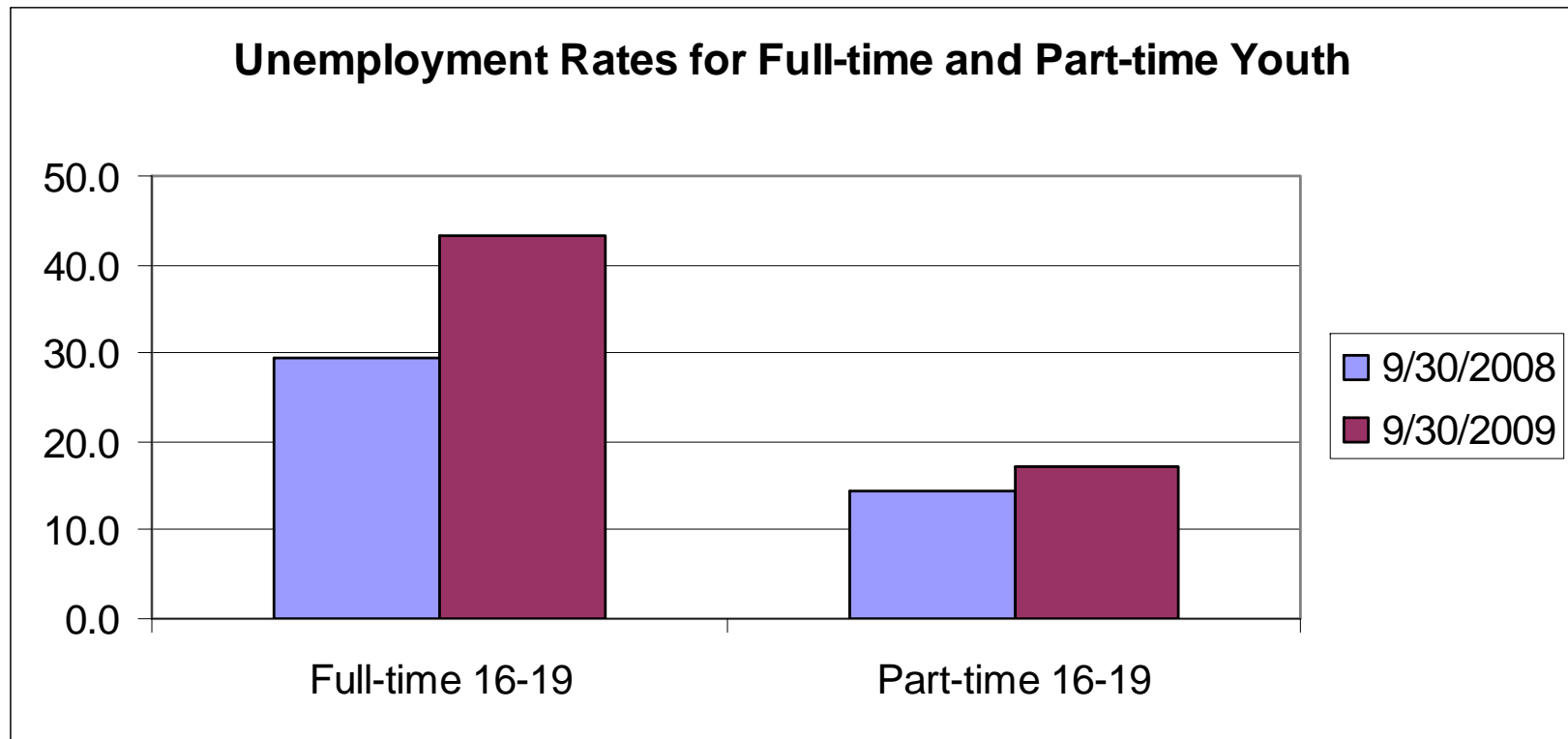
# Changes in Youth Unemployment

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	9/30/2008	9/30/2009
Full-time 16-19	29.6	43.3
Part-time 16-19	14.4	17.2

# Changes in Youth Unemployment

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# Changes from September, 2008 to September, 2009

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- Unemployment **higher** and **increased more** among men and youths
- Short term (less than 5 weeks) share of unemployed **fell** from 30% to 20%
- Long term (more than 26 weeks) share of unemployed **increased** from 21% to 36%
- Exhaustion rate of regular UI benefits **increased** from 39% to 52%

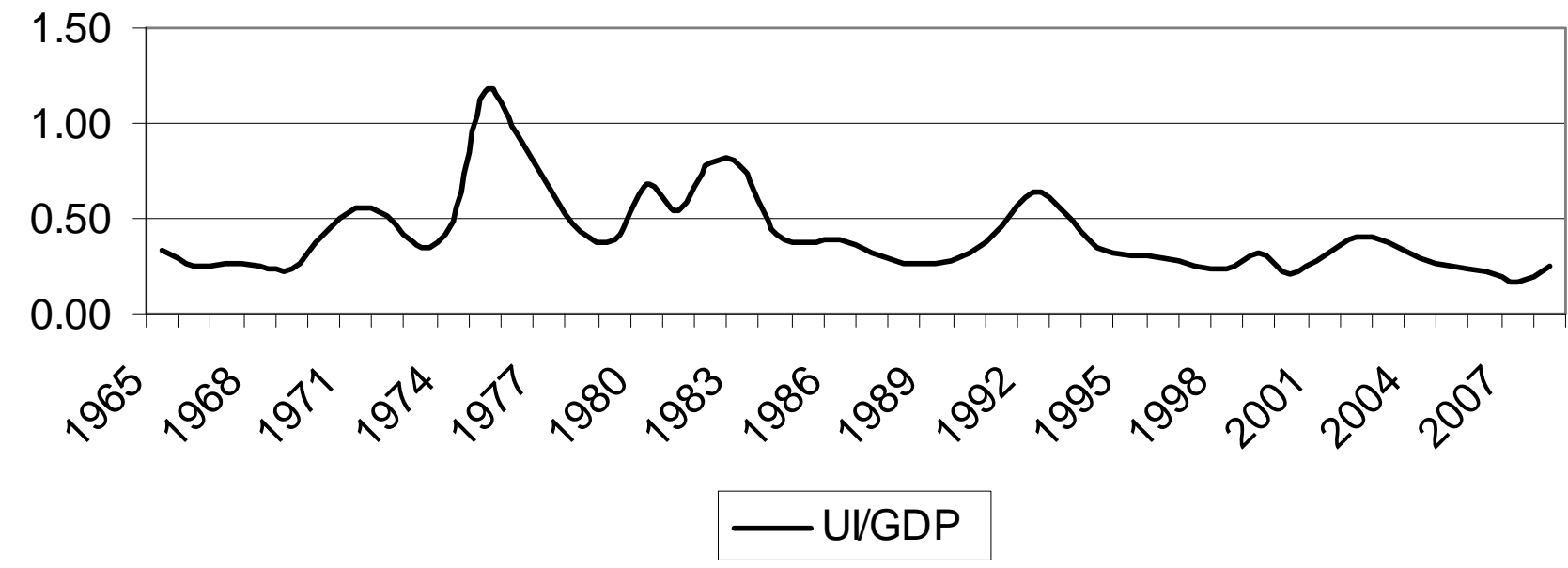
# Percentages of Unemployment by Duration

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	9/30/2008	9/30/2009
Less than 5 weeks	29.8	19.4
5 to 14 weeks	32.1	25.6
15 weeks and over	38.1	54.9
15 to 26 weeks	16.9	19.3
27 weeks and over	21.2	35.6

# UI Benefits as Percent of GDP

**Figure 4. UI Benefit Payments as a Percentage of Gross Domestic Product, 1965-2008**

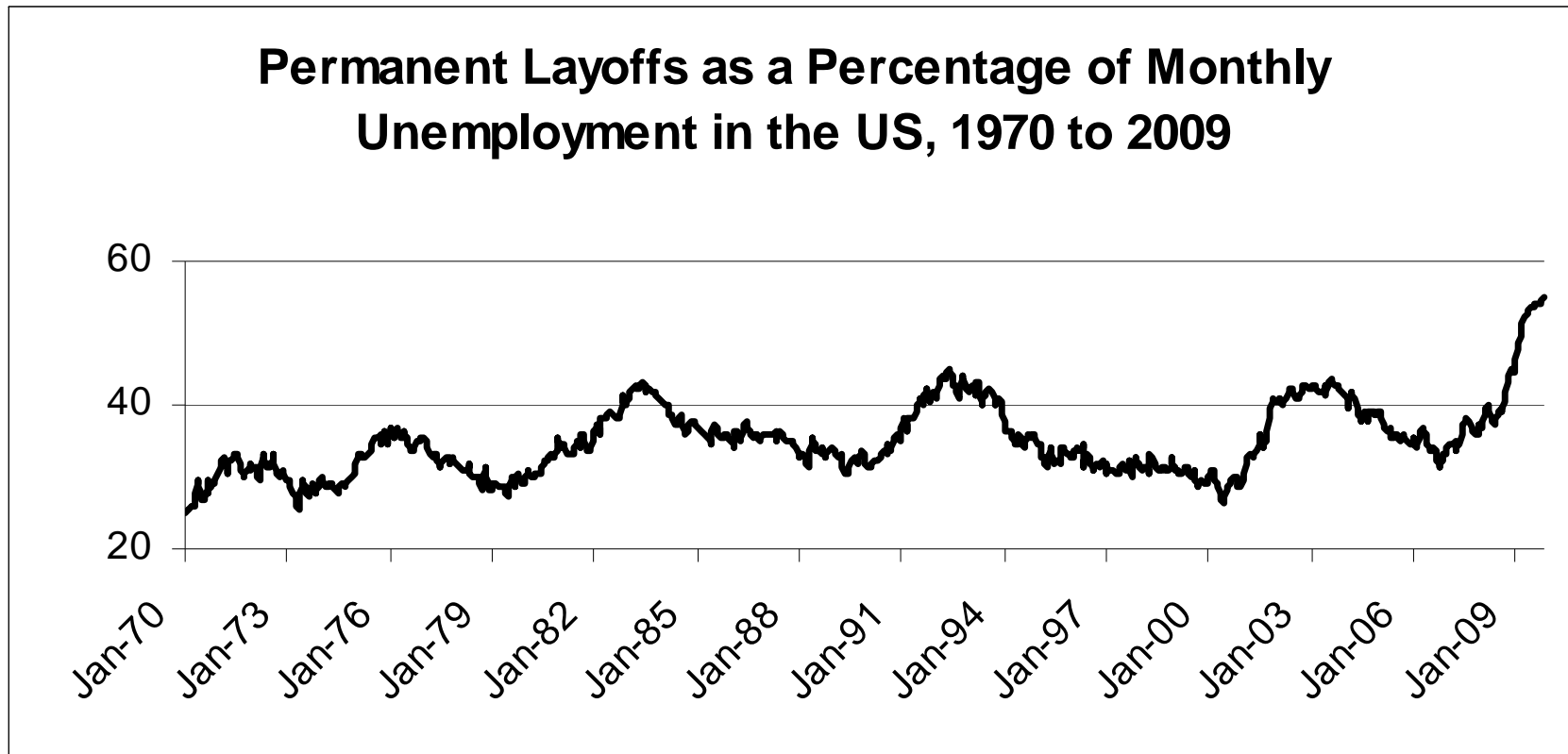


# UI as an Automatic Stabilizer

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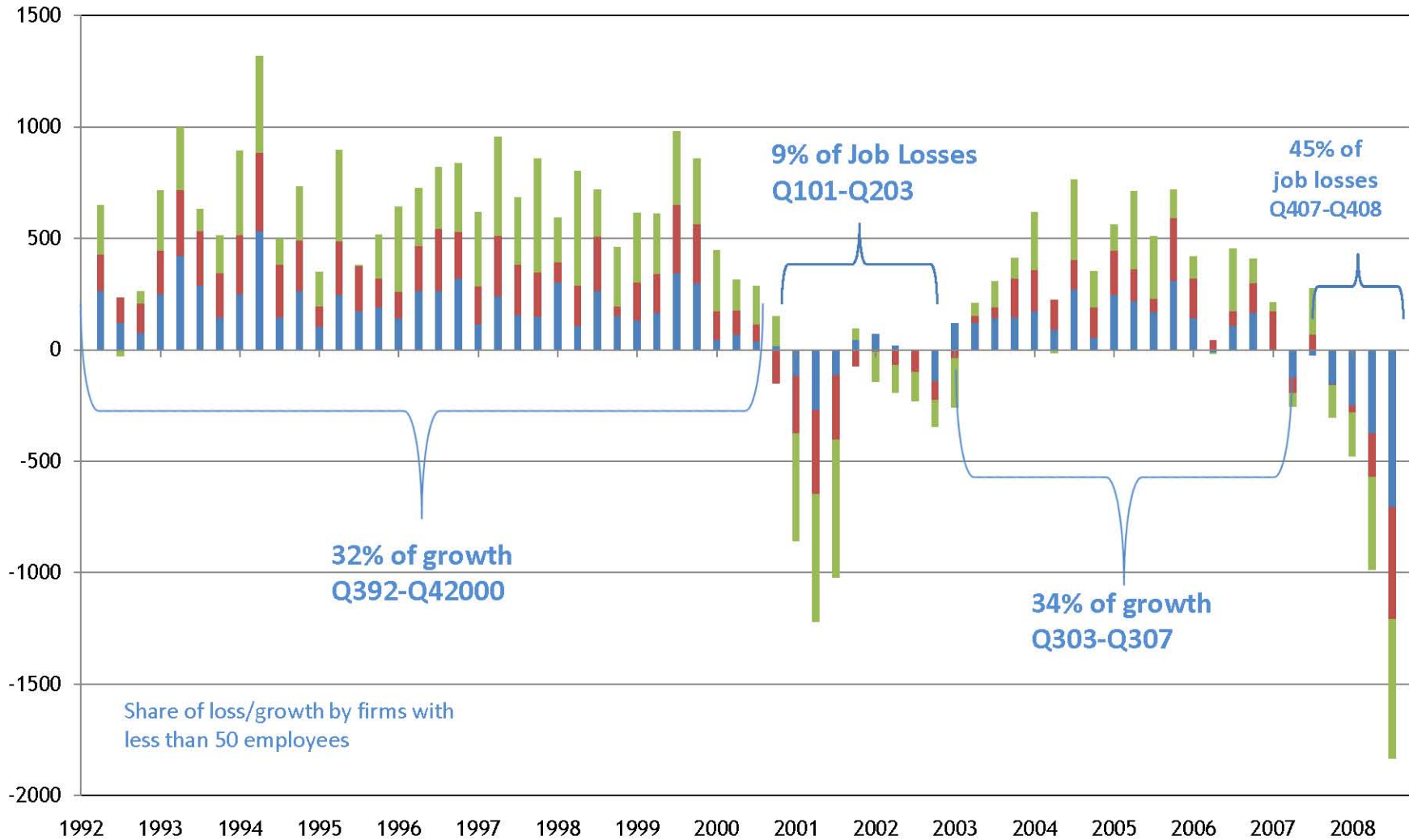
- Insured to total unemployment ratio was 86% in 1960 fell to 43% in 2008
- UI as a share of GDP from 0.16% to 1.16%
- Maximum UI/GDP in 1975
- Current recession ratio is rising
  - Regular UI \$75 billion 12 months to June, 2009
    - Regular UI \$31 billion 12 months to June, 2007
  - Federal extensions nearly \$35 billion in 12 months
  - Regular plus extensions up to 99 weeks
  - Federal supplement \$25/week; average \$300/week
  - UI payments reached 0.77% of \$14.3 billion GDP
  - ARRA about 2.75% of GDP for 2009 and 2010 each year

# Permanent Layoffs as a Percentage of Unemployment



# Distribution of Net Gain in Employment by Firm Size

Quarterly Net Change, SA, Thous.



Source: Business Employment Dynamics

■ 1-49    ■ 50-499    ■ 500+



# Prospects for Unemployment

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- Will unemployment be slow to decline in the economic recovery?
- Permanent separations rose to 55.1% of all unemployed in October, 2009
- Small businesses with fewer than 50 employees have driven employment gains
- Small businesses are leading employment declines in this crisis with borrowing limits

# Job Training after World War II

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1962 Manpower Development Training Act

1973 Comprehensive Employment and Training Act

1982 Job Training Partnership Act

1998 Workforce Investment Act

- American Recovery and Reinvestment Act of 2009 (ARRA)

# Types of Training under WIA

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- Classroom Training
  - Individual Training Accounts
  - Vouchers
- Customized Training
- Occupational Skills Training
- On-the-Job Training
- Remedial Training

# WIA Principles and Practices

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- “Work First” – the best training is a job
- One-stop centers coordinate services
- Training in high demand occupations
- Employer driven system--WIB leadership
- Common measures for performance
- No adjustment methodology—creaming
- Quasi-experimental impact evaluations

# Michigan WIA Training, 2000-2008

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Training Type	Frequency	Percent
Adult Education	198	0.3
Classroom Training	25,538	32.7
Customized Training	1,987	2.5
Entrepreneurial Training	18	0.0
Job Readiness	279	0.4
Literacy	96	0.1
Occupational Skills	33,118	42.5
On-the-Job	10,968	14.1
Skills Upgrade	3,860	4.9
Workplace Training	1,926	2.5
Totals	77,988	100.0

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# Federal Funding for Job Training

	2008	2009	ARRA	2010
Adult Employment and Training	\$849,101	\$861,540	\$500,000	\$861,540
Dislocated Employment and Training	1,323,373	1,341,891	1,450,000	1,413,000
Youth Activities	924,069	924,069	1,200,000	924,069
Green Jobs Innovation Fund	0	0	0	50,000
Workforce Data Quality Initiative	0	0	0	15,000
Reintegration of Ex-Offenders	73,493	108,493	0	115,000
Career Pathways Innovation Fund	122,816	125,000	0	135,000
Pilots, Demonstrations and Research	48,508	48,781	0	57,500
Evaluations	4,835	6,918	0	11,600
Women in Apprenticeship	983	1,000	0	1,000
Denali Commission	6,755	3,378	0	0
Indian and Native American Programs	52,758	52,758	0	52,758
Migrant and Seasonal Farm workers	79,668	82,620	0	82,620
Youthbuild	58,952	70,000	50,000	114,476
Training for High Growth Industries	0	0	750,000	0
Totals	\$3,545,311	\$3,626,448	\$3,950,000	\$3,833,563

# WIA Training with ARRA Money

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Training emphasis changed from “work first” to career development

ARRA doubled funding for dislocated and disadvantaged adults job training under WIA

385,000 summer youth participants 2009

- Average 8 weeks, 30 hours, ages 14 to 24
- Wages \$6.55 to \$7.25 per hour, about \$670 million
- In some local areas summer youth was a larger share of ARRA spending

# ARRA and Related Training

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ARRA UI Modernization encouraged expanded approved training (3 States)

- 26 additional UI weeks after exhaustion
- Work search waiver while in approved training

Expanded Pell higher education grants use

High growth industries training \$750 million

National emergency grants \$200 million

Separate funds for retraining auto workers



# WIA Participants PY 2007

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Program Year 2007	Participants	Percent
Disadvantaged Adults	2,803,700	81.3
Dislocated Workers	396,158	11.5
Disadvantaged Youths	249,060	7.2
Total	3,448,918	100.0

# Evaluating Training

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- Performance Measurement
  - Monitor gross outcomes
    - Employment, job retention, earnings
  - Cream skimming
  - Adjustment methodology – VAPIS for WIA
- Impact Evaluation
  - Comparison group designs
    - Random trials and quasi-experimental

# WIA Performance Measures-- Disadvantaged and Dislocated Adults

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Entered Employment--Of those not employed at the date of participation:

- # of adult participants employed in the first quarter after the exit quarter (divided by)
- # of adult participants who exit during the quarter

Employment Retention--Of those employed in the first quarter after the exit quarter:

- # of adult participants who are employed in both the second and third quarters after the exit quarter (divided by)
- # of adult participants who exit during the quarter

Average Earnings--Of those adult participants who are employed in the first, second, and third quarters after the exit quarter:

- Total earnings in the second plus the total earnings in the third quarters after the exit quarter (divided by)
- # of adult participants who exit during the quarter

# Disadvantaged Adults 2007 Performance

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Disadvantaged Adults	Negotiated	Actual
Entered Employment Rate	79.9%	69.6%
Employment Retention Rate	83.9%	83.8%
Average Earnings Q2+Q3	\$11,011	\$13,575

# Dislocated Workers 2007 Performance

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Dislocated Workers	Negotiated	Actual
Entered Employment Rate	85.3%	72.5%
Employment Retention Rate	89.6%	87.2%
Average Earnings Q2+Q3	\$14,149	\$15,188

# WIA Performance Measures-- Disadvantaged Youths

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Placement in Employment or Education--Of those who are not in post-secondary education or employment (including the military) at the date of participation:

- # of youth participants who are in employment (including the military) or enrolled in post-secondary education and/or advanced training/occupational skills training in the first quarter after the exit quarter (divided by)
- # of youth participants who exit during the quarter

Attainment of a Degree or Certificate--Of those enrolled in education (at the date of participation or at any point during the program):

- # of youth participants who attain a diploma, GED, or certificate by the end of the third quarter after the exit quarter (divided by)
- # of youth participants who exit during the quarter

Literacy and Numeracy Gains--Of those out-of-school youth who are basic skills deficient:

- # of youth participants who increase one or more educational functioning levels (divided by)
- # of youth participants who have completed a year in the program (i.e., one year from the date of first youth program service) plus the # of youth participants who exit before completing a year in the youth program

# Disadvantaged Youths 2007 Performance

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Disadvantaged Youths	Negotiated	Actual
Placement in Employment or Education Rate	61.6%	62.3%
Attainment of Degree or Certificate Rate	47.8%	56.8%
Literacy and Numeracy Gains	36.9%	30.4%

# JTPA Random Trials Experiment

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	Earnings
Adult Men	\$1599*
Adult Women	\$1837***
Youth Male	-\$868
Youth Female	\$210



# WIA Quasi-Experimental Impacts

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WIA Training	States	Employment Rate	Quarterly Earnings
Hollenbeck and Huang (2003)	Washington	7.9	\$767
Hollenbeck et al. (2005)	7 States	4.4	\$836
Hollenbeck and Huang (2006)	Washington	8.1	\$709
Heinrich, Mueser, and Troske (2008)	12 States	5.5	\$782
Hollenbeck (2008)	Indiana	18.2	\$692

# Employment after Training

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- Universal access to core and intensive reemployment services through WIA and Wagner-Peyser Employment Service
- ARRA funding for reemployment services totaled \$400 million
- On-the-job training participant retention
- Incumbent worker retraining retention
- Customized training for retention promise

# Summary and Conclusion

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- Since December 2007 unemployment has risen faster than any other post World War II recession
- More than half of job separations are permanent, this is another for the first time
- Despite a return to GDP growth unemployment is rising
- Nearly 10 million UI claims 12/08 to 2/09

# Summary and Conclusion

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- ARRA doubled funding for job training to more than \$7.5 billion in 2009
- Regular UI and federal extended benefits injected \$110 billion with a 2.15 multiplier
- Estimated 650,000 jobs created or saved
- ARRA training money spent through WIA
- WIA job training raises employment rates and earnings
- Is the \$787 billion ARRA enough?

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