
FINAL REPORT

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“The Recovery Act”

- The “Great Recession” officially began five years ago in December 2007 and ended in June 2009.
- The unemployment rate increased from 5.0% in December 2007 to a peak of 10.0% in October 2009, then gradually declined to 7.7% in November 2012.
- The Recovery Act was enacted in February 2009.
- The Recovery Act was estimated to cost nearly $800 billion – about $435 billion in outlays and the rest in tax cuts.
- It was intended to stimulate the economy with temporary, targeted and timely spending increases and tax cuts.
Estimated Recovery Act Spending by Federal Departments

- The U.S. Department of Labor had about 15%.
- Estimated spending in Billions of Dollars
  - Health and Human Services: $123
  - Education: 91
  - Labor: 66
  - Agriculture: 39
  - Transportation: 36
  - Energy: 27
  - Other: 53
  - Total: $435
Recovery Act Spending for Major State Adult Workforce Programs
($ in millions, state allocations only)

- **WIA Adult**
  -PY 2009: $859
  -Recovery Act (58% added to PY 2009): 494

- **WIA Dislocated Worker**
  -PY 2009: $1,184
  -Recovery Act (105% added to PY 2009): 1,238

- **Wagner Peyser Act with Reemployment Services**
  -PY 2009: 702
  -Recovery Act (56% added to PY2009): 395

- **Totals**
  -PY 2009: $2,745
  -Recovery Act (77% added to PY 2009): 2,127
Estimated Recovery Act Spending for Unemployment Insurance

($ in billions)

- Extensions of Benefits through 2009: $27
- Federal Additional Compensation: 9
- Suspension of Federal Income Tax on UI: 5
- UI Modernization (up to $7.0 billion): 3
- $500 million for administration
- Interest Free Loans: 1
- Total: $45

Extensions of Benefits Subsequently Totaled More than $200 billion, about 8 times the initial estimate.
Four Guiding Principles from TEGL 14-08

- Transparency and accountability;
- Timely spending and implementation;
- Increased system capacity and service levels; and
- Use of workforce information to guide strategic planning and service delivery
20 States Visited
(orange = original state, blue = added state, and green = refusal)
Major Accomplishments of Workforce Programs

- States and LWIAs moved quickly to implement Recovery Act workforce provisions
- Significantly more customers were served—number receiving doubled at one point
- Services were enhanced: more supportive services, more training
- Relationships between workforce programs and UI improved, leading to increased services to claimants
- Training programs were improved, with states offering more long-term training and class-size training
- The WIA summer youth program was recreated in 2009 only on very short notice
- State and LWIAs developed many innovative strategies with ARRA funds to provide new services and save resources—the appendix documenting these practices is 28 pages
Major Challenges to Workforce Programs

- Spending funds quickly and in timely manner (states sometimes slow to authorize spending)
- Staffing issues (hiring freezes, civil service procedures)
- Finding jobs for customers in recession
- Recovery Act Reporting Requirements
- Slow guidance from DOL
- More restrictive waivers from ETA to transfer funds from Dislocated Worker to Adult program
- Dealing with continued high demand after ARRA resources spent
Plans for After the Recovery Act

- Demand remains high but resources diminished
- Emphasis on serving UI claimants continues, in part with REA funds, and REA/RES funds authorized under the Middle Class Tax Relief and Job Creation Act
- Many training initiatives started with Recovery Act funds are continuing at a reduced level
WIA Adult and Dislocated Worker Programs

- States and LWIAs increased customers receiving assessment and counseling and added new technology, but states did not issue new requirements or policies on assessment and counseling.
- All states encouraged LWIAs to increase training, and the number of customers receiving training doubled during one program year.
- About ½ the states had minimum requirements for training with Recovery Act funds, some as high as 70%.
- Some LWIAs increased funds for OJT, customized training, and class-size training.
- At least 4 of the 20 states initiated efforts to expand linkages with apprenticeship programs, but none had been fully established at the time of the visits.
80% of states sent letters to UI claimants informing them about Pell Grant opportunities

40% of states expanded the definition of “approved training” while getting UI

There was confusion about use of Pell Grants at some LWIAs

- Some claimants misinterpreted sample letter provided by ETA and thought Pell support was entitlement
- Potential for using prospective income for determining Pell Grant eligibility not always known
WIA Adult and Dislocated Worker Programs: Targeting and Needs-Related Payments

- States passed on targeting requirements to LWIAs, but some states added more specific low-income requirements
- Most states reported increased spending on supportive payments for transportation and child care
- Mixed evidence from survey and site visits on changes in needs-related payments policy and coverage
Most states and LWIAs indicated that when they run out of Recovery Act funds, they will revert to prior levels of service in spite of the expected lingering recession and continued high demand for services.

States generally hired temporary workers with Recovery Act funds, so reducing staff did not involve layoffs.
Large increase in customers: From trough in 2006-Q3 number of customers increased by 60% in 2010-Q4

Increase in customers much greater than increase in funding

No states changed basic W-P delivery structure

All states added staff, usually as temps

Staffing levels expected to return to pre-ARRA levels,

States invested in proprietary programs to assist in assessments, counseling, and job matching/referrals

Examples include WorkKeys for NCRC, TORQ, Smart 2010, and Job Zone
Reemployment Services

- The Recovery Act's investment in RES was a major change in emphasis for the public workforce system: RES restarted in 11 states and expanded in 6 of the 20 sample states.
- Claimants usually identified for RES based on likelihood to exhaust UI benefits and/or their expected UI benefit duration; 3 states also focused on claimants with short projected claims.
- 17 of the 20 states visited used RES funds to improve or expand LMI and/or other information technology systems and infrastructure.
- The majority of study states (17) reported using RES funds to hire staff to serve the large influx of claimants.
- Majority of states considered RES major accomplishment.
- Many states continue to serve claimants with Reemployment and Eligibility Assessment (REA) grants from DOL. All states are serving Extended Unemployment Compensation (EUC) claimants with REA/RES under the Middle Class Tax Relief and Job Creation Act.
Trade Adjustment Assistance (TAA)

- TAA reauthorized for two years by the ARRA, requiring state workforce agencies to make significant revisions to their TAA programs.
- Major changes included: additional funding, new eligibility provisions for both service workers and firms; creation of a new communities program; and an increased tax credit for the health insurance program for dislocated workers.
- States had to administer multiple TAA programs during and after the ARRA period. Eligible workers could be eligible under the pre-ARRA statute, the ARRA statute, and additional statutory changes to the program after the ARRA provisions expired.
- States had significant problems implementing the changing programs. They had to reprogram their operating systems each time the law was modified, constituting a significant resource effort.
- Almost all sample states experienced a significant increase in TAA activity during the ARRA period.
State Labor Market Improvement Grants funded by the Recovery Act were awarded to individual states and consortia of states to enhance and upgrade their LMI infrastructure in various ways as well as to improve their technology.—18 of 20 states in sample participated in Recovery Act LMI improvement grants.

The 2009 LMI grants were used to support research and analysis necessary for defining green job occupations, establishing a baseline number of current green jobs in the states, and upgrading forecasting models to project future demand for workers in green jobs.

In addition to the Recovery Act LMI grants, most states have been improving their automated information systems used for program management, job matching, and case management, using regular annual LMI grants as well as WIA and Wagner-Peyser funds.

Several staff and administrators noted upgrades in the LMI systems are especially important now because many more higher-skilled customers are unemployed and seeking employment services than in the past. Having more sophisticated LMI tools allows the workforce investment system to better serve these customers.
Summary

- States and LWIAs moved quickly to implement Recovery Act workforce provisions
- Significantly more customers were served—number receiving doubled at one point
- Relationships between workforce programs and UI improved, leading to increased services to claimants
- State and LWIAs developed many innovative strategies with ARRA funds to provide new services and save resources—the appendix documenting these practices is 28 pages

Challenges included:
- Staffing (hiring freezes, civil service procedures)
- Finding jobs for customers in recession
- Dealing with continued high demand after ARRA resources spent
Regular State UI Program
Continued and Initial Claims
(Jan. 2007 to May 2012)

Initial Claims (Thousands)
Continued Claims (Millions)

# Growth in State Unemployment

51 programs - 2007 to 2009

<table>
<thead>
<tr>
<th>Ratio 2009/2007 Unemployment Rates</th>
<th>Number of States</th>
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<tbody>
<tr>
<td>2.5 and Above</td>
<td>7</td>
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<tr>
<td>2.25 to 2.499</td>
<td>4</td>
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<tr>
<td>2.00 to 2.249</td>
<td>11</td>
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<tr>
<td>1.75 to 1.999</td>
<td>20</td>
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<tr>
<td>1.50 to 1.749</td>
<td>5</td>
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<tr>
<td>Below 1.50</td>
<td>4</td>
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## Calendar Year UI Benefits ($ in billions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Regular UI</th>
<th>EUC</th>
<th>EB</th>
<th>FAC</th>
<th>Total UI</th>
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<tr>
<td>2007</td>
<td>32.4</td>
<td>-</td>
<td>0.0</td>
<td>-</td>
<td>32.4</td>
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<td>2008</td>
<td>43.1</td>
<td>7.9</td>
<td>0.0</td>
<td>-</td>
<td>51.0</td>
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<td>2009</td>
<td>78.8</td>
<td>42.3</td>
<td>6.0</td>
<td>9.5</td>
<td>136.6</td>
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<tr>
<td>2010</td>
<td>58.6</td>
<td>66.0</td>
<td>9.2</td>
<td>10.3</td>
<td>144.0</td>
</tr>
<tr>
<td>2011</td>
<td>47.2</td>
<td>47.2</td>
<td>10.0</td>
<td>-</td>
<td>104.4</td>
</tr>
</tbody>
</table>
Timeliness of Performance Declined, Especially for Nonmonetary Determinations and Appeals

Percentages

First Payment TL 87%
Nonmon TL 80%
Lower Appeals TL 60%
Timeliness of Continued Claims Held Up Through the Great Recession

Percentages

1997 1999 2001 2003 2005 2007 2009 2011

7 Day TL 14 Day TL
Overpayment Rate Increased
Especially in 2010
Source: Benefit Accuracy Measurement

Average 52 Programs
Aggregate
Administrative Challenges: Problem Areas

- Staffing problems to service high claims volume
- Communication problems with claimants and administrative staff because of several legislative changes
- Need to be “nimble” despite ancient IT system
- Breaks in EUC intake followed by reach-back, 3 breaks in 2010
- $25 FAC – no previous emergency benefit program changed the weekly benefit payment
- Recalculation of WBA if it decreased sharply in new benefit year (by 25% or $100)
- Paying Tier 2 week 14 of EUC under four-tier EUC in Nov. 2009
Administrative Challenges (Continued): Adjustments to Increase Administrative Capacity

- Staffing adjustments: new hires, rehiring retirees, increasing weekly hours, reassigning staff to claims functions
- Increased office hours: longer days, Saturdays
- Added telephone lines
- Added internet capacity
Long-term UI Benefits

- 10 different bills between June 2008 and February 2012 that affected long-term benefits
- ARRA bill was number 3 of 10, but many of its provisions were extended in later bills
- Long potential duration of EUC and EB
  - Up to 73 weeks in states with high unemployment
  - Fewer than 73 weeks in many states
- Sequence: Regular UI, EUC, EB
EUC

- Very long potential duration
  - Initially in 2008 - up to 20 weeks
  - 4 Tiers - up to 53 weeks after November 2009
  - 14th week in Tier 2 caused problems
- 3 Breaks in intake in 2010 – retroactive payments
- Recalculation of WBA if it decreased sharply in new benefit year (by 25% or $100)
- Confusion in states where 53 weeks not available
Federal-State
Extended Benefits - EB

- EB largely inactive after triggers were changed in the early 1980s
- ARRA – full federal financing of EB
- ARRA - states could adopt alternative (TUR) triggers
  - 27 adopted a TUR trigger
  - All 27 adopted temporary TUR triggers
  - Most states paid EB during 2009-2012
- Legislation of Dec. 2010 allowed 3-year look-back
- More stringent work search requirement than for EUC
UI Modernization

- $7.0 billion available to states with appropriate “modernized” benefit provisions
- States get 1/3 with an alternative base period (ABP)
- States with ABP get 2/3 with 2 of 4 other provisions
  - 1) eligibility for part-time workers, 2) eligibility for quits due to family obligations, 3) training benefits for UI exhaustees, and 4) dependents’ allowance
- 39 of 51 compensated for ABP
- 34 of 51 compensated for 2/3 provisions
- $4.4 billion paid to the 39 programs
UI Modernization (Continued)

- Adoptions made early – most in 2009
- Cost arguments important in the states
  - States estimated the cost of each of the 5 components
  - Uncertainty as to costs of individual components
  - Opponents argued long-run trust fund reduction
  - Choice of 2/3 provisions influenced by costs
UI Modernization (Continued)

- Large effect on prevalence of ABP
  - 21 (of 51) before ARRA, 39 after ARRA
- Part-time most popular of 2/3 provisions (26)
- Dependents' allowance least popular (7 states compensated but just one new adoption)
- Limited effect of UI modernization
  - 12 states did not make any changes
  - Several states were compensated for provisions already present before ARRA
Summary

- Huge increases in benefit payouts: regular and extended benefits
- Several administrative adjustments and innovations to serve increased claims volume
- State decisions reflected financial constraints
  - EB: Adopted TUR triggers and 3-year look-back with full federal financing
  - Cost concerns affected adoption of UI modernization
  - Slow response of taxes to trust fund losses
Graphical Analysis

- Participants
- Services
- ARRA and regular expenditures
- Performance
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.

Shaded area is the period of the recession, from December 2007 to July 2009.
The number of initial claims for UI benefits quickly accelerated in response to the surge in displaced workers. The UI system was initially able to meet the demand as first payments kept pace with initial claims. After the initial surge, first payments lagged initial claims by one quarter, as they did before the recession.
Referrals to services increased steadily even after the initial surge in first payments. 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.
Low-cost services—orientations and assessments—received the largest increases in enrollments; the more intensive and expensive services received the smallest increases.
Assessments and job placement experienced the largest increases in the share of services received. Both rose from 30% to 50% of services received. Assessments, as a share of services, remained at 50% until the ARRA funding period ended.
The increase in the number of Wagner-Peyser ES participants began to accelerate at the beginning of recession and peaked at nearly 5 million in 2010Q3. During that time, the percentage receiving staff assisted services declined from 70% to 60%.
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.

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.
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.

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.
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.
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.
ARRA funding provided sufficient resources to raise the expenditures per participant from 35% (ES) to 54% (DW) above what would have been available without ARRA.

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<tr>
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<tbody>
<tr>
<td>Employment Service</td>
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<tr>
<td>Pre-Recession 2005Q3-2007Q4</td>
<td>3,008,622</td>
<td>$55</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recovery Act 1 2009Q2-2010Q2</td>
<td>4,661,847</td>
<td>$30</td>
<td>$42</td>
<td>85%</td>
</tr>
<tr>
<td>Recovery Act 2 2010Q3-2011Q2</td>
<td>4,931,999</td>
<td>$32</td>
<td>$34</td>
<td>15%</td>
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<tr>
<td>WIA Adult</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Pre-Recession 2005Q3-2007Q4</td>
<td>340,231</td>
<td>$633</td>
<td></td>
<td></td>
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<tr>
<td>Recovery Act 1 2009Q2-2010Q2</td>
<td>841,581</td>
<td>$269</td>
<td>$364</td>
<td>72%</td>
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<tr>
<td>Recovery Act 2 2010Q3-2011Q2</td>
<td>912,800</td>
<td>$230</td>
<td>$272</td>
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<tr>
<td>WIA Dislocated Worker</td>
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<tr>
<td>Pre-Recession 2005Q3-2007Q4</td>
<td>245,099</td>
<td>$1,301</td>
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<tr>
<td>Recovery Act 1 2009Q2-2010Q2</td>
<td>547,975</td>
<td>$466</td>
<td>$720</td>
<td>60%</td>
</tr>
<tr>
<td>Recovery Act 2 2010Q3-2011Q2</td>
<td>687,153</td>
<td>$398</td>
<td>$571</td>
<td>40%</td>
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</tbody>
</table>
Wagner-Peyser ES

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 Adult

#### Program Expenditures

**Current Dollars in millions**

- **Adult EXP w ARRA**
- **Adult EXP wo ARRA**
- **Adult Participants**

**Number of Participants (in millions)**

**Current Dollars/participant**

- **WIA Adult w ARRA**
- **Regular WIA Adult**

<table>
<thead>
<tr>
<th>Year</th>
<th>Adult EXP w ARRA</th>
<th>Adult EXP wo ARRA</th>
<th>Adult Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005q3</td>
<td>$0</td>
<td>$200</td>
<td>0.1</td>
</tr>
<tr>
<td>2006q1</td>
<td>$50</td>
<td>$100</td>
<td>0.2</td>
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<tr>
<td>2006q4</td>
<td>$150</td>
<td>$200</td>
<td>0.3</td>
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<td>$200</td>
<td>$300</td>
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<td>2007q4</td>
<td>$350</td>
<td>$400</td>
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<tr>
<td>2008q1</td>
<td>$1,000</td>
<td>$1,200</td>
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</table>
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. However, the Entered Employment Rate was lower during the ARRA funding period than before the recession.
Summary

- U.S. 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.
- Workforce system provided a significant increase in training and intensive services.
- Flows of workforce services could not keep pace with the surge of program enrollees.
- As funds were depleted, states substituted proportionately more lower-cost services for higher-cost staff assisted services such as training and counseling.
- The number of WIA Adult and DW program participants finding employment increased during much of the ARRA funding period but the entered employment rate fell with the greater number of people in the programs.
Suggestions for Future Efforts

- UI and workforce systems should be included in future stimulus packages because they delivered temporary funding in a timely and targeted way.
- During recessions, the increase in workforce system funding should more closely match the growth in demand.
- Study whether the decline in expenditures per participant reflects an increase in efficiency or a dilution in customer service.
- Design less complicated UI approaches for greater efficiency and lower administrative costs and overpayments (FAC, UI benefit extensions)
- Modernize information technology to improve efficiency.