



# TRANSFORMING U.S. WORKFORCE DEVELOPMENT POLICIES FOR THE 21st CENTURY

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# **Part 1**

## **Transforming the U.S. Workforce Development System**

# 6

## The Future of the Public Workforce System in a Time of Dwindling Resources

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This chapter looks into the future of the public workforce system by examining the system's long-term federal funding and program trends. The most important change in the public workforce environment over the past three decades has been a downward trend in federal funding for the basic workforce programs: the Wagner-Peyser Act Employment Service (ES) and federal training programs, including both the Job Training Partnership Act (JTPA) and Workforce Investment Act (WIA) programs. The effects of the decline in funding are much worse in real terms than in monetary terms because most workforce services are provided by workforce professionals whose pay generally increases yearly.

At the same time that funding has declined, the demand for public workforce services has increased. Two factors contribute to the rising demand for services. First, the percentage of U.S. workers permanently laid off has increased. Employers have been less likely to lay off employees temporarily, especially during recessionary times. As a result the temporary layoff rate has remained flat over recent business cycles (Groschen and Potter 2003). Thus, workers on temporary layoffs who generally do not need reemployment services have been replaced by workers on permanent layoffs who cannot expect to be called back to their former jobs. These dislocated workers must seek new jobs and perhaps new occupations. Most of them have been employed for many years and have no recent work search experience, so they need help finding their next jobs. Second, in recent years, permanently laid off workers who want to return to work have tended to remain unemployed for longer periods of time and need greater assistance than previous permanently separated workers.

The cuts in federal funding and the continuing high demand for public workforce services has led to a decline in per person expenditures for those seeking workforce services. This decline in per person expenditures has been evident for many years. The addition of one-time funding for workforce programs during the Great Recession of 2007–2009—authorized by the American Reemployment and Reinvestment Act (ARRA, or the Recovery Act) of 2009—provided only a brief respite from the continuing decline in per person expenditures.

State workforce agencies have had to adapt to a reduction in resources, and if the trends continue, they will have to respond to an even more difficult fiscal environment. One aspect of their response has been to shrink the basic programs' infrastructure. State workforce programs have sharply reduced the number of frontline workers who serve the public, as well as the number of local workforce offices providing services to the public. At the end of 2003 there were almost 3,600 such offices, but today there are just over 2,500—a decline of about 30 percent (U.S. Department of Labor 2014; Wandner 2013, p. 8).<sup>1</sup> The steady decline in program resources continued at the same time that administrative costs needed to support large numbers of local Workforce Investment Boards (LWIBs) remained high. More recently, state agencies have responded by reducing their administrative overhead, such as decreasing the number of LWIBs that oversee the local workforce programs and increasing the role of the governors and the states in workforce program administration.

State workforce agencies also have responded to funding cuts by changing both the way that they provide services and the mix and number of services that they provide. By far the most expensive service provided is job training. The amount of training offered has thus declined, with only 200,000–300,000 WIA Adults and Dislocated Workers receiving training each year—this is only 1–2 percent of workers seeking assistance from the public workforce system. Instead of training, job seekers receive less expensive employment services, often in the form of automated services in computer resource rooms with little staff assistance. Job seekers see fewer and fewer frontline workforce professionals and instead have to make their own way through the computer-based job-seeking process. Thus, there has been a gradual but profound change in the mix of services that job seekers receive, and, responding to a national survey, state workforce administrators say that they

believe the change generally represents a degradation of the quality of services (Wandner 2013).

The outlook is for continued decline in resources and continued strong demand for employment services. As a result, we can expect that infrastructure will further deteriorate, and as a result, the quality and number of in-person services will also continue to decline.

This chapter relies on historical data about the public workforce programs and their funding. These data were assembled and organized in the Public Workforce System Dataset (PWSD) from U.S. Department of Labor (USDOL) reporting data (Eberts, Wandner, and Cai 2013). The chapter also makes use of responses to a survey of workforce administrators that was designed by the author and the staff of the National Association of State Workforce Agencies (NASWA). The survey, conducted by NASWA in late 2012, asked the administrators how their states had responded between 2010 and 2012 to the end of the one-time supplemental federal funding made available through the ARRA. Most states had exhausted this funding by the end of 2010 and were struggling with funding levels at or below the level preceding the onset of the Great Recession (Wandner 2013).

## **THE ENVIRONMENT**

### **Declining Funding**

Over the past 30 years, the funding (in current dollars) for workforce programs has declined or remained stagnant. However, the pattern of funding for the three major programs for adult workers has varied greatly. Funding for the Wagner-Peyser Act Employment Service programs has been in decline for nearly two decades, reaching a high of \$839 million in 1995, and dropping to a low of \$664 million in 2014. The JTPA/WIA Adult program has declined dramatically and steadily, from \$1.89 billion in 1984 to just less than \$800 million in recent years. By contrast, permanent worker displacement has been a persistent and growing labor force problem since the 1970s. As a result, the funding for the JTPA/WIA Dislocated Worker program increased steadily until it reached a peak of \$1.27 billion in 2000, declining only slightly and

remaining fairly steady at above \$1.1 billion until 2010, but declining to \$1.0 billion in 2014.

The Great Recession did not change the downward trend in workforce program funding—it simply added an overlay of a one-time supplemental increase in program funding from the Recovery Act that was obligated or expended quickly, starting in mid-2009 and largely exhausted by late 2010. Thus, by the end of 2010, states found that their total workforce resources in current dollars had declined to below pre-recession levels (see Table 6.1).

The reduction in federal funding meant that state workforce programs had to either supplement it or reduce the number of workers served, change the mix of services participants received, or alter the methods of providing services. Most states did not supplement funding; rather, the effect of the decline in federal funding fell most heavily on program participants, who now generally receive fewer one-on-one services and instead receive automated, group, or less intensive services. Overall, the federal funding cuts and the states' responses led to fewer clients receiving services and less intensive services for clients who did receive assistance. On net, expenditures per participant declined.

The Career and Technical Education and Adult Basic and Literacy Education (Adult Education) programs also serve individuals in need of training for work. They provide competitive grants, evaluation contracts, innovative programs, and other national activities. The Adult Education state grants assist adults without a high school diploma or the equivalent to become literate and obtain the knowledge and skills necessary for postsecondary education, employment, and economic self-sufficiency. Career and Technical Education programs enroll students at nearly 1,300 public high schools and 1,700 two-year colleges. They are organized by 16 career clusters and 79 career pathways, offering a broad range of career options.

These two programs provide limited overlap with WIA and Wagner-Peyser Act programs, and recently they have been funded at roughly the same level as those workforce programs. Since the mid-1980s, they have not suffered the same early and continuous funding reductions as have the Wagner-Peyser Act and JTPA/WIA Adult programs (see Table 6.1.) Rather, like the WIA Dislocated Worker program, they reached a peak later and have since not declined substantially. Career and Technical Education and Adult Education, however, can only supplement the

**Table 6.1 Workforce Program Budgets, Program Years 1984–2014 (\$000)**

Year	Wagner-Peyser Act	WIA Adult	WIA Dislocated Workers	CTE state grants	Adult Education grants
1984	740,398	1,886,155	223,000	742,731	100,000
1985	777,398	1,886,151	222,500	842,148	101,963
1986	758,135	1,783,085	95,703	813,113	97,579
1987	755,200	1,840,000	200,00	881,967	112,881
1988	738,029	1,809,486	215,415	888,243	134,036
1989	763,752	1,787,772	227,018	918,404	162,210
1990	779,039	1,744,808	370,882	936,723	192,795
1991	805,107	1,778,484	421,589	1,008,488	240,777
1992	821,608	1,773,484	423,788	1,152,848	282,260
1993	810,960	1,015,021	413,637	1,173,727	299,808
1994	832,856	988,021	894,400	1,180,477	299,808
1995	838,912	996,813	982,840	1,107,847	273,843
1996	761,735	850,000	878,000	1,084,896	254,860
1997	761,735	895,000	1,034,400	1,136,195	349,828
1998	761,735	955,000	1,080,408	1,144,047	355,828
1999	761,735	954,000	1,124,408	1,150,147	385,000
2000	761,735	950,000	1,271,220	1,188,150	470,000
2001	796,736	950,000	1,162,032	1,237,500	560,500
2002	796,735	945,272	1,233,688	1,314,500	591,060
2003	791,557	894,577	1,150,149	1,325,826	587,217
2004	786,887	893,195	1,171,408	1,327,846	590,233
2005	780,591	889,498	1,184,784	1,326,107	585,233
2006	715,883	864,199	1,189,811	1,296,306	579,552
2007	715,883	826,105	1,112,046	1,296,306	579,563
2008	703,377	861,540	1,183,840	1,271,694	567,468
ARRA	396,000	495,000	1,237,500	0	0
2009	703,576	861,540	1,183,840	1,271,694	639,567
2010	703,576	861,540	1,182,120	1,271,694	639,567
2011	702,169	769,576	1,061,807	1,131,503	607,443
2012	700,842	770,811	1,008,151	1,130,857	606,295
2013	664,184	730,624	955,591	1,071,866	574,667
2014	664,184	766,080	1,001,598	1,125,000	577,700
2015	664,184	766,080	1,001,598	1,125,000	597,700

NOTE: Budget numbers are all in current, non-inflation-adjusted dollars.

SOURCE: Wagner-Peyser Act, WIA Adult, and Dislocated Worker Data include only formula funding and come from USDOL budget documents. WIA and Wagner-Peyser Act supplemental funding from the American Recovery and Reinvestment Act was a one-time increment that was available for two years and was largely expended in second half of 2009 and 2010. Adult Education and Career and Technical Education data come from the Department of Education historical data at <https://www2.ed.gov/about/overview/budget/history/edhistory.pdf> (accessed September 5, 2014) and from the Department of Education Budget Background and Summary for FY 2015 at <http://www2.ed.gov/about/overview/budget/budget15/summary/15summary.pdf> (accessed September 5, 2014).

training needs of some workers to a limited extent, and can do little to support the tens of millions of workers in need of staff-assisted employment and reemployment services.

The Pell Grant program provides financial aid to low-income undergraduate students to ensure access to postsecondary education. The program currently provides nearly \$33 billion in aid to students, helping to make college available to nearly nine million students, providing maximum grants of \$5,730 to full-time students. Most workers served by public workforce programs, however, attend training programs part time or for limited periods, and they are not enrolled in undergraduate degree-granting programs (D'Amico 2006).

### **Limited Supplemental State Funding**

With the end of Recovery Act supplemental funding, the need for state supplementation of federal funding became acute in 2011 and 2012. Yet, despite the shortage of federal funds to serve the flow of unemployed workers to local workforce offices, states generally did not do any supplementation. Of the 45 state workforce agencies responding to the workforce agency survey, 29 (64 percent) provided no supplemental funding, even as overall federal funding declined. In the 16 states that did supplement federal funding, Wagner-Peyser Act programs were by far the most frequently supplemented programs, with 11 states supplementing these programs. Five states supplemented WIA programs.

The source of supplemental funding included state general revenue, Reed Act funds (funds required to be distributed to the states when there is an excess of funds in the Unemployment Trust Fund), UI Penalty and Interest funds, and state special funds. Such funding, however, was limited. In the case of Reed Act funds, few states had any remaining funds from a 2002 \$8 billion Unemployment Trust fund distribution (Wandner 2013).

### **Continuing High Demand for Public Workforce Services**

Demand for public workforce services has increased in recent years because greater numbers of workers have been permanently laid off and find it more difficult and time consuming to find their next jobs. Over the past three decades, worker dislocation has been a significant problem

in the United States. By 1984, the problem had become widely recognized, and the Bureau of Labor Statistics (BLS) responded by initiating a biennial series of special dislocated worker surveys as supplements to the Current Population Survey in order to estimate the magnitude of the problem and to discern any trends in worker dislocation. These surveys have shown that each year during the 1980s approximately two million long-tenured workers were dislocated. While the numbers of dislocated workers increased during periods of recession, they remained high in all years, even those with relatively low unemployment. In the 1980s, worker dislocation was concentrated in the goods-producing sector of the economy, but there also was significant dislocation among workers in the service sector and white-collar workers (Congressional Budget Office 1993).

The nature of worker dislocation has changed since the 1980s, however, and the problem has become more pervasive. In the 1990s, the percentage of worker dislocation among service-sector and white-collar workers increased, narrowing the gap relative to goods-producing industries (Hipple 1999). While the rate of worker dislocation remained higher in manufacturing and construction than other industries, in 2002, the actual number of white-collar dislocated workers (1.194 million) was almost twice the number of dislocated blue-collar workers (0.646 million) and nearly 10 times the number of dislocated workers in service occupations. The number of long-tenured dislocated workers in 2002 was 2.0 million (Helwig 2004).

In the seven fiscal years between 2006 and 2012, the number of unemployed workers collecting a first payment from the UI program has ranged between 7.4 million and 14.4 million. In July 2013, USDOL projected the number to remain steady at over eight million over the next five years (USDOL 2013). At least half of these UI recipients, or approximately four million of them, are likely to be permanently separated from their jobs and likely will benefit from receiving reemployment services. In addition, reemployment services might be needed by workers who do not collect UI, including by reentrants into the labor force.

The total number of dislocated workers has followed a cyclical pattern. Thus, the numbers of dislocated workers grew sharply during the Great Recession. The total number of dislocated workers rose during

the 2007–2009 BLS survey period to 15.4 million, up from 8.5 million during the 2005–2007 period (Bobeley 2011).

For over three decades, the permanent layoff rate has been much greater than the temporary layoff rate. In addition, the permanent layoff rate was, and continues to be, highly cyclical, increasing sharply in recessionary periods. On the other hand, the percentage of workers who were temporarily laid off was once also highly cyclical, spiking upward during recessions. After a period of time many workers were rehired, having collected UI during the business slowdown, but then were brought back as demand began to climb again. That pattern has been largely eliminated. In good times and bad, the temporary layoff rate is now steady and low.

With permanent layoffs becoming more important, more unemployed workers need assistance in returning to work. Studies have shown that dislocated workers experience substantial earnings loss when they return to work (Kletzer 1998). Based on the BLS survey data, it has been estimated that, between 1985 and 1995, dislocated workers experienced wage losses of 13 percent, comparing their wages before and after unemployment (Farber 1997). Losses relating to dislocation also take place with respect to employment: for the 2001–2003 BLS survey, 35 percent of job losers were still not employed at the survey date, and 13 percent of those who had lost full-time jobs were only employed part time (Farber 2005). Dislocated workers also experienced longer durations of unemployment before they returned to work.

The demands on the public workforce system can be expected to remain high in future years, with relatively high levels of unemployment and continuing long durations of unemployment. Since 2002, the total number of Wagner-Peyser Act participants has varied between 13.3 million in 2005 and the Great Recession high of 22.4 million in 2009. For the foreseeable future, absent a major recession, the number of workforce participants in need of staff-assisted services is likely to remain in the range of 15–20 million. Those participants will almost all be permanently separated unemployed workers. Most of them will be in need of staff-assisted services and job search assistance, but as can be seen from Table 6.2, fewer of them are receiving these services. The provision of staff-assisted services has declined from about three-quarters of all participants in the early 2000s to less than two-thirds in recent years. Similarly, job search assistance has declined over the

**Table 6.2 Active Job Seekers Participating in Wagner-Peyser Act Programs, in Millions (and Percent), PYs 2002–2012**

Program year	Total participants	Received staff-assisted services	Received job search activities	Referred to employment
2002	14.9	11.6 (78%)	8.2 (55%)	5.8 (39%)
2003	15.2	11.4 (75)	8.0 (53)	6.0 (39)
2004	14.2	10.5 (74)	7.2 (51)	5.6 (39)
2005	13.3	10.5 (79)	4.5 (34)	5.4 (41)
2006	14.7	9.4 (64)	4.4 (30)	4.7 (31)
2007	17.8	9.7 (54)	4.8 (27)	4.7 (26)
2008	19.7	11.9 (60)	5.8 (29)	4.8 (24)
2009	22.4	14.2 (63)	7.7 (34)	5.8 (26)
2010	21.8	13.4 (61)	6.2 (28)	5.2 (24)
2011	19.1	12.1 (63)	5.9 (31)	4.8 (25)
2012	18.4	12.0 (65)	6.1 (33)	3.9 (21)

SOURCE: USDOL, Employment Service ETA 9002 reports.

same period from provision to more than half of all participants to less than one-third. A decline in the percentage of participants referred to employment is also apparent, but that decline is, in part, due to higher levels of unemployment and fewer job openings per job seeker during and after the Great Recession. What Table 6.2 does not reveal, however, is that even those who are getting staff-assisted services are getting less help. Instead of receiving one-on-one assistance, they are likely to be searching for work on computers in local workforce office resource rooms, receiving occasional answers to questions that they have asked about using the automated services (Wandner 2012).

### **Declining Expenditures per Participant**

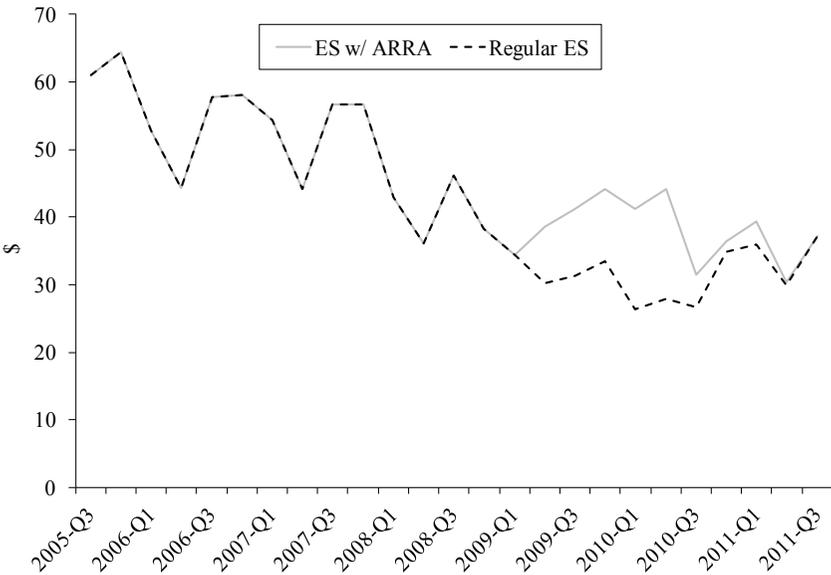
The decline in expenditure per participant in the WIA and Employment Service programs is the net effect of the cuts in funding and the increase in the need for services. The reduction in per participant expenditures has been substantial and occurring for some time, although it was temporarily halted by the availability of the one-time ARRA funding. For example, Employment Service expenditures per participant in current dollars were approximately \$60 in early 2006 but declined to approximately \$35 in early 2009; ARRA supplementation raised ES

expenditures per participant to above \$40, but the expenditures dropped again to close to \$30 by the beginning of 2011 (see Figure 6.1).

As shown in Figure 6.2, a similar reduction in per person expenditures also took place for WIA Dislocated Workers, where expenditures per person had been as high as \$1,700 in early 2006 but fell to approximately \$700 in early 2009. With ARRA funding, WIA Dislocated Worker per participant expenditures increased briefly to above \$800 but declined to approximately \$600 as ARRA funding was exhausted.

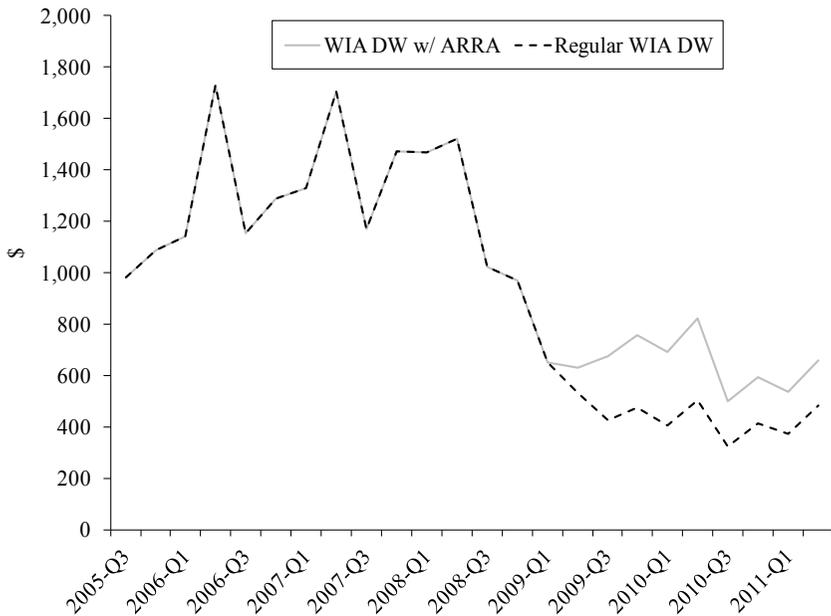
WIA Adults also experienced a sharp decline in per person expenditures from nearly \$1,000 per participant in 2006 to approximately \$350 before ARRA supplementation took effect (see Figure 6.3). The ARRA funding raised expenditures per participant to \$400 in late 2009 but fell to approximately \$325 by the beginning of 2011 (Eberts, Wandner, and Cai 2013).

**Figure 6.1 Wagner-Peyser Act Employment Service (ES) Expenditures per Participant, with and without Recovery Act Funding**



SOURCE: Eberts, Wandner, and Cai (2013).

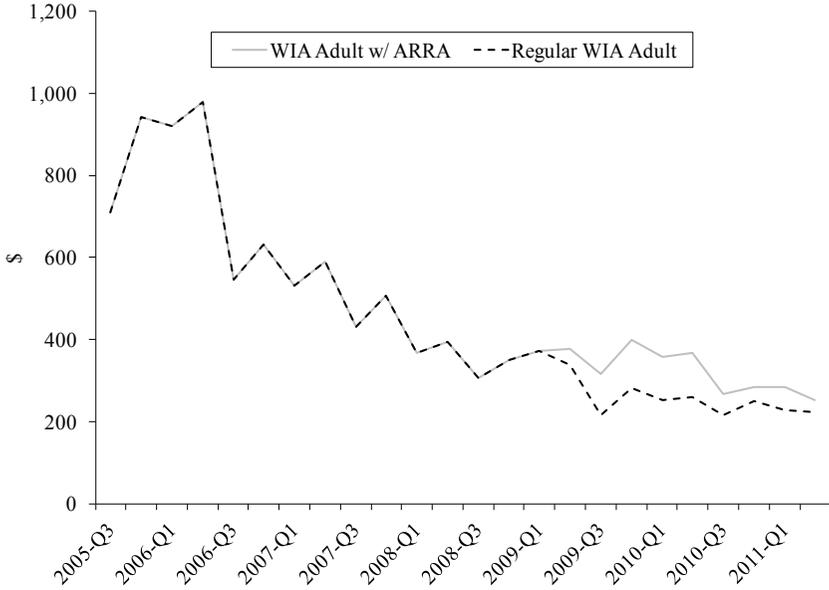
**Figure 6.2 WIA Dislocated Worker Expenditure per Participant, with and without Recovery Act Funding**



SOURCE: Eberts, Wandner, and Cai (2013).

For each of these three workforce programs, the effect of ARRA funds was limited and of short duration. 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 reduction of 3 percent. Recovery Act funding provided additional resources for all three programs 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 remaining for the second year were not enough to offset the continued increase in the number of participants in each program, and expenditures per participant fell in the second year of the Recovery Act funding period. Despite increased total funding, the per participant funding for the three workforce programs

**Figure 6.3 WIA Adult Expenditure per Participant, with and without Recovery Act Funding**



SOURCE: Eberts, Wandner, and Cai (2013).

was lower (in current dollars) by the end of the Recovery Act period than it was before the recession. Recovery Act funds made up a small portion of this difference, but appropriations were not sufficiently long lasting to keep up with the increase in enrollments and allow a return of per participant expenditures to prerecession levels (Wandner and Eberts 2014).

Thus, with the exhaustion of the ARRA funding, state workforce agencies were faced with continuing high workloads for their workforce programs, but without the supplemental funding to serve the continuing increase in demand for services. In contrast, UI funding continued at recessionary levels as Congress repeatedly extended the Emergency Unemployment Compensation program. As a result, state workforce administrators had to decide how to manage their programs with reduced resources.

It is not likely that per participant expenditures will increase significantly in the future; rather, the downward trend will likely continue. The result will be increased pressure to reduce the public workforce infrastructure and employment service costs. There will be fewer LWIBs, fewer local workforce offices, and fewer frontline staff. Job seekers will receive less training and fewer staff-supported services. All remaining services will be highly automated.<sup>2</sup>

The remainder of this chapter examines how the WIA and Employment Service programs responded and adapted to reduced resources. Much of the information on responses is taken from the survey of workforce program administrators that asked how the administrators responded between July 2010 and June 2012.

## **RESPONSES OF STATE WORKFORCE AGENCIES TO DECLINING RESOURCES**

Twenty years ago, the Clinton administration initiated a One-Stop Career Center initiative with the expectation that the state workforce system and its partners would provide extensive employment and training services throughout the nation. This plan depended on the assumption that federal workforce resources would expand. Federal funding did not increase, however, after the Republicans swept both houses of Congress in 1994, and the expected resources for the One-Stops never materialized.<sup>3</sup> In the ensuing 20 years, there has been a long downward trend in federal funding of the public workforce system and, more recently, a sudden sharp decline that occurred following the exhaustion of Recovery Act monies at the end of 2010. As a result, there have been two types of responses:

- 1) infrastructure changes: reductions in the number of LWIBS, the number of local workforce offices, the staffing of the local offices; and
- 2) changes in the nature of services provided to workers and employers.

## INFRASTRUCTURE CHANGES

Operating the public workforce system is expensive, with over 500 LWIBs, over 2,500 local offices, and tens of thousands of workers (USDOL 2014; Wandner 2013). States have not been able to maintain the same infrastructure that they had maintained before federal funding was reduced. They have reacted by cutting the costs required to provide services to workers. These cuts consist of reducing administrative costs by reducing the number of LWIBs, reducing the cost of local office operations by reducing the number of local offices, and reducing the number of frontline workers providing services to workers and employers.

### **Local Workforce Investment Boards: Eliminating or Reducing Numbers**

The administrative structure of the WIA program is twofold, consisting of state WIBs and LWIBs. State WIBs set broad workforce policy. They develop state workforce plans and develop and improve state workforce systems. Members of state WIBs include the governor, members of the state legislature, representatives of business and labor, local elected officials, organizations delivering services, and state agency representatives. The governor selects the chair of the state WIB. The state WIB can perform the LWIB function in a single WIB state.

LWIBs are designated by the governor. The LWIBs' functions include developing local workforce plans, selecting One-Stop operators and providers, identifying eligible training providers, developing budgets, and conducting administration and oversight. Its members must include representatives of business, educational institutions, community-based organizations, economic development agencies, and One-Stop partners. LWIBs are expensive to operate. As federal workforce funding declines, states are closing local workforce offices and reducing staff, the quantity of services provided, and the number of LWIBs that oversee the operation of local workforce offices. By late 2013, the number of LWIBs had declined to 565 for an average of only 10 per state. However, states have responded in different ways—most have tried to maintain LWIBs (and local offices) in local communities,

keeping a considerable number of LWIBs in each state. For example, Massachusetts has 16, Illinois has 23, and California has 49. LWIBs are spread throughout these and many other states, and, in those states, the governance of the WIA system is indeed local (USDOL 2014).

Maintaining this local governance structure, however, has become increasingly untenable over time. Increasing numbers of states are substantially reducing the number of LWIBs or eliminating them altogether. Nine states have only a small number of LWIBs—five or fewer: Alabama (2), Hawaii (4), Kansas (5), Maine (4), Mississippi (4), Nebraska (3), Nevada (2), New Mexico (4), and Rhode Island (2). In general, these states have called upon a small number of LWIBs to administer fairly large areas of the states, foregoing local administration in many areas of the states (NAWB 2014).

A number of states have taken yet more drastic action (see Table 6.3). Nine states have given up on local WIA administration altogether and have become “single WIB” states where there are no LWIBs and program administration has been transferred to the state capital where it is conducted by the state WIB: Alaska, Delaware, Idaho, Montana, New Hampshire, North Dakota, South Dakota, Utah, and Wyoming. In these states, statewide administration of the WIA program is similar to that of the two other workforce programs—the Wagner-Peyser Act Employment Service and the Unemployment Insurance programs—giving the governor much greater control over the entire workforce system.

For example, on July 1, 2005, Idaho became a single WIB state. The main reason for this change was the state’s desire to eliminate administrative costs so that it could maintain services to individuals after Idaho’s WIA funding was reduced by 37 percent between 2002 and 2004. At the time, the Bush administration issued WIA planning guidelines requiring states to submit new WIA state plans for the program year starting

**Table 6.3 States with Five or Fewer Local Workforce Investment Boards**

Number of LWIBS	States and number of LWIBs
Five or fewer	Alabama (2), Hawaii (4), Kansas (5), Maine (4), Mississippi (4), Nebraska (3), Nevada (2), New Mexico (4), Rhode Island (2)
None	Alaska, Delaware, Idaho, Montana, New Hampshire, North Dakota, South Dakota, Utah, Wyoming

on July 1, 2005; reduce administrative costs and overhead; and increase the number of individuals participating in training. In response, then Governor Kempthorne approved a WIA state plan to consolidate the six Idaho LWIBs into a single WIB, after getting a waiver from USDOL to make this change. The state estimated that consolidation allowed Idaho to save \$1 million annually in administrative costs, which could be redirected to operate training services. Idaho estimated that without this change WIA would have served 400 fewer Idahoans. Under the new structure, the percentage of Idaho's WIA budget being spent on direct participant services increased from 36 percent to 50 percent.<sup>4</sup>

The pressure to reduce the number of LWIBs appears to be greatest in states with low population densities, small populations, and small geographic areas. The reduction is highly concentrated in the geographically large, sparsely populated states of the northern Rocky Mountain area. Nonetheless, the pressure to reduce the number of LWIBs is likely to continue and expand to other states if federally provided resources remain stagnant or continue to decline. The ratio of administrative to program costs has been increasing, and there are limits to how great it can get.

Reducing the number of LWIBs or eliminating them completely is also a policy choice that puts more decision-making authority in the hands of governors and other state officials. For example, the current Mississippi workforce system was launched by Governor Haley Barbour's 2004 decision to make workforce system changes that reduced the number of LWIBs from six to four and consolidated the workforce system—WIA and the ES—into a single statewide entity overseen by the Mississippi Department of Employment Security. The major goals of these changes were to reduce costs, increase program efficiency, and increase state control of workforce programs. This consolidation held Mississippi in good stead, allowing a rapid statewide response to Hurricane Katrina in 2005, but it also has been the basis for increasing WIA and ES program integration and the automation of the workforce system in the years since 2004.

The Mississippi WIA program is unusual. It is administered by the state Department of Employment Security. Local job center office managers are ES employees. The ES has been the primary service deliverer for WIA since the program started. Most local WIA contracts for service delivery are with the ES.

The Mississippi Department of Employment Security is the WIA state administrative body, and it exerts strong control over the system; it distributes WIA funds to the LWIBs. The LWIBs contract customer operations to the ES for the majority of local operations (except in northeastern Mississippi). The Department of Employment Security owns and manages the local offices and the equipment in them. While the LWIBs control the WIA funds and programs, they usually contract back to the Department of Employment Security to provide services.

Consolidation has been part of Mississippi's response to the decline in federal funding for WIA and ES programs. Equally as important has been a process to automate Mississippi's workforce and UI programs.<sup>5</sup>

Thus, the historical devolution of control of JTPA and WIA from state to local governments seems to be failing in the public workforce system. The starving of workforce programs has gradually made the local administration of these programs impractical. As time passes, these programs are likely to become increasingly state run, regardless of whether or not Congress reauthorizes a WIA-like program.

An illustration of the anomalies in LWIB policy is that Vermont with a population of over 600,000 has 12 LWIBs, whereas New Hampshire, its neighbor, with a population of 1.3 million, has none. The state WIB in New Hampshire oversees a program that has abandoned local control, whereas Vermont has very strong local control with one LWIB for every 52,000 people.

The number of single WIB states is likely to increase whether or not WIA is reauthorized.<sup>6</sup> For example, in Iowa in 2014, Senator Jack Hatch made one of the planks in his gubernatorial political platform that he would reduce the number of LWIBs. He argued that the current governor, Terry Branstad, was tied to the past and was not "modernizing" the workforce system to make the Iowa government more efficient and effective.<sup>7</sup>

### **Closing Local Workforce Offices: Reduced Access**

Reducing the number of One-Stops can yield substantial cost savings. As a result, 42 percent of state workforce administrators reported reducing the number of One-Stops in their states in the two years after mid-2010. The number of One-Stops also declined during the mid-2000s, from approximately 3,600 in 2003 and 2004 to below 3,000 by

the end of 2008 (see Table 6.4). The financial pressure on state workforce agencies was eased, however, toward the end of the Great Recession. Spurred by the additional 2009 ARRA funding, the decline in the number of One-Stops was arrested, and the number increased slightly in 2009 and 2010. With ARRA funding largely exhausted by September 2010, however, the decline resumed and reached 2,533 by the end of January 2014. Over 1,000 One-Stops closed between September 2003 and January 2014—a 29 percent decline in the number of One-Stops (see Table 6.4).

Most of the decline in the number of workforce local offices was in the smaller affiliate offices rather than in the larger comprehensive offices. Between December 2003 and January 2014, more than 800 affiliate offices (almost half) closed, while less than 250 comprehensive offices closed.

Under WIA, the comprehensive offices must be staffed by all partner programs, while the affiliate offices may have only one or a small number of partners in the office, most often the ES and at least one other workforce partner. Since affiliate offices are more likely to be located in

**Table 6.4 Number of Local Public Workforce Offices in the United States, 2003–2013**

Date	Comprehensive One-Stop Career Center	Affiliate One-Stop Career Center	Total
December 29, 2003	1,955	1,627	3,582
December 28, 2004	1,945	1,638	3,583
December 29, 2005	1,900	1,559	3,459
December 29, 2006	1,864	1,401	3,265
December 29, 2007	1,773	1,395	3,168
December 31, 2008	1,801	1,149	2,950
December 31, 2009	1,853	1,133	2,986
September 28, 2010	1,867	1,133	3,000
March 31, 2011	1,854	1,075	2,929
April 30, 2012	1,756	1,034	2,793
January 24, 2013	1,755	962	2,717
January 24, 2014	1,708	825	2,533
February 7, 2015	1,652	823	2,475

SOURCE: USDOL, Career OneStop Web site: [www.servicelocator.org](http://www.servicelocator.org) (accessed September 5, 2014).

rural areas, the availability of services in these nonurban areas declined substantially, although rural workers have been shown to need workforce services and to have difficulty getting these services at alternative locations. Rural workers generally have long trips to get to distant comprehensive workforce offices and are less likely to access One-Stops remotely than urban workers (Dunham et al. 2005).

### **Alternative Delivery Systems in Response to Declining Number of One-Stops**

State workforce agencies tried to ameliorate the reduced access to local workforce offices by providing alternative methods of receiving workforce services. When workforce administrators were asked what alternative delivery systems they used to offset the decline in the numbers of One-Stops in their states, 80 percent reported that between July 1, 2010, and June 30, 2012, they implemented alternative service delivery approaches. The most frequently cited measure (14 states) was enhancing the capacity and accessibility of virtual services, generally through remote computer access without staff assistance. The other measures in order of the number of state responses were: providing services at libraries and other public facilities; using mobile One-Stop Career Centers; other; and increasing the number of satellite offices. Some of these alternatives, however, such as Internet virtual services, kiosks, and libraries depend on the ability of workers to engage in self-service job searches without trained staff-assisted service support. Others, such as mobile and satellite offices, provide limited and intermittent services. The loss of access to local offices thus has not been offset in all states, and when it has, it generally has been without in-person services or with limited access to in-person services.

To a limited extent, community-based and faith-based organizations can fill the gap created by declining public workforce offices. Operating as “job clubs,” the best and biggest of these organizations can provide a wide range of services. However, even the largest of these organizations frequently meet only once or twice a month and provide evening services working cooperatively with public workforce agencies. Most of these organizations supplement rather than substitute for public workforce agencies with their job matching, assessment, counseling, labor market information, and referral to training services (Trutko et al. 2014).

## **Other Cost-Cutting Measures**

State workforce agencies have used a wide array of methods to reduce costs. Over 70 percent of all responding states reported other types of cost cutting measures. By far the largest number of states (13 responses) reduced staffing, including through attrition, hiring freezes, and staff reassignments. Other methods of cost reduction mentioned by two or more states included travel restrictions (Idaho, Missouri, Washington, Wyoming), reductions in staff training or online training (Massachusetts, North Dakota, New York), increased use of online services and technology (New Jersey, Ohio, Virginia), reductions in overhead and centralizing of administration (Florida, Pennsylvania, Washington) reductions in services or service options (Colorado, North Carolina) and reducing materials for clients or putting them online (Oklahoma, Wyoming).

## **Reducing Local Office Staff**

State workforce programs generally have found that they cannot maintain the staffing structure that they had built when there was more funding, particularly after the loss of temporary ARRA funding by the end of 2010. In the two years after ARRA funding terminated, more than 80 percent of states reported significant staff reductions in each of the major workforce programs, including the WIA Adult, WIA Youth, ES, and Reemployment Services programs.

Of the states that reported staff reductions, there were four staffing strategies described by states to deal with the end of ARRA funding:

- 1) overhiring permanent staff with ARRA funding and then retaining through attrition (Alabama);
- 2) increasing the number of Wagner-Peyser Act and Reemployment Services staff throughout the state by hiring temporary staff into permanent positions that opened because of attrition, eliminating intermittent staff (Indiana);
- 3) voluntary retirement (Massachusetts); and
- 4) attrition of permanent (Virginia) and part-time (New Jersey) staff.

In the future, it will be more difficult to reduce staff if real funding does not increase. State agencies were able to anticipate the end of ARRA funding, and many were able to avoid layoffs. In the future, states will find it more difficult to downsize without layoffs.

## **CHANGING AND REDUCING SERVICES PROVIDED**

There have been two main changes in the provision of workforce services: 1) changing the mix of services from more expensive to cheaper services, e.g., to job search assistance and away from training; and 2) transitioning from staff-assisted to more automated services.

### **Changing Mix of Services**

The trend in providing workforce services is to reduce expensive training services and increase the use of cheaper employment services. The basic reason why so few unemployed workers receive publicly provided training is that the public workforce system has been inadequately funded, with funding declining over the past few decades both in real and in nominal terms. Although supplemental ARRA funding eased the shortfall somewhat, it was not nearly sufficient to fully deal with the need for training services. Another explanation for the decline in training, however, is related to the misperception of what local workforce offices do.

### **Training Services**

The total funding of WIA programs greatly overstates their ability to provide education and training funds to workers because WIA funds must be used to cover other things as well. WIA and Wagner-Peyser Act funds are frequently the sole support of the over 2,500 state workforce offices that provide public labor exchange and other reemployment services, as well as offer training referrals to workers all around the United States. The vast majority of funds from these two streams are used to provide reemployment services and to maintain local workforce offices. Without funding devoted to nontraining services, the state workforce

offices would shut down, and the tens of millions of workers they serve each year would have nowhere to go for help in returning to work. That is part of the reason why, nationally, workforce programs expend only a small portion of their funds on training. A study for USDOL estimated that only between 18 and 27 percent of departmental workforce funds were expended on training in 2002 (Mikelson and Nightingale 2005). Of the \$6.5 billion appropriated to “training programs” in that year, only between \$1.1 and \$1.7 billion was actually expended on training. The small percentage of WIA funding spent on training is not surprising since WIA is a universal access, one-stop program that must serve all workers who walk through the doors of the local workforce offices and for which most workers only need WIA Core and Intensive Services. Providing limited training also is not surprising given that workers participating in local workforce office programs go through a triage process before they are referred to training.

Looking at the public workforce system at the local level, similar results can be seen. One LWIB in Montgomery County, Maryland, is an example. In recent years, 13,000–14,000 individuals looked to the county service provider for help in finding jobs. Montgomery County, like most areas across the nation, faces a severe budget constraint. For example, if it were going to provide training vouchers in the modest amount of, say, \$4,000 to half the individuals coming to their offices, the cost would be at least \$25 million per year. Yet, the county’s actual 2012 annual budget was less than \$3 million, out of which its operating expenses had to be paid. Dividing the annual budget by the number of program participants yields only about \$200 per visitor. Clearly, these local offices cannot afford to provide training to many individuals.

But the problem is much worse, because the Montgomery County workforce offices cannot turn individuals away. They have to serve everyone who walks through their doors. If they provided all individuals with comprehensive in-person job search assistance at a cost of, say, \$300 per person, their cost would be nearly \$4 million without providing any training. The cost of providing training and reemployment services means that most individuals will receive limited services, and many services will be self-service instead of in-person services. Reemployment services require, among other things, staff and telephones for in-person services and computers for self-service.

Montgomery County's planned \$2.827 budget for July 2012 through June 2013 broke out as shown in Table 6.5.

The cost of providing basic employment services to 14,000 individuals consumes the lion's share of the annual budget. The major costs are employee salaries and benefits, as well as contractor costs, most of which are used to provide employment services. Computers and telephone service also are critical to providing reemployment services.

Since the great majority of expenditures are made to provide basic employment services and run the office, training in Montgomery County—and in other local workforce offices around the nation—has to be limited to what funds remain after paying for the basic expenses. Similar to the national average results seen above, available training funds were expected to be less than 20 percent of the total budget. Thus, the preponderant cost of running a local workforce office is providing services other than training, and the image of the WIA system as a pure training system is a myth. The local workforce office training “residual” could be much larger only if the WIA program were not starved for resources, but in reality, workforce funding is likely to decline rather than increase.

Limited funding for training under JTPA and WIA has meant that these programs supply only a small portion of the training received by American workers and a small portion of the funding for the training needed by unemployed workers. Historically, the JTPA and WIA programs have provided only modest amounts of training. In the years 1993–2012, between 142,000 and 291,000 JTPA/WIA Adults and Dislocated Workers received training, representing less than 3 percent of

**Table 6.5 Summary of Budget of Montgomery County, Maryland, Workforce Offices, PY 2012 (\$ millions)**

Cost category	Planned expenditures
Salaries and benefits	1.870
Contractors	0.223
Training	0.504
Computers	0.030
Telephone	0.026
Other	0.304

SOURCE: Workforce Solutions Group of Montgomery County.

those seeking help in finding jobs from the local workforce offices (see Table 6.6). Once the dislocated worker program was fully implemented in 1996, training for Adults and Dislocated Workers experienced a strong downward trend through 2008. While ARRA funding sharply increased training in 2009 and 2010, the downward trend resumed in 2011 with the exhaustion of ARRA funds. It can be expected that the decline in training participation will continue unless the public workforce budget increases. More likely, since the other costs of operating job centers and providing reemployment services also will continue to

**Table 6.6 Number of Adults and Dislocated Workers Receiving Job Training, under JTPA and WIA, PYs 1993–2012**

Year	Adults	Dislocated workers	Total
<b>JTPA</b>			
1993	126,100	80,800	206,900
1994	126,500	94,00	220,500
1995	118,400	130,500	248,900
1996	113,400	147,400	260,800
1997	110,800	143,700	254,500
1998	112,200	134,900	247,100
1999	83,100	110,000	193,200
<b>WIA</b>			
2001	75,963	66,192	142,155
2002	107,671	98,540	206,211
2003	102,950	102,415	205,365
2004	109,492	95,113	204,605
2005	105,457	83,699	189,156
2006	109,528	77,160	186,688
2007	109,676	66,662	176,338
2008	98,214	54,953	153,167
2009	129,914	84,969	214,883
2010	160,190	129,908	290,098
2011	133,640	120,452	254,092
2012	115,594	98,683	214,277

NOTE: No WIASRD data book was prepared for PY 2000.

SOURCE: WIA and JTPA program data from WIASRD and SPIR data books, various years. See [www.doleta.gov/performance/results/pdf](http://www.doleta.gov/performance/results/pdf), various years, Tables II-11 and III-12 (accessed September 5, 2014).

increase, training levels will decline whether workforce program budgets remain static or decline. Thus, the current mix of services is unsustainable—cheaper employment services will displace more expensive training costs, and computerized employment services will replace in-person services.

The Department of Education CTE and Adult Education programs can supplement the training of some job seekers, but these programs also are small and cannot satisfy much of the unemployed workers' needs for training. By contrast, private businesses provide the bulk of training in the United States. It has been estimated that 85 percent of establishments with 50 or more employees and 70 percent of all establishments provide training to their employees each year. Estimates of workers receiving training is less exact, ranging between 26 and 65 percent (Lerman, McKernan, and Riegg 2004).

### **Reemployment Services**

A number of experimental evaluations of reemployment services/job search assistance have shown its cost effectiveness, including experiments in the District of Columbia, Minnesota, Nevada, and New Jersey. Job search assistance has been shown to provide dislocated workers with the tools to find work more rapidly, thus reducing the duration of compensated unemployment. Other studies have shown that UI eligibility reviews also reduced the duration of compensated UI without providing job search assistance. While one study using Kentucky data concluded that the “threat” of job search assistance was more important than its provision, the small effect of the offer was found to be due to Kentucky's provision of very small amounts of job search assistance during the period analyzed (Wandner 2010, pp. 164–165). More recently, the Reemployment and Eligibility Assessment (REA) program has been implemented and evaluated. REAs provide both UI eligibility reviews and reemployment services. An experimental evaluation of the REA program demonstrated that both reemployment services and eligibility reviews reduce compensated UI durations (Benus et al. 2008).

Reviews of the use of job search assistance around the world have found it to be the single most effective public workforce intervention (Auer, Efendioglu, and Leschke 2005; Martin and Grubb 2001). Auer

et al. reviewed evaluated programs among all International Labor Organization members around the world, while Martin and Grubb reviewed programs in the industrial nations that belong to the Organization for Economic Cooperation and Development. Both analyses compared the entire range of public workforce services offered by member countries and assessed their relative effectiveness.

The positive net benefits of a New Jersey experiment were particularly influential in the enactment of the Worker Profiling and Reemployment Services (WPRS) initiative in 1993, which required states to develop a targeting mechanism (“worker profiling”) that identified dislocated workers most likely to exhaust their entitlement to UI benefits. These workers were to be provided with job search assistance (“reemployment services”) to the extent that states were able to fund these services. When enacted, the program was an unfunded mandate since Congress did not appropriate any funds for reemployment services. Between 2001 and 2006, however, Congress provided limited funding as Reemployment Service Grants. Much greater funding (\$250 million) was provided as Reemployment Services Grants by the ARRA in 2009, but these funds were exhausted by the end of 2010 (Eberts, Bartik, and Kline 2013).

Since the Great Recession, the WPRS system has continued to provide job search assistance services to dislocated workers in the form of orientations, assessments, counseling, placement services, job search workshops and referrals to training. The quantity of these services has declined sharply since 2010, with the loss of ARRA funds. Table 6.7 shows the decline in the WPRS system in the three years since 2010. The percentage of unemployed workers receiving UI benefits profiled and referred to services also has declined. Once referred workers report to receive services, there are few services to provide to them. This is true of all reemployment services, but it is particularly true of referrals to training. With limited training slots, WIA staff members have asked that fewer workers be referred (Wandner 2013).

Although WPRS has declined in the three years after 2010, it shows that as a system it can adapt to declining public workforce resources, serving fewer unemployed workers, but at the same time identifying those most likely to become long-term unemployed (and benefit from services) and referring those workers to reemployment services.

**Table 6.7 Worker Profiling and Reemployment Services and Unemployment Insurance First Payment Data, 1994–2013**

Year	First pays	Profiled	Referral	Reported	Orientation	Assessment	Counseling	Placement	Job search workshops	Training
1994	7,959,281	122,065	23,087	17,184	14,126	9,876	5,883	5,671	11,042	4,492
1995	8,035,229	4,061,731	456,533	453,005	283,508	246,655	140,301	267,281	213,512	74,292
1996	7,995,135	7,208,694	821,442	1,036,806	512,045	507,824	214,528	613,544	338,508	166,456
1997	7,325,093	6,985,048	745,870	990,041	474,891	455,914	194,818	630,760	336,959	160,741
1998	7,341,903	6,982,571	783,779	1,033,482	477,913	416,027	191,315	676,284	296,681	156,462
1999	6,967,840	6,483,514	803,401	990,737	447,032	403,195	198,571	668,496	253,451	141,398
2000	7,035,783	6,475,605	977,440	1,229,352	557,250	471,712	146,917	645,170	342,856	113,879
2001	9,868,193	8,952,312	1,154,743	1,499,364	666,610	531,020	129,136	506,172	452,439	120,093
2002	10,092,569	9,178,024	1,220,466	986,719	619,917	462,643	125,103	376,757	369,756	76,448
2003	9,935,108	8,238,485	1,147,448	919,450	595,564	423,977	114,142	378,180	400,245	70,295
2004	8,368,623	7,037,337	1,106,776	880,263	602,833	343,903	93,215	378,181	379,735	73,508
2005	7,917,301	6,441,561	1,128,710	845,789	607,905	350,443	109,697	376,342	355,843	77,915
2006	7,350,734	6,340,253	1,170,126	856,587	627,668	406,158	134,837	405,558	369,564	92,200
2007	7,652,634	6,586,553	1,230,093	911,055	644,797	425,711	149,101	437,744	390,454	100,780
2008	10,059,554	8,516,931	1,268,037	937,580	667,340	480,929	143,097	404,234	385,151	124,306
2009	14,172,822	12,252,030	1,906,088	1,400,553	1,075,837	658,200	214,673	537,908	557,746	199,230
2010	10,726,566	9,385,195	2,071,260	1,855,394	1,269,088	1,020,482	340,281	690,437	664,020	210,746
2011	9,474,531	9,276,794	1,834,026	1,848,467	1,118,276	757,079	302,995	871,116	576,356	157,767
2012	8,656,495	7,272,231	1,686,510	1,338,512	939,873	705,622	279,126	595,334	529,981	160,942
2013	7,879,212	5,525,609	1,252,607	945,306	657,377	521,184	203,353	459,570	399,456	71,425

SOURCES: USDOL ETA 5159 and ETA 9048 reports.

## **Fewer In-Person Services: Movement to Self-Service and Automated Services**

Workforce administrators said that they adapted to the end of ARRA funding by increasing self-service and reducing in-person services. This trend is likely to continue in a workforce world of static or declining resources. Part of the system response consists of making use of alternative delivery systems and other cost-cutting measures, including introducing travel restrictions, reducing staff training or using online training, increasing the use of online services and technology, reducing overhead and support, centralizing administration, reducing services or service options; and reducing material for clients or putting them online.

An overwhelming majority of states (82 percent) reported increasing the automation of program administration and program services. Of these states, many reported that automation enabled them to serve more customers (70 percent) as well as improve quality for some customers (60 percent). But 30 percent reported that automation diluted service quality for some or all customers. Forty-three percent reported that automation reduced costs, and a quarter reported that it reduced the number of required staff. Many states (60 percent) reported resulting changes at the local or state level in the administration of workforce programs due to automation.

Automation of program services included UI claims takings, online UI Eligibility Reviews, job search and job matching (including providing information about job openings and job orders, career assessments, Reemployment Services orientation, providing labor market information, and operating virtual job fairs).

Automation of programs administration included staff training, program and financial reporting, case management, approved training provider processing and listing, and Individual Training Account invoicing. States reported that the most significant impacts of automation were enabling them to provide services to more customers (26 states) and to improve the quality of services (22 states).

Clearly, automation was implemented to reduce costs and to reduce staff with the hope that more customers could be served without degrading service quality to customers. Several states (Georgia, Hawaii, Maryland, South Dakota, Tennessee) pointed out that the move

to automated self-service affects customers in different ways: technically savvy and more educated customers can do well with self-service, while other customers suffer a decline in the quality of services they receive, with some customers feeling alienated by the reduction in staff services. The less technically savvy and less educated workers tend to be older, minorities, and concentrated in rural areas and urban centers. Urban workers are likely to have greater skills and access to computers than rural workers (Dunham et al. 2005). Minorities are likely to have fewer skills and less access to computers.

The decline in in-person services has an adverse effect on the Unemployment Trust Fund that pays for unemployment benefits. Intense in-person job search assistance has been shown to speed the return to work of UI recipients. If reemployment services are not provided, workers stay on UI longer and the Unemployment Trust Fund is adversely affected.

### **Impact on the Quality of Customer Experience**

Administrators were asked how the reduction in the number of local offices and other cost reduction measures affected the quality of the customer experience with workforce programs. Very few of the 45 responses indicate that cost reduction measures improved customer experiences. For the remainder, there was a split in responses between customer experience being either diminished or not significantly impacted. Examining the individual written descriptions of the impact on the customer experience, there is little to suggest any improvement for customers. One-on-one services were generally replaced with computer-delivered or group services. Intensive and training services generally diminished, and there were long waits until the local office staff members that remained were available to provide services. Exceptions were improved services from the opening of two new local offices in the District of Columbia and enhanced Reemployment Services activity in South Carolina. It is not likely an accident that these two jurisdictions were among the minority of states that were able to supplement funding for services.

## LOOKING TO THE FUTURE

### Impact on Workers and Employers

The anticipated future impact of declining funding for the public workforce system is generally negative. Job seekers and employers will receive less one-on-one assistance in finding jobs and finding workers to fill job openings. Because the remaining employment services will be highly automated, the effect of the change in service delivery will be uneven. The effect on the computer savvy—educated, younger, and prime-age workers—will be limited. These workers make greater use of automated methods in their daily lives and will have a greater ability to use automated, self-service tools.

On the other hand, less educated and older workers will have greater problems using automated tools. If they cannot receive in-person assistance, they may fall through the cracks, unable to make use of the complex job search tools that have become widespread.

All workers will find that there is a decline in the availability of WIA-funded training. The limited funding available for training will continue to be in short supply. Workers trying to build their job skills will have to find other sources of funding for training or do without training.

Job seekers will find that they have less access to the public workforce system. There will be fewer local workforce offices. Comprehensive offices will be maintained in major metropolitan areas, but the number of offices will continue to decline in small towns and rural areas, where the remaining access is concentrated in the smaller affiliated workforce offices. The decline in offices in rural areas and small towns will leave fewer alternatives for job seekers with less access to Internet services, particularly if distances to remaining local offices are great.

### Changes Made by State Agencies

State workforce administrators have made changes in the operations of the public workforce system over the past two decades as public workforce funding declined. Between July 2010 and June 2012, the

funding decline continued. Twenty-seven states said that they had made major changes at the state or local level in the administration of their workforce programs, such as merging or reengineering business processes. Eighteen said no such changes had been made. Of the current or recent changes in program administration, the greatest number of changes described by 14 states were reorganizations, reassignments, mergers, and consolidations (Alabama, Arizona, Colorado, Florida, Georgia, Idaho, Maryland, Massachusetts, North Carolina, Ohio, Oklahoma, South Carolina, Tennessee, Wyoming), while Arizona merged WIBs and Ohio consolidated local services. Mergers with commerce or economic development agencies occurred in four states (Florida, North Carolina, Oklahoma, and South Carolina); business reengineering occurred in seven (Colorado, Massachusetts, Minnesota, Missouri, Nevada, Texas, and Washington).

Looking to future potential changes, 20 state administrators indicated that they were considering program and administrative changes. These changes included consolidating WIBs to make single statewide WIBs, and changes, streamlining, and consolidation to deal with current and possible future funding reductions.

## **CONCLUSION**

There is no reason to expect increased public workforce funding in the short run. If funds remain constant or decline further, the quantity of services provided must decline as the cost of services increase. Thus, unless there is a major policy change, the workforce system is likely to continue in the direction that it has been heading. The result will be continuing declines in funding per participant. Despite the end of the Great Recession in 2009, the need for public workforce services will continue to remain high. Unemployment is higher than after recent recessions, workers are generally permanently displaced, and they tend to remain unemployed for longer periods of time.

State workforce agencies have experienced a decline in funding after the Great Recession. Most states did not supplement federal funding, and even those states that did only replaced part of the lost funding.

The majority of state supplementary funding went to Wagner-Peyser Act employment services.

Funding declines resulted in a wide variety of reductions in workforce programs. Further, the mix of program services changed sharply, and less intensive services replaced more intensive services, with training and intensive services declining substantially. States, however, tried to maintain core, employment, and reemployment services.

In addition, the great majority of states reduced staffing levels. Most states reduced one-on-one staff-assisted services, replacing them with automated services as well as with group services.

State workforce agencies are likely to respond by continuing to reduce the number of LWIBs and local workforce offices. These offices will be staffed by few frontline workers. In response to the decline in staffing, workers and employers will receive fewer in-person services. Job seekers and employers will face more automated services. As workers of all ages become more proficient in using computers, more automated services will be accessed remotely from home computers or satellite offices (e.g., libraries). Finally, more low-cost employment services will be provided by the public workforce system instead of training. Remaining workforce training will increasingly be low-cost and provided remotely.

As public workforce resources have declined, so has the quantity of in-person reemployment services. Similarly, training has been limited. But these reemployment services have been carefully targeted, other than those limited resources made available through the WPRS system.

At least eight things can be done to help the public workforce system cope with the decline in program resources:

- 1) While limited, the public workforce services can be improved with better targeting to serve those workers most in need of reemployment services and by providing them with the kinds of services that will help them the most. One approach is expanded use of WPRS for dislocated workers. Targeting services also can be done more broadly for all workers in need of job seeking and training services. This type of targeting can be conducted in local workforce offices as demonstrated in Georgia with its use of a Frontline Decision Support System. Similar systems can be developed for national programs such as the Job Corps (Eberts, O'Leary, and Wandner 2002).

- 2) Targeting is particularly important for training services, since they are by far the most expensive services that workers receive. Research has shown that there are a small number of high earnings/high-return training options that benefit workers and are cost effective for the public workforce system. This training is concentrated in the sciences, math, health services, engineering, as well as in specialized blue-collar fields such as auto mechanics (Jacobson, LaLonde, and Sullivan 2002). To gain reasonable rates of return on training, the national- and state-level public workforce systems need to more carefully evaluate demand occupations, and training should be restricted to high-wage/high-return occupations.
- 3) There is a lack of balance between the funding of administrative services and the funding for employment services. Administrative costs have remained high while funding for services has declined. In response, administrative costs have been reduced somewhat in recent years by decreasing both the number of local offices providing services and the number of LWIBs, but most of the cost savings have come from closing local offices. While cost savings make more room to provide services, the decline in the number of local offices makes it more difficult for workers and employers to receive services, especially in less densely populated areas. In the future, the public workforce programs can better serve workers and employers if emphasis is placed on decreasing the number of LWIBs rather than decreasing local workforce offices.
- 4) The private sector is likely to assume a greater share of the burden of providing workforce services, expanding current practices that substitute private for public workforce services for both employers and workers. Large employers currently are improving their search for workers to fill job openings. One example is the development of the National Labor Exchange, operated by the National Association of Workforce Agencies and DirectEmployers, an employer association that helps its large-employer members find workers to fill job openings using data from participating employers and from the state workforce job banks. Skilled workers can make use of headhunters. However, smaller

employers and lower-wage workers are less able to make use of private workforce services. In the future, low-wage job seekers and small employers are likely to have difficulty finding alternative private methods to compensate for the decline in public workforce services as they search for work and search for employees, respectively.

- 5) Local workforce offices already are making use of alternative sources of funding beyond formula-funded grants. Among the nontraditional sources of funding are USDOL competitive grants, as the department commits a substantial funding to non-formula-funded activities. (However, only a small number of LWIBs receive competitive grants, so there will be more losers than winners.) Local offices also can compete to find funding from non-USDOL sources. Examples are providing employment services to nonemployment public organizations, such as prisons and jails, and contractually screening potential new employees for the private firms.
- 6) The public workforce system also can be made more effective by improving system performance measures. Unadjusted measures of performance do not measure the system's "value added." Rather, unadjusted measures give credit to or punish state and local workforce agencies for issues outside their control, including labor market conditions in the areas in which they provide services and the relative difficulty of serving certain demographic groups. There should be greater use of regression-adjusted performance measures that account for these labor market conditions and the demographics of the populations served (Eberts, Bartik, and Kline 2009). The rewards for state performance similarly should be regression adjusted since unadjusted measures have been shown not to reflect value-added measures of performance (Wandner and Wiseman 2011).
- 7) Some use of this approach has been implemented in the past, but a boost has come from the Workforce Innovation and Opportunity Act of 2014. Section 116 of the bill would require regression adjustment of state performance measures. This approach should improve the outcomes of the WIA programs if properly implemented. The approach also could be extended to the local level

to assess the performance of LWIBs as they provide workforce services to workers who vary with respect to their demographics and to adjust for differences in economic conditions among LWIBs in a state.

- 8) The public workforce system should continue to be rigorously evaluated, especially using experimental methods. While the Congress and state legislatures do not always respond positively to rigorous program evaluations, such evaluations have helped to initiate new programs and saved well-performing programs from the chopping block.

## Notes

1. The number of American Job Centers in the United States is available daily from the U.S. Department of Labor's Service Locator at the CareerOneStop Web site. The number of American Job Centers declined from 3,582 on December 29, 2003, to 2,694 on August 11, 2013 (Wandner 2013, p. 8). On May 28, 2014, the Service Locator indicated that there were 2,513 American Job Centers in the United States.
2. Of the 45 state workforce administrators responding to a 2012 survey, 26 indicated that automation allowed them to serve more customers. Twenty-two responded that automation improved service to some or all customers, while 11 responded that automation diluted quality for some or all customers (Wandner 2013).
3. Author interview with Lawrence Katz, August 14, 2007.
4. E-mail to David Balducchi from Rogelio (Roy) Valdez, deputy director, Field Services and Workforce Division, Idaho Department of Labor, January 31, 2014.
5. Author interview with Dale Smith, executive director, chief operating officer, Mississippi Department of Employment Security, February 11, 2014.
6. However, the Workforce Innovation and Opportunity Act would fix local workforce areas for two years after enactment.
7. E-mail from Jack Hatch to David Balducchi (March 7, 2014) in response to March 7 e-mail from Balducchi to Hatch presenting the WIA single WIB analysis from this chapter.

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