THE RECOVERY ACT IN ACTION: RECIPIENT REPORTS ON JOBS OFFICE OF THE VICE PRESIDENT

Introduction

Today's release by the independent Recovery, Accountability, and Transparency Board shows that recipients of a subset of Recovery Act funds have reported creating or saving 640,329 jobs so far. Since this reporting is based on only a portion of the Act's funds—about \$160 billion, which represents less than half of the money put to work so far—it represents a subset of the jobs created or saved (see **Table 1**). This number also leaves out indirect jobs: employment created as a result of ARRA funds money spent by direct recipients.

Accounting for these differences, as discussed in more detail below, these recipient reports support earlier estimates that the Recovery Act has created or saved over one million jobs so far, and is on track to continue generating significant job growth through the end of next year.

Recipient Reporting

As part of the American Recovery and Reinvestment Act, recipients of certain types of funds are required to report the number of jobs saved or created by these funds. These recipient reports include not only newly created jobs, but also the "saved" jobs of workers who, in the absence of the Recovery Act funds, would have been laid off. The spending categories that require reporting include state fiscal support for education (e.g., jobs for teachers and other workers in schools), private workers hired on federal contracts (e.g., a construction worker fixing a roof on an army base), and many grants to non-profits and local governments (e.g., a local police officer hired using a federal grant).

Table 1, below, presents various components of ARRA spending, to put the recipient spending in context.

Table 1: Relevant Dollar Values for Putting Recipient Reports in Context

		<u>Billions</u>	
Total Bill	\$	787	
Amount obligated as of 9/30/09	\$	256	
Of obligations as of 9/30/09, amount on which recipients have reported	\$	159	
Of obligations as of 9/30/09 being reported on, amount spent out so far	\$	38	
Tax cuts so as of 9/30/09	\$	84	
Total ARRA funds obligated and tax cuts as of 9/30/09	\$	340	
Obligations on which recipients have reported			
as share of total obligations and tax cuts through 9/30/09		47%	

Source: Independent Recovery Transparency and Accountability Board; OMB

Of the \$787 billion bill, \$340 billion had been either obligated—either spent out or assigned to a project or loan—or distributed through tax cuts as of the 9/30/09 reporting date. And as the bottom line of this table shows, of that \$340 billion worth of obligations and tax cuts, \$159 billion, or about 47%, came with requirements that recipients submit reports on spending and job creation. This share is important because, as noted in the next section, it provides a rough sense as to how the recipient job numbers compare with estimates of the *total* number of jobs created by the Recovery Act so far, including the parts that did not require recipient reporting.

How Do The Recipient Reports Compare With Other Job Estimates?

The fact that that recipient reporting is limited to less than half of the Recovery Act funds that have been put to work so far is one reason why the total number of jobs reported by recipients is lower than estimates of *total* jobs created and saved thus far. **Table 2** shows estimates of the jobs impact of *total* Recovery Act spending thus far by several different economic forecasters, both public and private. As we would expect based on the fact that the recipient reports cover only a portion of the money put to work so far, most of these are considerably higher than the recipient reports. For example, our own Council of Economic Advisers estimates that about one million jobs have been created or saved through August of this year, with other private forecasters coming in on both sides of that estimate.

Table 2. Estimates of the Effects of the Recovery Act on Employment

	ARRA Job Creation in 2009:Q3
CEA: Projection Approach	1,040,000 [1]
CEA: Model Approach	1,159,000
CBO: Low	600,000
CBO: High	1,533,000
IHS/Global Insight	690,000
Macroeconomic Advisors	620,000
Moody's Economy.com	1,073,000
Economic Policy Institute	1,250,000 [2]

Source: CEA, "The Economic Impact of the American Recovery and Reinvestment Act of 2009: First Quarterly Report," 2009; Economic Policy Institute.

Since, as noted above, the recipient reporting represents less than half of the obligations plus tax cuts so far, we can get a rough sense of its comparability to the more comprehensive estimates above by doubling the recipient-reported job creation of 640,329, yielding a jobs number—almost 1.3 million—in the high range of those in the table. That value is very broadly comparable to the estimates in Table 2 of the total jobs created or saved by the entire Recovery Act so far, but it is important to look closely at the Recovery Act programs that do *not* require recipient reporting to get a complete picture of job creation so far.

Datapoint reflects an estimate for August.

EPI estimated impact in the range of 1 million to 1.5 million jobs; the midpoint appears in this table.

First, some other parts of the Act generate fewer jobs than the direct spending by recipients, which means that extrapolating recipient-reported job creation to all the money put to work so far could overstate total job creation. For example, tax cuts have a smaller jobs multiplier than the direct spending accounted for by the recipient reports. On the other hand, some Recovery Act programs which are not included in the recipient reports, like additional unemployment compensation, have higher-than average-job multipliers, which could mean that extrapolating the recipient-reported job creation would *under*estimate total job creation. The recipient reports also do not count indirect jobs, which are created when workers whose jobs are created or saved directly by the Recovery Act spend their wages at businesses around the country, creating even more jobs.

What The Recipient Reports Don't Include

- *Omitted Categories of Spending*: Since recipient reporting is restricted to the categories noted above, it leaves out spending in other areas of the Act that are clearly associated with jobs:
 - Safety Net Programs: These programs, like unemployment insurance and nutritional assistance, have among the largest multiplier effects because their recipients typically must spend the money they receive in order to make ends meet.
 - Small Business Lending: ARRA programs have thus far supported over \$13 billion in lending to small businesses through the Small Business Administration, creating tens of thousands of jobs not counted in this report.
 - O *Tax Cuts*: Table 1 shows that over \$80 billion has gone out in tax cuts, including Making Work Pay, a tax cut that began reaching 95% of working families shortly after the bill was signed. The second largest share of tax cuts so far has been tax incentives for business. Though this type of spending has smaller job-creation multipliers than the direct spending reported by recipients, it is surely creating jobs as well.
- Indirect Jobs: When a direct job recipient spends money they would not have otherwise have earned, they create new economic activity that generates more employment. Take the example of the formerly unemployed construction worker now at work fixing a roof on an army base, or a teacher who in the absence of state fiscal assistance would have been laid off. When those workers spend their new paychecks, grocery stores must restock their shelves more often, restaurants must add another shift, etc. In addition, "upstream" industries, like school or roofing suppliers, will see greater demand for their products, leading to new hires in those firms as well. These multiplier effects have been found to raise the number of jobs created by direct spending by 50% or more.

As shown in the set of economists' estimates in Table 2, a full accounting of jobs created or saved thus far, including all the omitted categories just noted, yields estimates ranging from around 600,000 to 1.5 million. Accounting for the fact that Recovery Act funds covered by recipient reporting amount to less than half of the total money put to work by the Recovery Act so far yields a comparable jobs estimate of almost 1.3 million, in the higher range of the values in Table 2. And this estimate explicitly omits many jobs.

Given that more than half of Recovery Act funds have yet to be obligated, the fact that many funded projects have a lot more hiring to do, and the fact that these reports account for around 640,000 jobs through the end of September despite all the omissions just noted, we are solidly on track to meet our goal of 3.5 million jobs saved or created by the end of next year.

Jobs Where They're Needed

The recipient reports show that the Recovery Act is creating jobs where they are needed the most, in parts of the country experiencing particularly high unemployment. For example, in the five states with the highest unemployment in January, the month before the Recovery Act was passed, the reports show over 25% more jobs created per capita than in the nation as a whole. Those same five high-unemployment states have also gotten more dollars per capita than the national average. These recipient reports show that just as it was intended to, the Recovery Act has had an immediate impact in the states that had been hit hardest by the recession when we took office, both in terms of dollars put to work and in terms of jobs created or saved.

As above, it is important to note here that some of the Recovery Act spending *not* covered by recipient reporting is explicitly targeted to areas with high unemployment and to the individuals and families who are suffering most in this recession. For example, the Recovery Act significantly increased unemployment compensation for the millions of workers who have lost their jobs in this recession. Under this program, every worker collecting unemployment compensation receives an additional \$100 each month, and jobless workers who have been unemployed for an extended period are eligible for additional weeks of unemployment compensation. Programs like this one not only help workers and their families in high-unemployment states make it through these hard times, but since those families spend their unemployment benefits in their communities, they stimulate multiplier effects of the type noted above (independent research has found these effects to be particularly large for unemployment compensation).¹

Conclusion

The recipient reporting in the Recovery Act provides a level of transparency and accountability that goes far beyond that of any other government program, past or present. An accountability effort on this scale will obviously include a few mistakes—some few undercounts and some few overcounts—but focusing on them risks obscuring a key point: real-time reporting about job creation, with reports coming from thousands of projects all across the country, has never even been *attempted* before. Gary Bass, the executive director of OMB Watch, a government watchdog group, recently noted that "The Recovery Act is proving to be the most transparent federal spending law ever enacted... It is a watershed because the Obama administration has successfully created a new reporting system that requires recipients of Recovery Act funds to report in a timely manner how they are using federal resources."²

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¹ See Mark Zandi, "The Economic Impact of the American Recovery and Reinvestment Act." http://www.economy.com/mark-zandi/documents/Economic_Stimulus_House_Plan_012109.pdf. Table 2.

² See http://www.ombwatch.org/node/10477#. While Bass praises the recipient reporting effort as a whole, he goes on to criticize the retrieval tool on the Recovery.gov website.

This transparency allows taxpayers to click on <u>Recovery.gov</u> and see their money at work generating hundreds of thousands of jobs that would not have existed in the absence of the Recovery Act. These jobs are helping to offset some of the job losses caused by the deepest recession since the Great Depression. They are helping families to make ends meet, helping school districts reduce layoffs and hold down class size, and helping to repair some of the nation's infrastructure.

There is also a highly desirable "concreteness" to this information. As you can see on Recovery.gov, recipient reports provide transparent, concrete examples of the jobs estimated by the models discussed above. The reporting system also allows the American people to see these jobs for themselves, in their communities throughout the nation.

We applaud the Recovery Accountability and Transparency Board for their path-breaking work and thank all the recipients for providing us with this information.

But as we applaud these unprecedented efforts in transparency and this new confirmation that the Recovery Act is successfully creating jobs across America, we are also acutely aware that even the highest estimates of jobs created or saved by the Act only partially offset the extent of job losses since the recession took hold last year. For this reason, we plan to continue to squeeze every job out of every dollar left to spend in the Recovery Act, and to do so with the same level of transparency achieved thus far.