

Iowa Qualifies One Area of Substantial Unemployment

Introduction

For Program Year 2021, Iowa designated one area as an Area of Substantial Unemployment (ASU). An ASU is a contiguous area with a current population of at least 10,000, based on the 2010 decennial census or the 2018 postcensal estimates and an average unemployment rate of at least 6.5 percent for the twelve-month reference period. The current reference period is July 2019 through June 2020.

The designation of ASUs is a combined effort of the U.S. Department of Labor's Employment and Training Administration (ETA) and the Bureau of Labor Statistics (BLS) to determine the allocation of federal monies for job training within each State. The following summarizes the ASU designation process and briefly explains the significance of this year's ASU determination for Iowa.

The ASU Determination Process

The ASU determination process is controlled by various entities. The calculation is completed by states under the supervision of BLS. Each year, ETA allows each state in the U.S. to designate potential ASUs within their respective geographical area. ASU determinations are used in annual allocations to states by ETA under the Workforce Innovation and Opportunity Act (WIOA). Thus, BLS develops the methodology that states use to complete the ASU calculation, while ETA handles the issues regarding qualification of areas and funding levels.

Once the state makes the calculation designating its potential ASUs, the process is managed by BLS and the ETA. BLS is responsible for ensuring that the state developed its ASU calculation using the correct methodology and for validating data submitted by the state. ETA is responsible for finalizing the process by managing issues regarding state qualification and the allocation of funds. Therefore, the determination that Iowa designated one area as an ASU is made by the state under the guidance of BLS. However, the determination of funding levels for qualifying ASUs is addressed by ETA.

The labor force concepts and data that are used in the ASU process come from the Local Area Unemployment Statistics (LAUS) program. The LAUS program is responsible for producing information on the labor force status of populations within defined, sub-national geographical areas. The labor force data consist of place of residence estimates of the civilian labor force, total employment, total unemployment, and the unemployment rate. Estimates are produced for Iowa, metropolitan statistical areas, labor market areas, counties, and cities with a population of 25,000 residents or more. These are known as "LAUS estimates," since they are produced and submitted monthly to BLS.

LAUS estimates are used as the basis of the ASU calculation. Additionally, the LAUS methodology provides a way to produce unemployment estimates for areas that are not typically produced each month. By following LAUS estimating procedures, states can use the methodology to maximize the geographical ASU that will meet ETA's requirements. This involves adding unemployment estimates for geographical areas together until an aggregate area is created that is as large as can be and still meets the requirements of ETA.

When none of the LAUS areas qualify as an ASU, census tracts can be grouped together. Census provides the employment, unemployment and population statistics for each tract. An individual tract is reviewed together with its surrounding tracts to distinguish a group that meets the definition of an ASU. The tracts must be contiguous; and together have at least a 6.5 percent unemployment rate and a population of at least 10,000.

One Area in Iowa Qualifies as an ASU

For the reference period of July 2019 through June 2020, the average unemployment rate for the state of Iowa is 4.5 percent. Since the statewide rate does not qualify the state, one area within Iowa was designated as an ASU.

This area includes 427 census tracts throughout the state.

Conclusion

Processing of ASUs takes place in the fall of each year. Identification of those areas of high unemployment provides opportunities for the State of Iowa to receive resources and funding from ETA under the Workforce Investment Act. This enables Iowa to provide training and resources for the unemployed living in those areas.