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Problems In Filling Job Orders
And Placing Job Applicants
In Massachusetts B-179083

Department of Labor

*BY THE COMPTROLLER GENERAL
OF THE UNITED STATES*

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-179083

The Honorable Michael J. Harrington
House of Representatives

Dear Mr. Harrington:

This is our report on federally funded activities of the Massachusetts Division of Employment Security, made pursuant to your July 2, 1973, request.

In commenting on the report, the Massachusetts Division of Employment Security did not agree with all our conclusions and believed that extenuating circumstances led to many of the deficiencies discussed. In general, the division promised to take corrective action based on the recommendations. The Division's comments are included as appendix IV.

At your request, we did not follow our usual policy of incorporating the comments of the Department of Labor because they were not available when the report was printed. When we receive the Department's comments, we will send you a copy, along with our evaluation.

Copies of the report are being sent today to certain other Members of the Massachusetts congressional delegation.

Sincerely yours,

A handwritten signature in cursive script that reads "Thomas B. Starks".

Comptroller General
of the United States

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ABBREVIATIONS

DOT	Dictionary of Occupational Titles
GAO	General Accounting Office
IRS	Internal Revenue Service
MDES	Massachusetts Division of Employment Security
UI	unemployment insurance

COMPTROLLER GENERAL'S REPORT TO
THE HONORABLE MICHAEL J. HARRINGTON
HOUSE OF REPRESENTATIVES

PROBLEMS IN FILLING JOB ORDERS
AND PLACING JOB APPLICANTS
IN MASSACHUSETTS
Department of Labor B-179083

D I G E S T

WHY THE REVIEW WAS MADE

Because of concern about unemployment in Massachusetts, Congressman Michael J. Harrington, by letter of July 2, 1973 (see app. I), requested GAO to review activities of the Massachusetts Division of Employment Security. In Massachusetts the division administers the Federal-State employment security program which is twofold

- employment service, finding jobs for people and people for jobs, and
- unemployment insurance, providing financial benefits to insured unemployed individuals.

On the Federal level the Manpower Administration, Department of Labor, administers the program. (See pp. 1 to 3.)

GAO made its review primarily at division headquarters in Boston and at offices in Framingham, Haverhill, Lawrence, Lowell, and Worcester. (See pp. 3 and 4.)

FINDINGS AND CONCLUSIONS

The division has had limited success in placing job applicants and in filling job openings.

- A random sample of 256 job applicant cards on file at 4 local employment service offices on

October 31, 1973, showed that as of December 10, 1973, only half the applicants had been referred to jobs since they registered for service and only 20 percent had obtained employment. (See pp. 5 and 6.)

- GAO analyzed a random sample of 200 job orders from employers open for referrals as of July 31, 1973. The orders represented 514 job openings to which the division made 650 referrals. GAO contacted employers to confirm placement data and found that of the 514 openings, 124 had been filled but as of November 5, 1973, only 24 were still occupied by applicants referred by the division; the rest had quit or had been fired or laid off. (See pp. 6 and 7.)

Analysis of 141 questionnaires returned by employers showed that 79 percent used the division as a source of job applicants during 1973 but that only 43 percent listed the majority of their openings for unskilled or semiskilled workers with the division and only 28 percent listed the majority of their openings for skilled, technical, and professional workers. With respect to the number, timeliness, and quality of applicants referred and the performance of those hired, the majority of employers were more satisfied with private employment agencies than with the division. However, most employers did not use either the division or private agencies as a primary source for filling job openings--

preferring newspaper, radio, and television advertisements or hiring applicants who walked into the employer's office. (See pp. 7 to 9.)

The division's placement performance in terms of the proportion of applicants placed, the number of placements per man-year of effort, and the proportion of job openings filled was lower than that of most States, other populous States, and States with comparable unemployment rates. (See p. 11.)

Improvements needed in placement activities

In a State with high unemployment, it seems reasonable to expect that employers having job openings would receive prompt referrals of qualified applicants, especially when the number of applicants exceeds job openings. However, this was not the case in Massachusetts. (See pp. 3, 9 to 11, 13, 24 and 25.)

Except when an applicant is physically present at a local employment office, the division generally makes little attempt to match him to a job opening even though GAO's analyses of applicants and jobs showed that, in general, there were openings available for applicants. (See pp. 13 to 16.)

One factor that has limited the division in matching applicants and jobs has been the failure of division personnel to remove, from applicant files, the records of many applicants who have received no services for long periods of time and who are probably no longer seeking employment. Local office files are also disorganized. Improvements in the accuracy of data and contin-

uous purging of the files, as required by Department of Labor guidelines, could improve the matching process. (See pp. 13 and 16 to 19.)

Division placement personnel stated that they do little file searching because they spend most of their time interviewing applicants. Placement personnel also spend an hour daily preparing various forms which show the results of their activities. (See p. 13.)

Once applicant-job matching is improved, the division must increase timely referrals to available job openings. GAO's analyses showed that an average of just over one referral was made to each job opening and an average of well under one referral for each job applicant. A majority of job orders and applicants did not receive any referrals within 2 weeks of applying. Some received no referrals. (See pp. 13, 19, and 20.)

The division has made some efforts to improve services, but job development activities and contacts with employers must be increased. Without job orders even the most efficient matching and referral system will not work. (See pp. 13 and 20 to 24.)

Other factors affecting placement activities

Seasonal employment patterns and unemployment insurance benefits complicate and reduce the effectiveness of the division's placement efforts. (See p. 37.)

Seasonal employment fluctuates widely in Massachusetts. During times of high layoffs, unemployment insurance rolls rise and the division's productivity in terms of placements per

man-month of effort is generally lower. (See pp. 26 and 27.)

Unemployment insurance benefits tend to reduce the urgency of job applicants to seek or accept employment particularly in Massachusetts because benefits are higher than in most other States. According to division officials, many of those collecting benefits are not looking for new jobs but are awaiting recall by former employers. Some employees consider unemployment insurance to be an interim fringe benefit.

GAO's analyses showed that (1) an average unemployment insurance recipient collected benefits equal to 73 percent of the estimated take-home pay of the job to which he was referred and (2) the placement rate for nonrecipients was four times the rate for recipients. In allocating funds for fiscal year 1975, Labor used a weighted formula designed, in part, to provide State employment service agencies with an incentive for placing unemployment insurance recipients. This formula should provide State agencies with the motivation to increase their efforts.

GAO believes the data developed during its review demonstrates the need for improved management of the State unemployment insurance placement process. (See pp. 26 to 34 and 37.)

GAO's case study of Internal Revenue Service workers in Massachusetts illustrates the substantial benefits that may be obtained by unemployed seasonal Federal workers and the division's lack of success in referring and placing those workers.

This case study demonstrates the impact of unemployment insurance benefits on the division's ability to place seasonal workers. GAO intends to review further this matter, which may indicate a much broader problem. (See pp. 34 to 37.)

RECOMMENDATIONS

The Secretary of Labor should encourage the division to

- purge active files in accordance with Department of Labor guidelines. (See p. 25.)
- improve the accuracy of data in the active files. (See p. 25.)
- increase efforts to match applicants with available job openings. (See p. 25.)
- increase the number of applicant referrals to unfilled jobs and insure that timely referrals are made. (See p. 25.)
- increase job development activities by using employment-service representatives and local office personnel. (See p. 25.)
- consider specialization of local office personnel in specific occupational areas and require these personnel to work closely with employers to promptly fill job orders. (See p. 25.)
- improve management efforts to place unemployment insurance recipients. (See p. 37.)

AGENCY ACTIONS AND UNRESOLVED ISSUES

Although comments were requested from the Department of Labor on August 16, 1974, they were not received at the time this report was printed. GAO did request and receive comments from the division. Although the division

did not agree with all GAO's conclusions and believed that there were extenuating circumstances which led to many of the deficiencies discussed, in general the division promised to take corrective action based on the recommendations. The division's comments are included as appendix IV.

CHAPTER 1

INTRODUCTION

State employment service activities are part of the Federal-State employment security program authorized under the Wagner-Peyser Act (29 U.S.C. 49), the Social Security Act (42 U.S.C. 501) and until June 30, 1974, by the Manpower Development and Training Act (42 U.S.C. 2571) and certain work and training provisions of the Economic Opportunity Act (42 U.S.C. 2701). Effective July 1, 1974, the Manpower Development and Training Act and certain parts of the Economic Opportunity Act were repealed by section 614 of the Comprehensive Employment and Training Act of 1973 (87 Stat. 839) which established a flexible and decentralized system of Federal, State, and local manpower training and employment programs. The Manpower Administration, Department of Labor, administers the employment security program which is twofold (1) employment service--matching and finding jobs for people and people for jobs--and (2) unemployment insurance (UI)--providing financial benefits to insured unemployed individuals.

The employment security program is financed principally from Federal unemployment taxes paid by employers under the Federal Unemployment Tax Act (26 U.S.C. 3301). The Congress appropriates these funds to Labor for allocation to the States.

Labor also receives, from other departments and agencies, funds that are allocated to the States for certain manpower program activities, such as the Work Incentive Program.

UI benefit expenditures in Massachusetts were \$307.3 million and \$358.5 million for fiscal years 1973 and 1974, respectively. Appendix II shows expenditures by type of benefit for these years.

Approximately \$35.6 million and \$34.5 million was obligated to administer Massachusetts Division of Employment Security (MDES) programs for fiscal years 1973 and 1974, respectively. Approximately \$10 million and \$9.4 million of these amounts, respectively, was obligated for administering employment service activities and the balance was primarily for administering the UI program. Because of

increases in UI claims of more than 20 percent in each of the fiscal years 1973 and 1974, administrative funds were transferred from the employment service to the UI service in each year. Appendix III shows the funding by program for these years.

MDES, the agency responsible for administering employment service activities in Massachusetts, was established in 1935 and became part of the cooperative Federal-State employment security system. Labor provides guidance and technical assistance to MDES and similar agencies in other States to carry out employment security programs. Until 1971 MDES was directly responsible to the Governor for administering its programs. At that time a State government reorganization placed MDES under the Secretary of Manpower Affairs, a member of the Governor's cabinet.

The functions of MDES include: finding jobs for people; recruiting people to fill employers' needs; offering specialized services to the disadvantaged, minority groups, older workers, youth, and veterans; and collecting, organizing, and distributing manpower and employment information with other Government agencies and local community groups. MDES provides job development, placement, testing, counseling, training, and employer and community relation services. It also makes payments to insured unemployed workers under the UI program.

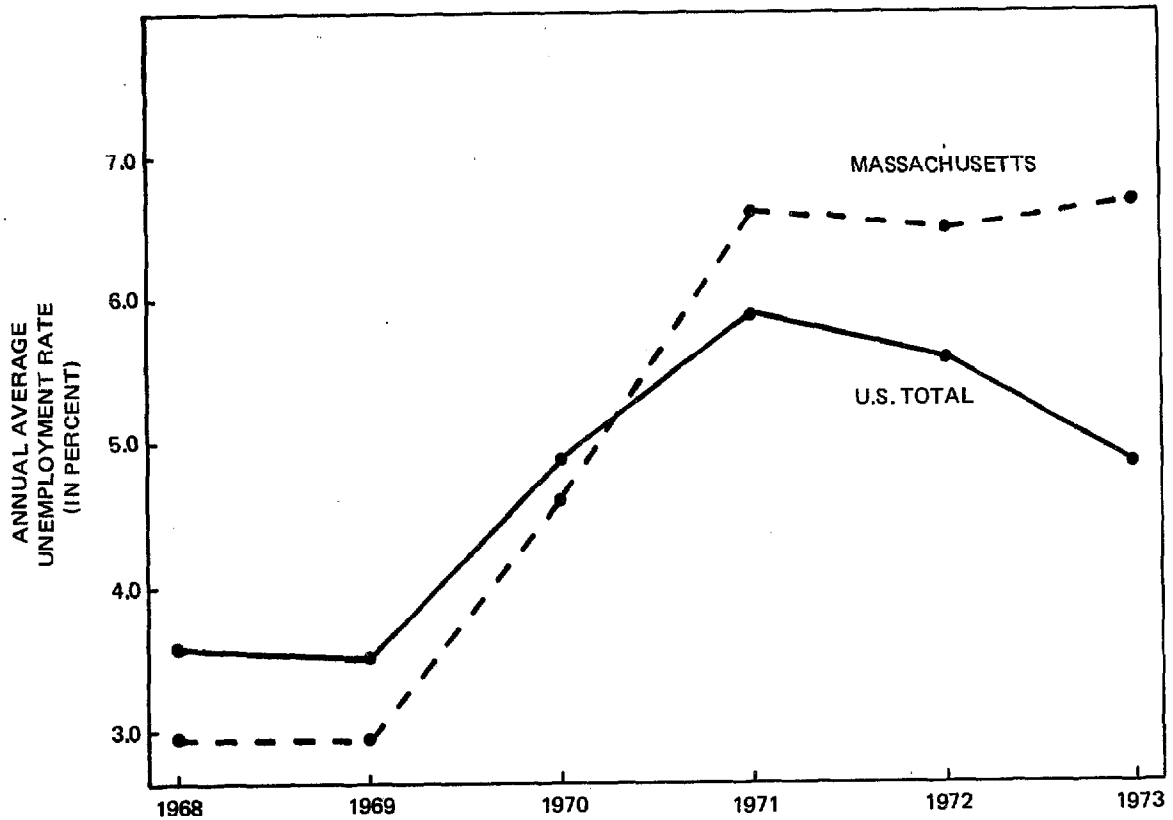
In Massachusetts there are 42 local employment service offices in 6 districts. As of February 1974 MDES had 2,876 employees--921 assigned to the employment service, 903 assigned to the UI service, and 1,052 assigned as administrative and technical services staff. Costs for administrative and technical personnel are allocated to the employment and UI services.

MDES established a computerized job bank in Boston in 1970. There are now five banks that cover the entire State. The objectives of the job bank are to list current job openings received from employers, to provide maximum exposure of openings to applicants seeking work, to refer qualified applicants to suitable jobs, and to record the results of applicant referrals to openings. Under the job bank system, unfilled job orders are provided daily to the local employ-

ment offices for use by interviewers and counselors attempting to refer and place applicants. MDES is establishing self-service locations in local offices where applicants may review the job orders and select jobs to which they wish to be referred.

The following graph shows that the unemployment rate in Massachusetts has been higher than the national rate during recent years.

UNEMPLOYMENT RATES, 1968-1973



The seasonally adjusted unemployment rates for the first quarter of 1974 were 5.2 percent for the United States and 7.6 percent for Massachusetts.

SCOPE OF REVIEW

We made our review primarily at MDES headquarters in Boston, two job bank offices--Worcester and Lawrence-- and four local employment service offices--Haverhill, Lowell, Worcester, and Framingham. The area served by the Lawrence job bank includes the Lowell and Haverhill local offices and is a high-unemployment area compared to the rest of the

State. In October 1973 the Lowell-Lawrence job market had an unemployment rate of 9.6 percent while the State rate was 6.9 percent. The area served by the Worcester job bank includes the Worcester and Framingham local offices and is a lower unemployment area. The Worcester job market had an unemployment rate of 4.9 percent in October 1973.

We reviewed records and interviewed officials of these offices as well as selected employers and applicants. We analyzed a random sample of 200 job orders submitted by employers and 256 applicant files. We sent questionnaires to a stratified sample of 202 employers, asking them to comment on their relationship with MDES and their evaluation of how effective MDES was in satisfying manpower needs. We received and evaluated replies from 141 employers. As part of our review, we considered the relationship of seasonal employment patterns and UI benefits to the placement activities of MDES.

CHAPTER 2

RESULTS OF PLACEMENT ACTIVITIES

The primary purpose of the employment service is to provide a labor-market exchange by assisting employers in finding qualified job applicants to fill job openings and assisting job applicants in obtaining suitable employment. However, MDES has had only limited success in meeting this dual responsibility. MDES placement performance has been below that of most States, other populous States and States with comparable unemployment rates.

A job applicant is an individual who is either unemployed and seeking employment or is employed and seeking a change in employment. According to MDES operating instructions, upon filing an application at an employment service local office, the applicant is to be interviewed to determine his skills, background, experience, and occupational preference. On the basis of this interview, the employment service is to try to refer the applicant to a job opening. When an employer notifies MDES that the applicant has been hired and has reported to work, the service records a placement.

EFFECTIVENESS OF PLACEMENT ACTIVITIES

Applicant sample results

When an applicant is referred to a job opening, he takes a form to give the employer who is to record on it whether or not the applicant is hired and, if not hired, to indicate the reason. The employer is to mail the completed form back to the employment service office that referred the applicant.

To test MDES' effectiveness in placing job applicants, we took a random sample of 256 active job applicant cards on file at the Worcester, Framingham, Lowell, and Haverhill local offices as of October 31, 1973. We reviewed the cards to determine whether any of the applicants were referred to or placed in job openings from the time they registered for service with MDES to December 10, 1973.

MDES records showed that only 128 of the 256 applicants were referred to jobs by MDES and only 51 were hired. The 128 referred applicants received 225 referrals, or an average of 1.8 each. Because only half the applicants received any referrals, the number of referrals per applicant for the entire sample averaged less than one. The following table summarizes the results of our analysis.

<u>Action</u>	<u>Number of applicants</u>
Hired	51
Not hired	77
Not referred	<u>128</u>
Total	<u>256</u>

Job order sample results

To test MDES' effectiveness in filling job openings we took a random sample of 200 job orders open for referral as of July 31, 1973--100 each from the Lawrence and Worcester job banks. A job order is one or more job openings for a specific occupation, such as a secretary or a machinist, listed by an employer with MDES. The 200 job orders contained 514 job openings, of which only 2 orders totaling 6 openings were for temporary (3 days or less) positions. We examined the status of the job openings as of November 5, 1973.

MDES made 650 referrals to the 514 job openings, about 1.3 referrals per opening. Twenty-four percent of the jobs were filled by applicants from MDES, as shown in the following table. We found no significant difference between the two job banks in the percent of jobs filled.

<u>Job status</u>	<u>Job openings</u>	
	<u>Number</u>	<u>Percent</u>
Filled	124	24
Not filled	<u>390</u>	<u>76</u>
Total	<u>514</u>	<u>100</u>

We telephoned the employers to confirm all placements and to determine how many applicants reported to work and how many were still employed. As of November 5, 1973, of the 124 job openings filled, 80 of the applicants hired had quit and 20 had been fired or laid off, leaving only 24 jobs still filled by applicants referred by MDES.

Employer sample results

To determine (1) the extent to which employers were listing jobs with MDES and (2) how effective MDES was in meeting employer needs, we sent questionnaires to a random sample of 202 employers, stratified by size, in the geographic areas served by the 4 local offices included in our review. We selected our sample from a list of employers that were subject to the UI tax and had at least 20 employees. This list excluded agricultural, government, and nonprofit organizations that were not subject to the tax and firms having fewer than 20 employees.

The following table shows the number of employers, by size, included in our sample and the number of responses received to the questionnaire.

Employer size (number of employees)	Number of employers	Number of questionnaires	
		<u>Sent</u>	<u>Returned</u>
Over 500	42	42	36
250-499	56	28	17
100-249	180	36	25
50-99	440	44	27
20-49	<u>1,040</u>	<u>52</u>	<u>36</u>
Total	<u>1,758</u>	<u>202</u>	<u>141</u>

Analysis of the returned questionnaires showed that 79 percent of the employers used MDES during 1973 as a source of job applicants, but only 43 percent listed the majority of their openings for unskilled or semiskilled workers and only 28 percent listed the majority of their openings for skilled, technical, and professional workers with MDES.

The questionnaire asked the employers to compare MDES' performance with respect to number, timeliness, and quality

of applicants referred and performance of those hired to that of private agencies. In each case more employers were satisfied with private agencies than with MDES, as shown in the following table.

<u>Question</u>	<u>Employers satisfied with MDES</u>	<u>Employers satisfied with private agencies</u>
Were you satisfied with the number of applicants referred?	50%	86%
Were you satisfied with the timeliness of the referrals?	65	89
Were you satisfied with the quality of job applicants referred?	38	92
Of those hired, were you satisfied with their work performance?	73	95

The following analysis of the questionnaire responses shows the low percentages of employers who filled a majority of their job openings from either MDES or private agencies.

<u>Primary sources of applicants</u>	<u>Percent (note a)</u>
Referrals from MDES	6
Referrals from private agencies	9
Advertisements in newspapers, radio, TV, etc.	41
Other (walk-ins, employee referrals)	26

a/Does not total 100 percent because some responses were incomplete and some employers did not fill a majority of their needs from any one source.

Analysis of the questionnaire responses showed that employers use MDES and private agencies to about the same extent to fill skilled positions. Employers do not normally use private agencies to fill semiskilled and unskilled positions.

To gain additional insight we conducted followup interviews with 16 of the employers--including shoe manufacturers, electronics firms, retailers, and hospitals.

None of the 16 employers used MDES or private agencies as the primary source of employees. Of the 14 who had data available for 1973, only 3 hired more than 20 percent of their employees through MDES; the majority of new employees either answered newspaper advertisements, were walk-ins at the employer's office, or were referred by present employees.

Most employers interviewed said they would prefer using MDES because it is a free service; however, MDES did not provide sufficient numbers of qualified referrals to fill their openings even though their job requirements were usually not difficult to meet. For example, a hospital placed an order with MDES for a housekeeper but had received no referrals after 4 weeks. The hospital then placed an advertisement for the same position in a local newspaper and had eight responses in 2 days. A plastics manufacturer was attempting to double its production force but gave up using MDES because it received so few referrals. An official of this firm said it required no special qualifications for its production workers.

Placement statistics

Pursuant to Labor guidance, MDES established its goals for fiscal year 1973 on the basis of its estimates of the number of jobs it would be called on to fill, applicants who would apply for service, placements to be made, and the employment service man-years of staff expected to be available.

To determine how successful MDES was in meeting its goals for fiscal year 1973, we analyzed MDES reports on the results of its placement activities. We also compared reports of actual performance for the first half of fiscal years 1973 and 1974. The following data does not include agricultural job openings or placements.

	Fiscal year 1973		Actual first half of fiscal year	
	Goal	Actual	1973	1974
Job openings received	240,000	166,751	90,650	111,601
Total placements (note a)	96,000	77,701	42,150	49,178
Percent of open- ings filled	40.0	46.6	46.5	44.1
Total applicants	360,500	498,823	181,000	303,706
Individuals placed (note a)	63,300	46,145	27,100	34,733
Percent of ap- plicants placed	17.6	9.3	15.0	11.4
Employment service man-years of staff effort	870.0	781.7	374.4	434.8
Applicants placed per man-year of staff effort	72.8	59.0	72.4	79.9

a/The difference between total placements and individuals placed is due to some individuals being placed more than once in a given period.

Although total placements during fiscal year 1973 were less than the goal, the goal for openings filled as a percent of job openings received was exceeded. This was due in part to a greater decrease in the number of job openings received than in the number of placements made. Although the number of applicants exceeded the goal for fiscal year 1973, the number and percent of individuals placed were less than the goal.

In comparing MDES-reported results from July to December 1973 with our samples of job orders and applicants taken within that period, we noted that the percent of MDES-reported openings filled (44.1 percent) was higher than that of our job order sample (24 percent) but the percent of MDES-reported applicants placed (11.4 percent) was less than our applicant sample results (20 percent). One reason

appeared to be that our samples were selected from particular localities rather than on a state-wide basis and they reflected results from differences in local job markets that may not be typical of the State.

Comparison with other States

Using national employment service data, we compared the performance of Massachusetts against that of other States for the first 6 months of fiscal year 1974. We used three measures of effectiveness and compared Massachusetts to three groups: all States, States with comparable unemployment rates, and other populous States. In each case Massachusetts ranked relatively low, as shown in the following table.

<u>Criterion</u>	<u>Massachusetts' ranking</u>		
	<u>Among all 50 States and Washington, D.C.</u>	<u>Among 13 States with high unem- ployment (note a)</u>	<u>Among 19 most populous States (note b)</u>
Number of placements per man-year of effort	32d	9th	10th
Proportion of job openings filled	51st	13th	19th
Proportion of per- sons (new appli- cants and renew- als) placed	42d	9th	15th

a/Includes all States for which unemployment rates were available and were within 1 percentage point of Massachusetts unemployment rate of 6.7 percent in 1973.

b/Massachusetts was the 10th most populous State in 1973.

CONCLUSIONS

MDES had limited success in placing job applicants and filling job openings. Many employers indicated they were not satisfied with the results of MDES' efforts to meet their needs, and, therefore, they were reluctant to use its services extensively. MDES' placement performance was lower than most States, other populous States, as well as States with comparable unemployment rates. Some of the reasons for these problems and MDES' views on our findings are discussed in the following chapters.

CHAPTER 3

NEED TO IMPROVE

PLACEMENT ACTIVITIES

Other than when an applicant is initially applying for employment services in a local office, MDES generally makes little attempt to match an applicant to a job opening or a job opening to an applicant, even though our samples showed that in most cases there were a number of applicants available for each opening and a number of openings for each applicant. One factor that has hampered MDES in matching applicants and jobs is the failure of its personnel to remove from active applicant files the cards of many applicants who have received no services for long periods of time and are probably no longer actively seeking employment.

One reason local office files were disorganized is because MDES placement personnel spend little time file searching. According to MDES interviewers, they spend most of their time interviewing applicants in the office and an hour each day preparing various forms showing the results of their activities.

Our samples showed that MDES made an average of over one referral to each job opening and an average of well under one referral for each job applicant (see ch. 2). A majority of job orders did not receive any referrals within 2 weeks after being listed with MDES and a majority of applicants did not get a referral within 2 weeks after applying for services. During the periods covered by our samples, about a fourth of the job orders and half of the applicants received no referrals.

MDES has made efforts to improve its services to employers and applicants. These efforts include (1) using employment service representatives for job development, searching for a job for a specific individual, (2) participating with employer representatives on committees to resolve recruiting problems, and (3) using a mobile van to bring employment services closer to the applicants.

LACK OF APPLICANT-JOB MATCHING

The Dictionary of Occupational Titles (DOT) is a manual containing a numbering system used by Labor and State employment service agencies to define and classify occupations. MDES used the DOT system to classify and match job orders and job applicants. Each occupation is defined by a six-digit DOT number. The first three digits refer to categories, divisions, and groups, respectively. For example, 201.xxx would classify a job as:

Category 2--Clerical and sales occupation.

Division 20--Stenography, typing, filing, and related occupation.

Group 201--Secretary, operations concerned with carrying out minor administrative and general office duties in addition to taking and transcribing dictation.

The fourth digit expresses the extent to which the job requires the worker to deal with data, the fifth with people, and the sixth with things. For example, these digits would show whether the job requires the worker to analyze or copy data, supervise or serve people, and operate or service equipment.

We found no MDES guidelines concerning the number of DOT digits local office personnel were to consider in selecting applicants for job referrals. We believe there is sufficient commonality between job specifications and applicant qualifications to warrant a referral if the first three digits of the DOT numbers are identical. Although there may be individual cases when a match is not justified on the basis of using only the first three digits, such as when the applicant has transportation problems or the job requires unique experience, we believe such exceptions would not distort the results of the following analysis of job specifications and applicant qualifications.

Using the job order sample discussed in chapter 2, we identified all unfilled job orders at the local employment service office closest to the employer and reviewed the applicant file to see how many applicants were available for

each opening by three-digit DOT number. MDES records showed it had filled 31 of the 200 job orders which accounted for 143 of the 514 openings. There were three or more applicants for nearly 59 percent of the unfilled job openings, as shown in the following table.

Number of applicants per job opening for each unfilled job order	Number of unfilled job orders	Unfilled job openings	
		Number	Percent
None	8	8	2.2
1 or 2	38	145	39.1
3 to 10	52	106	28.6
More than 10	<u>71</u>	<u>112</u>	<u>30.2</u>
Total	<u>169</u>	<u>371</u>	<u>100.0</u>

Our confirmation of placements with employers showed 11 of the 31 job orders counted as filled actually were not filled because 19 hired referrees never reported to work.

We also analyzed--again on the basis of the first three DOT digits and the number of job openings within the appropriate job bank area--the applicant sample discussed in chapter 2 to determine whether there were job openings available for each applicant. There were at least six openings available in the job bank area for about 68 percent of the applicants in our sample, as shown in the following table.

<u>Job openings available</u>	<u>Active applicants</u>	
	<u>Number (note a)</u>	<u>Percent</u>
None	31	12.5
1 to 5	47	19.0
6 to 10	26	10.5
11 to 50	82	33.0
51 or more	<u>62</u>	<u>25.0</u>
Total	<u>248</u>	<u>100.0</u>

a/Total applicant sample was 256. Eight summer youth applicants were not assigned a DOT number.

We expanded our analysis of the 248 applicants to all 6 digits of the DOT numbers and found there were still 6 or more job openings available for a majority of the applicants.

FACTORS MAKING APPLICANT-JOB MATCHING DIFFICULT

Our applicant sample showed that 62 percent of referrals were made on the day the applicants applied for services. After an applicant's card is placed in the file, he is less likely to receive a referral because little file searching is done.

For applicant-job matching to be productive, the information in the files must be accurate. However, information in the offices we visited was inaccurate and unreliable. For example, applicant cards could not be found for about 19 percent of the persons initially selected for our applicant sample from a computerized list of active applicants. Some applicants remained classified in the active files for as long as 3 years without service.

The computerized list is a product of the Employment Service Automated Reporting System initiated by Labor in 1968 and implemented by MDES in 1970. It was initiated to provide a reporting system based on the characteristics of individuals served by the employment service and on the services provided to them. MDES also uses the computer to record job orders filed by employers and related referral and placement transactions as well as to maintain a master

list of active job applicants. However, the system does not contain data on applicant transportation requirements, applicant job experience, and certain other factors needed for effective job matching on a computerized basis.

Many changes have been made to the system since its beginning. Labor develops and controls all changes to computer programs. MDES officials said that to avoid conflicts in the system they make no changes to the programs--no matter how desirable. So as not to interfere with the system, MDES manually compiled monthly placement productivity data needed by management.

In April 1973 a Labor-conducted validation of the MDES computer system was undertaken because of MDES' concern for the reliability of the statistics. The validation included samples of computer programs, job orders, and applicant cards. Labor concluded that the programs appeared to be functioning adequately in Massachusetts. However, the validation disclosed the following facts.

- About 5 percent of the sampled placements were not counted in the statistics because of a lack of adequate review and a lack of error correction by MDES personnel.
- The applicant master record was not posted with applicant characteristics recorded on renewed registrations.
- Job order activity records had many errors involving such items as referrals, placements, and referral results.
- The active file was "enormous and poorly policed." Failure to purge active files on a timely basis resulted in a "grossly inflated" applicant file.
- The resources allocated to implement and maintain the system were below the minimum needed.
- On the local office level, managers and staffs were not trained to use output tables or lists. The staff appeared to misunderstand reporting requirements and reporting codes.

One of the Labor-required programs produces two monthly lists of applicants who have received no employment services within 90 days--for instance, those not referred to a job or not counseled. One list includes special-category applicants (veterans, Work Incentive Program participants, and food stamp recipients) and the other list includes all other applicants. In accordance with Labor instructions on deactivating special-category applicant files, local office personnel must attempt to contact each applicant to ascertain that no additional services are needed before deactivating his file and other applicant files are to be deactivated automatically.

Of our sample of active applicants, 29 percent should have had their files deactivated by the local offices because of no service for 90 days, or because the applicants had been placed. An additional 20 percent of our sample were special-category applicants who received no services for 90 days.

We discussed the failure to deactivate applicant files with MDES officials. They said the failure was caused by a problem in implementing a new computer program. No deactivation lists were prepared for September and October 1973 and the November lists were issued at the end of December 1973. The State master active-applicant file, as of November 30, 1973, contained 199,200 applicant files of which 55,500 were automatically deactivated by the November list. There were an additional 62,900 applicant files on the special category list that had no service for 90 days, but were not automatically deactivated.

We reviewed the February 1974 list of special-category applicants for four local offices to determine what deactivation action had been taken on those applicants on the November 1973 list who had had no service for 90 days. Fifty percent of the applicants from the November list were still on the February list and had received no service for at least 180 days.

The Worcester office deactivated about 81 percent of its November 1973 list of special category applicants, but the Framingham office deactivated only 18 percent of its November list. Lowell and Haverhill deactivated 49 and 25 percent, respectively, of their November lists. Thus, each

office had taken some action to reduce its "active" files. Worcester, for example, mailed "call-in" cards to the special category applicants and deactivated those who did not reply within a reasonable time or who said they did not require additional services. The other three offices took less extensive action. It appears that the type of positive action taken by Worcester should be taken by other local offices in accordance with Labor instructions. Had all offices in the State deactivated the same percentage of special-category applicant files as Worcester, the master active file would have been reduced by an estimated 50,000 of the 62,900 special-category applicants.

Although applicant files should include only those applicants actively seeking employment, the files in these four offices were inflated by applications which should have been deactivated.

LACK OF REFERRALS AND UNTIMELY REFERRALS

We examined how quickly MDES responded to job orders by measuring the time between receipt of the job order and the first referral. This analysis was based on the 200 job orders included in our sample. MDES made no referrals within 2 weeks of listing to about 60 percent of the job orders and made no referrals within 4 weeks to about 44 percent, as shown in the following table.

<u>Time from receipt of job order to first job referral</u>	<u>Job orders</u>	
	<u>Number</u>	<u>Percent</u>
Within 1st week	53	26.5
Within 2d week	26	13.0
Within 3d or 4th week	34	17.0
More than 4 weeks	31	15.5
Job orders canceled after 1 week or more with no referrals	29	14.5
No referrals between 7-31 and 11-5-73	<u>27</u>	<u>13.5</u>
Total	<u>200</u>	<u>100.0</u>

As mentioned earlier, we concluded by matching DOT numbers of applicants and job orders that applicants with appropriate skills were available for referrals.

The following table shows the number of days between the time a job applicant registered with the employment service and his first referral. It is based on the 256 applicants included in our applicant sample who received service in 1973.

<u>Time between registration and first referral</u>	<u>Applicants</u>	
	<u>Number</u>	<u>Percent</u>
Same day	79	31
Within 2 weeks	19	7
Within 3 to 8 weeks	14	6
More than 8 weeks	16	6
No referrals as of 12-10-73	<u>128</u>	<u>50</u>
Total	<u>256</u>	<u>100</u>

Even though 38 percent of the sampled applicants received at least one referral within 2 weeks of applying for service, 50 percent had no referrals between registration and December 10, 1973. Only 19 percent of the sample applicants received a referral after the day they applied for service.

Most employers that we interviewed stated that they would like to receive a list of applicants from MDES for each job order listed. Several, especially those who said they had been constantly looking for employees, stated that they would take the initiative and call the people on the list. When MDES did make referrals, it provided little information about applicants to employers. Some employers thought applicants should bring a copy of their job record to expedite the interview.

EFFORTS TO IMPROVE SERVICES

Employment-service representatives

An MDES employment-service representative serves as a point of contact between the employment service and employers in a few industries. He generally provides personalized services to these employers. MDES has used employment-service representatives since 1970. However, until fiscal year 1974 these representatives concentrated primarily on encouraging employers to list their openings with the job-bank system. Labor recently shifted its opera-

tional emphasis for employment services from intensive services to the disadvantaged toward job placements for all labor market groups. Accordingly, MDES increased its emphasis on service to employers beginning in fiscal year 1974. The employment-service representatives, as the focal point of this new emphasis, started to help employers with recruiting problems. In so doing, they identified new jobs and new sources of jobs for MDES to fill.

Most of the employers we interviewed favored the employment-service representative concept because it would provide them personal contact with someone in MDES to assist them in solving recruiting problems and provide them with better referrals.

According to MDES records, job-development activity in the first three quarters of fiscal year 1974 accounted for 4,265 job orders which contained 8,725 job openings. However, this represented only 5 percent of the total number of job openings received by MDES during this period.

The number of MDES representative visits to employers for the same period follows.

In response to employer complaints	895
In response to requests for labor-market information	2,060
To potential users of MDES services	3,295

Also, an MDES official said that about twice as many telephone calls as visits were made. There are 16 full-time and 35 part-time personnel at the 6 MDES district offices working as employment-service representatives.

In this regard, over half the employers responding to our questionnaire indicated that they had difficulty in recruiting employees during 1973, but only 27 percent of those experiencing difficulty had received any assistance from an MDES representative.

Local office job development

Until the increased emphasis toward placement services, no organized job-development activity existed at MDES. With the exception of efforts by the employment-service repre-

sentatives, job-development activity is still only sporadic in the local offices. One MDES interviewer worked at developing jobs primarily for specially skilled applicants. Another said he performed job-development activity when applicants appeared "sincerely interested" in obtaining employment. A third interviewer stated that his local office discouraged job-development activity because of the time involved that was taken away from serving applicants in the office. MDES interviewers indicated that job development is one means of increasing placements for qualified applicants that are sincerely interested in finding employment.

In addition to obtaining jobs that match applicants skills, more job-development activity should increase knowledge of employer job requirements and should lead to better applicant referrals. In this regard, local office interviewers have made very few visits to employers and therefore may lack sufficient knowledge about job requirements to refer appropriately qualified people. This lack of knowledge can be shown from one example of several noted during our employer interviews. The employer, a steel service center, placed a job order with MDES which requested that the applicant do the following:

"Load and unload trucks, pack stock to fill orders, mechanical drawing knowledge helpful to read blueprints, will cut steel bars by flame and shear cutters, and learn to operate an overhead crane."

Obviously this job order needed clarification for proper job matching. The pay rate listed for the job was \$3.52 an hour plus fringe benefits and thus seemed to represent a relatively well paying job. When MDES first received the order, they classified the position as a material handler, a relatively low-skilled classification. No attempt was made to clarify the job description and none of the applicants MDES referred were hired because they were not sufficiently qualified.

On two later job orders, MDES classified the position as a steel handler, but the DOT number used was the same as for the material handler. Again, none of the applicants referred were hired because they were not qualified. The

employer stated that he had called job-bank personnel on several occasions attempting to make the job classification more appropriate. However, no substantial change was made and MDES continued to refer applicants such as truck drivers whom the employer considered unqualified.

Increased knowledge about employers' job requirements would result if there were more personal contact between employers and MDES representatives. These representatives could also advise employers how to clarify job requirements to help insure that job orders contain properly classified applicant qualifications.

Aid to Existing Industry Committee

The Lowell and Lawrence Chambers of Commerce jointly established an Aid to Existing Industry Committee to assist the apparel industry in attracting workers. Although located in a high unemployment area, the apparel industry has been having difficulty in hiring and retaining employees.

Among other activities, the Committee ran a "storefront referral center" and participated in meetings with MDES officials. At one such meeting in June 1973, the Committee made the following recommendations to improve MDES' responsiveness to their needs:

- (1) MDES should assign persons to work with specific industry groups.
- (2) MDES personnel should make more plant tours to become familiar with the companies with which they work.
- (3) MDES should try to change its image from one of a benefit payment agency to one of job placement.

As discussed previously in this chapter, MDES has made some attempts to implement these recommendations.

Mobile job van and supplementary services

In 1973 MDES acquired a mobile van to make employment information and placement services more accessible to the

public. Generally the van stays at a shopping center or other heavily visited area for about a week and then moves to another site. The van usually contains a counselor, an interviewer, and job listings. In some cases local employers use the van for direct recruiting.

The following table compares referral activity at the van to that of the appropriate local offices during the same 1-week periods in late 1973. Records showed that for the week before and the week after the van was used the office activity was not diminished by the van's activity.

<u>Local office</u>	<u>Office activity</u>		<u>Van activity</u>	
	<u>Applicants</u>	<u>Referrals</u>	<u>Applicants</u>	<u>Referrals</u>
Haverhill	263	94	a/178	a/171
Lawrence	525	206	392	388
Lowell	222	115	205	173

a/Van was in Haverhill only 4 days; local office information is for 5 days.

At certain times, such as during the Christmas season, MDES also provides employment services at various shopping centers by establishing operations in a store or in a trailer. MDES personnel interview applicants for temporary jobs in shopping center stores.

CONCLUSIONS

In a State with a high unemployment rate, it seems reasonable to expect that employers having job openings would receive prompt referrals of qualified applicants, especially when the number of applicants for employment services far exceeds the job openings received. But this was not the case in Massachusetts. Much action is needed to improve MDES' operations.

The local office active-applicant files are not continuously purged in accordance with Department of Labor guidelines. The files also contain inaccurate data, hampering the ability of MDES personnel to perform the applicant-job matching process through manual file search.

Increased job-development activities and contacts with employers would aid the job-matching process. The use of employment-service representatives seems to be helpful in assisting employers to overcome recruitment problems and to increase job-development activity. Another approach, we believe, would be to have local office placement personnel, in at least some of the larger offices, specialize in certain occupational areas so they would fully understand the job requirements and be in a position to promptly refer qualified applicants.

RECOMMENDATIONS TO THE SECRETARY OF LABOR

We recommend that the Secretary of Labor encourage MDES to

- purge active files in accordance with Department of Labor guidelines;
- improve the accuracy of data in the active files;
- increase efforts to match applicants with available job openings;
- increase the number of applicant referrals to unfilled job openings and insure that timely referrals are made;
- increase job-development activities by using employment-service representatives and local office personnel; and
- consider specialization of local office personnel in specific occupational areas and require these personnel to work closely with employers to promptly fill job orders.

CHAPTER 4

OTHER FACTORS AFFECTING

PLACEMENT ACTIVITIES

SEASONAL EMPLOYMENT PATTERNS

Construction, tourism, apparel, and other important industries in Massachusetts are subject to wide seasonal fluctuations in unemployment, and laid-off workers may not find suitable openings in similar firms. These trends are mirrored in the unemployment insurance (UI) rolls because many employees collect benefits while waiting to be called back to their former employers. As illustrated in the chart on page 27 the weekly number of regular UI claimants is about 60 percent greater in January and February than in October.

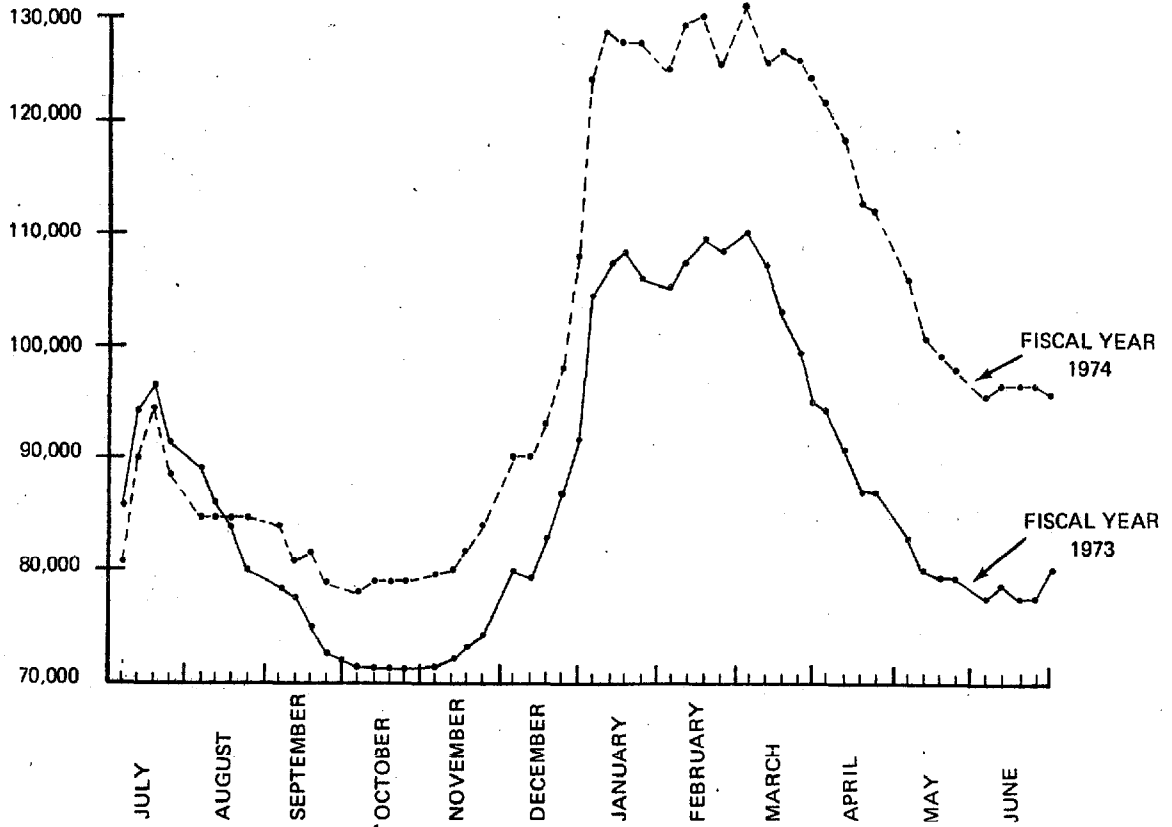
This seasonal employment fluctuation is generally reflected in MDES productivity in that placements per man-month of effort are lower during the time of high lay-offs and are higher during the time of high employment.

UNEMPLOYMENT COMPENSATION IN MASSACHUSETTS

Unemployment compensation benefits are provided to certain persons who are out of work. Among the rationales for the compensation program are that it: (1) provides income to persons with no earnings, to allow them to support their families, (2) allows an unemployed worker to search for the job in which he can best use his skills rather than to accept an undesirable job simply to secure income, and (3) stabilizes the economy by collecting more in taxes from employers than is paid in benefits during good times and disbursing more in benefits than is collected in taxes during hard times.

Although most UI benefits are funded by taxes collected from employers under Federal law, the funds are distributed by the Federal Government to the States for paying insured eligible unemployed workers. Benefit eligibility, duration, and amount are subject to State laws--in Massachusetts, the Employment Security Law, chapter 151A of the General Laws of the Commonwealth.

**INDIVIDUALS CLAIMING REGULAR UNEMPLOYMENT INSURANCE BENEFITS
IN MASSACHUSETTS, BY WEEK, FISCAL YEARS 1973 AND 1974**



Eligibility and benefits

Employees in most industries are eligible for unemployment benefits if they earned at least \$1,200 during the 52 weeks preceding the date of the claim. If they are laid off, they can begin collecting benefits after waiting 1 week from the time they apply for benefits. They may lose eligibility for up to 8 weeks for quitting work without extenuating circumstances, being fired for cause, or leaving work because of a criminal conviction. Persons who have already begun receiving benefits may be disqualified from receiving further benefits for certain periods if they fail to accept suitable employment or become unable to work because of illness, pregnancy, or vacation.

The basic level of benefits in Massachusetts is between \$19 and a maximum of \$90 a week.^{1/} Weekly benefits are equal to 50 percent of the employee's average weekly wage--except for those who earned less than \$66 a week, whose benefit amount is calculated differently. In addition to the basic weekly benefit, a claimant is eligible for a dependency allowance of \$6 for each dependent child under 18 years old and \$6 for each dependent child over 18 incapable of earning wages because of mental or physical incapacity. Total dependency allowances cannot exceed 50 percent of the claimant's basic weekly benefit.

The average weekly UI payment in Massachusetts during calendar year 1973 was \$64.45; the national average was \$58.90 a week. UI benefits are not subject to Federal or State income tax. In terms of maximum benefit allowance, Massachusetts was the seventh highest among the 50 States. Counting dependency allowances, which were available in only 8 other states, Massachusetts had the second highest maximum benefits. Payments can normally continue for a maximum of 30 weeks.

As of May 1974, UI records showed that about 59 percent of the unemployed workers in Massachusetts were claiming UI benefits. MDES records showed that about 35 percent of its job applicants were also claiming benefits at that time.

^{1/}Effective October 1, 1974, this maximum was increased to \$95.

Benefits called Triggered Extended Benefits are available to UI recipients for an additional 9 weeks if

- the number of persons claiming UI benefits equals at least 4.5 percent of the number of persons employed in industries covered by UI or
- the State unemployment rate is more than 4 percent and is 120 percent of the average of such rates for the corresponding 13-week period ending in each of the preceding 2 calendar years.

As of April 1974, Massachusetts was one of only four States that qualified for these benefits. Extended benefits are funded with 50 percent State and 50 percent Federal funds and are paid at the same rate as regular benefits.

Placement of UI recipients

To begin obtaining UI benefits in Massachusetts, many claimants are required to register for work with the employment service.^{1/} Because there is no State requirement for periodic review of UI recipients' ability to find work in order to continue remaining eligible for benefits, their initial local employment service office interview may be the only time they are considered for referral to a job opening during their benefit period.

MDES regulations provide for local arrangements between UI and employment service offices whereby employment service personnel may review UI recipient files and attempt to match recipients to job openings by DOT number. When a match is made, the employment service personnel are to "flag" the recipient's card, and when he next appears to collect

^{1/}We estimate 75 to 80 percent of UI claimants are required to register for work. Those not required to register include persons with a reasonable expectation of employment within 10 weeks and those receiving partial benefits because they were involved in part-time, low-paying employment.

benefits UI personnel are to refer him to the employment service for possible referral to the job opening before paying the benefits. If for some reason acceptable to the employment service the recipient is not referred, or is not hired for the job, he remains eligible to collect further benefits.

In theory these local arrangements could work and could result in some UI recipients taking jobs and being removed from the benefit rolls. However, as discussed in chapter 3, employment service personnel in the offices we visited had little time to search applicant and job files other than for processing applicants physically present in the office. It appears that employment service personnel do not have time to review UI recipient files. Accordingly, we believe these local arrangements probably have little practical effect in placing UI recipients in jobs and in taking them off the rolls.

Many of those collecting benefits are not really looking for new jobs, according to MDES officials, but are awaiting recall by their former employers. Some workers consider UI to be a fringe benefit while temporarily laid off.

Our samples of job orders and job applicants showed that MDES placed a larger percentage of those not collecting UI benefits than of those collecting benefits. There were 650 referrals made to the 514 job openings in our job order sample. About 24 percent of the non-UI recipients were placed, compared to 6 percent of the UI recipients. On the basis of information supplied by employers and noted on each applicant's card, the following table shows the results of referrals for both groups.

<u>Referral results</u>	<u>Referrals to jobs</u>			
	<u>UI recipients</u>		<u>Non-UI recipients</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Hired	11	6	113	24
Not hired--no reason given	70	40	163	34
Not hired due to employer action (note a)	16	9	30	7
Not hired due to applicant action (note b)	<u>79</u>	<u>45</u>	<u>168</u>	<u>35</u>
Total	<u>176</u>	<u>100</u>	<u>474</u>	<u>100</u>

a/Not qualified or job filled.

b/Failed to report for interview or to work or refused job.

Our sample of 256 applicants included 109 UI recipients and 147 non-UI recipients. Our analysis of referrals and job placements to individuals in the two groups is shown below.

	<u>UI recipients</u>	<u>Non-UI recipients</u>
Applicants in sample	109	147
Referred to job	33	95
Percent of applicant group referred	30.3	64.6
Placed in job	8	43
Percent of applicant group placed	7.3	29.3

The 256 applicants in our sample received 225 referrals. About 31 percent of the referrals for non-UI recipients resulted in jobs, but jobs resulted from only 15 percent of the referrals for UI recipients.

UI benefits as a work disincentive

Both MDES officials and all 16 of the employers we interviewed believe that UI payments are a significant

disincentive for unemployed individuals to return to work. Several employers indicated that most of the people they hired were not receiving UI benefits or had benefits due to expire.

An official of a uniform manufacturer said that unless his firm has better success in obtaining employees, it will have to move out of the State. Part of the operation has already moved to another State. According to the official, one cause of the difficulty in hiring employees is the liberal UI benefits available in Massachusetts.

We were informed by a shoe manufacturer that he was able to hire only 1 or 2 experienced shoe workers in 1973, even though 2 other local shoe manufacturers, employing 300 to 400 people, had recently closed. He believed workers would rather collect UI benefits than take another job. This employer, although located in Massachusetts, stated that in the past he had had better results when he used an employment service office located in a neighboring State.

A hospital official stated that he does not receive many walk-in applicants who are collecting UI benefits. A printing company reviewed the UI files at the local office to obtain names of people to call for possible employment. A company official said that very few of the people contacted wanted to go to work.

Professor Martin S. Feldstein of Harvard University prepared a study of the disincentive aspects of unemployment compensation for the Joint Economic Committee, which published the study on September 18, 1973.^{1/} To measure the extent to which UI payments replace after-tax earnings, Feldstein computed the "net tax rate," which is the ratio of UI payments to the net earnings an individual would receive if employed. For example, in Massachusetts in 1971 a single, unemployed individual qualified for benefits equal to 78 percent of the net earnings from a \$500-a-month job. For a married individual who had two children and whose spouse was not working, unemployment benefits equaled 84 percent of the net earnings from a \$500-a-month job. On the basis of a series of such examples, Feldstein concluded that

^{1/}93d Cong., 1st sess. "Lowering the Permanent Rate of Unemployment."

the typical middle- or lower-income individual lost little net income while he was unemployed and collecting unemployment benefits.

Using our job order sample, we identified all persons who were receiving UI payments and who were referred to a job opening. The individuals were divided into (1) those who accepted the job and (2) those who either failed to report for the job interview, refused the job, or failed to report to work. Our study did not include any UI recipient rejected by the employer or not hired without an explanation.

We analyzed 69 cases using the Feldstein method. The average UI recipient received benefit payments equivalent to 73 percent of the estimated take-home pay offered by the job to which he was referred. Although not quantified in Feldstein's study or in ours, there are often work-related expenses, such as for transportation, union dues, and work clothes. These costs would tend to increase the disincentive for a UI recipient to accept a job.

On the basis of these same 69 cases, we found that the average hourly wage (\$2.76) of jobs that these UI recipients were referred to was close to the average hourly wage (\$2.82) of their last earnings. For these UI recipients, at least, MDES made referrals to jobs paying well above the median starting hourly wage (\$2.32) of all jobs listed with MDES as of July 31, 1973. In addition, employers in many cases indicated on their job orders that starting wages could be higher depending on the applicant's experience. For example, although listed at \$2 an hour, some positions were, in fact, piecework positions and the \$2 was only the minimum pay. Stitchers in shoe factories often are paid on the basis of the number of shoes they produce; they can, with efficiency, earn \$3 to \$4 an hour within a short time after being hired.

Of the 69 cases, 15 UI recipients accepted employment. Of the 15, 5 had exhausted or were near the end of their benefits.

In allocating most State employment service agency operating funds for fiscal year 1975, Labor used a weighted formula which was designed, in part, to provide State employment service agencies with an incentive for meeting broad objectives. Among the factors considered were the types of applicants being placed. Only veterans received a higher priority than UI recipients which indicates Labor's emphasis on placing UI recipients.

Case Study: Internal Revenue Service
(IRS) Center

To illustrate the combined effects of seasonal employment and the availability of UI benefits on MDES' success in placing job applicants, the case of the IRS Center in Andover, Massachusetts, follows.

The IRS Center in Andover processes individual and corporate income tax returns for the six New England States and New York. It is 1 of 10 such centers throughout the country. Its peak season runs from January to April, although some seasonal employees are retained beyond April.

About 1,635 permanent, full-time employees work at the Center, but during April the number of employees reaches about 4,000. The difference is made up of temporary seasonal employees who work from a few weeks to several months. In April 1973 there were 2,341 seasonal employees at the Center; by June there were 555; and by December only 242 remained.

The type of UI benefits available to eligible unemployed Federal workers is Unemployment Compensation for Federal Employees. To qualify for these benefits, a Federal worker must meet the regular UI program criteria set by the State where he works. These Federal unemployment benefits are funded entirely by the U.S. Government and administered by each State.

To determine the extent to which these seasonal IRS employees collected UI benefits when laid off, we developed a random sample of 105 of those who worked during calendar year 1973. Of the sample, 91 had sufficient earnings at the IRS Center to be eligible for UI benefits and we gathered the following data on them based on that employment.

Received UI benefits	a/86
Average number of weeks worked for those that received UI benefits	20.5
Average number of weeks of UI benefits received	21.4
Average weekly benefit amount	\$58

a/Of the remaining five employees, one left work because of illness, another collected UI based on non-IRS employment, and the other three, although eligible, apparently did not file for benefits.

Of the 86 seasonal employees (82 percent of our sample) who collected UI benefits, 57 used all of the benefits available to them. These 86 seasonal employees earned an average gross income of \$2,747 at the Center, with an estimated average net income of about \$1,800. They averaged an additional \$1,240 in UI benefits or about 70 percent of their average net income.

Our sample showed that the 105 seasonal employees had held the following positions at the IRS Center:

<u>Position</u>	<u>Number</u>	<u>Percent</u>
Clerk	43	41.0
Keypunch operator	30	28.6
Tax examiner	28	26.6
Other	<u>4</u>	<u>3.8</u>
Total	<u>105</u>	<u>100.0</u>

To determine the extent to which these seasonal workers accepted employment through MDES after being laid off by IRS, we selected the keypunch operators for indepth review. They were selected because that skill is transferable between employers with almost no variation in duties. We analyzed 19 non-IRS job orders covering 61 job openings for keypunch operators listed with the Lawrence job bank, which covers the metropolitan area in which the IRS Center is located. About three-fourths of the IRS employees in our sample lived in the area served by the Lawrence job bank.

Because most seasonal employees working at the Center were laid off by June 1973, we reviewed job orders open as of July 31 and October 31, 1973. We projected the 29 percent that keypunch operators were of our sample and the 82 percent of our sample who collected UI benefits to the about 2,000 seasonal workers at the IRS Center who were unemployed as of July 31 and October 31 and calculated that about 600 keypunch operators were out of work, of whom an estimated 500 were probably collecting UI benefits and presumably available for work.

Of 80 MDES keypunch operator referrals to the 61 job openings, only 11 were former IRS employees, as shown in the following table. None of these former employees were in our sample.

<u>Date</u>	<u>Job openings</u>	<u>Referrals</u>	<u>Former IRS employees referred</u>
7-31-73	33	60	10
10-31-73	<u>28</u>	<u>20</u>	<u>1</u>
Total	<u>61</u>	<u>80</u>	<u>11</u>

All 11 of the former IRS employees referred to these openings were collecting UI benefits at the time of referral. Only 1 of the former employees was hired, as shown in the following table.

<u>Results</u>	<u>Number</u>
Not hired--no reason given	4
Failed to report to interview	3
Refused job	2
Not qualified	1
Hired	<u>1</u>
Total	<u>11</u>

On October 5, 1973, the IRS Center submitted a job order to the MDES Lawrence job bank for 50 keypunch operators to start work in January 1974. By January 1974 MDES had made 127 referrals to this job order. A review of the IRS Center's personnel records showed that 93 of the people

referred by MDES were already on the IRS Center roster of seasonal employees. Seven of the 93 were in our sample, and 91 of the 93 were collecting UI benefits at the time of referral--including the 7 who were in our sample. Also, 79 of the 93 had attained a higher salary level in their former employment at the IRS Center than the salary level of the IRS job to which they were referred. Although these people might accept employment at the IRS Center again, they would likely only return at their previously attained salary level or a higher amount because of their experience on the job.

CONCLUSIONS

Seasonal unemployment has an impact on MDES activities of paying UI claims and attempting to place the unemployed. The availability and level of UI benefits have a definite effect on MDES placement activities. The availability of those benefits can create a disincentive for unemployed beneficiaries to seek work. The high benefits being paid in Massachusetts, compared to other States, further complicate the situation. The data developed during our review demonstrates the need for improved management of the State UI placement process.

The incentives provided by Labor's fund allocation formula for fiscal year 1975 may provide the motivation necessary to increase the placement rate of UI recipients.

In cases such as those identified in the IRS case study, substantial benefits may be obtained by unemployed seasonal Federal workers, and these benefits hamper MDES' ability to place these workers in alternative jobs. We believe this situation may be indicative of a much broader problem and intend to review the matter further.

RECOMMENDATION TO THE SECRETARY OF LABOR

We recommend that the Secretary of Labor encourage MDES to improve the management of its efforts to place UI recipients in jobs.

CONGRESS OF THE UNITED STATES
HOUSE OF REPRESENTATIVES
MICHAEL J. HARRINGTON
FOREIGN AFFAIRS COMMITTEE

July 2, 1973

Mr. Elmer B. Staats
Comptroller General of the
United States
General Accounting Office
441 G Street, N. W.
Washington, D. C. 20548

Dear Mr. Staats:

The Division of Employment Security in Massachusetts is responsible for the expenditure and administration of certain Federal funds. It is charged with facilitating the placement of unemployed individuals in appropriate positions, with compiling and maintaining appropriate information for accomplishing that task, and with managing the federally supported job data bank. The Division maintains placement offices in Boston, on Route 128, and elsewhere across the state.

Unemployment in Massachusetts remains a very serious problem. Statewide unemployment is still over 7 percent, and there are many pockets of serious unemployment--such as Lawrence, Lowell, Fall River, and Haverhill, and New Bedford where unemployment is over 10 percent. Unemployment compensation remains a heavy drain on the state budget as unemployment persists at a level of 185,000, and as unemployed workers fail to find work.

In the face of these facts, it appears to me that the Division of Employment Security is poorly managed in its expenditures of Federal funds. This appears to be the case, but precise facts are not readily available.

For this reason, I would appreciate a complete audit of the Division of Employment Security, including:

Mr. Elmer B. Staats
Washington, D. C.

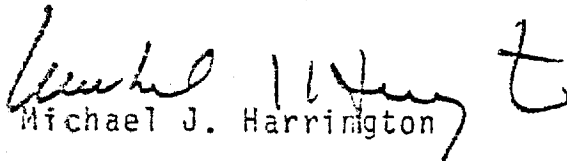
July 2, 1973
Page Two

BEST DOCUMENT AVAILABLE

- (1) the federal funding of the program;
- (2) the allocation and disbursement of such funds by function and geographic area;
- (3) the success in placing unemployed workers in new, permanent positions;
- (4) the personnel, by salary, by responsibility, and by geographic location;
- (5) the lag situation between application and placement;
- (6) the lag situation between vacancies and their offering by DES;
- (7) the reliance of the business community on DES versus private placement channels;
- (8) the techniques and innovations of DES inducing businesses to use it and to publicize it in a way to increase both output and input;
- (9) a general rating of the effectiveness and efficiency of the Division; and
- (10) any specific recommendations for improving administration as may be clear from any shortcomings you may find.

For further clarification of any of these questions, your staff should feel free to call on Mr. Rod Smith in my Washington office (225-8020). I will appreciate a prompt reply.

Yours sincerely,


Michael J. Harrington

MJH:jrs

MDES UNEMPLOYMENT INSURANCE EXPENDITURES

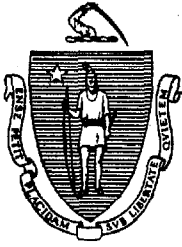
BY TYPE OF BENEFIT

<u>Type of benefit</u>	<u>Fiscal years</u>	
	<u>1973</u>	<u>1974</u>
Regular benefits	\$229,387,555.88	\$285,917,396.43
Triggered Extended Benefits	27,190,942.00	45,401,985.50
Emergency unemployment compensation	21,953,658.00	280,097.00
Unemployment compensation for federal employees	7,175,944.00	14,528,641.00
State extended benefits	9,894,690.00	-8,571.00
Other	<u>11,738,103.00</u>	<u>12,333,541.84</u>
Total	<u>\$307,340,892.88</u>	<u>\$358,453,090.77</u>

FUNDS FOR ADMINISTERING PROGRAMS BY MDES

<u>Program</u>	<u>Fiscal years</u>	
	<u>1973</u>	<u>1974</u>
Manpower Training Services (note a)	\$ 3,838,333.45	\$ 3,601,603.21
Employment service	10,188,958.46	9,400,041.11
Unemployment insurance	18,387,560.54	18,326,937.28
Work Incentive Program	3,111,134.00	3,008,541.95
Other	103,616.44	170,076.88
Total	<u>\$35,629,602.89</u>	<u>\$34,507,200.43</u>

a/Includes such programs as Manpower Development and Training Act institutional training, ex-offender training, and Job Opportunities in the Business Sector.



The Commonwealth of Massachusetts

Division of Employment Security

Charles F. Hurley Employment Security Building

Government Center, Boston, Mass. 02114
September 27, 1974

Office of the Director

Mr. Elmer B. Staats
Comptroller General of the
United States
General Accounting Office
441 G Street, N. W.
Washington, D.C. 20548

Dear Mr. Staats:

We appreciate the opportunity to comment on Report B-179083 concerning the Massachusetts Division of Employment Security. It is difficult in a short letter, however, to do justice to some three manyears of diligent effort that went into the preparation of this report.

This Division was pleased to have GAO evaluate the Employment Service program in Massachusetts and the sincere interest of Congressman Michael J. Harrington who requested the study. It is our firm belief that the U. S. Employment Service has long been the neglected stepchild of Federal manpower efforts, and its effectiveness should be an important item of national concern. Although the Employment Service is the largest Federal manpower program in terms of the number of employers and workers served, its basic authorizing legislation (the Wagner-Peyser Act) has not been updated since 1933. No Congressional hearings on Employment Service effectiveness have been held for many years, and according to project staff no GAO evaluation has been performed within recent times.

National perspectives

Unfortunately, the report does not include appropriate national perspectives in evaluating the 100% federally financed Employment Service program. Quoting from a 1974 study by the U.S. Department of Labor of our sister agency in Colorado:

"this Agency, like many others, has been caught up in the multi-directional pressures brought on by the proliferation of manpower programs during the last ten years."

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"Manpower program requirements have been placed on the Agency by at least 23 Federal statutes, 11 Executive Orders and 20 or more major operating programs. In addition, the CDE [Colorado Division of Employment] has been subject to continuing changes in its basic administrative processes--ESARS, the Cost Accounting System, and MODS have all been introduced during this period."

These same problems were covered in a 1971 U.S. Department of Labor assessment of the U.S. Employment Service which concluded that:

"The new programs and responsibilities of the '60's have presented an immense administrative burden. Each new program usually meant:

- Changed priorities
- Staff adjustments
- Additional reports
- New state and federal pressures
- More meetings, conferences, etc.

and sometimes entirely new functions. Since 1960, 2,300 programs and administrative letters [were issued]-an average of one for every working day!"

The uncertainty of the role and mission of the U.S. Employment Service is an important one which no evaluation report should leave unaddressed. No public agency can be "all things to all people." Limitations of staff and resources will just not permit the Employment Service to accomplish universality of services. Priorities must be established by the Congress and the U.S. Department of Labor, and criteria for "success" must be defined.

Recommendations to the Congress are needed for a thorough updating of the 41-year old Wagner-Peyser Act since the labor markets of the 1970's are hardly similar to those of the 1930's. As Garth Mangum, a leading manpower researcher, has recently noted:

"Union hiring halls, federal, state, and local civil service commissions, company personnel departments, private employment agencies, temporary employment services, professional and trade associations, schools placing their own graduates . . . all compete in the arena which the public employment service had almost to itself in 1933." ¹

¹ Johnson, Miriam Counterpoint. Salt Lake City: Olympus Publishing, 1973.

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Recommendations are also needed to institute an extensive program of research and experimentation in order to answer Mr. Mangum's tough questions, namely:

"What if there were no public employment service? What difference would it make? . . . It is to be supposed that the agency's general presence does make a difference, but there is no evidence."²

Simply dealing with the job matching process as if it were a clerical procedure is unsatisfactory in our view. The hard questions of priorities among various applicants and employers should not be left unaddressed.

Lowering the Unemployment rate

Congressman Harrington, in his letter requesting this study, indirectly raised the question of Employment Service mission when he stated that:

"In the face of these facts [high unemployment], it appears to me that the Division of Employment Security is poorly managed."

In other words, the Congressman is contending that the Employment Service program in Massachusetts should be able to lower the unemployment rate. Unfortunately, this hypothesis is not addressed in the report, and there is no discussion of either the adequacies or the deficiencies of job openings available to the unemployed in Massachusetts.

In general, it would appear that there are just not enough jobs or jobs of satisfactory quality to absorb the available labor force. For instance, in November 1973, the Boston SMSA (covering about one-half of Massachusetts) had only 7,879 job openings for 33,458 insured unemployed according to statistics collected for the Federal-State Job Openings Labor Turnover program. This shortage is, of course, compounded by mismatches in which the job vacancies demanded different or higher skill levels than were possessed by the unemployed workers.

However, we believe that a complete study of the Congressman's question would be desirable particularly in light of major national economic concerns about improving the trade-off between unemployment and acceptable levels of inflation (the Phillips curve). Can the Employment Service assist in reducing the trade-off between unemployment and inflation? If so, how should the Employment Service agencies implement such efforts and how can their success be measured? Recommendations should be made on these vital questions.

² Ibid.

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Unemployment insurance and the incentive to work

There is no doubt that compensation paid under the Federal-State program of unemployment insurance does result in some disincentive to work, particularly at jobs paying considerably lower wages than the worker has received in the immediate past. In fact, that very phenomenon has long been recognized as one of the major objectives of the program. By providing temporary income support, an individual is afforded an opportunity to seek employment consistent with his past work history, and not end his job search to take the first available job, regardless of pay rate.

Nevertheless, we do feel that the problem of strengthening the work incentive while preserving the many worthy features of the U.I. Program is an important policy issue of national dimensions. We believe that recommendations should be made to the Department of Labor to begin addressing this issue through large scale research and experimentation projects. Similar issues have been researched in the public welfare arena through the New Jersey Income Maintenance Experiment and other smaller efforts. No similar attention has been given to U.I. One example for study would be the effect of varying the ratio of payment levels to average wages. While the Massachusetts ratio is much higher than some other States, no one really knows its effect on the incentive to work, if any. Another possible area for experimentation would be "front-end loading" the weekly benefit amounts in order to increase the early payments and gradually decrease the later ones. This concept has been proposed as a device for strengthening the work incentive.

Case Study: Internal Revenue Service Center

We believe that including the "case study" of the Internal Revenue Service Center is very appropriate to any evaluation of Employment Service performance. Certain employers use the Federal-State UI system as a means of compensating their part-year workers during slack seasons. This practice is particularly common in style-oriented industries. Employers such as IRS actually encourage their workers not to accept full time year-round employment in other industries.

Naturally these practices are totally outside the control of MDES and can only be curbed through appropriate legislation. We believe that such a recommendation should be included in the report.

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We cannot agree with the final conclusion that "the data developed . . . demonstrates the need for improved management of the State UI placement process." Without considerably more research and analysis, no conclusions whatsoever can be fairly drawn from the data on the agency's relative success in the placement of UI claimants versus non-claimants.

In any event, MDES merely administers the various Federal and State unemployment insurance statutes as written by the Congress and the Massachusetts General Court. The draft report does not make this fact clear, and leaves the erroneous implication that MDES could somehow overcome this problem of incentive to work through improved management of the UI placement process.

Job Matching Process

[13] The report alleges that "MDES generally makes little attempt to match the applicant to a job opening or a job opening to an applicant" (p.21). This conclusion flies in the face of the facts as noted above. In fiscal year 1974, 104,755 placements or "matches" were made.

[See
GAO
note.]

The report goes on to state that "our samples . . . showed that in most cases there were a number of applicants available for each opening and a number of openings for each applicant" (p.21). This [13] conclusion is presumably based on the assertion that "there is sufficient commonality between job specifications and applicant qualifications to warrant a referral of most applicants if the first three digits of the DOT number are identical" (p.22). [14]

We believe that those responsible for the D.O.T. system in the U.S. Department of Labor should be consulted on this suggestion. It is diametrically opposed to our overall Employment Service objective of increasing the quality of our referrals as discussed on p.32 of the report. For example, an employer's job order could specify an assembler of jet engines, D.O.T. code 806.884. Use of the three digit code 806, however, would cause referrals of shipfitter foremen, automobile test drivers, diesel engine assemblers, utility men (auto assembly), and mobile home cabinet installers, possessing varying skill levels from minimal to great. We believe that the methodology used in the report is far too simplistic to warrant making general conclusions about labor supply and demand and that a more vigorous study is necessary. [22]

Management improvements

Since I assumed the position of Director of Employment Security on May 20, 1974, I have been concerned that we in the Division do everything possible with our limited resource to match employers' and workers' needs. I believe the facts indicate that we have already made substantial improve-

GAO note: Numbers in brackets refer to the final report.

APPENDIX IV

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[25]

ments towards the six specific recommendations on page 35 of the report.

[See GAO
note,
p. 47.]

1. Active files are being purged in accordance with Department of Labor guidelines. On-site reviews by MDES central office staff emphasize this action.
2. The accuracy of data in local office will be a constant problem as long as our limited staff is harried by attempting to serve the large numbers of applicants. MDES was forced by the U.S. Department of Labor to divert \$1.3 million from Employment Service activities during fiscal year 1974 to cover inadequate Federal budgets for UI claims workloads. This problem is, of course, of continuing concern to MDES management.
3. As Employment Service staff levels are now slightly increasing, the practice of daily applicant file searches is being reinstated. This will help us continue our new higher level of placement productivity per staff man-year.
4. The number of MDES referrals have generally been increasing. If we develop closer contacts with employers, the numbers placed should increase substantially with only a minor increase in referrals. Good service to employers and workers requires that we improve the quality of our referrals, not necessarily the quantity.
5. A major increase in employer service and job development activities has already taken place. New training programs have started and MDES has secured the assistance of Greenleigh Associates, a firm that specializes in this field to consult on its employer services program.
6. Several of the larger local offices have already begun to specialize their operations into various occupational areas.

Although most of these efforts are less than one year old, they have already begun to produce the kinds of improvement which MDES management had projected. The "bottom line" indicator for measuring the effectiveness and efficiency of Employment Service management is the total number of individuals placed per staff man-year. On this measure MDES is making substantial gains.

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Based on the latest available data obtained from the U.S. Employment Service national office in Washington, D.C., MDES improved its standing among the states in total individuals placed per staff man-year from 48th in fiscal year 1973 to 36th in the first half of fiscal year 1974. Comparative rankings such as these are often a misleading use of statistics, however. For example, MDES performance actually rose from 57% of the national average in FY 1973 to 94% of the national average in the first half of FY 1974. This gain in productivity was even more remarkable since the overall national average was also improving substantially during the same period.

For these reasons we cannot agree with the general negative conclusions about MDES performance expressed in the report. We believe that substantial progress is being made in all areas of our Employment Service program. Furthermore, we believe the report is deficient in concluding that the Employment Service was having "relatively little success" since the report provides no standards for "success."

If we use the standard of what was accomplished in the recent past, and compare it to the present, MDES is definitely a "success." This conclusion is shown by total number of placements made for each of the past three years.

FY 1972	-	88,202	placements
FY 1973	-	91,420	placements
FY 1974	-	104,755	placements

I trust that these comments will be incorporated in the final report. We are also submitting under separate cover numerous suggestions for technical accuracy.

Sincerely,



John F. Crosier, Director