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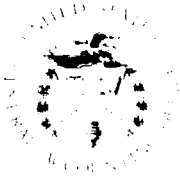
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Since establishment of the Employment Service in 1933, it has served as a labor exchange for persons seeking work and for employers with jobs to fill. Meanwhile, many other placement sources have developed and the Service now handles a relatively small and specialized part of the labor market--jobs and persons characterized by low pay. Findings/Conclusions: In fiscal year 1975 the Service helped employers find qualified applicants for 73% of the job openings listed. However, the Service reportedly placed only 17% of its 18.5 million job applicants. Over half of the applicants did not receive any help, and most placements were in low paying jobs. Recommendations: The Secretary of Labor should determine the Service's role in today's job market and establish goals that would encourage the Service to seek the types of jobs that meet the applicants' needs. These goals should be reviewed periodically to determine if they are consistent with the changing needs of prospective employers and applicants, considering the adequacy of existing alternative placement sources to meet those needs. The Secretary of Labor should encourage State employment security agencies to refer selective claimants to the Service, emphasize determining the claimant's work search efforts during eligibility interviews when Service registration is unnecessary, and establish guidelines for suitable work criteria. (Author/SC)

REPORT TO THE CONGRESS



*BY THE COMPTROLLER GENERAL
OF THE UNITED STATES*

The Employment Service-- Problems And Opportunities For Improvement

Department of Labor

Since establishment of the Employment Service in 1933, it has served as a labor exchange for persons seeking work and for employers with jobs to fill. Meanwhile, many other placement sources have developed and the Service now handles a relatively small and specialized part of the labor market--jobs and persons characterized by low pay.

This report includes recommendations to improve the Service's effectiveness, including establishing goals to upgrade the types of jobs offered. However, in setting goals, the Secretary of Labor should consider the adequacy of other placement sources in meeting applicant and employer needs.



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

B-133182

To the President of the Senate and the
Speaker of the House of Representatives

This report summarizes our review of the Employment Service--a Federal-State system with more than 2,400 local public employment offices. We made this review to determine if the Service was doing an effective job of finding and filling available jobs during a period of high unemployment. This report discusses the need for more effective and efficient service to job seekers and employers and the need to define the role of the Service in today's job market.

We made our review pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

We are sending copies of this report to the Director, Office of Management and Budget, and to the Secretary of Labor.

A handwritten signature in black ink, reading "Thomas B. Stearns".

Comptroller General
of the United States

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ABBREVIATIONS

BLS	Bureau of Labor Statistics
ES	Employment Service
ESARS	Employment Security Automated Reporting System
GAO	General Accounting Office
JIS	Job Information Service
UI	unemployment insurance

D I G E S T

Since its establishment more than 40 years ago, the Employment Service's focus and the labor market with which it participates have changed. The Service has provided a labor exchange for persons seeking work and for employers with jobs to fill.

The Service competes with many other placement activities and has emerged as an agency serving a relatively small and specialized part of the labor market--jobs and persons characterized by low pay. (See p. 5.)

The Department of Labor plans to increase the Service's penetration into the labor market. However, this effort lacks direction in the types of job openings that should be sought.

GAO recommends that the Secretary of Labor determine the Service's role in today's job market and establish goals that would encourage the Service to seek the types of jobs that meet the applicants' needs. These goals should be reviewed periodically to determine if they are consistent with the changing needs of prospective employers and applicants, considering the adequacy of existing alternative placement sources to meet those needs. (See p. 7.)

In fiscal year 1975, the Service helped employers find qualified applicants for 73 percent of the job openings listed. However, the Service reportedly placed only 17 percent of its 18.5 million job applicants. Over half the applicants--10.8 million men and women--did not receive any help. Most placements were in low paying jobs. (See pp. 10 and 11.)

The Employment Security Automated Reporting System is the Department of Labor's statistical data gathering system for the Service--

the only source from which information on performance can be readily obtained. Performance data--placements made and jobs filled--was overstated. (See p. 11.)

Nor did the data always reflect accurately the duration of the jobs filled. Of a sample of 328 reported placements in jobs expected to last over 150 days, only 52 percent of the applicants were still working after 1 month. (See p. 13.)

Performance data is important in the management of the Service and in the Department's allocation of funds to the States for operating the program. GAO recommends that the Secretary of Labor take appropriate steps so that State agencies verify that hired applicants reported to work. (See p. 14.)

The Service could improve its effectiveness by making more use of the job information service--a technique whereby an applicant can review job openings and be referred to one he selects without an extensive interview and registration process. As of August 1975, about 40 percent of the 2,400 local offices reportedly used the information service to varying degrees.

The system was reportedly not used in large metropolitan areas such as New York City, Indianapolis, and Oklahoma City. (See pp. 18 and 19.)

Of the 15 offices GAO reviewed in eight States from coast to coast, 13 used the information service to varying degrees. Most office managers using the technique said that without it more staff would be needed to maintain their levels of service. (See pp. 19 to 22.)

About one-third of the job referrals GAO reviewed resulted from file search--an interviewer using a previously completed application to match the applicant with a job opening. File search is used primarily to find applicants for jobs not already filled by persons visiting an office. However, file search is hampered by the volume and quality of applications, lack of time,

and difficulty in contacting applicants.
(See pp. 22 to 24.)

The Secretary of Labor should identify the offices which could be more effective by using the information service and encourage them to establish such systems. To improve the capability to make file search referrals, GAO also recommends that the Secretary explore the feasibility of more frequent purging of application files. (See p. 28.)

The Department has a 5-year plan to establish a computerized job matching system--automated matching of an applicant's qualifications with a job's requirements--nationwide at a cost of about \$100 million.

However, it has not been demonstrated that computerized job matching will greatly improve the Service's ability to make more timely or accurate job matches. The Secretary of Labor should reevaluate the benefits that can be achieved by this method and establish criteria to determine those States which may justify its implementation. (See pp. 24 to 28.)

Under the unemployment insurance program, availability for employment--a work test--is required as a precondition for eligibility to collect unemployment compensation. To comply with the test the States generally require that claimants register with the Service. (See p. 30.)

Administering the work test is limited because of factors such as the pay of many jobs was too little to constitute a work test and difficulties in obtaining evidence that a claimant did not appear for a job interview. (See pp. 30, 31, and 34.)

There appeared to be uncertainty about what claimant actions indicated unavailability for work. (See p. 36.)

Many claimants cannot appreciably benefit from employment assistance from the Service, and therefore their registration does not constitute an effective work test. Little appears to be gained by requiring work

registrations from persons for whom the Service does not offer employment potential or who do not need employment assistance. Alternatively, unemployment insurance office personnel could determine whether a claimant had done what a reasonable person would do to get a job. (See pp. 31 to 33.)

The Secretary of Labor should encourage State employment security agencies to

- refer selective claimants to the Service,
- emphasize determining the claimant's work search efforts during eligibility interviews when Service registration is unnecessary, and
- establish guidelines for suitable work criteria. (See p. 37.)

Since 1971 the Department has emphasized obtaining more job openings through improving employer relations--personal visits and telephone contacts with employers. During GAO's review the Department had not established staffing standards for the employer relations program and the level of activities at offices varied considerably. Many employers listed only a part of their job openings with the Service and said that the Service had not contacted them in 12 months. (See pp. 39, 40, and 41.)

The Secretary of Labor should follow up also on employer relations activities to insure that an acceptable level of employer contacts is being made, considering present guidelines, and that better service be provided to employers. (See p. 44.)

Labor generally agreed with these recommendations.

The Department objected, however, to GAO's conclusion characterizing the Service as an intermediary serving a small specialized segment of the labor market and to the methods GAO used in determining that placement data was overstated. (See pp. 8, 14, 28, 37, and 44 and app. I.)

CHAPTER 1

INTRODUCTION

Employment Service (ES) activities are part of the Federal-State employment security program authorized under the Wagner-Peyser Act (29 U.S.C. 49) and the Social Security Act (42 U.S.C. 501). The Employment and Training Administration, Department of Labor, administers the employment security program, which is twofold: (1) employment service--finding jobs for people and people for jobs--and (2) unemployment insurance (UI)--providing financial benefits to insured, unemployed individuals.

ES, established under the Wagner-Peyser Act in 1933, is a cooperative Federal-State program with over 2,400 local employment offices in the 50 States, Puerto Rico, Guam, the Virgin Islands, and the District of Columbia. The U.S. Employment Service of Labor's Employment and Training Administration provides guidance and technical assistance and establishes procedures and standards for operating the program. The State governments operate ES.

ES makes available counseling, testing, and other manpower services to job seekers. Employers submit job orders to ES and ES then refers applicants to these openings. In addition to referring applicants, ES assists employers in developing job skill requirements and by providing labor market information.

FUNDING

ES activities are financed principally from Federal unemployment taxes from employers under the Federal Unemployment Tax Act (26 U.S.C. 3301). State employment security agencies collect and deposit taxes in the Unemployment Trust Fund. The Congress appropriates these funds to Labor for allocation to the States. Authorizations from the Trust Fund, however, are restricted to providing services to the work force whose employers are subject to the Tax Act. Services to the estimated 15 percent of the work force whose employers are not subject to the Tax Act are financed by appropriations from general funds of the Department of the Treasury under the Wagner-Peyser Act, as amended.

Labor also receives, from other departments and agencies, funds that it allocates to the States for certain manpower program activities carried out by ES offices. For example, Labor receives funds from (1) the Department of Health, Education, and Welfare for the Work Incentive Program

and (2) the Department of Agriculture for providing employment services to food stamp recipients and notifying welfare agencies of recipients' refusal to accept employment.

Allocations to States

Labor allocates funds to the States for ES operations primarily by a "balanced placement" formula. The formula is used to allocate funds based on performance. Since the formula ties directly to performance, it is to serve as an incentive for the continuing improvement of both quantity and quality of services rendered. The formula also serves as an instrument to assist Labor and State agencies in evaluating States' performance.

The formula consists of two major parts--quantity and quality of placements. For example, one quantitative measurement is productivity--placement performance per staff-year worked. A qualitative factor measured is the success in placing various target groups, such as veterans, older workers, UI claimants, and the economically disadvantaged. The formula also measures performance according to the type of jobs filled based on job duration, skill level, and wages.

Although funding for ES activities has increased over the last 10 years, the number of staff positions has remained fairly constant, decreasing slightly in recent years. In fiscal year 1967, about \$287.9 million was obligated, funding about 31,500 positions. In fiscal year 1976, Labor estimates that it will obligate about \$517.4 million to fund 28,400 positions. Appendix II shows obligations and positions funded for ES Federal and State administration for the 10 years.

SCOPE OF ES RESPONSIBILITIES

In addition to its basic role of matching workers' skills with job requirements, ES is involved in administering 21 other laws, 11 Executive orders, and 14 agreements with Federal agencies, which require the performance of specific duties relating to special target groups, such as Vietnam-era veterans, the handicapped, recipients of financial assistance under the Aid to Families with Dependent Children program, food stamp recipients, and workers in training under the Comprehensive Employment and Training Act of 1973 (29 U.S.C. 801 (Supp. V, 1975)). A major responsibility of ES is to administer the so-called work test for UI claimants. The law establishing the UI program has been interpreted by Labor to require availability for employment as a precondition for eligibility to collect unemployment compensation.

Legislation and public policy have required ES to provide special assistance for workers who have severe employment barriers, to enable them to compete effectively in the labor market and to give preferential service to applicants who are veterans. Other categories of job seekers who receive special attention include minorities, women, the economically disadvantaged, the handicapped, older workers, youth, and migrant and seasonal farmworkers.

Each medium or large local ES office is required to have a full-time local veterans employment representative working specifically on veterans job placement. Representatives are to be assigned to local offices having 1,200 veteran applicants during the 12 months before the date of determination of need or having 6,000 veterans residing in the administrative area served by a local office. Local ES offices also have full-time or part-time specialists to solve employment problems of handicapped workers, older workers, and young job seekers.

The system also operates a comprehensive program involving specialized personnel for assuring equitable services to migrant and seasonal farmworkers. Other personnel, not formally designated, provide requisite assistance for minorities, women, and the disadvantaged.

ES is also involved in admitting alien workers into the United States. Some alien workers are inadmissible for permanent entry unless the Secretary of Labor certifies that there are not enough U.S. workers available for jobs offered to aliens and that the wages and working conditions meet prevailing standards. In admitting temporary alien workers, Labor advises the Immigration and Naturalization Service on the availability of resident workers for jobs offered to aliens and the adequacy of wages and working conditions offered.

SCOPE OF REVIEW

We made our review primarily at 15 local ES offices in 8 metropolitan areas: Los Angeles, California; Denver, Colorado; Chicago, Illinois; New Orleans, Louisiana; Camden, New Jersey; Philadelphia, Pennsylvania; Dallas, Texas; and Salt Lake City, Utah. These locations provide a broad geographic distribution of metropolitan areas with varying unemployment rates. Two local offices--one urban and one suburban--were selected in each area, except in Salt Lake City where only an urban office was selected. That office accounted for nearly half of Utah's activity. Appendix III lists those local offices visited. With the help of State ES officials, we selected the local offices based on their representativeness of ES operations.

Our review focused primarily on job placement and employer relations activities. We also visited UI offices in these areas to review the disposition made of UI claimants who may not have complied with the work test. Appendix IV shows selected measures of ES effectiveness in the States reviewed.

We interviewed Labor officials and reviewed legislation and regulations related to the ES program. We also interviewed local ES office personnel and reviewed pertinent policies and practices.

We sent questionnaires to a random sample of 800 employers, 600 applicants whom local offices had reported as being hired, and 600 applicants who were still seeking employment through ES, asking them to comment on their relationship with ES and other placement sources and their evaluation of how effective ES was in meeting their needs. We received and evaluated replies from 570 employers and 762 applicants.

RELATED REPORTS

Following is a listing of other related reports that we have issued.

--"Problems In Filling Job Orders And Placing Job Applicants In Massachusetts," B-179083, October 30, 1974.

--"Employment Services For Vietnam-Era Veterans Could Be Improved," B-178741, November 29, 1974.

--"Evaluation Of Comments On Report On Problems In Filling Job Orders And Placing Job Applicants In Massachusetts," MWD-75-49, January 23, 1975.

CHAPTER 2

NEED TO DEFINE ROLE OF ES IN JOB MARKET

AND TO ESTABLISH GOALS FOR MEETING ITS OBJECTIVES

The Employment Service's role in the labor market has varied with changes in Government policy. Over the last 40 years the increasing demand for skilled and semiskilled employees and the growth of alternative placement sources has reached the point where ES now serves a small part of the labor market. As a result, ES has emerged as a labor exchange function for low-paying, short duration jobs. Labor plans to devote additional resources to increase ES' market penetration. However, this effort lacks direction in terms of the occupational variety of job openings that should be sought. Labor needs to establish goals to upgrade the types of jobs that ES can offer its applicants but in so doing needs to consider the adequacy of existing alternative placement sources in meeting applicant and employer needs.

CHANGES IN EMPHASIS OF ES ACTIVITIES

Since its establishment in 1933, ES' focus and the labor market with which it works have changed. Skilled and semi-skilled positions have displaced unskilled jobs as the major source of employment. Also, ES now competes with many other placement activities. From that competition, it emerges as an agency serving a relatively small and specialized part of the labor market--jobs and persons characterized by low pay.

Originally established as a labor exchange for persons seeking work and employers with job openings, ES took on a broader range of manpower activities as part of the World War II effort. In the face of acute manpower shortages, it assisted in recruitment and manpower utilization activities.

Another big change occurred in the late 1960s and early 1970s. In support of the legislative emphasis on the disadvantaged, ES provided intensified and individualized service to people who experienced the most difficulty in getting and holding jobs. This emphasis diverted attention from the job ready and resulted in a sharp decline in job orders and placements. For example, the number of nonagricultural placements dropped from 6.6 million in 1966 to 3.3 million in 1971.

After 1971 emphasis turned to increased placement of all people, the job ready and the disadvantaged. Increased productivity (more placements) and placement of individuals in certain target groups was emphasized.

ES' POSITION IN THE LABOR MARKET

In August 1974 the Bureau of Labor Statistics (BLS) reported on how people found employment. The statistical study pertained to 10 million persons who found work in 1972. BLS reported that although a third of the job seekers used ES, 95 percent of the job placements were through other means. The major sources were: applications directly to employers (35 percent), friends and relatives (26 percent), and newspaper ads (14 percent). Private employment agencies and ES each accounted for about 5 percent of the placements.

The BLS study also showed the occupations and education levels of the people placed by the various employment sources. ES accounted for only 1.8 percent of the professional and managerial job placements; it was more successful with clerical workers (6.7 percent), service workers (5.7 percent), and nonfarm laborers (5.9 percent). Similarly, ES accounted for 9.6 percent of the persons placed who completed 8 years or less of school, but only 2.4 percent of the placements of college graduates.

The BLS findings are consistent with our analysis of ES performance reports, which show that ES is primarily a placement service for low-paying jobs. For example, 55 percent of the placements during fiscal year 1975 were in jobs paying less than \$2.50 an hour. Also, many jobs listed with ES were from employers who were not subject to the Federal minimum wage laws (requiring \$2.10 an hour in 1975). We noted that about one-third of the placements made in fiscal year 1975 were in jobs which paid \$2 an hour or less.

At least two factors contribute to the low pay of ES placements--the low wages of listed jobs and ES' difficulty in filling the higher paying openings. For example, ES filled 79 percent of job listings paying \$2 an hour or less, but only 61 percent of the jobs paying \$3 an hour or more. Similarly, ES filled 98 percent of its short-term jobs, but only 60 percent of the jobs expected to last over 150 days.

Labor has established a broad goal to increase job openings by improving employer relations, but has not specified the kinds of job openings that should be sought.

In line with its continuing goal to gain a representative share of job openings in the labor market, Labor plans to expand ES' penetration in the labor market from the fiscal year 1975 level of 6.3 million nonagricultural job openings to 8.5 million by fiscal year 1979. This goal, however, fails to specify the industries and occupations in which increased job openings will be sought. Furthermore, Labor

officials said they had not identified the level of service ES needs to provide relative to the Nation's other formal and informal placement sources. The Job Service Improvement Program, a 3-year project begun in 1975 to increase employer use and public understanding of ES, is an important element in Labor's strategy for achieving the 1979 goal. (See p 42.)

ES does not create new jobs but improves performance by increasing its share of placement transactions in the labor market. ES now competes against a well-established network of newspapers, private employment agencies, school placement services, union hiring halls, and other organized placement sources for both jobs and applicants. Despite this proliferation of placement sources, Labor has not measured its proposed expansion against identified employer and applicant needs or assessed the adequacy and effectiveness of alternative placement sources in meeting these needs.

In addition, the failure to specify the occupations and related volumes, which will be included in Labor's expanded efforts, could result in inadequate service for some occupations or could duplicate services provided by existing placement sources.

CONCLUSIONS

As a result of changes in the labor market since ES' creation in 1933 and various changes in focus over the last 40 years, ES has emerged as a service for low-paying, short duration jobs. Labor plans to expand ES' penetration into the labor market; however, it has not established goals for the degree of penetration into specific occupational classifications. Also, Labor has not related ES' planned expansion to identified employer and job seeker needs or assessed the adequacy of alternative placement sources in meeting such needs. Labor needs to define ES' role in today's labor market to provide a basis for planning its future level of effort.

We believe ES needs to upgrade the types of jobs that it can offer its applicants and seek a wider range of jobs to better meet the needs of a larger number of its applicants. However, the adequacy of existing alternative placement sources should be considered in meeting applicant and employer needs.

RECOMMENDATION

We recommend that the Secretary of Labor determine ES' role in the job market and establish goals that would encourage ES to seek the types of jobs that meet its applicants'

needs. These goals should be reviewed periodically to determine if they are consistent with the changing needs, both nationally and locally, of prospective employers and applicants, giving consideration to existing alternative placement sources.

AGENCY COMMENTS AND OUR EVALUATION

Labor agreed with our recommendation and said that defining the role of ES in today's labor market was established as a high ranking objective in fiscal year 1975 and that it will continue this effort through public dialogue with the Congress and other involved parties. Labor cited the multiplicity of missions and conflicting mandates associated with administering about 20 laws requiring specific duties for special client groups as the heart of many operating difficulties. Both Labor and the Pennsylvania Bureau of Employment Security disagreed with our conclusion that ES is serving a relatively small and specialized segment of the labor market--jobs and persons characterized by low pay. They also objected to the significance that we attached to the growth of other labor market intermediaries over the last 40 years.

Labor said that the BLS report showing that only 5 percent of American workers found their jobs through ES actually shows only how workers found their last job, without considering earlier placements ES might have made. The fact that ES may have placed a person sometime during his working life, in our opinion, does not dilute the observation in the BLS study that the penetration rate by ES was extremely small.

Labor also said that about 75 percent of all unemployed workers registered with ES from 1960 to 1975, concluding that this percentage of registrants is not a small segment of the labor market. The extent of unemployed workers registering with ES is not surprising, considering that most States require that unemployment insurance claimants register with ES. However, Labor seems to be equating registering job applicants with providing services. This is hardly the case, as evidenced by the fact that ES did not find jobs for over 80 percent of its fiscal year 1975 applicants nor did it provide service of any kind to 58 percent of its job seekers.

Labor said that an analysis of ES job openings data in relation to total job vacancies, in about 20 areas participating in studies of total job vacancies, showed that the distribution of openings and vacancies by occupation was relatively close. The Pennsylvania Bureau of Employment Security referred to a study showing that the comparative

distributions by industry, occupation, and pay rates of ES- and non-ES-listed openings were not greatly different. However, our review showed that ES had greater difficulty in filling its higher paying openings. In fiscal year 1975, ES filled only 61 percent of the jobs paying \$3 an hour or more as compared with 79 percent of job openings paying \$2 an hour or less. (See p. 6.) Labor said that ES placements account for a substantial percentage of new hires of jobless workers and that the preponderance of such hires arises from turnover in low wage, low skill jobs. Labor also said ES has established itself as a service to those entering the job market for the first time and that suitable openings are usually relatively low paying but possibly highly desirable if promotion opportunities exist. This would support our conclusion that ES services a specialized segment of the labor market--low-paying jobs.

In commenting on the lack of goals for the degree of penetration into specific occupational classifications in which ES plans to expand its job openings, Labor said that goal setting and planning is done on a local office basis to meet local needs. We agree that goals should be established to meet local needs and job market conditions. However, we believe there is also a need for overall goal setting and guidance from the national level. Properly established national goals would provide the local offices with the stimulus to expand their penetration into skill level positions beyond those which they traditionally served and would provide a basis for gauging the success of their efforts.

CHAPTER 3

PERFORMANCE OF ES PLACEMENT ACTIVITIES

In fiscal year 1975, the Employment Service helped employers find qualified job applicants for 73 percent of the job openings listed. However, ES was able to place only 17 percent of its applicants. Although its reported performance in fiscal year 1975 approximated or exceeded Labor's established goals, over half the job applicants did not receive service. In addition, most of ES' placements were in low-paying jobs for short terms.

Performance statistics--placements made and jobs filled--were overstated in the offices reviewed. Causes of inaccurate placement data included local offices' failure to verify that an applicant actually entered on the job and clerical or key-punch errors. Local office placement data is collected and reported through the Employment Security Automated Reporting System (ESARS) and is cumulated into State and nationwide totals. Since this data is used as the basis of Labor's funding formula, inaccurate placement reports can result in inequitable allocations to the States. In addition, program managers at all levels are misinformed about performance.

NATIONWIDE PERFORMANCE DATA

ESARS is the Labor-prescribed statistics gathering system for ES. It provides data on the characteristics of individuals served and on the services provided to them.

National data showed that during fiscal year 1975 about 18.5 million ^{1/} persons applied to ES for assistance. Analysis showed that about 10.8 million, or 58 percent, of the 18.5 million applicants did not receive service of any kind, that is, did not receive job referral, counseling, or testing.

Using the national data we compared ES' performance in fiscal year 1975 in placing applicants in jobs and filling job openings with the goals established by Labor.

Our comparison showed that ES' reported placement of 3.1 million--17 percent of its 18.5 million applicants--in jobs was below the established goal of 22 percent. On the

^{1/}Includes active applications carried over from the previous year.

other hand, ES had exceeded Labor's established goal of filling 60 percent of the job openings. Data showed that 5.8 million, or 73 percent, of the 7.9 million job openings were filled. The difference between the 3.1 million placements and the 5.8 million jobs filled results from the fact that many of the jobs listed are for short duration. For example, about 53 percent of the jobs listed with ES were expected to last less than 5 months. Consequently, many applicants were placed in several jobs during the year.

ERRORS IN PLACEMENT DATA

ESARS is the only source from which information on ES' performance can be readily obtained. However, we noted that the performance data was not always accurate. A 1976 Labor study of fiscal year 1974 placement data in four States also showed errors in accumulating the data.

At each of the 8 urban offices visited, we sent questionnaires in March 1975 to 75 randomly selected applicants who had been recorded by the office as being placed in a job during the previous month. One purpose of the questionnaire was to verify that the applicant had found a job through the ES office. Of the 600 questionnaires sent, we received responses from 337 persons. Only 189 persons, or 56 percent, said that ES had placed them in a job. Of the other 148 persons, 74 said they did not find jobs and 74 said they had found jobs by other means.

ES performance data on job openings filled apparently was also overstated. In March 1975 we sent questionnaires to 100 randomly selected employers served by the local offices we visited in each of the 8 metropolitan areas. One purpose of this questionnaire was to determine the number of job openings listed with ES for the preceding 12 months, and how many of those jobs were filled by ES offices. Of the 800 questionnaires sent, we received 570 replies. These employers said that ES filled 4,400, or 35 percent, of almost 13,000 jobs listed from March 1974 to February 1975. Local office data on jobs filled for the same 12-month period was not available. However, for a 6-month period--July to December 1974--coming within the time frame covered by our questionnaires, ES reports 1/ of job openings filled ranged from 46 to 83 percent.

The definition of a placement is contained in Labor's Employment Security Manual Glossary. One part of the definition requires verification of the placement. Verification

1/Placement information for one office was not available.

involves (1) determining the results of the referral and (2) confirming that the applicant who was hired has started the job. Local officials said that placement reporting errors can occur in several ways, including:

- Applicant was hired but never reported for work. The local office may have verified that the applicant was hired but did not follow up to determine if the applicant actually started the job.
- Employer did not hire the applicant. The local office recorded the placement without verifying that the applicant was hired.
- Clerical or keypunch error. The local office erroneously input a referral result as hired or recorded the wrong applicant as being placed.

We were unable to determine the specific causes of reporting errors from local office records.

Labor's Office of Audit and Investigations' study of fiscal year 1974 data in Illinois, New Mexico, North Carolina, and Oregon identified invalid placements. The study showed that about 5,000, or 15 percent, of 34,000 reported placements in the 4 States were invalid. Percentages of invalid reported placements for the four States were: Illinois, 22 percent; New Mexico, 17.7 percent; North Carolina, 12.1 percent; and Oregon, 13.4 percent. The report identified major causes of erroneous placements, which were similar to those described above.

During April and May 1975, Labor reviewed the accuracy of performance reports at a total of seven local offices in Wyoming, Maryland, Arizona, Washington, and Montana. Employers in the five States said they had not hired between 14 to 20 percent of the reported placements. The causes of these discrepancies were not identified in Labor's evaluation reports.

Also the data did not always accurately show the duration of the jobs filled. ES categorizes placements by expected duration--1 to 3 days, 4 to 150 days, and over 150 days. The job duration is determined at the time an employer lists a job opening and is based on the employer's opinion as to how long the job will last. Labor considers placements expected to last over 150 days as permanent. It emphasizes permanent placements by assigning them additional weight in the balanced placement formula; however, it does not require followup to determine actual job duration.

To test the duration of permanent placements, we randomly selected 328 reported placements in jobs expected to last over 150 days and telephoned the employers 30 days after the reported hire date. After the 30 days, only 52 percent of the applicants were still working. The Office of Audit and Investigations' study showed similar results-- about 15,600, or 66 percent, of almost 24,000 persons placed in permanent jobs were no longer employed at the end of 150 days. Although some persons may have quit their jobs or may have been fired, the large percentage of persons involved casts considerable doubt on the reliability of employer expectations of job duration.

Possible effect of inaccurate reports

State headquarters and local ES office managers use ESARS data to compare their performance with established goals each quarter. Labor requires that any unfavorable variances be explained and corrective actions taken. This was generally being done, however, errors in performance reports affect these evaluations and could result in inappropriate management decisions.

Labor allocates about 60 percent of ES funds to the States on the basis of their reported performance. ^{1/} A State's funding depends on how its performance compares to the national average. Because the formula consists essentially of measures of individuals served, job orders filled, and the duration of the jobs, errors in performance data directly affect the funds received by States. To illustrate, we recomputed one of the larger State's funding allocation for fiscal year 1976, assuming that it overstated individuals placed and jobs filled by 10 percent and the duration of placements by 25 percent. Under these assumed overstatements, this State would have received about \$2 million, or 7 percent, more than it should have.

CONCLUSIONS

ES had little success in placing applicants in jobs. More than half of the applicants did not receive service-- placement, referral, counseling, or testing. Most placements were in low-paying jobs, which were expected to last a short time. Some reasons for these problems are discussed in the following chapters.

^{1/}The remaining 40 percent is allocated on a specific funding basis for activities such as rents, postage, and other non-placement items.

Reported data on ES' performance in placing applicants in jobs was overstated. Improvements are needed in data accuracy to insure that (1) management decisions are based on reliable data and (2) funds are allocated to the States on an equitable basis.

RECOMMENDATION

We recommend that the Secretary of Labor take appropriate steps to make sure that State agencies verify that hired applicants actually entered on the job.

AGENCY COMMENTS AND OUR EVALUATION

Labor agreed with our recommendation and said that it was in the process of revising and improving the regular procedures for State agency validation of ESARS placement data, that it has instituted federally conducted validation surveys on a national basis, and that it is field testing an automated validation system. Labor believed, however, that the degree of placement errors reported on page 11 was overstated due to the methodology used. The following factors were cited as contributing to possible error overstatements.

- Past surveys showing that individuals attribute their success in the labor market to themselves rather than ES or any labor market intermediary.
- Past surveys showing that individuals have difficulty with agency names and attribute an ES placement to some other agency such as an ES-operated Youth Opportunity Center.
- The time gap between job placement and the time of the survey.
- A high nonresponse rate to the survey.
- Failure to verify placement with employers either by survey or a review of the unemployment insurance tax and wage records. Employer records are more reliable than applicant memories.

We asked Labor to provide us with information on the extent to which the first two factors accounted for unverified placements in its prior surveys. Labor said it had not quantified this information. Although we agree these factors could have contributed to error overstatements, we do not believe they would substantially change our sample results.

As stated on page 11, of the 148 persons responding that they had not been placed in a job, 74, or 50 percent, said they did not find jobs at all. Of the remaining 74 persons who said they found jobs by means other than ES, 47, or 64 percent, attributed their success to specific intermediaries which could not possibly be ES-operated agencies--friends and relatives, private employment agencies, and newspaper advertisements. Only 7 persons (9 percent) attributed their success to themselves--direct visits to employers. The remaining 20 persons (27 percent) indicated "other" as the placement source. Even if all 27 applicants in the last two categories had actually been placed by ES, the error rate would be reduced by only 8 percentage points--from 44 percent to 36 percent.

Concerning the time lapse between the reported job placements and the time of our survey, we disagree that a 1-month lag would have a discounting effect on applicant responses. It seems reasonable to expect that most applicants could recall accurately within such a short time frame whether they found employment through ES.

Labor contended that a high nonresponse rate (56 percent for applicants and 71 percent for employers) cast doubt on the representativeness of the response. This is apparently based on Labor's misinterpretation of the sample data presented on page 11. Labor's reference to 56 percent of applicants and 71 percent of employers is actually to the response rate rather than the nonresponse rate.

The criticism that no effort was made to verify placement with employers is based on the assumption that employer records are more reliable than applicant memories. We believe this argument would have validity if there had been a very long time lapse between the reported placements and the time of our survey. However, as stated previously, we believe the 1-month time lapse in our survey is a time frame which does not pose a problem involving applicant memories. Furthermore, efforts to verify placements with employers do not necessarily yield valid results. In testifying on placement validation problems before the House Committee on Government Operations, Subcommittee on Manpower and Housing, in May 1976, the Administrator, U.S. Employment Service said that in employer followups the appropriate company official might not be reached and the records to verify that a job applicant was hired might not be identified.

Labor said that our sample was not necessarily representative of local ES offices throughout the country and was inadequate for making generalizations about ES nationwide

with any degree of confidence. However, our sample was not intended to be statistically representative of ES offices nationwide. For example, our statement on page 10 that performance statistics were overstated in the offices we reviewed cannot be interpreted as applying to ES nationwide. However, the locations selected did provide a broad geographic distribution of ES offices in metropolitan areas with varying unemployment rates. Also, local offices included in our review were selected with the help of State ES officials to assure their representativeness of ES operations.

Labor cited the following reasons for suspecting that the sample was highly biased, including size of offices, location in several poorer performing States, and the presence of the Work Incentive Program. Local offices selected in each State, except Utah, included one urban office and one suburban office in order to obtain a mix of office sizes. As shown in appendix IV, five of the eight States selected--California, Louisiana, Pennsylvania, Texas, and Utah--were among the better performing States. Work Incentive Programs were not included in our review.

The significance of the problem of placement errors is not based solely on our sample data. The review of placement data made by Labor's Office of Audit and Investigations (see p. 12) was very comprehensive, covering all offices in New Mexico, North Carolina, and Oregon, as well as all offices in the Chicago, Illinois, metropolitan area.

Concerning the statistics developed on nationwide performance data (see p. 10), Labor objected to our inclusion of active applications carried over from the prior year to arrive at the total number of applicants available. Labor commented that the exclusion of these applications would provide a better basis for performance evaluation. It is quite possible that more services were provided to the more recent applicants. However, to measure overall performance it would appear more logical to compare total services provided with the total number of active applicants, regardless of when they applied for service.

Labor said our statement concerning the number of applicants receiving no service is misleading because services such as Job Information Service (JIS) and assistance in preparing for interviews are not reportable under ESARS. JIS does not identify the employers having job openings; therefore, an applicant must be referred by an ES interviewer. All such referrals are reported under ESARS. It does not seem reasonable to equate an applicant's mere screening of job openings with a service provided by ES.

Three State employment security agencies said their most recent validation surveys of reported job placements showed much smaller error rates than we found in our review. Three agencies also believed that the placement errors we found were overstated due to the methodology used and/or circumstances peculiar to the local offices we reviewed.

The Illinois State Employment Service commented that one of the Illinois offices used in our survey had a large percentage of day labor placements and that accurate verification of placements under circumstances peculiar to day labor operations was nearly impossible months after the placement date. Reported placements in jobs expected to last less than 3 days were not included in our sample.

The Pennsylvania Bureau of Employment Security said a large scale onsite recruitment made for a department store during the period of our survey may have had an important impact on survey results in the Pennsylvania local office. Questionnaire responses in Pennsylvania showed that 8 of the 10 respondents who said they found jobs by means other than ES attributed their success to specific intermediaries, such as friends and relatives, private employment agencies, and newspaper advertisements. In our opinion, it is unlikely that job applicants would attribute an onsite department store recruiting effort to these kinds of intermediaries.

CHAPTER 4

OPPORTUNITIES FOR IMPROVED PLACEMENT SERVICE

The Employment Service can improve its effectiveness and productivity by tailoring services to applicants' abilities and needs. Although many applicants can help in their placements, about 60 percent of ES offices do not use a system which allows applicants to serve themselves with reduced levels of ES assistance. Using such a system could allow personnel to give more help to those applicants in need of individualized service. Also, more time would be available to make referrals to some job openings which would otherwise go unfilled. The effectiveness of other referral techniques now used, such as file search and computerized matching, is limited by the number of applications, time factors, and difficulty in contacting applicants once they are matched to jobs.

In applying for jobs through ES, applicants may be referred to jobs in one of three ways.

- During the applicant's visit to ES, an interviewer screens job openings and matches a job to the applicant's qualifications. This process is called individualized service.
- In the applicant's absence, ES uses a previously completed application to match the applicant to a job. ES contacts the applicant and makes the referral. This procedure is called file search.
- The applicant may use the Job Information Service.

JOB INFORMATION SERVICE

JIS is a technique whereby an applicant can review job openings and be referred to one he selects without an extensive interview and registration process. The applicant does much of the job screening usually done by interviewers in individualized service. Offices using JIS usually make available to interested applicants a display of available job listings on bulletin boards or TV-like viewers. (See p. 20.)

The applicants screen the job listings which are arranged by occupation and determine if their qualifications and interests match the job order. ES interviewers review the applicants' selections, and if qualified, they are

referred to employers. The interviewers' time usually spent on screening the job listings to match the applicant's qualifications is saved.

JIS was developed from ES' job bank system. The system comprises some 200 separate job banks in all States except Montana. These job banks give a daily listing of all job openings on file with ES in a given area. Each job bank distributes daily listings to its local offices it serves where they are made available to interviewers and counselors. JIS displays the listings of job openings.

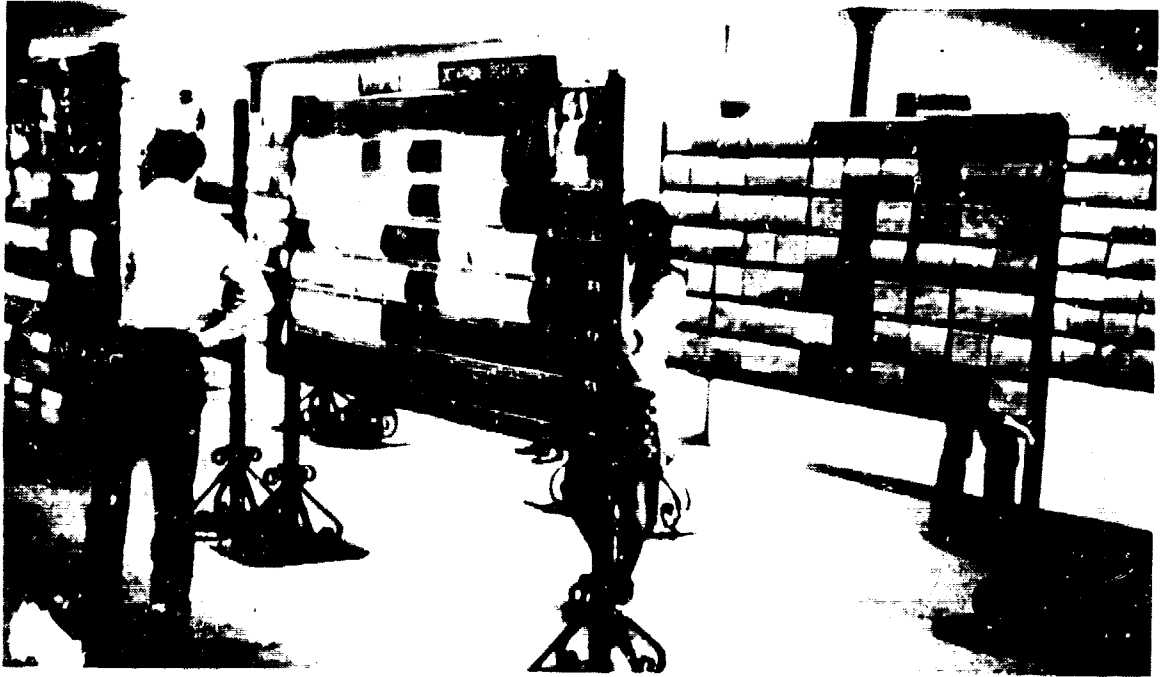
Labor introduced the JIS concept on a national basis in 1971 after successful experiments in 10 cities. These experiments showed that 35 to 40 percent of an office's applicant workload was served by JIS, using only about 8 percent of the personnel otherwise required. Also, JIS allowed ES staff to give more placement services to applicants unable to use the self-service system--those who required counseling or had reading difficulties--and to give better service to employers through increased personal visits or contacts. In 1975 a Labor official estimated that at offices using JIS, 60 percent of the placements could be attributed to the system. In view of about a 10-percent decrease in ES staffing from 1973 to 1976, personnel productivity is especially important.

Since 1971 Labor has done little to encourage the use of JIS, yet many State agencies have established their own JIS system. Labor hired a contractor in 1975 to examine the use of JIS in local offices. A mail survey and followup telephone survey by the contractor in August 1975 showed that about 1,000 of the approximately 2,400 ES offices had some type of JIS, varying from a single viewer or hard copy of job orders to many viewers and job search materials. Information also showed that the use of JIS varies among States. For example, only 3 of 43 offices in Massachusetts reportedly used the system, compared with 20 of 22 offices in Connecticut. JIS was reportedly not used in large metropolitan areas, such as New York City, Indianapolis, and Oklahoma City.

JIS EXPERIENCE

Of the 15 offices we reviewed, 13 used JIS to varying degrees. At a total of seven offices in Dallas, Denver, Los Angeles, and Salt Lake City, applicants were encouraged to use the self-service screening system, which accounted for many referrals. For example, about 85 percent of the referrals at one Los Angeles office resulted from JIS. It was

SYSTEMS DISPLAYING AVAILABLE JOB LISTINGS



Source: Department of Labor

used less at each of the two offices in Chicago and Philadelphia. These offices relied more on interviewers matching applicants with the jobs and JIS was not as important in making referrals. For example, at a Chicago office, only 10 percent of the job referrals were attributed to the self-service system. Although the Camden and Burlington, New Jersey, offices were equipped to operate JIS, the job data was a week old and of no use to the applicants. As a result the system was not used. The two New Orleans offices did not have a JIS and relied totally on interviewers matching applicants with the jobs.

Because JIS requires that an applicant visit the ES office, we included in our questionnaire to applicants questions concerning the accessibility of the offices. We found that 86 percent of the applicants lived within 10 miles of an office and that 73 percent lived within 20 minutes. Most applicants said that the self-service system was easy to use and a good way to present available jobs.

With the help of ES interviewers, we tested the appropriateness of matches of job applicants and jobs selected through JIS. At all but the Chicago office--which made little use of JIS--ES interviewers agreed with over half of the self-service matches. At nine offices over 75 percent of the matches were considered appropriate.

During our discussion with managers using the JIS, all but one said that without it more staff would be needed to maintain the present level of service. For example, at the Denver urban office, which relies heavily on JIS, the manager estimated that his staff of 24 would have to be increased to about 50 if the system was not used. Most managers said that in addition to freeing personnel, JIS

- lets applicants review and consider a wider range of jobs,
- lets applicants quickly determine if a suitable job opening is available,
- increases the number of job referrals, and
- increases the frequency of applicants visiting ES.

Another benefit of JIS is the potential to reduce the time interviewers spend in taking applications. Four offices used abbreviated application forms (for example, detailed work history not required) when registrants were referred through JIS. The 10 to 20 minutes usually required for the

applicant's interview was reduced by half or more when the abbreviated form was used.

FACTORS LIMITING THE EFFECTIVENESS OF FILE SEARCH

Over two-thirds of the job referrals occurred while the applicant visited an ES office and was served by JIS and/or individualized service. The remaining referrals resulted from file search.

File search occurs when, in the applicant's absence, an interviewer uses a previously completed application to match the applicant with a job opening. It is used primarily to find applicants for jobs not already filled by persons visiting an office. However, the effectiveness of file search is hampered by the volume and quality of applications, lack of time, and difficulty in contacting applicants.

We randomly selected 375 unfilled job orders--25 at each of the 15 local offices--and searched applicant files to see how many applicants were suitable for each job order. Our file search revealed that there was at least one applicant qualified for 160, or 43 percent, of the 375 unfilled jobs. In addition, there were three or more qualified applicants for 25 percent of the jobs.

ES office personnel generally agreed that the matches we made were valid. They said they had not made the matches primarily because of insufficient time for file search.

We telephoned employers who had listed 369 of the 375 unfilled job orders. The telephone contacts disclosed that 279 (76 percent) of the jobs had been filled by other means. Newspaper ads, personal referrals, walk-ins, and private agencies were the major sources of referral. Because employers often list job openings with several placement sources, a fast referral service is needed if ES is going to fill a higher percentage of its openings.

File search is a time-consuming task and little time is available for this activity. Most staff time is spent in interviewing and referring applicants in the office. For example, 8 of the 15 offices reviewed spent over 40 percent of their staff hours on initial interviews and completing applications. Much of the remaining time was spent interviewing and screening people who visited the offices later. ES interviewers said that in some cases all job referrals are made within the first half hour after the job order is

received from among applicants visiting the office. Therefore, an applicant not in an ES office is less likely to get a referral because many of the jobs are filled before time becomes available for file search.

Between 1,700 and 23,900 active applications were on file at each of the offices reviewed. We observed that an interviewer could screen about 100 applications an hour while file searching. At the Denver urban office, which had almost 24,000 applications, we estimated that 30 full-time personnel would have been needed to screen the complete file once a day. The total staff at this office was 24.

For file searching to be productive, the information in the files must be complete and the files include only those applicants actively seeking employment. However, applications at some offices were often not useful for file searching either because the applications did not contain adequate information on the applicants' qualifications or because the applicants were no longer seeking employment. For example, 69 of the 100 applications in the New Jersey offices were not useful for file search for these reasons.

About 90 percent of the applications in the two Chicago offices did not show the applicant's minimum acceptable salary. In a California office, 18 of 50 applications had blanks where interviewers were supposed to summarize the individuals' skills, knowledge, and abilities. In one Pennsylvania office, applications could not be used to file search for typists because typing speeds were not shown.

We also found that file search is often unproductive because applicants when matched with job openings often cannot be reached to refer them to the jobs or were not available for job referral. At each of the 15 offices, we randomly selected 50 active applicants and attempted to reach them by telephone. About two-thirds of the 750 applicants could not be reached or were not available for job referral. The primary reasons included no phone, the phone was out of service, the person was not at home, or the person was already employed. In Utah, the office notified applicants by mail if they did not have telephones. The response rate to the mail cards and the telephone contacts was about 25 percent.

Applicant files should include only those applicants actively seeking employment. To maintain a file of active applicants, the files are purged periodically and applications of persons not considered available for a referral are inactivated. Depending on State or local office policy,

applications are to be inactivated after 30 to 90 days if the applicant has not received employment services or there has been no contact with him.

Applications at most offices were purged within the prescribed time period. However, it appears that an application may actually be useful for only a few days and that a shorter purging period may be appropriate.

LIMITATIONS OF COMPUTERIZED JOB MATCHING

Computerized matching is basically an automated file search in which a computer matches a job's requirements with applicants' qualifications. Our review of computerized job matching in Salt Lake City showed that the computer accounted for about the same percentage (one-third) of job referrals as offices performing manual file search. We also found that the ability to make referrals from computer matches was hampered by problems similar to those associated with manual searching.

Labor began computer matching experiments in New York, Wisconsin, California, and Utah in the 1960s and has established a 5-year plan starting in fiscal year 1976 to expand computerized matching nationwide at an estimated cost of \$100 million.

Labor began experiments for the nationwide system in 1972 in six additional States--Nevada, Pennsylvania, Oregon, Texas, Missouri, and Kansas. The computerized matching experiments have been evaluated several times. An evaluation report, issued in May 1974 by a Labor-appointed panel of experts from outside the Government, concluded that adequate data was not available to justify widespread implementation of computer systems. Further experimentation was recommended to identify potential benefits other than placements, as well as a basis to establish operating costs.

Labor officials said that the decision to expand the system nationwide was based on preliminary placement statistics from the experimental sites and opinions of Labor and State officials involved in the experiments.

Labor updated its evaluation of the various matching experiments in April 1976. The evaluation study showed a significant increase in average placement data for the test sites in comparison with a pretest period. The study pointed out, however, that computer matching was not the sole reason for improved performance. It stated that major readjustments on the part of local office staff in their methods of work

and thinking about employer requirements and the referral process had a "Hawthorne effect" which may have accounted for some of the major increases in performance. Other factors contributing to improved performance included:

- Significant changes in the operations and procedures within local offices.
- Major changes in the economy. The control period used for comparison purposes was 1971, a period with the lowest placement rates for ES.
- Policy changes refocusing on the labor exchange mission.

One of the more notable changes in operations mentioned by the study was the use of sets of keywords for describing both job order requirements and the capabilities and experiences of applicants. Local office staff credited the keyword vocabularies with improving operations by assisting job order takers to take better orders and in making the job orders more complete and easier to read by both interviewer and applicant.

As noted in the study report, this change along with other changes made in operations and procedures, could be installed in a total manual operation.

Subject to the availability of funds, Labor plans to implement instantaneous or real-time 1/ matching in 10 metropolitan areas and overnight batch processing 2/ in 30 States during fiscal year 1976. Labor estimated the 1976 expansion would cost \$19.5 million.

Computer operations in Utah

We found that the effectiveness of computerized job matching, like manual file search, is limited by the volume of applications, time factors, and difficulty in contacting applicants. We included Salt Lake City in our review because

1/Real time--a method of processing data so fast that there is virtually no passage of time between inquiry and result.

2/Batch processing--a technique by which items are collected into groups for processing during the same machine run.

Labor officials considered it to have an excellent computerized matching system. This system served 13 of the 15 full-service offices 1/ in the State. The computer accounted for 29 percent of the job referrals at the Salt Lake City office--a level not substantially different from the levels achieved by offices performing manual file search.

The 13 offices served are connected to the computer by terminals and may receive output from the system through a high-speed printer or a television-like display. All applications and job openings are key punched onto magnetic tape and stored in the computer. The ES interviewers can query the computer on an immediate (real-time) basis or as part of a collection of queries entered at night (batch mode). The system is used for three principal functions.

- The computer is queried to determine if an individual has an application on file when he visits an office. A copy of the application can be printed or displayed on a screen.
- Job requirements are matched against the applicant's qualifications stored in the machine when an employer lists a job. This is automated file search and can be done at any time (real time) or as part of the nightly batch run.
- An applicant's qualifications and requirements can be matched against available job openings. This is the reverse of file search.

Utah also maintains unemployment insurance and other program records and reports in the computer. Because of the many functions performed by the computer which do not relate to job matching, Utah officials had no estimate of how much of the annual \$1.5 million of the automated data processing activity should be charged to job matching.

The Salt Lake City office had about 20,000 applications on file in the computer. Although the computer's speed handles this volume, the matches that result must be screened by ES interviewers to insure their appropriateness. Also, in many instances several applicants are matched to a job and interviewers must attempt to select and refer the best qualified applicant.

1/Full-service offices offer a complete range of services, including placement, counseling, and testing.

Utah officials said that about 60 percent of the computer matches were not used because interviewers

--determined the match was not suitable because of such factors as the registrant's work history, attitude, or transportation problems or

--were too busy serving applicants in the office to review computer matches.

The officials estimated that half of the remaining matches were not used because the office was unable to contact the registrants to refer them to jobs.

We randomly selected 50 active applicants and attempted to reach them by telephone. We called them on two consecutive days at times when ES would have called. Of the applicants we selected, 39, or 78 percent, either could not be contacted or were not available for a referral. Of the 20 persons contacted, 9 were no longer seeking employment.

Using computerized job matching does not guarantee that all possible referrals will be made. We selected 24 jobs which the Salt Lake City office had not filled. Each job had been open for at least 5 days. With the help of office personnel, we used the computer to match available applicants to the jobs. Twenty-nine qualified applicants were available for 9 of the 24 job openings. The Salt Lake City office had referred only one person to one of the nine jobs.

CONCLUSIONS

The effectiveness of file search--whether manual or computerized--to match applicants with available jobs is limited by the volume and quality of applications, time factors, availability of applicants, and difficulty in contacting applicants. JIS referral technique allows ES applicants the opportunity to consider a wider range of available jobs and facilitates a more timely match of applicants with job openings, which should enhance their chances of being placed in a job.

Maximum use of JIS can also free staff to give more intensive service to applicants who may need extra help and to file search job openings which are not filled by applicants visiting an office. Since applications may not be useful for the usual 30 to 90 days they are kept active, file search might be made more productive by more frequent purging of the files to reduce the volume which otherwise would have to be screened.

While Labor plans to expand the computerized job matching system, it has not been demonstrated that this system will greatly improve ES' ability to make more timely or accurate job matches.

RECOMMENDATIONS

We recommend that the Secretary of Labor

- identify those offices which could improve their performance by implementing JIS and encourage them to establish such systems,
- reevaluate the benefits that can be achieved from computerized job matching to insure its cost effectiveness and also establish criteria for determining those States which justify the system before implementing the system nationwide, and
- explore the feasibility of more frequent purging of application files.

AGENCY COMMENTS AND OUR EVALUATION

Labor agreed with our recommendations and is in the process of implementing them by:

- Initiating a formal evaluation of JIS. Study results will be used to make improvements in the program and to encourage its use in appropriate offices throughout the States.
- Implementing computerized job matching on a cautious basis, requiring that each State, prior to funding, develop a comprehensive implementation plan that is to be reviewed against specific criteria designed to insure overall success and cost benefit.
- Considering the feasibility of more frequent purging of applicant files.

In commenting on our findings on computerized matching, Labor said that the Salt Lake City project was an early experiment which is not being exported on a national basis. Labor also said that computerized job matching is being accomplished as part of a coordinated automation plan calling for automating UI processes, sharing ES/UI data bases, and common utilization of equipment. Labor also commented that, unlike the Utah system, the systems being exported nationwide use a keywording technique which reduces the possibility of an applicant being overlooked in the matching process.

We are not questioning the computer's capability of matching applicants' qualifications with available job openings. The major problems identified in our review of computer matching in Utah involved the large percentage of matches not used because interviewers were too busy serving applicants in the office to review the matches and because the office was unable to contact applicants to refer them to jobs. Labor's comments acknowledged that the computer will not replace the human element in the selection process, stating that the interviewer is still required to review both the applicant's capabilities and the requirements of a job order.

Also, difficulty in contacting applicants was acknowledged by the Administrator, U.S. Employment Service, in his May 1976 testimony before the Subcommittee on Manpower and Housing, House Committee on Government Operations. The Administrator said this could be a problem that will reduce the potential payoff if it cannot be solved. He said the problem had to be met by modifying office hours and determining better ways to communicate with the applicant. We believe that Labor should demonstrate that needed improvements can be made before computer matching systems are adopted nationwide.

CHAPTER 5

EFFECTIVENESS OF WORK TEST

A major responsibility of the Employment Service is to administer the "work-test rule" for unemployment insurance claimants. This rule requires a claimant to be available for and actively seeking suitable employment. In fiscal year 1975, ES found jobs for only 8.5 percent of the total claimants registered. The relatively low success rate is evidenced by the fact that they comprised 35 percent of the total number of applicants, yet accounted for only 18 percent of the persons placed in jobs. In addition, only about 1 percent of the registered claimants lost benefits for failure to comply with the work test.

Administration of the work test is limited because of factors such as (1) ES' limited effectiveness in finding jobs for claimants because many listed jobs pay too little to constitute a work test for some claimants and (2) difficulty in obtaining evidence that claimants who were referred to jobs did not appear for an interview.

PLACEMENT OF CLAIMANTS

The law establishing the UI program has been interpreted by the Secretary of Labor to require availability for employment--a work test--as a precondition for eligibility to collect unemployment compensation. To comply with the work test the States generally require, either by law or policy, that claimants register with ES.

Of the 18.5 million persons registered with ES, 6.5 million (35 percent) were UI claimants. ES found jobs for 550,000, or only 8.5 percent, of the total claimants registered. Factors which limit ES' effectiveness in finding jobs for claimants are the relatively low-paying jobs that are listed and the fact that certain groups of claimants generally cannot benefit from ES assistance, such as claimants on temporary layoff with reasonable assurance of being rehired.

During fiscal year 1975, ES was less than one-half as successful in placing claimants as compared with nonclaimants. It placed about 2.6 million, or 22 percent, of the 12 million registrants who were not claimants and, as stated previously, only 8.5 percent of the total claimants registered. In six of the States reviewed, ES referred one-third or less of the registered claimants to jobs.

The low pay of many jobs listed at ES makes it difficult to refer and place claimants. It can sometimes be more advantageous for a claimant to continue collecting UI benefits than to take an ES-listed job. For example, the average weekly UI benefit in the eight States for a single person ranged from 59 to 94 percent of the average wage after taxes of jobs listed at ES. As shown in the following table, in one case the difference between the average weekly UI benefit and average wage after taxes was only \$5.

Average weekly dollar amount
(for 6 months ended 12/31/74)

State	Salary of ES-listed jobs after taxes (note a)	UI benefits paid	Net difference	UI benefit as a percent of ES job salaries
Colorado	\$84	\$79	\$ 5	94
Pennsylvania	89	78	11	87
New Jersey	86	73	13	85
California	87	67	20	77
Illinois	85	64	21	75
Utah	85	62	23	72
Texas	78	50	28	64
Louisiana	95	56	39	59

a/Taxes were computed using standard Federal, State, and Social Security tax tables for single persons.

Our applicant questionnaire (see p. 4) sought applicants' views on the pay of ES-listed jobs. Analysis of responses showed that most applicants were dissatisfied with the pay of available jobs.

Half of the respondents said that ES job opportunities paid less than their previous jobs. Furthermore, there was a considerable disparity between the pay of ES job listings and applicants' expectations. Eighty-one percent of the respondents expected to be paid over \$2.50 an hour. In contrast, only 45 percent of the individuals placed during 1975 received \$2.50 an hour or more.

Exemptions from ES registration

Labor has specifically identified and advised State agencies of the following groups of claimants who could be exempted from ES registration for the work-test requirements: (1) claimants having a continuing job attachment with reasonable assurance that employment will be resumed,

(2) workers who perform jobs available exclusively through unions in which they are in good standing, and (3) individuals in occupations where placement customarily is made by other placement sources that do not charge fees, such as professional associations.

Studies sponsored by Labor between 1969 and 1973 showed that about 40 percent of all claimants would not appreciably benefit from ES' assistance, and therefore their registration would not constitute a valid work test. Using these study results Labor estimated that 16 States completed 1.4 million work registrations for claimants in this category for fiscal year 1973. Five of the 15 offices we visited registered these persons as a matter of policy or because of State law.

The study also showed that the 16 States took an additional 900,000 registrations from persons who filed UI claims but did not receive benefits. This occurs frequently in States that require a work registration preceding or accompanying a UI claim because some persons (1) may return to work before they become eligible for benefits or (2) may be ineligible for benefits.

In fiscal year 1975 about 2.5 million, or 39 percent, of the 6.5 million UI claimants registered with ES did not receive employment services of any kind. In the eight States reviewed, there were about 1.9 million UI claimant applications, of which about 765,000, or 40 percent, were inactivated after receiving no service. We estimated these applications required 191,000 hours of ES staff time to complete.

In 1970 Labor suggested to State agencies that claimants' needs for reemployment assistance and referral to ES be identified in the UI claims-taking process. In this way, ES services would be selectively used, thus freeing ES from routine work registrations.

In cases where registration with ES would not be an effective work test, other means could be used to apply the test. For example, Labor has suggested that UI office staff make periodic indepth eligibility interviews with claimants geared toward determining their active work search efforts. Labor said experience had shown that claims office personnel could determine whether a claimant had done what a reasonable person would have done to get a job.

In addition, the periodic interview can be used to provide information to the claimant about the job market. To

facilitate a claimant's prompt return to work, Labor suggested that the UI staff provide reemployment assistance, including information on (1) availability of public transportation facilities, (2) application techniques peculiar to specific industries, employers, and occupations, (3) use of classified advertisements, and (4) union locations and requirements.

Efforts to reduce workload

Several States attempted to reduce the registration workload in various ways during fiscal years 1974 and 1975. California adopted a temporary policy in January 1975 to accommodate the increased workload generated by a high unemployment situation. For example, the suburban Los Angeles office completed detailed applications only for

- claimants with occupations for which 10 or more job openings were available,
- recently discharged veterans who were also claimants, and
- food stamp recipients.

The time spent on applications decreased 30 percent with the policy change. However, this registration policy was scheduled to end when unemployment normalized.

In Dallas the offices registered most claimants but allowed them to review job listings or request interviewer assistance on a voluntary basis. We observed during a 3-day test period that about 40 percent of the claimants chose not to consider the jobs listed at ES.

Pennsylvania tested revised ES registration policies under which registrants were classified into two groups--viable and nonviable. According to the criteria used, viable registrants had marketable skills, high motivation, and good placement potential. Nonviable candidates had salary, job interest, or other occupational characteristics which made it difficult for ES to place them. The State used abbreviated applications for nonviable registrants and detailed applications for the viable group. The viable group applications were filed separately. The offices reviewed classified about one-third of their registrants as viable.

Pennsylvania tested the registration program at 12 offices during the 6-month period ended June 30, 1974. Each office reported positive results. Overall, Pennsylvania

found that viable registrants accounted for a proportionately larger number of the job referrals and placements. For example, viable registrants comprised 57 percent of all registrants but accounted for 81 percent of the placements.

On October 1, 1974, New Jersey ended mandatory ES registration of claimants. Instead, the State invited claimants to register with ES if they wanted or needed help in finding a job. New Jersey compared the first 6 months under the new policy with the same period during the previous year. Total registrations decreased by over 50 percent, but New Jersey placed nearly the same number of individuals during the test period as it did the previous period. This occurred despite a 32-percent drop in the number of jobs listed, which was largely attributable to declining economic conditions. The New Jersey agency director concluded that:

- ES is much more effective in placing persons who are not claimants.
- Claimants who voluntarily register are more likely to be placed than involuntary registrants.
- ES can provide a more effective placement service to both applicants and employers under the voluntary registration system.

PROBLEMS IN EFFECTIVELY APPLYING WORK-TEST RULE

Labor's operating instructions require ES to report to UI offices any information it obtains regarding a claimant's availability for work. ES is to report when a claimant

- refuses a referral or does not respond to a request to come in for a referral,
- does not appear for a job interview,
- declines a job offer,
- does not report for work after accepting a job, or
- leads, by some action or statement, the ES office to question his availability for work.

During fiscal year 1975, ES reported to UI offices on about 206,000 claimants who may not have complied with the work test. About 60,000, or 29 percent, of these reports resulted in claimants losing benefits. Therefore, during fiscal year

1975, application of the work-test rule resulted in loss of UI benefits for only about 1 percent of the 6.5 million claimants registered with ES.

We examined 331 randomly selected ES reports questioning claimants' eligibility, of which only 30 resulted in disqualification of benefits. The major problem with using ES reports as proof of noncompliance with the work test is that the reports could not be substantiated. For example, claimants often said that they appeared for job interviews and the UI office staff could not obtain substantive evidence from the prospective employer that the claimant did not appear. There were also problems with the accuracy of the ES reports provided to UI offices.

In Los Angeles we reviewed 51 ES reports on claimants who did not appear for job interviews. No action was taken because of one of the following reasons.

	<u>Number of cases</u>
Employer did not or was unable to substantiate report	24
ES records in error or inadequate	10
UI claim no longer active	9
UI office decided job was unsuitable	4
Employer could not be contacted	<u>4</u>
Total	<u>51</u>

According to a Los Angeles ES official, the Los Angeles job bank--which records referral results for about 40 local offices--no longer reports incidents of claimants not reporting for interviews unless the employer is known to keep adequate records.

In Dallas, UI staff appeared to lack confidence in the accuracy of ES reports concerning claimants' failure to appear for job interviews and did not aggressively pursue the matter. For example, in 8 of the 48 cases reviewed, the UI staff was unable to contact the claimant and closed the investigation with the following type comment.

"Claimant is not available for statement. She has failed to report to call in notice dated 2-21-75. Since claimant is not available for statement it is quite possible that the claimant did have good cause for failing to report for the job interview if this was the case. The information was received from the job bank print-out which is often in error. No disqualification* * *."

In many cases there appeared to be uncertainty about what claimant actions indicated unavailability for work. UI staff often excused claimants when they did not appear for a job interview because the claimants said the job location was inconvenient or the pay inadequate. This occurred despite the fact the claimants knew the location and wages of the jobs before accepting referrals.

The uncertainty may be due in part to the generality of State criteria defining work suitability. In the eight States, the following factors were most commonly cited:

- A claimant's physical fitness and prior training, experience and earnings level.
- Degree of risk to the claimant's health, safety, and morals.
- Length of unemployment.
- Prospects for securing local work in a customary occupation.
- Distance of work from the claimant's residence.

However, the relative earnings of a prospective job, specific lengths of unemployment, or distances to work, for example, are not stipulated and therefore must be subjectively determined by UI staff.

Claimants who do not appear for job interviews affect job opportunities of other ES applicants and employers' attitudes towards ES. Employers often limit the number of ES referrals they will accept and the referral slot is lost if the claimant fails to appear. Also employers may become alienated and reduce their use of ES. In responding to our questionnaire, many employers said that UI claimants, as compared to other job applicants, are less interested in the job and more likely to reject an offer.

CONCLUSIONS

The objectives of requiring UI claimants to register with ES are to help them get a job and to test their availability for work. ES had relatively little success in finding jobs for claimants and only about 1 percent of the 6.5 million claimants lost benefits for failure to comply with the work test. ES' effectiveness in finding jobs for claimants is limited by the relatively low-paying jobs listed and the fact that certain groups of claimants generally cannot benefit from ES assistance.

Little appears to be gained by requiring work registrations from persons for whom ES does not offer employment potential or who do not need employment assistance. Such registrations require a considerable amount of ES staff time, which could be used for applicants needing assistance and for filling employers' job orders.

Difficulty in proving that a claimant did not appear for a job interview and uncertainty about claimants' intentions to accept suitable work has greatly reduced the effectiveness of even those cases where the work test had been applied and reported on. Errors in ES reports concerning claimants' failure to appear for job interviews appear to have contributed to a lack of aggressive followup action.

RECOMMENDATIONS

We recommend that the Secretary of Labor encourage State agencies to:

- Selectively refer UI claimants to ES on the basis of (1) employment assistance needs identified in the UI claims-taking process and (2) potential to make suitable referrals.
- Emphasize determining claimants' work search efforts during periodic eligibility interviews when claimants do not register with ES.
- Improve efforts to refer and place claimants in jobs.
- Seek employers' cooperation in documenting the results of referrals made to jobs.
- Establish specific guidelines for the application of suitable work criteria.
- Insure the accuracy of ES reports concerning claimants' availability for work.

AGENCY COMMENTS

Labor agreed with our recommendations and said that it is taking action to implement them. Specifically, Labor said that it:

- Has developed a new program which it expects to implement by the end of calendar year 1976 providing for an improved eligibility review program and strong ES/UI coordination at the local level so that claims

personnel can determine claimant employment restrictions and that suitable selection of claimants for ES registration can be made, thereby relieving ES of unnecessary paperwork.

- Will seek employers' cooperation in documenting the results of referrals made to jobs through its employer relations program and in the Job Service Improvement Program.
- Will encourage the establishment of suitable work criteria at the local level.
- Is including specific attention in onsite review efforts and ongoing monitoring to the problem of inaccuracies in ES reports concerning claimants' availability for work.

CHAPTER 6

OPPORTUNITY TO IMPROVE ES PERFORMANCE

THROUGH BETTER EMPLOYER RELATIONS

Since 1971 Labor has placed additional emphasis on obtaining more job openings through improving services to employers. A principal element in the employer relations program is personal contact with employers to encourage them to use the Employment Service to meet their personnel requirements. However, employer relations activities at the locations we visited varied greatly; many employers said that ES had not contacted them in 12 months. Also many employers listed only a part of their job openings with ES.

EMPLOYER RELATIONS

ES does not have sufficient jobs to place all its applicants. During fiscal year 1975, ES placed only 17 percent of its 18.5 million applicants, while filling about three-fourths of the jobs employers listed. Even if all listed jobs were filled, we estimate that less than 5 million applicants, or about 27 percent of all applicants, would have been placed.

In 1971 Labor began the employer services program to place more emphasis on establishing better employer relations and services. The primary purpose of the program is to increase job openings in various occupations to satisfy its applicants' needs. An essential element of the program is personal contact with employers to learn about their personnel needs and to encourage their use of ES for meeting those needs.

The need for greater emphasis on employer services came about because ES was experiencing a decrease in job listings leading to reduced placements. The number of nonagricultural job placements ^{1/} had dropped from 6.6 million in 1966 to 3.3 million in 1971. Starting in 1972 and until 1974, ES increased its efforts in contacting potential employers. During this period ES also increased its number of placements in nonagricultural jobs from 3.3 million in 1971 to 4.9 million in 1974, or a 48-percent increase.

^{1/}Figures represent placement transactions which include individuals placed more than once.

However, in 1975 the number of employer contacts decreased about 20 percent, from 1.5 million in 1974 to 1.2 million. The number of nonagricultural job placements also declined from about 4.9 million in 1974 to 4.4 million, a loss of about 10 percent.

Labor officials attributed the drop in employer relations activities and job placements to (1) the decline in the Nation's economy, (2) loss of nearly 1,400 ES personnel positions, (3) diversion of ES staff to UI activities, and (4) diversion of some ES staff from placement activities to taking applications. Labor instructed the State agencies in August 1975 to return their employer relations staffing to at least fiscal year 1974 levels and to take precautions to avoid diversion of personnel from employer relations.

Employer contacts by local offices

During our fieldwork, Labor had not established staffing standards for employer relations at local offices. Understandably, the level of local employer relations activities varied considerably at the locations we visited.

Labor distributed to the State agencies employer relations guidelines in June 1976 recommending that local offices contact, by phone and/or personal visits, 25 to 46 percent of the employers in the area they serve. Employer selection is to be based on placement potential indicated by factors such as (1) number of workers employed, (2) turnover rates, (3) nature and quality of openings, and (4) need for placement service. A Labor official advised us that each employer in the program should be phoned or visited at least four times a year.

In the Philadelphia and two New Jersey offices, employer service representatives were assigned by local offices. At the Upper Darby, Pennsylvania, office, 2 representatives were responsible for about 500 small employers and 150 larger employers. They visited about 15 percent of the small employers and a third of the larger employers each month. They also contacted about 200 more employers by telephone each month. In contrast, the Camden and Burlington, New Jersey, offices devoted few resources to employer services. At the Camden office, one representative was assigned to service all 4,700 employers in the area; at the Burlington office with 3,000 employers in the area, no employer representative was assigned.

Los Angeles and Denver present a similar contrast in service levels. ES representatives in both locations were

assigned to job bank offices which were responsible for areas served by several local offices.

The office serving the Los Angeles suburban area had approximately 18,000 employers in its jurisdiction--3 representatives serviced the area. Each month they visited about 400 employers in person and called about 100 others. The office serving the urban Los Angeles area allotted 4.5 personnel positions for serving 27,000 employers and making 500 contacts each month. If the new Labor employer relations guidelines had been in effect during fiscal year 1975, the office serving the Los Angeles suburban area would have had to contact between 1,500 and 2,800 employers each month and the urban office between 2,300 and 4,100. Local ES officials said that additional personnel were not available to give the needed employer relations services.

Denver maintained a higher level of employer relations activities. Both offices in Denver were served by staff assigned to the same regional office, which was responsible for about 20,000 employers. The office was staffed with an employer relations supervisor, nine employment service representatives, and four staff assistants. In a typical month the staff contacted about 1,200 employers by telephone or in person.

Employer relations at local offices

A good employer relations program provides service to employers that will build confidence in ES as a reliable source for meeting their personnel needs.

We sent questionnaires to 800 employers to obtain their views on the effectiveness of ES. Analysis of the 570 returned questionnaires showed that although employers are not charged for services, almost 60 percent of the employers did not list all their job openings with ES. We compared the type of jobs employers listed to the occupations of persons they employed and found that most respondents employing clerical workers, laborers, and equipment operators listed those kinds of jobs with ES. However, only 10 percent of the employers having managerial employees listed that kind of position. Similarly, less than 25 percent of the employers with professional positions, for example, accountants and engineers, listed these openings.

We asked employers to rate the effectiveness of referral services in terms of applicants' qualifications, the number of referrals sent, and timeliness for each of nine job classes. Employers ranked skilled workers, managers,

and professionals as the three occupations least effectively serviced, and service workers, laborers, and equipment operators as the most effectively served groups.

Most employers did not rank ES as their first choice for referrals. They ranked newspaper ads and referrals by existing employees ahead of ES. The table below ranks employers' major referral sources and shows the number of hires by source for the 12 months ended February 1975.

<u>Referral source</u>	<u>Employers' ranking</u>	<u>Number of hires from source</u>
Newspaper ads	1	4,900
Existing employees	2	5,000
Employment Service	3	4,400
Walk-in applicant	4	6,900
Private agencies	5	1,200
Schools	6	1,200
Union hiring halls	7	400

Employer questionnaire responses showed that potential does exist to increase job listings through improved employer services. All respondents said they listed jobs with ES, but only 55 percent of the employers said they had been contacted by ES staff in the past year. Most respondents also said they had not changed their use of ES in the past 3 years.

According to the employers, the most important services employer relations personnel could provide are (1) to learn about employers' personnel needs, (2) to expedite referral service, and (3) to solicit job orders. In this connection, about one-third of the employers we telephoned to follow up on unfilled job orders (see p. 22) said they were dissatisfied with ES primarily because of poor quality of applicants referred and an insufficient number of referrals.

Job Service Improvement Program

The Job Service Improvement Program is a 3-year project initiated in 1975 to combine ES employer service efforts into one coordinated program. This program includes three Labor-sponsored projects, as well as efforts to improve the location, design, and appearance of ES offices. In fiscal year 1976, the first year of the coordinated program, 30 States were scheduled to participate at a total cost of about \$4 million.

The following are major components of the Job Service Improvement Program.

National Employers Committee

A National Employers Committee was formed in 1971 at Labor's request to advise it on ways to improve the quality and relevance of ES services to employers. Representatives from major corporations comprised the Committee. The Committee issued its first report in 1972, which recommended that ES policy and direction be clarified and that services to applicants and employers be improved. In a 1975 update report, the Committee stated that a six-city test of ES operations, where its recommendations were followed, indicated that the majority of them were still valid. The Committee recommended that ES create a nationwide, modern labor exchange having the prime responsibility of promptly placing job-ready applicants of all skill levels.

Employer Services Improvement Program

The Employer Services Improvement Program consists of employer and local ES staff ad hoc committees created to identify and correct problems at local ES offices. This approach was the recommendation of a 1971 consultant study on ways to increase employer use of ES. As of June 30, 1975, over 80 communities in 27 States participated in the Employer Services Improvement Program. Labor evaluated the program in January 1975 and concluded that the project had no perceptible impact on employer use of ES other than a modest increase in use by employers on ad hoc committees. Labor's report recommended that the employer program needed goals to gauge progress and more participation by employers.

Public Communications Project

ES is attempting to stimulate increases in job listings; registration of highly skilled job seekers; and placements by creating public awareness of ES objectives, facilities, and activities. The Public Communications Project is a 3-year, \$4.3 million package of television, radio, and other media advertisements. A 1974 pilot implementation of the program in Virginia resulted in substantial increases in job openings and placements. The project was expanded to 15 States in fiscal year 1975 and 26 States in 1976.

In addition to integrating the three employer service projects into one coordinated program, the Job Service Improvement Program was designed to address certain problems identified in employer service efforts begun in 1971. Major objectives of the program are to (1) put more employers in formal communication with ES, (2) better acquaint both job seekers and employers with services available, (3) improve

the ES delivery system and quality of service, and (4) increase employers' confidence in ES' ability to meet their needs.

CONCLUSIONS

ES' capability to place applicants is restricted by the number of job openings listed. In the past ES has successfully increased its job placements by devoting more resources to employer relations. During fiscal year 1975, the level of employer relations activity and job placements decreased. Labor has instructed State agencies to return their employer relations staffing to at least fiscal year 1974 levels.

During our review the employer services program lacked staffing standards and consistency at the local level and employer relations activities varied considerably at the locations we reviewed. Labor's new guidelines on employer contacts, if implemented by the States, should improve employer relations and result in better service to employers.

RECOMMENDATION

We recommend that the Secretary of Labor follow up on employer relations activities to make certain that an acceptable level of employer contacts is being made, considering present guidelines, and that better service is provided to employers.

AGENCY COMMENTS

Labor said that it agreed with our recommendation and is monitoring employer services activities regularly at both the national and regional levels.

Labor commented on our observation that about one-third of the employers we telephoned to follow up on unfilled job orders were dissatisfied with ES services. Labor said the results of a 1975 contractor study of employers' experience with ES indicated that employers were generally satisfied with ES. We do not believe that our observations are markedly different in that most of the employers we contacted were also generally satisfied with ES services.

U.S. DEPARTMENT OF LABOR
OFFICE OF THE ASSISTANT SECRETARY
WASHINGTON

OCT 15 1976

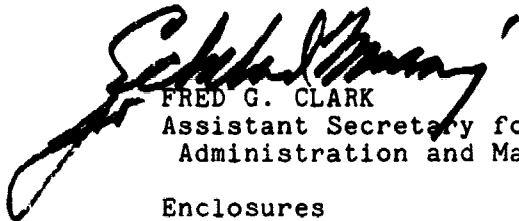
Mr. Gregory J. Ahart
Director
Human Resources Division
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Ahart:

We appreciate the opportunity to review your draft report entitled "The Employment Service--Potential and Considerations for Improvement." Our comments are enclosed for your use in finalizing this report.

We hope you will find our comments constructive and that they will assist you in further refining the analyses and recommendations contained in the report. If we can be of further assistance, please contact Bert Lewis, the Administrator of the U.S. Employment Service. He and his staff are available to provide further explanations and input.

Sincerely,



FRED G. CLARK
Assistant Secretary for
Administration and Management

Enclosures

COMMENTS ON DRAFT GAO REPORT ENTITLED
"The Employment Service--Potential
And Considerations for Improvement"

We appreciate the efforts of the GAO to review the operations of the United States Employment Service and assist us in improving the delivery of public services. We welcome the GAO's "outside" perspective and are giving careful consideration to its findings, conclusions and recommendations.

Overall, we concur in the general recommendations the GAO makes to improve the services provided by the United States Employment Service. Specific efforts are underway to effect these improvements. While the recommendations contained in the report are generally sound--as all recommendations for improving public services are--they are, in several instances based on inadequate findings and inappropriate conclusions. As a result, we feel it is essential to comment on findings and conclusions as well as recommendations in order to provide a proper perspective for our efforts to implement the general recommendations provided.

Our comments are organized according to the chapters of the draft report and the recommendations contained in each chapter. (No comments are made on the introductory chapter).

CHAPTER 2--NEED TO DEFINE ROLE OF THE ES IN THE JOB MARKET AND
TO ESTABLISH GOALS FOR MEETING ITS OBJECTIVES

The GAO recommends that the Secretary determine the role of ES in the job market, establish goals that would encourage ES to seek the type of jobs that meet the needs of its applicants, and to review these periodically giving consideration to existing alternative placement sources in meeting the needs of employers and applicants.

We concur in this recommendation, and have established its implementation as a major goal since FY '75. In FY '75, the definition of the role of ES in today's labor market was established as a "Presidential Objective"--the highest ranking objective in the Department's management system. Actions taken to date include conduct of a major conference on the role of ES with participants from labor, industry, unions, CETA prime sponsors, Congressional committees, private placement agencies and universities; a request by former Secretary Dunlop to the Congress for oversight hearings on the ES; testimony at Congressional oversight hearings conducted; and development and implementation of a new research strategy to provide substantive input to role definition decisions.

We have been, in effect, implementing the GAO's recommendation over the past year and a half. However, not for the reasons mentioned by the GAO in its report. Our testimony in recent congressional oversight hearings outlines our reasons:

"...Essentially, the statutory role of the employment service is to serve as a labor exchange. However, the USES and its affiliated State agencies are involved in the administration of about 20 laws which require the performance of specific duties for special client groups ...As a result, the present day employment service operates under a multiplicity of missions and mandates that are often inconsistent...."

The impact of these multiple, and sometime conflicting mandates is at the heart of many operating difficulties.

The GAO report gives brief recognition to the changing emphasis of ES activities since its establishment in 1933, but places more emphasis on its assertion that other labor market intermediaries have grown substantially and that the ES services a small and specialized segment of the labor market--jobs and persons characterized by low pay. This finding shows a lack of understanding of the functioning of the labor market and is inconsistent with available evidence.

A comparison of BLS data on the number of different individuals unemployed with the number of ES applicants, indicates that about 75 percent of all unemployed workers registered with the ES in the period 1960 to 1975. This is not a "small segment" of the labor market.

The GAO cites a BLS report on job seeking methods to conclude that only 5 percent of American workers found their job through ES. Actually, the BLS study indicates only how workers found their last job. Placements by the ES earlier in the period are not considered.

ES internal studies suggest that the overall ES penetration rate over the past decade has been approximately 15 percent. Many jobs in the economy are filled by persons who are already employed, and who transfer from one job to another without an intervening period of unemployment. On the other hand, most ES applicants are unemployed workers at the time of registering for ES services--95 percent are in this category. If we look only at jobs filled by unemployed workers, rather than all job openings filled, ES placements appear to represent an average of about 38 percent of all new hires of jobless workers in the decade from 1965-75.

The GAO conclusions are based on comparing ES hires with the distribution of employment and of wages of employed workers. These are undoubtedly vastly different from the occupational and wage distribution of new hires, since the preponderance (over 90 percent) of new hires arises from turnover. And turnover is concentrated in the low wage, low skill jobs.

On the other hand, an analysis of ES job openings data in relation to total job vacancies in about 20 areas participating in pilot studies of total job vacancies (conducted jointly by ETA-BLS and State ES agencies) indicated that--except for jobs customarily filled through limited hiring channels (such as union hiring halls)--the distribution of openings and vacancies by occupation was relatively close.

Through emphasis on service to young people, ES has established itself, among other things, as a service to those entering the job market for the first time. Suitable openings are usually relatively low paying but may be highly desirable if opportunities for promotion exist. Their inclusions in average wage figures tends to deflate the average wage rates at which applicants were placed far below the average for experienced workers.

The GAO in its conclusions, notes that the ES plans to expand its job openings but has not established goals for the degree of penetration into specific occupational classifications and assessed the adequacy of alternative placement services.

This statement oversimplifies the realities of the labor market and does not recognize the essentially local character of the labor market.

Goal setting and planning is done on a local office basis. This is as it should be and will continue. Labor markets are essentially local in nature. Planning and efforts to acquire suitable openings must be performed on a local basis to meet local needs. To supplement the local aspect, we have established an inter-area and interstate clearance system to provide workers for out-of-area employers and assist workers wishing to relocate.

In summary, while we agree with the recommendation to redefine the role of the ES and establish goals to seek jobs that meet the needs of our applicants, we do not agree with the GAO conclusions used as a basis for these recommendations. We will continue to define the role of the ES through public dialogue with the Congress and involved parties to rationalize the multitude of responsibilities involved in administering about 20 different laws. We will continue to seek increased levels of job openings over a full-range of occupations through planning and employer relations activities performed primarily at the local level to satisfy local needs.

CHAPTER 3--PERFORMANCE OF THE EMPLOYMENT SERVICE'S PLACEMENT
ACTIVITIES

The GAO recommends that we take appropriate steps to verify placements

[See GAO note, p. 55.]

We concur. We are in the process of revising and improving the regular procedures for State agency validation of ESARS data.

In addition, we have instituted federally conducted validation surveys on a national basis. We are currently field testing an automated validation system--the Continuous Automated Placement Survey (CAPS).

[See GAO note, p. 55.]

As indicated above, we agree with the GAO recommendations, for the most part, and are in the process of implementing improvements. We strongly object, however, to several of the findings and conclusions contained in this chapter of the report.

The GAO asserts that placement data was substantially overstated and that the reasons for errors were failure of the local offices to verify placement and clerical errors. We feel that the degree of errors cited by the GAO is very much overstated, and that the errors cited are due to the methodology employed by the GAO study team in conducting its surveys.

The GAO attempted to address the problem of data validation through a mail survey of a sample of 600 applicants and 800 employers. Samples are used to gain information regarding a universe without incurring the cost of full coverage (100% sampling). The degree to which a sample can be used to approximate the universe with specific degrees of confidence depends

upon sample size and method of selection. In order to attribute results of sampling to the ES as a whole, the sample size and selection must be statistically valid within acceptable confidence levels. If the intent is not to generalize results for the ES as a whole, but only to yield judgmental information, the survey must be methodologically sound in obtaining even judgmental information.

The GAO report contains no information on the size of the universe, sample design, probable error rates or confidence levels. Without adequate specifications and safeguards for sample selections, a sample of 15 local offices in 8 metropolitan areas is hardly an adequate sample of the nearly 2,500 local offices in the country. Aside from the small number of cases, there are several reasons for suspecting that the sample is highly biased including size of offices, location in several of our poorer performing States, presence of WIN programs, and relationship with CETA prime sponsors.

The sample selected is not necessarily representative (and quite likely unrepresentative) of local ES offices throughout the country and is inadequate for making generalizations about the ES nationwide with any degree of confidence. Yet, the GAO report uses this anecdotal data to make sweeping generalizations inferring results are applicable to the total ES. We consider this to be totally inappropriate.

The methodology employed is extremely weak to yield even judgmental results. The following shortcomings are illustrative:

- . past surveys have shown that individuals asked to attribute their success in the labor market are likely to attribute their success to themselves rather than the ES or any labor market intermediary. In simple terms, some individuals placed by the ES will respond that they found the job on their own and view their involvement with the ES as a secondary factor.
- . past survey experience shows that individuals have difficulty with agency names. For example, an individual placed at an ES youth center would not readily identify "ES" in a questionnaire but rather the name more familiar to him, such as "Youth Opportunity Center".
- . the long time gap between job placement and the time of the survey has a discounting effect on responses.

- . the extremely high non-response rate (56% for applicants and 71% for employers) casts doubt on the representativeness of the response--we do not know how non-respondents and respondents differ or are similar.
- . no effort was made to verify placement with employers either by survey or a simple perusal of the UI tax and wage records. Employer records are more reliable than applicant memories.

There is no indication in the GAO report that the study team is aware of the methodological difficulties associated with mail surveys, self-selection factors, wording of questions and phraseology, response rate analysis or sample design and selection. These problems apply to both the applicant and employer surveys. In view of the obvious weaknesses in both approach and methodology, the GAO should not draw conclusions and generalizations regarding data validity in ES reporting based on the surveys conducted. We feel that the survey results are less valid than the data systems being measured.

In addition to survey problems, the GAO report presents problems of data interpretation. Statistics quoted under "Nationwide Performance Data" use "applicant available" which include applicants from the previous fiscal year. A better basis for performance evaluation is to use "new applicants and renewals" data.

The GAO statement regarding the number of applicants receiving no service is misleading. Under ESARS, certain services are not reportable, such as job information services (JIS) and assistance in preparing for interviews, completing job applications, etc. Therefore, applicants reported as not receiving any ES services could have used JIS or received other services without being recorded as such.

In summary, we concur with the GAO recommendations to take appropriate steps to verify placements [See GAO note, p. 55.]
We strongly disagree with the GAO findings and conclusions regarding current data validity. We will complete and issue our revision of State agency validation procedures shortly and will implement a national automated validation survey if current test results are satisfactory.

[See GAO note, p. 55.]

CHAPTER 4--OPPORTUNITIES FOR IMPROVED PLACEMENT SERVICE TO APPLICANTS

The GAO recommends that we encourage use of the Job Information Service in additional offices, reevaluate the benefits from computerized job matching to ensure its cost effectiveness, and consider the feasibility of more frequent purging of applicant files. We concur and are in the process of implementing these recommendations.

We are initiating a formal evaluation of the JIS which will identify the specific benefits and conditions most suitable for JIS success. Study results will be used to make improvements in the JIS program and encourage its use in appropriate offices throughout the States. We are supplementing this effort by including a review of JIS utilization in our conduct of periodic onsite reviews of the State agencies.

We have updated our evaluation of the various matching experiments. Results of this evaluation persuade us to proceed with the implementation of computerized job matching as part of an overall Employment Security Automation Plan (ESAP). A copy of this evaluation report is provided to the GAO with these comments. However, implementation is proceeding on a cautious basis. A comprehensive plan for ESAP implementation is required of each State prior to funding and is carefully reviewed against specific criteria designed to ensure overall success and cost benefit. An ongoing monitoring and evaluation system has been designed to carefully review implementation and ensure that benefits justify the cost. This in-house evaluation will be supplemented by a formal impact evaluation utilizing an outside contractor.

We are currently considering the feasibility of more frequent purging of applicant files. New regulations being drafted revise procedures for inactivating veteran applications, for example, to ensure that inactivation is appropriate and that files are inactivated as soon as appropriate.

While we generally concur with the GAO's recommendations and are taking steps to implement them, we feel comments on some of the findings and conclusions in the report are warranted to provide a better perspective--particularly on computerized job matching.

The GAO findings on computerized job matching are based solely on a review of the Salt Lake City matching experiment. It is important to realize that Salt Lake City was an early experiment which is not being exported on a national basis. Our implementation of computerized job matching is based on the findings (and procedures and technology employed) in ten States. Moreover, computerization of job matching is being accomplished as part of a comprehensive and coordinated automation plan--ESAP--which calls for automating UI processes, sharing ES/UI data bases and common utilization of equipment.

The Utah system only uses the DOT code in its computerized system, so it is not surprising that some people who would be qualified for referral to specific job openings are overlooked in the matching process. This has long been realized to be a short-coming of that classification system. On the other hand, systems that are being exported on a nationwide basis use a technique known as "keywording" for use in the computerized matching process. Through the use of this technique, the possibility of an applicant being overlooked in the matching process is much less.

We realize that the effectiveness of computerized matching depends heavily upon volume and quality of applications. These criteria are considered when making decisions to expand matching systems to other States and metropolitan areas. In addition, it has been demonstrated that a better quality application is being taken when a "Keyword" based system is used than when a DOT system is used.

It should be noted that computerized or automated Job Matching is intended to facilitate the matching of jobseekers and jobs not as an end in itself. It will not replace the human element in the selection process. The interviewer is still required to review both the applicant's capabilities and the requirements of a job order. However, computerization of the files will eliminate the labor-intensive, manual, preliminary file search and thus allow more time for interviewers to perform their job.

A major training program, "Training in SESA Automation," is now being utilized to prepare staff for successful adaption to new automated methods and ensure full use of new technology.

CHAPTER 5--EFFECTIVENESS OF WORK TEST

The GAO makes six recommendations regarding improvement in administering the work test and providing services to UI claimants.

The first recommendation urges the ES to "selectively refer UI claimants to ES on the basis of (1) Employment assistance needs identified in the UI claims taking process, and (2) Potential to make suitable referrals."

We concur in this recommendation. The Department of Labor, Employment and Training Administration (ETA), began a major effort beginning in June 1976, to reimplement an improved eligibility review program and improved reemployment assistance. This effort was prompted by State, regional and national office Administrators' concern in late FY 1975 regarding the decline of quality controls in our system due to the extreme workload levels caused by the recession. In December 1975, an administrative directive was issued which in general terms requested State Employment Security Agencies (SESAs) to improve quality claims control and reemployment assistance. Since June 1976, ETA has developed an improved eligibility review program which incorporated the early identification of eligibility issues stemming from able, available, and work search and identification of individuals who require employment services.

A handbook has been developed which includes recommendations to the SESAs for implementing the eligibility review program and provides for SESA management orientation and interviewer training. One session of training State trainers was held during the week of September 20, 1976, and another session began October 4, 1976. The program provides for strong ES/UI coordination to the local level through the interchange of labor market information so that claims personnel can determine claimant employment restrictions and that suitable selection of claimants for ES registration be made in order to relieve the Employment Service of unnecessary paperwork. In addition, claimants who appear to have difficulty in determining how to search for work would be referred to the Employment Service for needed assistance. It is anticipated that the new program be implemented by the end of CY 1976.

The second GAO recommendation is: "Where it is determined that ES registration is unnecessary, place emphasis on determining claimant's work search efforts during periodic eligibility interviews."

We concur in this recommendation. The administrative directives, technical assistance handbook and training mentioned above include implementation of this recommendation.

The third GAO recommendation urges us to "improve efforts to refer and place claimants in jobs." We concur with this recommendation. We have established procedures, as described earlier, to insure that efforts are focused on those UI claimants most in need and most likely to benefit from ES services. In addition, our resource allocation formula provides and will continue to provide financial incentives for States in giving priority attention to the placement of UI claimants.

The fourth GAO recommendation asks us to "seek employers' cooperation in documenting the results of referrals made to jobs." We concur. We will seek employers' cooperation through our employer relations program and will emphasize this point in our Job Service Improvement Program.

The fifth GAO recommendation requests the Secretary to "encourage State agencies to establish specific guidelines for the application of suitable work criteria." We agree with this recommendation, and feel that this criteria must be established at the local level in response to local circumstances.

The last GAO recommendation in this chapter urges us to "ensure the accuracy of ES reports concerning claimants' availability for work." We concur. We are including specific attention to this problem in our onsite review efforts and ongoing monitoring. Technical assistance to resolve problems will be available from our regional offices.

In summary, we generally concur with the GAO recommendations and have been taking steps to improve the application of the work tests and provision of services to UI claimants. Recent intensified efforts show encouraging results--between FY 1975 and FY 1976 the placement of UI claimants rose by 30 percent.

CHAPTER 6--OPPORTUNITY TO IMPROVE ES PERFORMANCE THROUGH BETTER EMPLOYER RELATIONS

The GAO recommends that the Secretary "followup on employer relations activities to ensure that an acceptable level of employer contacts are being made, considering present guidelines, and that better service is provided to employers."

We concur in this recommendation and are monitoring employer services activities on a regular basis at both the regional and national levels.

It should be noted that the findings of the GAO survey regarding employer satisfaction with ES are not consistent with the findings reported in an independent study of employers' experience with the ES. In 1975, Camil Associates completed a study of Job Search, Recruitment and the United States Employment Service. The study indicated that employers were generally satisfied with the Employment Service.

In summary, we sincerely appreciate the efforts of the GAO review team to assist us in improving the operations of the United States Employment Service. We concur in the general recommendations made and we are in the process of implementing them. We do feel that some of the findings are inadequate and resulting conclusions inappropriate. We trust that our comments will be helpful in finalizing the report. More detailed comments are available and USES staff is prepared to assist the study team in any way possible.

GAO note: Material included in draft report but deleted from final report.

FUNDS OBLIGATED AND POSITIONS AUTHORIZED FOR ES
ACTIVITIES IN FISCAL YEARS 1967 THROUGH 1976

<u>Fiscal</u> <u>year</u>	<u>Total funding</u> (000 omitted)	<u>Total</u> <u>positions</u>
1967	\$287,880	31,458
1968	309,328	31,672
1969	329,221	31,364
1970	360,153	31,512
1971	388,046	31,800
1972	393,493	31,000
1973	428,654	31,318
1974	456,488	30,692
1975	490,766	28,429
<u>a/1976</u>	517,389	28,395

a/Estimated.

LOCATIONS OF 15 ES OFFICESINCLUDED IN REVIEW

<u>State</u>	<u>Metropolitan office</u>	<u>Suburban office</u>
California	Los Angeles	Whittier
Colorado	Denver	Englewood
Illinois	Chicago	Des Plaines
Louisiana	New Orleans	Gretna
New Jersey	Camden	Burlington
Pennsylvania	Philadelphia	Upper Darby
Texas	Dallas	Arlington-
		Grand Prairie
Utah	Salt Lake City	

SELECTED ES PERFORMANCE MEASURES AND
NATIONAL RANKING FOR STATES REVIEWED

FISCAL YEAR 1975

<u>State</u>	Number of individuals placed per staff-year worked		Proportion of job openings filled		Proportion of persons placed	
	<u>Number</u>	<u>Rank</u>	<u>Percent</u>	<u>Rank</u>	<u>Percent</u>	<u>Rank</u>
California	167	21st	84	4th	24	21st
Colorado	123	46th	65	38th	17	41st
Illinois	103	48th	70	29th	16	44th
Louisiana	180	18th	77	17th	25	16th
New Jersey	95	49th	68	33rd	18	36th
Pennsylvania	120	47th	72	25th	28	8th
Texas	147	36th	70	29th	22	26th
Utah	178	20th	72	26th	28	11th

PRINCIPAL DEPARTMENT OF LABOR OFFICIALS
RESPONSIBLE FOR ACTIVITIES DISCUSSED IN THIS REPORT

	Tenure of office	
	From	To
SECRETARY:		
Ray Marshall	Jan. 1977	Present
W. J. Usery, Jr.	Feb. 1976	Jan. 1977
John T. Dunlop	Mar. 1975	Jan. 1976
Peter J. Brennan	Feb. 1973	Mar. 1975
 ASSISTANT SECRETARY FOR EMPLOYMENT AND TRAINING		
(note a):		
William H. Kolberg	Aug. 1973	Present
 ADMINISTRATOR, UNITED STATES EMPLOYMENT SERVICE		
(note b):		
William B. Lewis	Aug. 1974	Present
David O. Williams (acting)	June 1974	Aug. 1974
Robert J. Brown	Nov. 1969	June 1974

a/Before November 12, 1975, the title was Assistant Secretary for Manpower.

b/Before December 16, 1975, the title was Associate Manpower Administrator, United States Employment Service.