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**Employment Service: Preliminary
Analysis of Policies and Practices
Related to Performance**

Statement of
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Committee on Education and Labor
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SUMMARY OF GAO TESTIMONY
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PRELIMINARY ANALYSIS OF POLICIES AND
PRACTICES AFFECTING EMPLOYMENT SERVICE PERFORMANCE

The Employment Service (ES) has for many years been a cornerstone of the U.S. employment training structure helping match persons seeking work with employers who have job openings to fill. A joint federal-state partnership with over 1,700 offices nationwide, ES registered over 18 million applicants last year. However, as other programs, each with its own outreach and placement activities, have been enacted to assist the unemployed, questions have been raised concerning the effectiveness of the Employment Service. In addition, some maintain that the position of the Service in the U.S. employment training structure has eroded.

WIDE VARIATIONS IN ABILITY TO PLACE APPLICANTS Even after adjusting for differences in economic and demographic conditions, local ES offices varied greatly in their ability to place applicants in jobs. Some offices were clearly stronger performers than others, and these offices tended to be concentrated in certain states. These concentrations appear to indicate that performance is likely more than a random occurrence and might be affected by policies and practices of states and local offices.

PRELIMINARY ANALYSIS OF MANAGEMENT PRACTICES Based on our preliminary analysis of variations in local and state management practices, we have identified a series of such practices that appear to vary systematically with placement performance. Using three outcome measures we identified 81 offices with well above average performance and 100 offices with well below average performance.

LOCAL PRACTICES AND PERFORMANCE VARIATION Variation in local office performance appear in part to be related to the way local offices carried out their job placement activities. High performing offices appear more likely to (1) work closely with JTPA, (2) use individual interviews during applicant intake, (3) involve more experienced and more highly trained staff such as managers and counselors directly in placement activities, and (4) search applicant and job files using computers.

STATE POLICIES VARY WITH PERFORMANCE Three state policies appear related to performance in that high performing offices seem more likely to be in states that (1) use performance goals and incentives, (2) monitor local offices frequently, and (3) rely more on alternative funding sources to support ES operations.

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here to testify on our work concerning the job placement activities of the Employment Service (ES). My purpose today is to provide information to assist the Subcommittee as it explores ways to improve ES performance and make it a more effective part of an integrated employment and training system. The Employment Service has for many years been a cornerstone of the U.S. employment training structure, helping match persons seeking work with employers who have job openings. A joint federal-state partnership with over 1,700 offices nationwide, ES registered over 18 million applicants last year. However, as other programs, have been enacted to assist the unemployed, questions have been raised concerning the effectiveness of the Employment Service. In addition, some maintain that the position of the ES in the U.S. employment training structure has eroded.

In a recent report¹ to you, we concluded that even after adjusting for differences in economic and demographic conditions in their geographic areas of operations, local offices and states varied greatly in their ability to place applicants in jobs. We found that some local offices were clearly stronger performers than others, and these offices tended to be concentrated in certain states. We concluded that these concentrations indicate that performance is likely more than a random occurrence and might be affected by policies and practices of states and local offices.

Since we issued our report on performance variations we have done additional work to explore possible explanations for these performance differences. My testimony today is, therefore, based on preliminary analysis of those local and state management practices that appear to be related to performance. While there are many factors that likely influence performance, our analysis is focusing on those that are measurable and have been identified by Employment Service officials and other experts as particularly important to good performance. Although we have not found any practices where the relationships to performance are so strong as to assure high performance, we have found indications that higher performing offices appear more likely to follow a certain set of procedures in carrying out their placement activities. Specifically, our findings indicate that those offices we identified as high performers appear more likely to:

- interact extensively with Job Training Partnership Act (JTPA) programs,
- register applicants through individual interviews rather than through group intake,

¹ Employment Service: Variations in Local Office Performance (GAO/HRD-89-116BR, August 3, 1989).

- have counselors and managers directly involved in placement activities and,
- search applicant and employer files for job matches using computers.

In addition, the offices we defined as high performers tend to be concentrated in states that:

- have performance goals for local offices and reward offices accordingly,
- conduct more extensive monitoring of local offices, and
- rely more on alternative sources of funds in addition to Wagner-Peyser allocations (the primary ES funding source) to support ES operations.

We plan to explore these relationships further and publish a report on this subject next spring. Before elaborating, I would like to briefly describe our methodology.

METHODOLOGY

ES conducts a variety of activities in carrying out its labor exchange function (job placement services for the unemployed seeking work and employers seeking workers). The activities include for example, conducting job search workshops, providing vocational information to students, and working with jobseekers facing barriers to employment. However, ES's primary role is matching applicants with job openings. To analyze the placement performance of local ES offices, we collected data from the 50 states and the District of Columbia on each local ES office² for the period July 1, 1986, to June 30, 1987.

We used three outcome measures to assess placement performance: (1) job placement rate (the percent of applicants placed), (2) permanent placement ratio (the percent of placements in jobs expected to last over 150 days), and (3) placement wage ratio (average placement wage as a percentage of average community wage³). We selected these measures because they were consistently

²The analysis is based on data from 1,553 local offices in 47 states--complete data were not available for local offices in Delaware, Hawaii, New York, and the District of Columbia.

³The average community wage was obtained from the Bureau of Labor Statistics and is based on the average hourly wage of private-sector, nonsupervisory workers by county.

defined by states and were frequently used by states in assessing local office placement performance.

To account for differences in particular circumstances that may affect local office performance, we adjusted these data for differences in demographic and economic conditions using county data obtained from the Bureau of Labor Statistics and the Bureau of the Census. This information included unemployment rates and the percentage of youth, females, and blacks in the counties served by each office.

From the performance data on the more than 1,700 local ES offices we sought to identify high performing offices and low performing offices. We defined high performing offices as those in the top 20 percent for at least two of the outcome measures and above average in the third--there were 81. Low performing offices were those in the bottom 20 percent for at least two outcome measures and below average in the third--there were 100. The 181 high and low performing offices were located in 41 states throughout the nation. Of the 81 high performers, 42 were small offices with eight or fewer staff and 39 were large offices with nine or more staff. Of the 100 low performers, 33 were small offices and 67 were large offices.

To determine which policies and practices appear to influence local office performance, we obtained information on state and local operations from structured telephone interviews with the managers of the 181 offices and a mail survey of state directors in all 50 states and the District of Columbia. These officials provided us information on local and state policies and practices related to (1) interaction with JTPA programs, (2) the applicant intake and registration process, (3) counselor and manager involvement in placement activities, (4) computerization of applicant and employer files, (5) state monitoring and performance award systems, and (6) funding sources in addition to Wagner-Peyser⁴ funds for ES operations. We then compared the state and local practices of the offices we identified as being high and low performers.

We discussed the results of our preliminary analysis with Department of Labor Employment Service officials and in a series of panel discussions with several state ES directors to gain additional insight into our findings. We have included their observations, where relevant.

⁴The Wagner-Peyser legislation which established the Employment Service as a federal-state partnership also authorized funding to cover states' costs for administering the system from the Federal Unemployment Tax Act (FUTA). This has traditionally been the principal source of ES funds.

LOCAL OFFICE PRACTICES RELATED TO PERFORMANCE

We found substantial variation among local offices in placement rates, permanent placement ratios and placement wage ratios even after making adjustments for differences in economic and demographic conditions. These variations do not appear to occur randomly, but rather appear, in part, related to the way local offices carried out their labor exchange activities. We identified 4 factors with an apparent relationship to placement performance (see fig 1).

FIGURE 1

GAO Local Office Practices Related to Performance

High performers . . .

Work closely with JTPA

**Use one-on-one interviews
for intake**

**Involve counselors and
managers in placement activity**

**Search applicant and job
files using computers**

Interaction With JTPA

High performing local ES offices appear more likely than low performing offices to have extensive interaction with other employment and training programs, in particular, the JTPA Title II-A program⁵. While nearly all (90 percent) of the local offices we studied reported some interaction between their office and the JTPA program, only 23 percent reported extensive interaction. For the purpose of our analysis, extensive interaction is defined as a local ES office working together with a JTPA program in at least five of the following areas:

- screening jobseekers,
- administering tests,
- training staff,
- sharing job order information,
- sharing office space, and
- using the same application form.

For example, if an ES office and staff from JTPA were co-located in the same office space, shared responsibility for screening jobseekers through a common intake center, used the same application forms, administered tests jointly, and shared job order information, we considered their interaction to be extensive.

Our preliminary findings show that high performing offices, regardless of size, appear more than twice as likely as low performing offices to have extensive interaction with JTPA.

Several state ES directors we spoke with attributed the apparent relationship between high placement performance and extensive JTPA interaction to the additional availability of resources and added management flexibility. One director said that when ES and JTPA share office space, the staff are able to cover for one another and both groups are more productive. Another director said that the additional staff enables office managers to be more efficient and put resources where they are most needed. By contrast, he said that many ES offices were staffed with only a skeleton crew, so that managers had little flexibility in staff utilization.

⁵JTPA Title II-A is the largest single program under JTPA and provides job training and employment assistance to disadvantaged adults and youth.

Intake and Registration Process

We found that low performing local offices appear more likely to use group intake procedures, rather than individual interviews for registering applicants. Low performing offices are about four times more likely to use group intake for the majority of their applicants than are high performing offices. This apparent relationship seems particularly true for larger offices.

During registration or intake, job seekers prepare an application that describes personal history, education level, work experience, job interests, and wage requirements. Traditionally, this was done in a personal interview between an ES staff member and job applicant. At the time of our survey, about 70 percent of the offices used this approach for most applicants. In group intake, ES staff take applications from two or more individuals at the same time. About 30 percent of the offices used this technique. However, according to state officials, the use of group intake is increasing because fewer staff are available to conduct one-on-one interviews with applicants.

State ES officials that we talked with generally agreed that they prefer the individual intake procedure over group intake because they believe the applications from one-on-one interviews are more complete. They pointed out that complete applications are particularly important if the office is using an automated matching system because of the need for precise information to make appropriate matches. However, according to several officials whose states are increasing their use of group intake, they have had to make the change because they have fewer staff available to conduct the one-on-one interviews. One state ES director stated that it is a matter of economics, they can process more applicants using the group intake method. In fact, our analysis corroborates this view. Staff using group intake process about 25 percent more applicants--1,126 per staff year versus 855 for individual intake. However, states using group intake have a cost per placement 12 percent higher than the cost per placement of other states.

Counselor and Manager Involvement in Placement Activities

Another area that appears related to Employment Service performance, especially in small offices, is providing counseling services and the involvement of counselors and office managers -- generally the staff with the most experience-- in placement activities. While only 40 percent of small offices had counselors, our preliminary analysis showed that high performers are nearly twice as likely as low performers to have counselors.

In addition, among offices that had counselors, high performing offices, regardless of size, appear more likely than low performing offices to have their counselors involved in placement activities that go beyond their traditional counseling role, such as:

- conducting intake,
- matching applicants with job openings,
- soliciting job openings from employers, and
- marketing ES services to employers.

Several state officials told us that they believed that the presence of counselors and their direct involvement in applicant and employer services can improve performance. They attributed this to the counselors' greater experience in identifying job openings and matching qualified applicants. They pointed out, however, that in many locations counselors were no longer available because of cutbacks in the ES budget. A 1988 study⁶ reported that from 1981-1987 the number of full- or part-time staff designated as counselors declined by 34 percent. In addition, the proportion of counselors who did full-time counseling declined from 97 percent to 78 percent.

Manager involvement in placement activities also appears to be related to performance. One state director said that having local office managers directly involved with applicants and employers can give managers a better sense of the needs of the community and how their offices may help meet those needs. He said, however, that in larger offices managers may have other priorities that would not allow them the time to spend with applicants or employers. Our analysis tends to support this premise. Similarly, our analysis of small offices indicates that high performers are more likely than low performers to have their managers directly involved in applicant services.

Use of Computers To Search Applicant and Job Order Files

Another factor which our preliminary analysis indicates may be related to performance, particularly for large offices, was the use of computers to facilitate the search of applicant and job order files. We found that most local offices (92 percent) used computers to enter applicant and job order information into their

⁶Counseling in the Employment Service: Preparing Clients for Jobs- A Report on a 1987 Survey of State Employment Security Agency Counseling, Interstate Conference of Employment Security Agencies, 1988.

database. Nonetheless, about a fourth of all offices search applicant and job order files manually to develop a match.

Low performing offices, regardless of size, appear about three times more likely to use manual procedures for searching applicant and job order files. For large offices, high performers appear almost twice as likely as low performers to use computerized file search techniques. For small offices, high performers appear more than twice as likely as low performers to use a combination of computer and manual search techniques.

Several state officials told us that the computerized search of applicant and job order files should produce better results because it enables the local office to scan its files faster and include a broader spectrum of jobs in the matching process. Furthermore, they told us that it was important for ES offices to be able to respond quickly in filling job orders because it saved resources, and the faster the response the more likely it was that the job and applicant were still available. In assisting applicants, they told us that the broader the spectrum of jobs to choose from, the more likely they were to find a good match, and that computerized files allowed them to identify a greater variety of jobs from more locations.

STATE POLICIES RELATED TO ES PERFORMANCE

While local practices can influence the performance of an office, state policies may also impact the performance. Our preliminary analysis of various state policies and practices and performance variations suggest that three state policies may influence performance: (1) the establishment of performance goals and incentive awards, (2) more extensive monitoring of office performance, and (3) the use of alternative funding sources to supplement Wagner-Peyser funds (see figure 2).

Performance Goals and Incentive Awards

High performing offices were more likely than low performing offices to be located in states that set performance goals and rewarded good performance. The 1982 amendments to Wagner-Peyser allowed individual states to set performance standards and use certain "set-aside" funds to reward high performance.

State officials told us that performance goals have a positive influence on local office performance because they provide a focus or direction for employees. And, this focus is further enhanced when specific rewards such as cash, promotions, increased resources, or perhaps just recognition are used to reward those achieving office goals. One state director said that performance goals and awards also improve performance results because they increase competition among local offices.

FIGURE 2

**GAO State Policies Related
to Performance**

**High performers were in states
that. . .**

**Use performance goals and
incentive awards**

**Monitor local office
operations frequently**

**Rely more on alternative
funding sources for local
operations**

Monitoring of Local Office Performance

Our analysis also indicates that high performing offices are more likely than low performing offices to be located in states that closely monitor local office activities. Frequent on-site monitoring visits appear to have a significant impact on local office performance.

State monitoring took place in all the local offices in our analysis. However, the principal difference between high and low performing offices was that high performing offices appear more likely to receive on-site visits than low performing offices--essentially all the high performing offices were in states that conducted on-site visits to evaluate office performance. High performers also tended to be in states that had more frequent monitoring visits.

State officials said that on-site monitoring of local ES operations is critical to high performance. They said that such visits help reinforce the importance of performance. In addition, on-site visits provide the opportunity for state officials to see local operations first hand and to exchange ideas with local staff.

Use of Alternative Funding Sources

Finally, our preliminary results show a greater likelihood that high performing offices are in states using other funding sources (in addition to Wagner-Peyser funds). Until recently, federal allotments under the Wagner-Peyser Act were the primary source of support for the ES program. In recent years, however, Wagner-Peyser funding has lagged behind inflation. Between 1984 and 1987, Wagner-Peyser funding (adjusted for inflation) declined by almost 7 percent. To compensate, some states have used other funding sources such as other federal programs and state revenues to support the Employment Service.

High performing offices are more likely to be in states where alternate funding sources account for a major portion (at least 30 percent) of state ES expenditures. The overwhelming majority (90 percent) of high performers were in states where a major portion of ES funding was from non-Wagner-Peyser sources.

Several state directors told us that as Wagner-Peyser funding has decreased, states have used other federal funding sources, such as JTPA, to support local office placement activities. They said these other funding sources are also often accompanied by specific performance goals which can encourage local offices to perform better.

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This concludes my prepared statement. My colleagues and I will be happy to answer any questions your or other members of the Subcommittee may have.