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**Employment Service: Leadership
Needed to Improve Performance**

Statement of
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Before the
Subcommittee on Employment Opportunities
Committee on Education and Labor
House of Representatives



SUMMARY OF TESTIMONY BY FRANKLIN FRAZIER
ON THE NEED FOR LEADERSHIP TO IMPROVE
EMPLOYMENT SERVICE PERFORMANCE

An effective labor exchange system enhances economic productivity by facilitating entry into the job market and the matching of workers with jobs. The federal government, in partnership with states, supports this process through a network of 1,700 Employment Service (ES) offices. In recent years, the Department of Labor has given state governments broad authority to implement ES programs in ways that best meet community needs.

ES PLACEMENT PERFORMANCE VARIES DRAMATICALLY As GAO previously reported, Employment Service placement performance varies dramatically across states and local offices. For example, some local offices placed over a third of their job seekers, while other offices found jobs for less than 10 percent of the job seekers using their services. The variance in ES performance was not random, but was related, at least in part, to state and local practices within the control of ES managers.

STATE AND LOCAL PRACTICES RELATED TO ENHANCED ES PERFORMANCE State management practices associated with better performance included setting measurable performance goals and providing incentives to recognize local office achievements; and conducting frequent on-site monitoring of local offices. GAO also found certain aspects of local office operations improved performance including, attentiveness to employer and applicant needs, extensive interaction with the JTPA program, and separation of ES and local Unemployment Insurance office functions. However, many state and local ES programs have not adopted these or similar practices.

LIMITED FEDERAL OVERSIGHT AND ASSISTANCE The Department of Labor, in partnership with the states, is responsible for ensuring that ES operates an effective labor exchange system. However, Labor has found it difficult to balance its oversight needs against its concern to limit federal intrusion into state affairs. Currently, Labor's oversight activities provide little substantive information about how states manage their ES programs and how local offices operate.

While ES programs in some states have flourished without federal assistance, wide variations in local office performance indicate that some states may need Labor's help to improve the effectiveness of their programs.

Labor needs to increase its leadership role to encourage poor performing states to adopt practices such as those identified in our analysis. Labor could accomplish this by working proactively with the states to obtain and analyze additional information on ES performance and factors associated with variations in performance, increasing technical assistance, and more actively sharing information on effective state and local practices.

Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to discuss our work on the U.S. Employment Service (ES) basic labor exchange program that is federally funded and principally administered by the states¹. Given that the Department of Labor has recently requested comments on the appropriate role for the Employment Service, it seems even more important that your Committee review the role of the Employment Service at this time.

As we reported to you in 1989², there is wide variation in how well states and the 1,700 local ES offices perform the basic ES program objective of placing individuals in jobs. For example, 200 local offices found jobs for one of every three people that sought ES assistance, while 200 other offices found jobs for less than one in ten job seekers. Similarly, we found that about 400 local offices placed most people in temporary jobs, while another 400 offices placed 3 out of 4 in permanent jobs.

As requested by your Subcommittee, we examined (1) factors influencing the wide variations in local ES office placement performance³ and (2) the Department of Labor's management practices. For our study, we used regression and other statistical analyses and held discussions with about 40 employers to identify factors influencing ES placement performance. We also collected information on Labor's program oversight and technical

¹ The Employment Service also performs numerous other functions, such as administration of the Unemployment Insurance work test, certification for the Targeted Jobs Tax Credit program, and administration of Alien Labor Certification.

² See Employment Service: Variations in Local Office Performance (GAO/HRD:89-116BR, Aug. 3, 1989) and Employment Service: Preliminary Analysis of Policies and Practices Related to Performance (GAO/T-HRD-90-5, Oct. 31, 1989).

³ We measured program performance by 3 indices: 1) placement rate, 2) permanent placement rate--the percentage of placements expected to last over 150 days, and 3) placement wage ratio--the average placement wage as a percentage of the average community wage.

assistance at the national office and four regional offices -- Atlanta, Boston, Chicago, and Dallas -- covering 25 states.

In summary, we found the following:

- State management practices were associated with local office placement performance. Better performance occurred when states set measurable goals, provided performance incentives and conducted frequent on-site monitoring.
- Certain local office practices also were associated with better performance. Increased attentiveness to employer and applicant needs, more extensive interaction with the Job Training Partnership Act (JTPA) program, and greater ES separation from the local Unemployment Insurance office resulted in better performance.
- The Department of Labor in partnership with the states is responsible for ensuring effective labor exchange operations, but current Labor management, information and technical assistance activities provide little help to state and local offices to improve ES placement performance.

SOME STATE PRACTICES IMPROVED ES PERFORMANCE

Some local offices were clearly stronger performers and these offices tended to be concentrated in states that adopted program management strategies that

- set measurable program performance goals and provided performance incentives to recognize local office achievements, and
- included frequent on-site monitoring to evaluate local office performance.

For example, in areas of high unemployment, local office performance was almost 40 percent higher in states that adopted both of these program management practices, compared to local offices in states that did not adopt either practice.

Performance goals and incentives

Several state officials told us that performance goals provide a focus or direction for ES staff. Performance incentive programs that reward local offices for achieving measurable goals further reinforce results. We found that local office performance was about 17 percent higher in states that provided performance incentives, compared with states that did not use them.

On-site monitoring

Many state officials told us that on-site monitoring visits are critical to achieving high performance. They said that such visits instill staff with the importance placed on performance and provide an opportunity for state and local staff to exchange views. Our analysis showed that local office performance was about 38 percent higher in states that visited most local offices each year.

LOCAL OFFICE PRACTICES THAT IMPROVED PERFORMANCE

We also found certain aspects of local office operations that increased placement performance, including

- increased attentiveness to employer and applicant needs,
- more extensive interaction with the JTPA program, and
- greater ES autonomy from the local Unemployment Insurance office.

Attentiveness to employer and applicant needs

High performing local offices had better communication with employers, more individualized attention for jobseekers applying for ES services, and job placement services that facilitated the referral process. In addition, offices performed better when local office managers were extensively involved in services for employers and applicants.

Employers said that ES offices that had a clear sense of employers' needs were more likely to refer applicants that met their job requirements. We found offices performed better when staff spent a significant amount of time calling employers, writing letters and visiting employers to solicit job openings. For example, the permanent job placement rate was about 12 percent higher in local offices that spent substantial time on these activities, compared to local offices where staff spent little time with employers.

State officials told us that one-on-one interviews also facilitate the match between applicants and employer job requirements, because they yield more complete information on applicant skills and interests. We found that high performing ES offices were more likely to conduct individual interviews with job seekers when they apply for ES services.

Employers said that quick applicant referral is essential. Providing job seekers direct access to job information and using computers to match applicant skills and employer job requirements can speed up the referral process. We found these practices improved local office placement performance.

Local office performance was higher when local office managers were more involved with employers and job seekers. For example, when local office managers were extensively involved in ES client services, the local office placement rate was about 43 percent

higher than offices with little manager involvement. As one state ES director told us, increased involvement can give managers a better understanding of how their local offices can best meet their client needs.

Involvement with the JTPA Program

Extensive interaction with the JTPA program was associated with better local office performance. ES needs to have a ready pool of applicants to meet the skill requirements for job openings; and several state officials said that JTPA provides employers with a pool of job ready individuals. We found that local offices with extensive interaction with the JTPA title II-A program⁴ had an 11 percent higher local office placement wage ratio compared with offices having little interaction with this JTPA program.

Separation of ES and Unemployment Insurance office functions

Employers said that people often think of ES as an "unemployment" office that provides compensation to laid off workers. As a result, they said some people do not think of ES as a place to find a job. In addition, during periods of rising unemployment, when ES offices are co-located with the Unemployment Insurance office, ES staff may be reassigned to process benefit claims rather than help people find jobs.

We found that ES offices separated from the Unemployment Insurance office had better local ES office placement performance. From a public relations viewpoint, this separation recognizes ES as the "employment" rather than "unemployment" office. This may make the office appear more attractive to employers and job seekers.

⁴ JTPA Title II-A is the largest single program under JTPA and provides job training and employment assistance primarily to disadvantaged adults and youth.

LIMITED FEDERAL OVERSIGHT

The Department of Labor in partnership with the states is responsible for ensuring that the Employment Service provides an effective labor exchange system. Labor oversees state ES programs by

- approving state program plans consisting of goals and descriptions of how states will provide basic labor exchange activities, and
- assessing state and local program operations through on-site program reviews and the collection of quarterly data on state program activities and performance.

However, Labor has found it difficult to balance its needs to know about state ES programs against its concern to limit federal intrusion into state affairs. Currently, Labor's oversight activities provide little substantive information about how states manage their ES programs and how local offices operate.

State plans provide limited program information

Each year, states submit program plans to Labor for review and approval. Federal and state officials described these plans as "sketchy and lacking substance"; and little understanding of state program strengths or weaknesses is gained from the plans. For example, ES regulations require program "goals or objectives" in each state plan, but plans may include only broad program mission statements without measurable goals. Plans must also describe basic labor exchange activities, such as how the "...match between jobseekers and employers will be facilitated." But again, these descriptions provide little specific information on how states plan to carry out program activities.

Shallow program reviews

Labor's annual on-site reviews of state ES activities focus only on compliance issues. For example, the reviews assess whether states provided basic labor exchange activities to applicants and employers needed to meet minimum federal requirements. However, these reviews do not assess the quality or effectiveness of these activities.

Many Labor and state officials told us that the reviews have been a meaningless exercise. The review process seldom identified state or local offices with performance problems or uncovered program activities needing improvement.

One Labor regional office, on its own initiative, used ES compliance reviews as a springboard for gathering qualitative information on state management practices and local operations. It tried this new approach in two states and found that it helped identify innovative program operations and prompted positive discussions on how states and local offices could improve program performance. While Labor is considering changes in the review process to address more substantive issues, such as program quality and outcomes, little progress has been made in this effort.

Quarterly state reports provide another vehicle for learning about ES programs. However, the usefulness of these reports as a monitoring tool is limited because they only provide state-level data on ES activities and performance.

LABOR PROVIDES LITTLE ASSISTANCE TO HELP STATES IMPROVE ES PERFORMANCE

For almost a decade, states have had broad authority to implement ES programs in ways that best meet community needs. While program performance in some states flourished without federal assistance, other states have not performed as well.

For example, as I mentioned earlier, some states established measurable goals and provided performance incentives, and conducted frequent on-site monitoring visits to local offices. These states had significantly higher placement performance than states that did not do these things. However, only 9 states have adopted these program management practices. Similarly, many local offices do not operate in ways that enhance their program performance. For example, about a third of the local offices did not allow job seekers direct access to information on most job openings and a quarter still used a manual, instead of an automated job matching technique.

Several state officials told us that more and/or better technical assistance is needed. This could encourage poor performing states to adopt better practices. Regions provided some assistance to states, for example through meetings or informal contacts, but additional assistance is needed. Regional staff often lacked specific knowledge of ES operations to provide quality assistance because of limited contact with state and local offices. We also found that a lack of resources impeded Labor's ability to provide technical assistance.

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Mr. Chairman, it is clear that the Congress sought to improve ES operations by providing state and local offices more responsibility for developing and implementing programs to meet community needs. However, under the current approach, performance varies considerably among states and local offices. Some states and local offices have adopted practices to improve placement performance, while others have not utilized such practices.

We believe Labor is in a unique position to help states and local offices adopt practices that improve performance without impinging on state and local responsibilities. To do so, Labor should

increase its leadership role by working proactively with the states to obtain and analyze additional information on ES performance and factors associated with variations in performance, increasing technical assistance, and more actively sharing information on effective state and local practices.

Mr. Chairman, that concludes my prepared statement. I will be happy to answer any questions you or other members of the Subcommittee may have.

