

December 2006

WORKFORCE INVESTMENT ACT

Employers Found
One-Stop Centers
Useful in Hiring Low-
Skilled Workers;
Performance
Information Could
Help Gauge Employer
Involvement





Highlights of [GAO-07-167](#), a report to congressional requesters

Why GAO Did This Study

The Workforce Investment Act of 1998 (WIA) required that many federal workforce employment and training programs for low-income individuals, the unemployed, and other job seekers provide their services through a streamlined delivery system. WIA also promoted greater employer engagement in this delivery system by, among other things, calling for it to help meet employers' workforce needs with services provided through one-stop centers. In 2005, we found that about half of employers were aware of their local one-stop centers. However, questions remained about how employers use them. In this report, GAO addressed (1) the extent to which employers, both large and small, hire their employees through one-stops; (2) the extent to which these employers view one-stop services as useful; and (3) factors that may affect one-stop service to employers. To answer these questions we surveyed employers who had used the one-stop system, visited eight one-stops, and talked to one-stop and Labor officials.

What GAO Recommends

GAO recommends that the Secretary of Labor follow through with plans to collect information on employers' use of one-stop services and develop a way to measure employer engagement in the workforce investment system as part of the department's performance reporting system. Labor noted its intent to collect such information.

www.gao.gov/cgi-bin/getrpt?GAO-07-167.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Sigurd Nilsen at (202) 512-7215 or nilsens@gao.gov.

WORKFORCE INVESTMENT ACT

Employers Found One-Stop Centers Useful in Hiring Low-Skilled Workers; Performance Information Could Help Gauge Employer Involvement

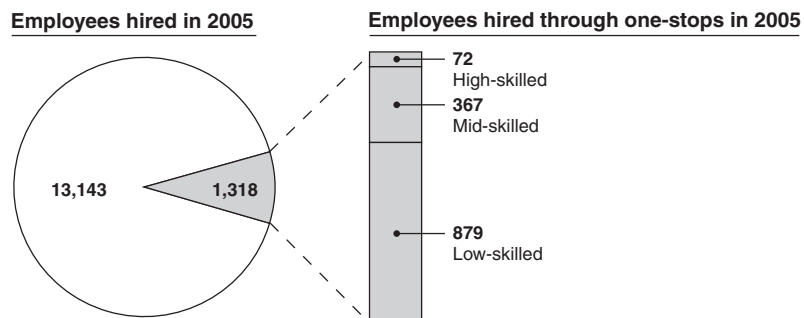
What GAO Found

Regardless of size, employers completing our survey hired a small percentage of their employees through one-stops, and two-thirds of those they hired were low-skilled. About 80 employers who could provide estimates reported hiring about 9 percent of their new employees through the one-stops, roughly 1,300 of their 14,500 hires in 2005. They also reported that about two-thirds of those hired were low-skilled workers, in part because they thought the labor available from the one-stop centers was mostly low-skilled. Employers told us they would hire more job seekers from the one-stop labor pools if they had the skills for which they were looking.

Employers primarily used only one of the seven services generally available through the one-stop, but they generally viewed whatever services they did use as helpful. Most employers used the centers' job-posting service. Fewer made use of the one-stops' physical space or job applicant screening services. Still, when employers did take advantage of a service, they generally reported that it was useful because it produced positive results, such as reaching more job applicants than would have applied otherwise. When employers reported that they did not use a particular one-stop service, in most cases they either were not aware that the one-stop provided the service, obtained it elsewhere, or carried through on their own.

At least three factors may affect one-stops' service to employers. The first of these is the skill set of the labor pool. One-stop officials said that their job candidates generally had either low skills or lacked the specialized skills needed by employers. The second factor cited by one-stop officials is the limited number of staff available to serve employers. Staff at one-stops must serve both employers and job seekers with the staff and funding available to them. The fact that the Department of Labor collects limited information on employer engagement in the one-stop system is a third factor that may affect the level of service to employers. While Labor collects information on employer satisfaction, this measure does not provide information on how employers use the system. Labor has said its new data collection system will include such information, but this remains to be seen.

Employees Hired through One-Stops



Source: GAO 2006 survey of business establishments.

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United States Government Accountability Office
Washington, DC 20548

December 22, 2006

The Honorable Michael B. Enzi
Chairman
The Honorable Edward M. Kennedy
Ranking Minority Member
Committee on Health, Education, Labor, and Pensions
United States Senate

The Honorable Patty Murray
Ranking Minority Member
Subcommittee on Employment and Workplace Safety
Committee on Health, Education, Labor, and Pensions
United States Senate

In any given quarter, the U.S. economy creates and destroys about 8 million jobs. The resulting dynamic requires that workers find new jobs and employers hire new workers. Those who are seeking jobs, particularly the unemployed as well as low-income individuals, can access federal workforce employment and training programs, many of which are overseen by the Department of Labor (Labor) through a streamlined delivery system required by the Workforce Investment Act of 1998 (WIA). This system consists of about 1,900 career, or “one-stop,” centers across the country where programs can provide their services. WIA also promoted greater employer engagement in this delivery system by requiring that employers make up the majority of members and lead local and state workforce investment boards that oversee the one-stop centers and by calling for these boards to help meet employers’ workforce needs with services provided through one-stop centers. While the law does not require any one particular service, the centers do offer services such as job postings, access to training for existing employees, information about employee resources like day care, or simply the use of a center’s facilities for conducting job fairs or interviews. Employers can also pay a fee for more customized services, if they are offered. In addition, the local boards can solicit funding from employers and others to pursue initiatives in job development and training.

In 2005, we found that about half of employers were aware of their local one-stop centers.¹ However, questions remained about how employers were using those one-stop centers. In view of the desire of policymakers to engage and serve employers of all sizes in the workforce system, we looked specifically at how some employers make use of the one-stop centers. We have examined (1) the extent to which employers, both large and small, hire their employees through one-stops; (2) the extent to which these employers view one-stop services as useful; and (3) factors that may affect one-stop service to employers.

To answer these questions, we conducted a Web-based survey of employers from our 2005 report who told us they had previously used one-stops, interviewed 17 one-stop officials from 10 one-stops in 5 states, and interviewed Labor officials and officials from other organizations with knowledge of workforce programs. We made an extra effort to contact small employers but could not reach many of them because of business closure and employee turnover. The results of our survey represent only those who completed it and cannot be generalized to the universe of businesses that have used one-stops. We obtained completed surveys from 113 businesses, which we categorized in three groups by size: 14 small, 48 medium, and 51 large businesses. Geographically these businesses were located in 36 states and ranged from a large fast food franchise to a sheet metal fabricator with only 10 employees. We visited 8 one-stop career centers representing a mix of urban, suburban, and rural areas in California, North Carolina, Wisconsin, and Wyoming, and conducted phone interviews with officials in 2 one-stop centers in Pennsylvania. In some cases, officials from Local Workforce Investment Boards participated in these interviews. We selected 4 of these states because they had the most employers that had used one-stop services in our national survey, and Wyoming for a rural perspective. We performed our work in accordance with generally accepted government auditing standards between December 2005 and October 2006. See appendix I for details of our methodology.

Results in Brief

Regardless of size, employers completing our survey hired a small percentage of their employees through one-stops, and two-thirds of those

¹ GAO, *Workforce Investment Act: Employers Are Aware of, Using, and Satisfied with One-Stop Services, but More Data Could Help Labor Better Address Employers' Needs*, [GAO-05-259](#) (Washington, D.C.: Feb. 18, 2005).

they hired were low-skilled. About 80 of 113 employers—those who could provide estimates—reported hiring about 9 percent of their new employees through the one-stops in 2005. This amounted to roughly 1,300 of the 14,500 workers they hired in 2005. They also reported that about two-thirds of those hired through the one-stops were low-skilled workers, in part because they thought the labor available from the one-stops was mostly low-skilled. Employers told us they would hire more job seekers from the one-stop labor pools if they had the skills for which they were looking.

Employers primarily used only one of the seven services available through the one-stop, but they generally viewed whatever services they did use as helpful. Most employers used the centers' job posting service. Fewer made use of the one-stops' physical space or job applicant screening services. Still, when employers did take advantage of a service, they generally reported that it was useful because it produced positive results. In the case of posting job openings, employers reported that it resulted in more applicants than would have applied otherwise. The few employers who used one-stop facilities reported that doing so increased their visibility when hiring. They also said that using one-stop services saved them time and money. One employer, for example, noted that use of the one-stop allowed his company to avoid renting hotel conference rooms for job interviews when it was hiring. When employers did not use a particular one-stop service, in most cases they said that they either were not aware that the one-stop provided the service, said they obtained it elsewhere, or said that they carried through on their own.

At least three factors may affect one-stops' service to employers. The first of these is the skill set of the labor pool. Citing this factor as one of their top challenges, one-stop officials said that their job candidates generally had either low skills or lacked the specialized skills needed by employers. They also said, however, that employers may perceive the available pool as less skilled than it really is. One-stop officials cited the limited number of staff available to serve employers as a second factor affecting their service to employers. However, few of the one-stops we visited reported having received private sector funds that could be used to hire more staff, even though the law allows for charging fees or soliciting money from employers, and we have identified charging fees as a promising practice. The fact that Labor collects limited information on employer engagement in the one-stop system is a third factor that may affect the level of service to employers. One-stop officials at several centers noted that performance information generally focuses on services to job seekers and not employers. While Labor collects information on employer satisfaction, this

measure does not provide information on how employers use the system. Labor has said its new data collection system will include such information, but this remains to be seen. Additionally, while Labor has launched initiatives designed, in part, to help one-stop centers model approaches to serving employers, the impact of these initiatives may be limited to those centers selected to participate in the program or receive program grants. A majority of the one-stop officials we spoke with reported they were not participants in Labor's national initiatives such as the High-Growth Job Training Initiative or the National Business Learning Partnership, and that these had no impact on their capacity to serve employers.

In this report, we recommend that the Secretary of Labor follow through with plans to collect information on employers' use of one-stop services and develop a way to measure employer engagement in the workforce investment system as part of the Department of Labor's performance reporting system. In its comments on a draft of this report, Labor noted its intent to collect such information.

Background

The Workforce Investment Act of 1998 sought to improve the quality of the workforce by creating a streamlined delivery system for services offered by 17 federal workforce development programs. Under WIA, each program is required to make services available through the one-stop center system established for each local area. The services available to job seekers at one-stops include career counseling and referral to training programs. Although not specified under WIA, the services available to employers at one-stops include posting job openings, screening job applicants, assisting with downsizing, accessing labor market information, providing information on financial incentives and employee supports,² training services, and making available one-stop facilities.

So that the private sector drives the employment and training activities of the workforce investment system, WIA requires that business representatives lead and constitute the majority of members on state and local workforce investment boards. Each local board is responsible for developing a comprehensive local plan that describes the one-stop

² This information includes financial incentives that encourage employers to hire, such as the Work Opportunity Tax Credit and programs that support employees such as child care and transportation assistance.

delivery system established in a particular local area. This plan must identify the workforce investment needs of area businesses and describe how the board will ensure that one-stop service providers meet these needs. Although Labor oversees the system, states and local areas have flexibility to design and operate their local systems as long as they are not inconsistent with the requirements of WIA.

Labor has several initiatives that were designed, in part, to help one-stop centers model approaches to serving employers. The President's High-Growth Job Training Initiative targets worker training and career development resources toward helping workers gain the skills they need to build careers in fields like health care, information technology, and advanced manufacturing jobs. According to Labor officials, more than 138 High-Growth Job Training Initiative grants have been awarded totaling approximately \$250 million, as of August 2006. The grants are awarded to local workforce investment boards that oversee one-stop centers. The National Business Learning Partnership program was designed to match high-performing local workforce areas with local sites that wish to engage businesses more successfully. As part of this program, a protégé site is matched with a mentor to provide one-on-one consultation, develop a work plan, and support a transition to a demand-driven system. In order to participate in the National Business Learning Partnership program, the workforce investment board overseeing the local one-stop center must submit an application for the low-performing one-stop to become a protégé. Not all who apply are accepted into the program.

While Labor assesses WIA programs through such measures as job seeker employment rates, average earnings, and job retention, only one measure for these programs relates directly to employer services: employer satisfaction. In accordance with an Office of Management and Budget initiative, Labor also assesses workforce programs with common measures, which are similar to some of the WIA measures. However, none relate directly to employer services. To improve the collection of performance information, Labor is in the process of designing a new performance reporting system: the Workforce Investment Streamlined Performance Reporting System, slated for implementation in 2007.

In previous work on employers and one-stops, we found that as a company's size increased, so did awareness and use of one-stop services. Employers were more likely to use hiring services—posting job openings and screening job applicants—than they were to use training services. In general, employers were satisfied with the services they received.

Employers Hired About 9 Percent of 2005 New Hires through One-Stops, Two-Thirds of Whom Were Low-Skilled

Employers responding to our survey hired a small percentage of their workers through one-stops in 2005, about 9 percent.³ This amounted to roughly 1,300 of the 14,500 workers hired by the 80 employers we surveyed who could provide this information. Although some employers had hired a large percentage of their workers through the one-stops, most had hired only a small percentage. In a typical case, a manufacturer hired only 1 of its 21 new hires (5 percent) through one-stops. In a less typical case, a manufacturer hired 250 of its 1,100 new hires (23 percent) by posting all of its job openings with the local one-stop center. According to Labor officials, the size and skills of the local labor pool overall (not just at the one-stops), along with a wide array of other factors, may affect the ability of an employer to hire a large percentage of workers from the one-stops. There were no material differences in hiring patterns for employers of different sizes.⁴

About two-thirds of workers hired through one-stops were low-skilled, according to the employers who provided us with an estimate.⁵ Of the approximately 1,300 workers employers hired in 2005, about 900 were low-skilled.⁶ (See fig. 1.) Employers said they relied on these workers to fill their entry-level positions. Employers in the food service industry hired low-skilled workers from one-stops to fill their cashier and wait staff positions. Another employer, in the manufacturing industry, hired low-skilled workers for entry-level positions on the production floor.

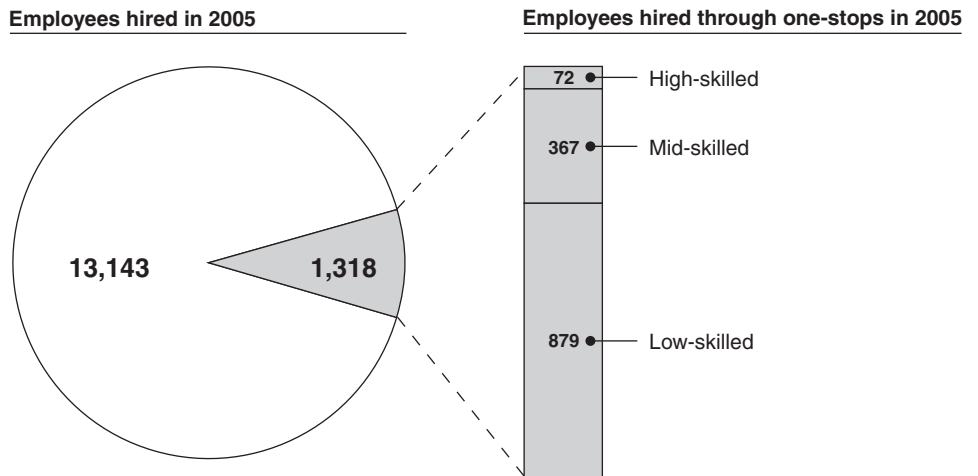
³ The results of our survey cannot be generalized to the universe of businesses that have used one-stops and only represent the views of those who responded to the survey. Our survey respondents are a subset of respondents to a survey we conducted in 2004. In that nationally representative survey, 466 employers told us that they had used one-stop services. We obtained valid e-mail addresses from 178 of these businesses. In some cases employers were unwilling to provide their e-mail address and in other cases the employers were no longer in business. We sent a Web-based survey to these 178 businesses and later attempted to contact an additional 25 small businesses. We received completed surveys from June through September 2006 from a total of 113 businesses. Appendix 1 contains additional information on the limitations of our survey methodology.

⁴ We found no significant differences in hiring patterns between large and medium businesses, and because of the limited number of small businesses, we did not include them in the analysis.

⁵ A low-skilled worker, for the purposes of our survey, is a worker with a high-school education, its equivalent in training, or less.

⁶ Across all sources, including one-stops, 54 percent of those hired were low-skilled, 26 percent were mid-skilled, and 19 percent were high-skilled.

Figure 1: Employees Hired through One-Stops

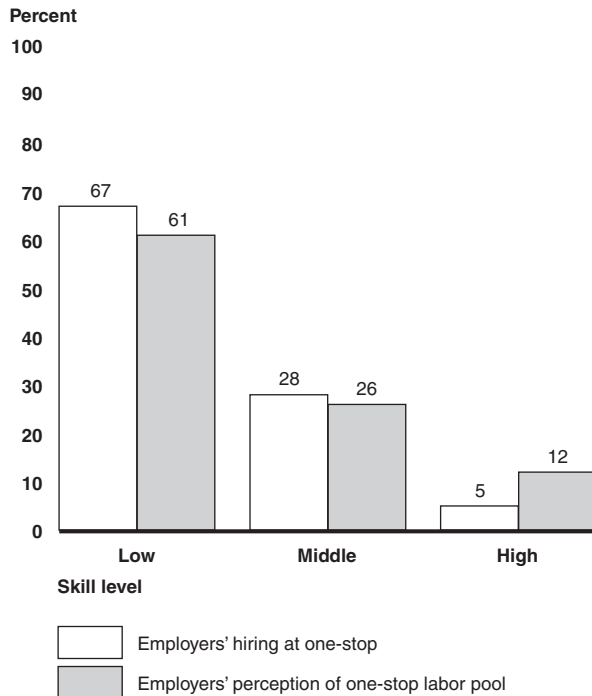


Source: GAO 2006 survey of business establishments.

Note: This information cannot be generalized to all employers who use one-stop services. The numbers used in this graphic are from those employers who could provide us with estimates, 80 of the 113 employers who completed our survey.

Some of the employers completing our survey reported that they had used one-stops to hire mostly low-skilled employees, in part because they thought it was mostly low-skilled workers who were available from the centers. Based on their interactions with one-stops, employers characterized the labor pool at one-stops as being, on average, 61 percent low-skilled, 26 percent mid-skilled, and just 12 percent high-skilled. With the exception of high-skilled workers, these percentages closely mirror the proportion of workers at various skill levels that they actually hired through the one-stops in 2005. (See fig. 2.) Although many indicated a willingness to hire more job seekers from the one-stops, some questioned whether such hires would be qualified. For example, an employer in Green Bay, Wisconsin, told us that he had a difficult time filling his open positions for welders and would be more than willing to hire from the one-stop center if it had qualified job seekers.

Figure 2: Comparison of Actual Hiring through One-Stops with Employers' Perceptions of the One-Stops' Labor Pool

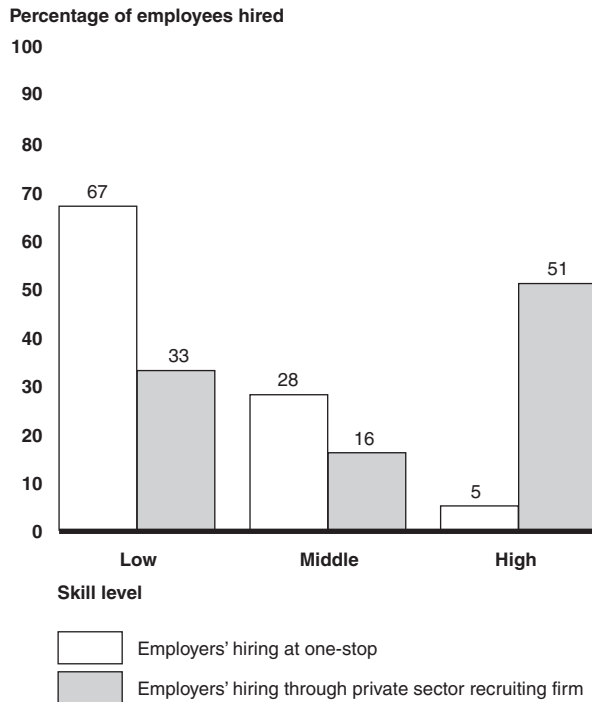


Source: GAO 2006 survey of business establishments.

Note: This information cannot be generalized to all employers who use one-stop services. The numbers used in this graphic are from those employers who could provide us with estimates, 80 of the 113 employers who completed our survey. Because of rounding, percentages for employers' perceptions do not sum to 100.

A greater proportion of the workers that employers hired through private sector recruiting firms were high-skilled, in comparison to the proportion they hired in the one-stop. Specifically, 51 percent of the workers they hired through the private sector recruiting firms were high-skilled in comparison to 5 percent of the workers they hired through one-stops. (See fig. 3.) Employers told us they used private sector recruiting firms either to find employees with specific expertise and experience or when they had a difficult time finding employees. For example, a financial services business used private sector recruiting firms to search for new executives. Another said these firms were only used when it was not possible to fill an open position after a reasonable period of time.

Figure 3: Proportion of Skilled Workers Hired through One-Stops and through Private Sector Recruiting Firms



Source: GAO 2006 survey of business establishments.

Note: This information cannot be generalized to all employers who use one-stop services. The numbers used in this graphic are from those employers who could provide us with estimates, 80 of the 113 employers who completed our survey.

Despite their perceptions of skill levels available through the one-stops, employers completing our survey seemed willing to recruit from any source if there were qualified employees available. Many said they attempted to recruit employees from a variety of sources, including one-stops, and hired the best applicant from any of such sources. For example, one said the firm had listed all of its job openings with the local one-stop, but ended up finding most employees through employee referral and walk-ins. Another employer that hired through employee referrals provided a bonus to workers who referred new employees to the company. In addition to having workers approach them, some employers also recruited workers directly from colleges and universities. Another said it used newspapers and the one-stop center and found employees from both. According to Labor officials, generally the most effective recruitment strategy is word-of-mouth through friends and relatives.

Employers Mostly Used Job Posting Services and Generally Reported That Using Any Service Produced Positive Results

Employers completing our survey primarily used only one of the seven services generally available through the one-stop, the job posting service. However, when employers did take advantage of a service, in general they reported that it was useful because it produced positive results, such as a pool of applicants larger than would have been available otherwise. Employers also reported positive experiences in terms of interacting with one-stop staff, as well as savings in time and money. Employers who did not use a particular one-stop service reported that they were either not aware that it was offered, obtained the service elsewhere, or had carried through on their own.

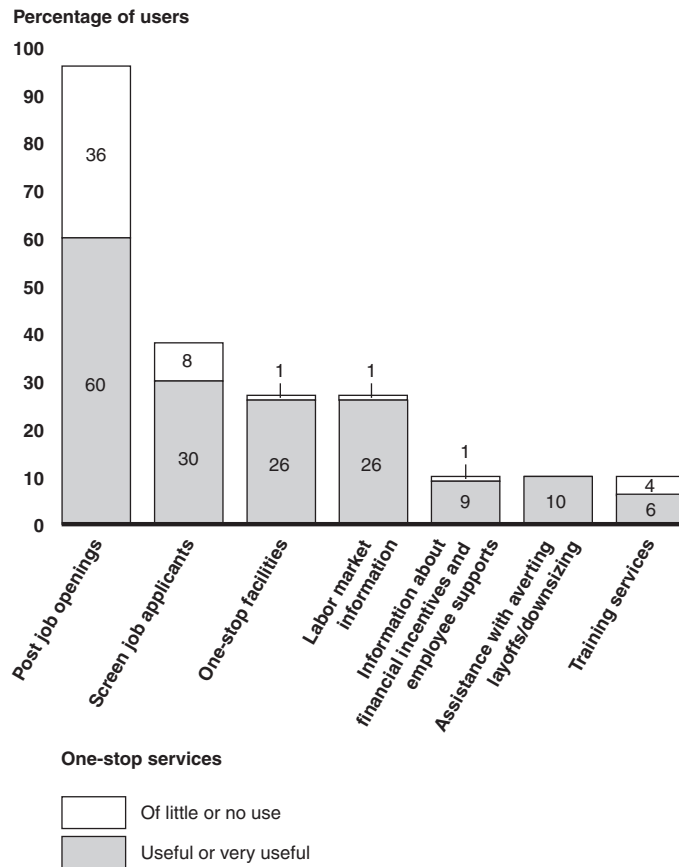
Employers Often Used One-Stops' Job Posting Service, and Less Frequently Used Other Available Services

Of all services offered by one-stops, the one most often used by employers we surveyed was posting jobs.⁷ Other services, such as screening applicants, using one-stop facilities, and using labor market information, were used less. A small fraction of employers we surveyed used information about financial incentives, assistance with downsizing and averting layoffs, or training services.⁸ (See fig. 4.)

⁷ Because the number of employers who used a service was often small, we could not determine if there were material differences in the type of one-stop service used by employer size.

⁸ As would be expected, some services, such as assistance with averting layoffs or downsizing, are not very often needed by employers.

Figure 4: Percentage of Employers That Used Each One-Stop Service in 2005 and How They Rated Its Usefulness



Source: GAO 2006 survey of business establishments.

Note: This information cannot be generalized to all employers who use one-stop services. To calculate the percentage of employers that used each one-stop service, we divided the number of employers who reported using each service by the number of employers who reported using any service in 2005, 81 of the 113 employers who completed our survey.

Employers Generally Reported That Using One-Stop Services Produced Positive Results, with the Exception of Posting Job Openings, where Results Were Mixed

Most employers who posted jobs with the one-stop said the service was useful. However, others found that it did not produce the candidates they needed. Most of those who used the job posting service said that it was useful or very useful because it increased the size of the audience they were able to reach and resulted in a greater number of job applicants. A company official at one mid-sized medical laboratory characterized one-stops as a place where “almost anyone would go to find a job,” and said posting jobs with the one-stop enabled the lab to reach a large and diverse audience. For one small business manager, posting jobs with the one-stop

produced about 900 applications. For some employers, however, a greater number of applicants, in and of itself, was not productive. About one-third of employers posting jobs with the one-stop did not find it to be useful. The owner of a mid-sized manufacturing company in Wisconsin echoed the experiences of others in telling us that when he posted a job opening with the one-stop it did not generate the applicants who had the qualifications he needed.

Although fewer in number, employers who screened applicants or accessed labor market information through the one-stop or who used one-stop facilities said these services were useful. Of those who found screening services useful, most said that it increased the number of job seekers with the skills they needed. One large retail company was able to hire over 500 new employees as a result of prescreening interviews and background checks performed by the one-stop. In another case, a mid-sized manufacturing company said the one-stop's screening service saved the company time by reducing the applicant traffic in the office. Of those who found it beneficial to use the one-stop centers' facilities, most said it provided a convenient location for recruiting. One mid-sized manufacturing firm told us that the one-stop facilities provided a central location where the employer could accept applications, conduct testing sessions, and make photocopies of relevant documents. Another employer told us that using the one-stop's facilities enabled the company to continue recruiting employees while the business's building was under construction. Most of those who found labor market information useful said it helped the firm set wage rates and comply with prevailing wage requirements.

Although used by few, training services and information about financial incentives and employee supports were also useful to the employers we surveyed. Employers that found training services to be useful said it was because they improved their employee skills.⁹ For example, 40 entry-level employees at a large manufacturing firm learned to read blueprints and acquired other skills highly valuable to the company through training arranged by the one-stop. According to the human resources manager, these employees were better positioned for advancement in their careers as a result. Of those who said information about financial incentives and employee supports was useful, most pointed to the fact that it was

⁹ Training services can be provided at the one-stop center or through some other entity, such as a community college.

appropriate to the needs of their establishment or employees. One small business employer said that his local one-stop coordinated potential candidates for tax credits and made his employees aware of programs that could help the company. He cited these services as one of the reasons his business would be looking to expand in the area served by this one-stop center.

While few of those we surveyed had used a one-stop's help in downsizing or averting layoffs, those that did said that they found this service useful or very useful. Specifically, almost all said the one-stop's assistance helped them comply with federal laws regarding downsizing and resulted in more employees finding new employment after downsizing than would have otherwise occurred. In one case in 2005, one-stop officials met with a group of about 50 workers laid off by a large manufacturing firm in Indiana and told the workers about how to access the one-stop's search assistance and training opportunities. According to the human resource manager, the one-stop's help spared him from fielding multiple queries about job search services. In addition, he said the one-stop staff gave the laid-off employees direction and encouragement toward new employment opportunities.

Employers Who Used One-Stop Services Generally Reported Positive Experiences in Terms of Effort, Staff Interaction, Time, and Savings

Many employers who responded to our survey said that the amount of effort required to work with the one-stops was reasonable. Most of those we surveyed said it was easy or very easy to use one-stop services. Few complained about excessive paperwork or other administrative requirements associated with one-stop services. Some employers we interviewed recalled doing very little paperwork.

Employers were also generally positive about their interactions with one-stop staff. Among those who answered our survey question on staff interaction, about 70 percent rated staff highly on their professionalism. The employers we interviewed on our site visits said that being familiar with one-stop staff was valuable to them and added that their one-stop contact was professional and responsive. Several said they felt very comfortable asking their one-stop staff member for any assistance.

Employers also said that one-stop services had saved them time and money. Using one-stop facility and screening services allowed employers to recruit new workers more quickly and efficiently, thereby saving time. Many employers noted that one-stop services, which generally are free of charge, had saved them money. One employer said the one-stop's meeting rooms, high-speed Internet access, photocopying assistance, and other services helped him save his company almost \$2,000. He contrasted his

experience with that of other company franchises that had paid hotels or others for such services.

For Services They Did Not Use, Employers Reported Either Not Knowing about Them, Finding Them Elsewhere, or Providing Them on Their Own

Many of the survey respondents who did not use one-stop services said it was because they did not know the one-stop offered these services. On average, about one-quarter of employers who did not use a particular one-stop service said it was because they did not know it was available. Employers cited training services and information about financial incentives and employee supports as the two services they were least aware of and thus among those used the least.

Some employers looked elsewhere for services that were also available at one-stop centers. For example, many employers accessed labor market information from sources other than the one-stops, such as information available from educational organizations or professional associations. Also, 35 percent of employers who did not post jobs with the one-stop reported posting jobs through other outlets, such as through private sector recruiting firms, newspapers, the Internet, and using word-of-mouth (other employees). In our discussions with employers, some said they need to tap all resources available to find qualified employees.

It was also the case that employers did not use some services that involve activities they generally do on their own. With regard to training, for example, one employer said that making musical instruments requires training by a seasoned instrument maker. While about one-third of employers used screening services, over 70 percent of those who did not said it was because they do their own screening internally.

One-Stop Service to Employers May be Affected by Limited Skills in Their Labor Pool, Limited Staffing, and the Lack of Employer-Related Performance Information

At least three factors may affect one-stops' service to employers. The first of these is the skill set of the labor pool, which some officials characterized as low or lacking the specialization some employers requested. Part of the challenge, according to others, is that employers may perceive the skill level as lower than it actually is. One-stop officials cited the limited number of staff as a second factor that affects their service to employers. The fact that Labor collects limited information on employer engagement in the one-stop system is a third factor that may also affect one-stops' service to employers. While Labor has launched initiatives to better meet employers' needs for workers, such as the High-Growth Job Training Initiative, the one-stops we visited were not significantly affected by them.

Skills of the Labor Pool May Make It Difficult for One-Stops to Meet Demand for Skilled Workers

The one-stop officials we interviewed cited the skills of the labor pool available through the one-stop as one of their top challenges in providing employers with qualified applicants. Whether the problem is that the labor pool is low-skilled, lacks the specific skills, or is misperceived by employers is difficult to determine. Some officials cited the low skill level or lack of education in their labor pool, while others cited the lack of specialized skills needed by employers. On average, officials estimated that about one-third of their labor pool was low-skilled, with these estimates ranging from 8 percent to 85 percent. A one-stop official noted that it was difficult to provide employers with applicants that met employers' minimal requirements for having at least a high school or general equivalency diploma. Other officials told us they do not have enough skilled workers to supply the needs of the businesses in their areas. For example, a one-stop official explained the difficulty in filling an employer's need for workers experienced in mixing batches of cosmetics.

When told that employers in our survey used the one-stop to hire mostly low-skilled workers, some of the one-stop officials we interviewed said that to some degree employers can misperceive the skills of the one-stop labor pool. They noted that employers may not see skills as transferable to their particular needs. For example, a one-stop official told us that when skilled workers were recently laid off at a tubing manufacturing company, other local employers viewed them as low-skilled because the applicability of their skills to other jobs in the labor market was not readily apparent. Other one-stop officials stated that employers may characterize the one-stops' labor pool as low-skilled because high-skilled or professional job seekers do not necessarily tell employers that they have used the local one-stop center. According to a one-stop official, high-skilled job seekers are more likely to say that they found the job posting on the Internet

because they want to convey the impression that they did not need assistance. In addition, one-stop staff suggested that some employers may perceive the labor pool as low-skilled because of a lack of applicant screening by the one-stop. One-stops provide screening services in varying degrees. In cases where the one-stop did not screen, employers seeking high-skilled workers may be overwhelmed by the number of low-skilled job seekers applying for open positions.

A Limited Number of One-Stop Staff Are Available to Serve Employers, but One-Stops We Visited Generally Did Not Leverage Additional Private Sector Funding to Increase Staff or Resources

According to most of the one-stop officials we interviewed, another challenge they faced was the lack of staff available to serve employers. Staff at one-stops must serve both employers and job seekers with the staff time and funding available to them. While some officials told us that services to employers and job seekers complement each other, others said that their staff primarily serve job seekers and serve businesses as a collateral duty. In fact, half of the one-stop centers we interviewed had no staff dedicated exclusively to serving employers. One official told us that in addition to serving job seekers, he went door to door to local businesses in the area to promote one-stop employer services because he had no staff dedicated to doing so. The other half of the one-stop centers we visited dedicated at least one person to serving employers full-time. The fact that employers expressed satisfaction with one-stop staff would suggest that at least for them levels of staff weren't an issue. Nonetheless, all of the one-stop officials we spoke with agreed that if they were provided with more funding, they would expand services to employers. Some either said they would use funding to hire additional staff devoted to employer services or they would increase one-stop service offerings to employers like training for their incumbent workers.

Although a practice we identified as promising—leveraging private sector funding—could be used by one-stops to hire more staff, most officials we interviewed stated that they had not done so.¹⁰ Six of the 10 one-stops we visited did not receive any funding of this type. The 4 one-stops that did receive private sector funding charged a fee for services or to use the facility. Each received less than \$10,000 per year, an amount described by

¹⁰ WIA authorizes local boards that manage one-stops to solicit funds from employers and/or have one-stops offer services for a fee to employers. We identified this as a promising practice in the following report: GAO, *Workforce Investment Act: One-Stop Centers Implemented Strategies to Strengthen Services and Partnerships, but More Research and Information Sharing Is Needed*, [GAO-03-725](#) (Washington, D.C.: June 18, 2003).

some of these officials as minimal. When asked why they had not received private sector funding, one-stop officials we interviewed stated several reasons, including hesitancy to solicit funds in addition to tax dollars already paid by businesses as well as lack of expertise and knowledge regarding how to solicit private sector donations.

The Lack of Employer-Related Performance Information That Labor Collects May Affect How One-Stops Serve Employers

Labor has limited information about employer engagement in the one-stop system. Although Labor measures employers' satisfaction, this measure does not provide information on how employers use the system. Labor officials told us that they do not rely on this information for any purpose, and as we previously reported, the information is too general for states and local areas to use. We recommended, at that time, that Labor require states to collect and report on employer use of the workforce system.¹¹ Labor was developing a new data collection and reporting system that it has since discontinued and replaced with a new system still under development. Labor officials told us that their latest data collection system will generate information on employers' use of one-stop services, and will be implemented in program year 2007. However, this remains to be seen. Moreover, it is not clear that Labor will use this information to measure employer engagement.

Some one-stop officials we spoke with acknowledged that there is a need for performance measures related to employer services. Officials at several one-stop centers we visited also recognized that performance information Labor collects focuses on services to job seekers and not employers. Several one-stop officials stated that some basic measures are necessary to tie one-stop staff effort to employer outcomes and that if Labor were to collect such information, doing so might influence how they serve employers.

Although Labor does not require that one-stops collect performance information related to employer services, officials at many of the one-stops we visited, recognizing its importance, collected such information. Eight out of the 10 one-stops collected some type of performance data on their services to employers in order to assess how well they were serving employers in their local area. This included the number of new employers using the one-stop services, number of hires, repeat usage rate, self-service versus staff-assisted services, and number of on-site recruitments. Officials

¹¹ See [GAO-05-259](#).

said they use this information to plan outreach and to assess progress toward achieving performance goals. For example, a one-stop official said, “We use the data to see who is using us and who is not and try to figure out the reason,” which suggests the value of this information for getting more employers to use the one-stops.

Most of the One-Stop Officials We Interviewed Reported That Labor Initiatives on Employer Services Had No Impact on Their Capacity to Serve Employers

Labor initiatives intended to increase one-stop capacity to serve employers may have limited reach, at least until greater dissemination occurs. Two of the 10 local workforce investment boards we visited received High Growth Job Training Initiative grants, and none participated in the National Business Learning Partnership program. According to the officials whose boards received grants, the funding was helpful because it increased the resources available to help address the needs of employers. One-stop centers whose local boards did not receive any program grants told us that the initiatives, which are intended to disseminate information in general, have not helped them build their capacity to serve employers. In those cases where a board did not seek a grant or participate in the programs, any potential impact may depend on the efforts of local officials to seek out program information. Labor has taken steps to disseminate findings gained from the National Business Learning Partnership by publishing case studies that exemplify various best practices approaches to serving employers. Officials from Labor also stated that they educate one-stop officials and others about their initiatives through a Web site.

Conclusions

WIA promoted greater employer engagement, in part, by calling on the one-stop center system to help meet employers’ workforce needs. While neither the act nor Labor regulations specify their level or range, employer services are clearly part of this equation. While there are many ways that employers might be engaged, our findings raise questions about the extent to which it is occurring via service to employers. Although employers we contacted found one-stop services useful, a lack of qualified applicants, and misperceptions about applicants’ skill levels and a lack of awareness of some services had the potential to negatively affect their engagement with the system. This is all the more important because they represent a subset of all employers—those that actually used the one-stops. The fact that employers hired such a small percentage of their hires through the one-stop, coupled with the finding from our previous work that small employers are less likely to be aware of the one-stop services available to them, could mean that small employers in relation to large employers are even less engaged in the system.

Beyond this, there is another and greater indication that employers are not central to the system, in that Labor has not attempted to measure their engagement. Labor officials acknowledge that they do not use their single measure related to employers—satisfaction—but also acknowledge the importance of having information about employers’ engagement in the system. Without such information, it is not possible to understand the extent to which employer involvement is helpful to job seekers or to employers, to know what role employers can play in achieving success for the one-stop delivery system, or to determine what, if anything, should be done to improve employer engagement. While Labor has said that its new data collection system will collect information on employer use of services, it is not clear if Labor will use this information to measure employer engagement in the one-stop system.

Recommendations for Executive Action

To ensure that Labor has a better understanding of the extent that employers are engaged in the workforce system, we recommend that the Secretary of Labor follow through with plans to collect information on employers’ use of one-stop services and develop a way to measure employer engagement in the workforce investment system as part of the department’s performance reporting system.

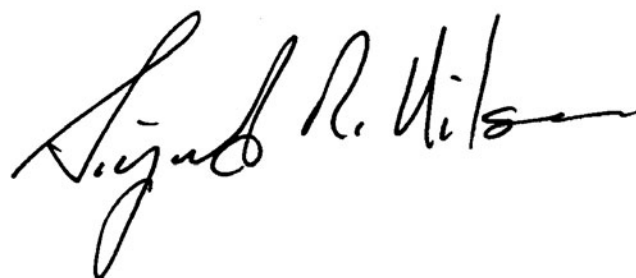
Agency Comments

We provided a draft of this report to Labor for review and comment. In its comments, Labor acknowledged the limited data available on employers’ use of one-stop services and noted its intent to collect additional employer data through a new performance reporting system beginning July 1, 2007. While Labor noted that our sample did not allow for generalizations, it said our report highlighted issues that the Employment and Training Administration has been engaged in tackling for the past few years. A copy of Labor’s response is in appendix II.

Labor also provided technical comments on the draft report, which we have incorporated where appropriate.

We will send copies of this report to the Secretary of Labor, appropriate congressional committees, and other interested parties. In addition, the report will be available at no charge on GAO’s Web site at <http://www.gao.gov>.

A list of related GAO products is included at the end of the report. If you or your staff have any questions about this report, please contact me at (202) 512-7215. You may also reach me by e-mail at nilsens@gao.gov. Key contributors to this report are listed in appendix III.

A handwritten signature in black ink, reading "Sigurd R. Nilsen". The signature is written in a cursive style with a long, sweeping underline.

Sigurd R. Nilsen
Director, Education, Workforce,
and Income Security Issues

Appendix I: Objectives, Scope, and Methodology

Our objectives were to determine (1) the extent to which employers, both large and small, hire their employees through one-stops; (2) the extent to which these employers view one-stop services as useful; and (3) factors that may affect one-stop service to employers. To answer these questions, we conducted a Web-based survey of employers, visited one-stop career centers, and interviewed Labor officials and officials from other organizations with knowledge of workforce programs. See below for more detailed information on each of these aspects of our research. We performed our work from December 2005 through October 2006 in accordance with generally accepted government auditing standards.

Survey of Employers

In order to obtain a list of employers who had used one-stop services, we built upon a previous survey effort. This previous survey of employers was conducted in July through October of 2004. During this previous effort, 1,356 respondents completed surveys. The overall response rate to this previous survey was 54 percent. On the basis of an analysis of characteristics of responding and nonresponding employers, we concluded that the results of the respondents could be considered as being nationally representative of all employers with regard to issues such as whether or not they knew about one-stops, knew about the one-stops in their area, and knew about the services available at one-stops. In this earlier effort, 466 of the 1,356 business establishments that were surveyed indicated that they were users of one-stop services.

For this study, a contractor attempted to contact each of these 466 employers and obtain their e-mail addresses for the Web-based survey. Of the 466 employers contacted, the contractor obtained e-mail addresses from 178. In some cases employers were unwilling to provide their e-mail address and in other cases the employers were no longer in business. We sent a Web-based survey to these 178 businesses and later attempted to contact an additional 25 small businesses. We received completed surveys from June through September 2006 from a total of 113 businesses in three size categories: 14 small, 48 medium, and 51 large.

The results of this survey are not nationally representative and cannot be generalized to the universe of U.S. private sector businesses that have used one-stops because of the small size of our survey population and possible response bias. While the 1,356 responding businesses in the earlier effort were considered representative for the purposes of our earlier survey, the 466 responding businesses that used one-stops may or may not have been representative of such businesses nationally. Businesses that had used the services of one-stops and that had favorable

experiences might have been more familiar and more likely to be willing to take time and report on their experiences. Conversely, businesses that had unfavorable experiences might also be more likely to report on their experiences to make them known. Therefore, the 113 businesses we contacted in this effort may reflect a group of respondents whose aggregate views may not accurately reflect all businesses' experiences with one-stops in the country.

For the small businesses we attempted to survey, we could not reach many of them because of business closure and employee turnover. We attempted to survey 42 small businesses that had used one-stop services in the past, but only received completed surveys from 14. In addition to contacting these employers by phone to encourage their participation in our survey, we also mailed letters and e-mailed messages in cases where we obtained their e-mail addresses. We were able to identify 10 small businesses in our sample that were out of business, had sold the business to new owners, or had new employees that do not currently use the one-stop centers.

The 80 employers included in our analysis of hiring patterns are those whose reported total hires in 2005 were within plus or minus 10 percent of the sum of their hires through one-stops, the private sector, and other sources. For some of these employers, the number of workers they reported hiring at three skill levels did not match the number of workers they hired from each source. For these employers, we compared results excluding them with results leaving them in. The results were roughly the same. The comparisons of hiring patterns for large and medium businesses were assessed by comparing the median values of the proportion (employees hired through one stop over total hires) using the nonparametric Wilcoxon Rank sums test.

In addition to survey nonresponse, the practical difficulties of conducting any survey may introduce other types of errors, commonly referred to as nonsampling errors. For example, differences in how a particular question is interpreted, the sources of information available to respondents in answering a question, or the types of people who do not respond can introduce unwanted bias into the survey results. We included steps in the development of the survey, the collection of data, and the editing and analysis of data for the purpose of minimizing such nonsampling error. For example, in cases where an employer gave an answer other than the choices provided, we reviewed, verified, and then categorized each answer.

Site Visits

We also visited eight one-stop career centers in four states: California, North Carolina, Wisconsin, and Wyoming, and by phone interviewed officials in two one-stop centers in Pennsylvania. We selected Wyoming for a rural perspective and the 4 other states because they had the most employers that had used one-stop services in a national survey we conducted in 2004. In each state we visited two one-stop centers selected to provide a mix of urban, suburban, and rural areas. At each one-stop center we visited, we spoke with relevant one-stop center officials and at least one employer that used the one-stop’s services. In preparation for each site visit, we sent officials in each one-stop center a list of structured questions that they answered in advance of our meeting with them. We then used these questions and responses to guide our discussions with and gain further clarification from one-stop officials during our site visits. In some cases, officials from the Local Workforce Investment Boards also participated.

Table 1: One-Stop Centers We Visited

State	City	Local board	One-stop center
California	El Centro	Workforce Investment Board of Imperial County	Imperial County One-stop Business and Employment Services
California	San Diego	San Diego Workforce Partnership, Inc	Metro Region Career Center
North Carolina	Charlotte	Charlotte-Mecklenburg Consortium	Charlotte JobLinks
North Carolina	Lincolnton	Centralina Workforce Development Board, Inc.	Lincoln County JobLink Career Center
Pennsylvania	Norristown	Montgomery County Workforce Investment Board	PA CareerLink Montgomery County–Norristown
Pennsylvania	Philadelphia	Philadelphia Workforce Investment Board	PA CareerLink Philadelphia North
Wisconsin	Green Bay	Bay Area Workforce Development Board, Inc.	Brown County Job Center
Wisconsin	Walworth County	Southeastern Wisconsin Workforce Development Board	Walworth County Job Center
Wyoming	Jackson	[Note: Wyoming has one state workforce board that oversees all one-stops]	Jackson Workforce Center
Wyoming	Riverton	[Note: Wyoming has one state workforce board that oversees all one-stops]	Riverton Workforce Center

Source: GAO.

Interviews with Labor Officials and Others

We interviewed Department of Labor officials who are responsible for overseeing the operation of the one-stop system. In addition, we interviewed employer groups and workforce organizations to determine perspectives on how the workforce system serves employers. We interviewed representatives from the following organizations:

**Appendix I: Objectives, Scope, and
Methodology**

-
- U.S. Chamber of Commerce's Center for Workforce Preparation,
 - National Association of Manufacturers' Center for Workforce Success,
 - Jobs for the Future, and
 - National Association of State Workforce Agencies.

Appendix II: Comments from the Department of Labor

U.S. Department of Labor

Assistant Secretary for
Employment and Training
Washington, D.C. 20210



DEC 12 2006

Mr. Sigurd R. Nilsen
Director
Education, Workforce and Income Security Issues
U.S. Government Accountability Office
441 G Street, NW
Washington, D.C. 20548

Dear Mr. Nilsen:

The Department of Labor appreciates the effort made by the Government Accountability Office (GAO) to develop data as part of its study on employer usage of One-Stop Career Centers under the Workforce Investment Act. We understand that the study was difficult to conduct due to the limited data sources available to GAO during the process. While the survey process was the obvious choice for collecting additional data, the limited sample size and response to the survey prevent any generalizations to the workforce system as a whole, particularly given the decentralized nature of the system. It is important to note that on November 6, 2006, the Department published in the Federal Register its intent to collect additional employer data through the new Workforce Investment Streamlined Performance Reporting system beginning July 1, 2007.

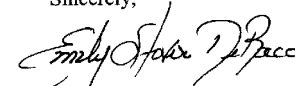
Even with the limited methodology, the report highlights a number of “legacy” issues regarding the workforce investment system, most notably: (1) its lack of a demand-driven approach to workforce investment, that is, seeing employers as important customers who drive investments and service delivery design in a regional labor market; (2) not approaching workforce investment with an industry focus strategically tied to regional economic growth; and (3) not positioning One-Stop Career Centers as service delivery points in regional economies designed to provide all individuals access to high quality career information and lifelong learning opportunities. The Employment and Training Administration has been very engaged in tackling all of these issues for the past few years, in particular through the President’s High Growth Job Training Initiative, the Community-Based Job Training Grants and the Workforce Innovation in Regional Economic Development (WIRED) effort.

In addition, the Administration has remained steadfast that statutory reforms are needed as part of Workforce Investment Act reauthorization to ensure that a greater number of individuals are served and are truly being prepared for jobs in the current economy as well as into the future. This in turn will better meet the needs of our nation’s employers and help them remain viable in the global economy. The President’s proposal includes greater flexibility through consolidation of funding streams and implementation of Career Advancement Accounts (CAAs), which are self-managed accounts designed to help out-of-school youth, dislocated workers, incumbent workers and others gain access to post-secondary education and training to advance their skills and careers.

**Appendix II: Comments from the Department
of Labor**

If you would like additional information, please do not hesitate to call me at
(202) 693-2700.

Sincerely,



Emily Stover DeRocco

Appendix III: Contact and Staff Acknowledgments

GAO Contact

Sigurd Nilsen, (202) 512-7215 or nilsens@gao.gov

Staff Acknowledgments

Patrick di Battista, Assistant Director, and Paul Schearf, Analyst-in-Charge, managed this assignment. Tina Paek and Rosemary Torres Lerma made significant contributions throughout the assignment. Walter Vance provided methodological assistance. Susan Baker, Stefanie Bzdusek, and Cathy Hurley contributed to the administration and analysis of our employer survey. Susan Bernstein and Susannah Compton helped develop the report's message. Jessica Botsford and Richard Burkard provided legal support.

GAO Related Products

Trade Adjustment Assistance: Most Workers in Five Layoffs Received Services, but Better Outreach Needed on New Benefits. [GAO-06-43](#). Washington, D.C.: January 31, 2006.

Workforce Investment Act: Labor and States Have Taken Actions to Improve Data Quality, but Additional Steps Are Needed. [GAO-06-82](#). Washington, D.C.: November 14, 2005.

Workforce Investment Act: Substantial Funds Are Used for Training, but Little Is Known Nationally about Training Outcomes. [GAO-05-650](#). Washington, D.C.: June 29, 2005.

Workforce Investment Act: Labor Should Consider Alternative Approaches to Implement New Performance and Reporting Requirements. [GAO-05-539](#). Washington, D.C.: May 27, 2005.

Workforce Investment Act: Employers Are Aware of, Using, and Satisfied with One-Stop Services, but More Data Could Help Labor Better Address Employers' Needs. [GAO-05-259](#). Washington, D.C.: February 18, 2005.

Workforce Investment Act: Labor Has Taken Several Actions to Facilitate Access to One-Stops for Persons with Disabilities, but These Efforts May Not Be Sufficient. [GAO-05-54](#). Washington, D.C.: December 14, 2004.

Workforce Investment Act: States and Local Areas Have Developed Strategies to Assess Performance, but Labor Could Do More to Help. [GAO-04-657](#). Washington, D.C.: June 1, 2004.

Workforce Investment Act: Labor Actions Can Help States Improve Quality of Performance Outcome Data and Delivery of Youth Services. [GAO-04-308](#). Washington, D.C.: February 23, 2004.

Workforce Investment Act: One-Stop Centers Implemented Strategies to Strengthen Services and Partnerships, but More Research and Information Sharing Is Needed. [GAO-03-725](#) and related testimony [GAO-03-884T](#). Washington, D.C.: June 18, 2003.

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