

U.S. labor exchange

Labor Exchange Policy in the United States. By David E. Balducchi, Randall W. Eberts, and Christopher J. O'Leary, eds. Kalamazoo, MI, W.E. Upjohn Institute for Employment Research, 2004, 295 pp., \$45/cloth; \$20/paperback.

Labor Exchange Policy in the United States pools the extensive knowledge of twelve experts to create the single most reliable source of current information about job matching and other aid provided by U.S. public labor exchanges. Much of the book's potency derives from six authors being U.S. Department of Labor analysts experienced in advising policymakers; and six coming from nonprofit institutions whose research has helped shape policy.

The greatest strength of the book is its discussion by eyewitnesses of the controversies over the following: (a) devolving the State-Federal Employment Service (ES) to local control, and (b) creating meaningful ES performance measures. The book also is notable for presenting important facts about: (c) the functions of public labor exchanges; (d) how those functions can serve the public interest; (e) the impact of those functions; (f) the rise of computer-related technologies in providing labor exchange services; (g) integrating employment and training services in One-Stop centers; and (h) how the ES in the United States compares to exchanges in other developed countries.

What the book does best is "describe the evolution ... [and] the effectiveness of labor exchange policy." The first-rate evidence and analysis will be of enormous value to experts advising policymakers and practitioners, and help shape research agendas for years to come. However, there may be too little guidance on how to organize the facts for policymakers and practitioners to draw *independent* inferences and to

focus on the key analytic questions that should shape policy.

Chapter 4 illustrates the difference between just presenting evidence and providing crucial insights needed to draw policy-relevant conclusions from the evidence. In that chapter, David Smole presents a lucid discussion of efforts to create ES performance measures. He ends with astute suggestions to guide future efforts. Furthermore, this chapter is especially useful for shaping policy because the author notes:

"Like the WIA performance measures, the labor exchange performance indicators merely capture the outcomes that occur following a job seeker's registration with the labor exchange. A registered job seeker may enter employment and remain employed as a direct result of using the labor exchange or despite it. Without applying techniques such as comparison group design ... the degree to which the public labor exchange improves the job-matching process remains uncertain."

In my view, these three sentences bind together fact and theory to make it crystal clear what policymakers and practitioners should be looking for when developing performance measures.

In contrast, the last sentence of chapter 4 implies that measures which fail to capture the added value of labor exchange services would be "a valuable tool for effective program ... management." How can that be? Here the author needs to clarify the not so subtle distinction between having no indicators and no goals, and having a system that identifies ways to serve workers and firms more effectively.

Short descriptions of the framework analysts use to address key issues would greatly complement outstanding discussions of relevant evidence throughout the book. For example, in

chapter 1, Randall Eberts and Harry Holzer excellently describe the mission and evolution of U.S. employment and training programs, as well as how public labor exchanges complement other job search methods. However, they don't make it clear that the issue of central importance is whether public labor exchanges provide cost-effective services that would not be available otherwise. Instead, they question the effectiveness of public labor exchanges based on inconclusive evidence, such as an increase in educational attainment reducing the need for the ES.

Alerting the reader to the core questions that determine program effectiveness is precisely the type of insight needed to help policymakers and practitioners make informed decisions. Development of such a framework also would help analysts recognize which questions have been adequately answered and where additional information is needed.

Christopher O'Leary is given the central task of examining formal evaluations of the value-added of ES job-referrals and monitoring claimant job search. He provides an outstanding discussion of the measurement issues, and clearly summarizes the most relevant literature in chapter 5. His conclusions emphasize that the ES in the United States serves more than 19 million customers, at a cost of about \$800 million, giving it the number 1 ranking in people served, but only the number 8 ranking in cost among Federal programs. He states that his review "suggests that many of the services of the ES are cost effective" but that many services have not been studied. He then describes topics that merit further study, such as the effectiveness of automated self-help and staff assistance.

O'Leary also raises a thought-provoking point by stating that: "Evaluation research over the past 20 years on ES activities has contributed greatly to the direction of public employment policy." An important example supporting this state-

ment is use of ES staff to screen claimants as part of Worker Profiling and Reemployment Services (WPRS)—an exceptionally productive program built on research funded by the Upjohn Institute and the U.S. Department of Labor. However, his statement brings to my mind the controversy over devolving the United States ES. Do the facts presented in this book contribute to resolving this critically important current question?

David Balducchi and Alison Pasternak provide a fascinating look at the history of the debate and the political factors that underlie the controversy in chapter 2. The concluding chapter describes the current debate. However, the pros and cons are presented in a *point-counterpoint* format, with little attempt to discern the accuracy or relevance of the statements.

I am sympathetic to analysts being reluctant to enter a politically charged debate *directly*. However, there is a big difference between taking sides and objectively defining the questions that should be addressed and citing relevant evidence. Thus, what could be a better test of the book's usefulness for shaping policy than its relevancy for resolving a life or death issue?

In my view, the research cited in the book helped shift the debate from "let's get rid of the ES" to "let's integrate the

ES with other One-Stop partners." It also helped encouraged One-Stops to adopt a work-first approach. However, readers might not see these connections because the book's information is not linked to the questions analysts would address in assessing the effect of giving ES funds to local workforce investment boards (LWIBs) instead of States. The best evidence, a study of what happened in the three States that have devolved control to LWIBs, was completed after this book was written. Nevertheless, we learn from the book that: (1) ES delivers valuable services to millions of jobseekers at low cost, and (2) ES budgets have declined by one-third, but those declines have been partially offset by improvements in technology. Factor 1 suggests that ES services are highly valuable. Factor 2 suggests that jobseekers who cannot be helped by self-help means alone often are unable to obtain needed staff assistance.

Importantly, One-Stops could provide staff assistance with Workforce Investment Act (WIA) funds, but we also learn that: (3) WIA performance standards only apply to intensive services, not to low-cost labor exchange services; (4) access to intensive services is restricted by One-Stops; and (5) WIA performance indicators cannot measure the value of alternative service allocations.

Factor 3 suggests that One-Stops have strong incentives to focus on intensive services. Factor 4 suggests that One-Stops carefully select who gets intensive services. Factor 5 suggests that there are no checks on shifting resources from core to intensive services, even if such shifts would reduce overall effectiveness. Together these factors suggest that there is a danger that, given the opportunity, LWIBs will divert much of the funds currently supporting universal access to job matching aid to helping intensive clients. Thus, the book contains highly relevant facts, but may not have organized them to make their meaning clear to policymakers wanting "to improve the reach and effectiveness of public labor exchange services."

In summary, I thoroughly enjoyed reading *Labor Exchange Policy in the United States* and believe that other analysts will be equally appreciative of the vast amount of information contained in this well-written book. However, the book would be even more valuable if it further connected relevant facts to conceptual frameworks that are meaningful for policymaking, and if it succinctly summarized what crucial facts are widely accepted, in dispute, and need to be developed.

—Louis Jacobson
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