

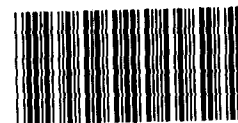
GAO

Report to the Chairman, Subcommittee  
on Employment Opportunities,  
Committee on Education and Labor,  
House of Representatives

August 1991

# EMPLOYMENT SERVICE

## Improved Leadership Needed for Better Performance



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**Human Resources Division**

B-236064

August 6, 1991

The Honorable Carl C. Perkins  
Chairman, Subcommittee on  
Employment Opportunities  
Committee on Education and Labor  
House of Representatives

Dear Mr. Chairman:

This report responds to your request for further information on factors affecting the placement performance of the Employment Service.

As agreed with your staff, unless you publicly announce its contents earlier we plan no further distribution of this report until 7 days after its issue date. At that time we will send copies of this report to the Secretary of Labor; the Director, Office of Management and Budget; and other interested parties.

Please call me on (202) 275-1793 if you or your staff have any questions concerning this report. Other major contributors to this report are listed in appendix VII.

Sincerely yours,

A handwritten signature in cursive script that reads "Franklin Frazier".

Franklin Frazier  
Director, Education  
and Employment Issues

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# Executive Summary

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## Purpose

A strong, internationally competitive economy depends in part on how effectively qualified workers are matched with employer job openings. The federal government supports this process through a network of over 1,700 Employment Service (ES) offices. In program year 1990, ES helped over 3 million people find jobs. However, concerns about the program's effectiveness continue to plague ES. The performance of ES has varied dramatically among state and local offices.<sup>1</sup> Some local offices placed over one-third of their job seekers, while other offices found jobs for less than 10 percent of those who applied for services.

Concerned about ES effectiveness, the Chairman of the House Subcommittee on Employment Opportunities requested that GAO (1) identify factors influencing variations in local ES office placement performance and (2) examine the Department of Labor's role in guiding and monitoring state and local ES program performance.

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## Background

The Employment Service, established under the Wagner-Peyser Act of 1933, operates a labor exchange program to improve the functioning of the nation's labor market by bringing together individuals seeking employment and employers seeking workers. The Social Security Act stipulates that Unemployment Insurance Trust Funds, collected from employers under the Federal Unemployment Tax Act, will finance state ES programs. In 1990, Labor gave states \$779 million in Wagner-Peyser funds for the ES labor exchange program. States also use other federal funds and their own revenues to finance ES programs.

ES is administered jointly by the Department of Labor and the states, although the Congress amended the Wagner-Peyser Act in 1982 to reduce the federal role in program management. The 1982 amendments gave state governments primary responsibility for ES program design and operation. Local ES offices still provide the same basic services—identifying job openings, helping job seekers assess employment opportunities, and matching job seekers with employers. Labor retains responsibility for monitoring compliance with the law and providing technical assistance to help states improve program performance. However, a 1985 Labor study reported that these Labor activities sharply diminished after 1982.<sup>2</sup>

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<sup>1</sup> Employment Service: Variation in Local Office Performance (GAO/HRD-89-116BR, Aug. 3, 1989).

<sup>2</sup> Macro Systems, Inc., Assessment of the Implementation and Effects of the JTPA Title V Wagner-Peyser Amendments, prepared for the Department of Labor, Employment and Training Administration, December 1985.

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GAO analyzed factors associated with variations in ES placement performance using regression and other statistical methods.<sup>3</sup> This analysis considered variations in state management practices and ways local offices provided services, taking into account local economic conditions and differences in population characteristics. GAO obtained performance data from about 1,700 offices, information on management strategies from the 50 states and the District of Columbia, and information on local operations at 438 offices. To assess Labor's role in managing ES, GAO examined current federal oversight and technical assistance given to state programs. GAO's efforts focused on the national office and four regional offices (Atlanta, Boston, Chicago, and Dallas) covering 25 states.

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## Results in Brief

Variations in ES placement performance are related in part to differences in state management strategies and ways services are provided by local offices. For example, states with placement rates that were double those of other states had (1) set measurable performance goals reinforced by awards for achieving results and (2) assessed local office performance through annual on-site visits. GAO also found that offices with better placement performance were more responsive to client needs. Such offices, for example, gave more individualized attention to employers and job seekers and had faster job referral processes.

The Department of Labor has played a limited role in helping states manage their ES programs. Labor's annual program planning, review, and reporting activities focus on state compliance with basic federal requirements, rather than a meaningful assessment of program quality or effectiveness. These activities seldom identified state or local offices with performance problems or uncovered program activities needing improvement. Further, Labor provides little technical assistance to help states improve program performance. Labor's "hands-off" approach stems from a concern about balancing its ES responsibilities against concerns about federal intrusion into state affairs.

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<sup>3</sup>GAO measured ES placement performance using three 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 divided by the average community wage.

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## Principal Findings

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### Focusing on Program Performance Provided Better Placement Results

ES placement performance was better in states that guided ES program performance through (1) measurable goals reinforced by achievement awards and (2) annual on-site evaluations of local office operations. Even in areas of high unemployment, local office placement rates were 80 percent higher in states that adopted both management practices compared with offices in states that did not use either practice.

Measurable performance goals provide a focus or direction for local office staff. Further, evaluating results helps identify areas needing improvement and can provide a basis for rewarding offices that meet or exceed state goals. On-site monitoring further reinforces the importance of strong performance and provides an opportunity for state and local staff to exchange ideas.

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### Client-Oriented Services Related to Better Local Office Performance

Offices that performed better had communicated more frequently with employers, offered more individualized attention to job seekers applying for ES services, and used more effective job matching procedures. For example, offering self-service job information allows job seekers to consider more jobs and helps speed up the referral process. Offices with a self-service system placed 20 percent more applicants in permanent jobs compared with offices where job seekers could only see job lists with help from ES staff. Also, placement rates were 44 percent higher in offices where managers were involved in many client services compared with offices with less manager involvement.

More ES involvement with other job training programs also was associated with better performance. Most likely, this provided ES with a larger pool of qualified job seekers to meet the skill requirements for job openings. For example, offices with more interaction with the Job Training Partnership Act program for the disadvantaged had a 7 percent higher placement wage ratio compared with offices having little interaction with these programs.

Placement rates were about 20 percent higher in ES offices located apart from the Unemployment Insurance office compared with locations where these offices were collocated and shared the same manager. This split may cause ES to be recognized more as an “employment” than an “unemployment” office, thus making the office more attractive to employers and job seekers.

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## Limited Federal Role Does Little to Strengthen Program Performance

While ES programs in some states have flourished without Labor's technical assistance, wide variations in local office performance indicate that active assistance from Labor may help to improve the effectiveness of their programs. Labor's annual ES program planning, reviewing, and reporting activities are probably not adequate for this purpose because they focus on compliance with minimum federal requirements rather than program quality or effectiveness. Labor's focus results from a narrow interpretation of the 1982 Wagner-Peyser amendments and a hesitancy to appear prescriptive about state program priorities.

Labor only needs proof that a local office served applicants and employers and that it completed job placements to determine compliance with the essential elements of a basic labor exchange system. This narrow review seldom identified state or local offices with performance problems or uncovered areas needing improvement. Labor officials told us that without well-defined program goals, federal oversight activities will probably continue to focus on compliance rather than performance issues.

Labor provides little technical assistance to help states operate their ES programs in an efficient or effective manner. Labor does not have a system for distributing information among states on effective service delivery strategies, encouraging innovative state projects, or promoting state improvements through seminars and workshops. Infrequent contact with state and local ES offices limits Labor's knowledge of state programs and impedes identification of areas where states need technical assistance.

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## Recommendation

GAO recommends that the Secretary of Labor work with the states to identify and solve problems affecting ES program quality and performance. In addition, Labor should increase technical assistance activities to promote program quality and share information on effective state and local practices. This leadership role should recognize the states as equal partners in program management, yet spur state action to improve program performance, when needed.

GAO also recommends that the Secretary assist states in the development of measurable goals and performance standards for their ES labor exchange programs. Meaningful goals and standards should be state-driven and tailored to local conditions and needs.

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## Agency Comments

Labor concurred with GAO's recommendations that it take a more active leadership role to help the states identify and solve problems affecting ES program performance and develop guidelines for performance standards. Labor pointed out that some of its recent actions have already begun to implement these recommendations and that it intends to work more closely with the states in the future. (See app. V.)

The Interstate Conference of Employment Security Agencies also commented on a draft of this report. In general, it concurred with our results and recommendations; however, it disagreed on several issues. For example, it commented that the effect of collocation on ES performance warrants further analysis and it raised a concern that our analysis focused on factors affecting placement performance as the measure of program success. (See app. VI.)





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**Abbreviations**

ES	Employment Service
FTE	full-time-equivalent
ICESA	Interstate Conference of Employment Security Agencies
JTPA	Job Training Partnership Act
UI	Unemployment Insurance
WIN	Worker Incentive program



# Introduction

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The Employment Service (ES), established under the Wagner-Peyser Act of 1933, operates a labor exchange program “to improve the functioning of the nation’s labor markets by bringing together individuals who are seeking employment and employers who are seeking workers.”<sup>1</sup>

ES has been a cornerstone of the U.S. employment and training structure for more than 50 years. As ES evolved, other programs, such as the Job Training Partnership Act (JTPA),<sup>2</sup> emerged to help the unemployed find jobs. With the establishment of these programs, each with its own job placement activities, questions have been raised about the ability of ES to provide an effective labor exchange.

The Department of Labor’s Employment and Training Administration manages the program in partnership with the states. This partnership reflects a basic principle of federalism—that each level of government has a role in program management, and that the concerted and coordinated efforts of federal, state, and local agencies will best serve the public interest. Labor is responsible for overseeing and guiding state program implementation. State ES programs are primarily funded by Labor, in conjunction with the Department of the Treasury, with money collected from employers under the Federal Unemployment Tax Act. The allocation of funds (\$779 million in 1990) is based on labor force size and the number of unemployed in each state. Each state is responsible for distributing funds within the state and managing operations of its local ES offices.

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## The Labor Exchange Program

The ES labor exchange program offers an array of services: job seeker counseling, skills assessment and testing, resume writing and job search workshops, labor market information, job opening identification, job seeker screening, and referrals to employers. Services are available to everyone through a nationwide network of over 1,700 local ES offices that employ about 26,000 staff. Since 1980, the number of applicants for ES services has stayed about the same. However, the number of local offices providing one-on-one intake interviews, counseling, or testing services to ES job seekers has declined.

The decline in Wagner-Peyser funding has forced ES programs to reduce—and sometimes eliminate—individualized client services,

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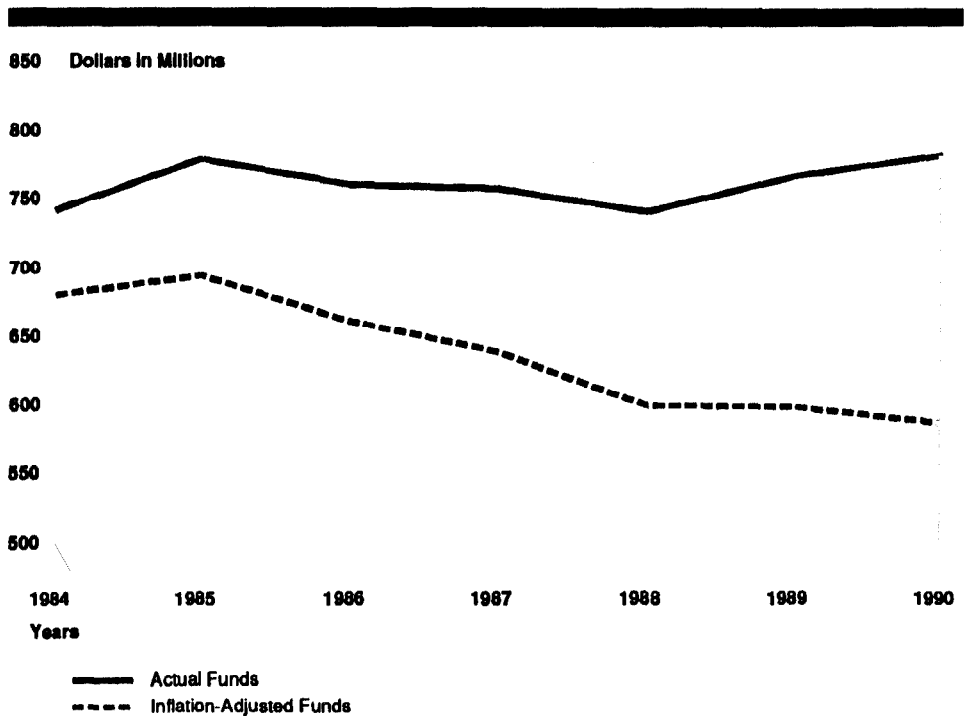
<sup>1</sup>20 C.F.R. 652.2 (1990).

<sup>2</sup>The JTPA program was established in 1982. The program, administered by Labor, provides job training and placement services primarily to economically disadvantaged adults and youth.



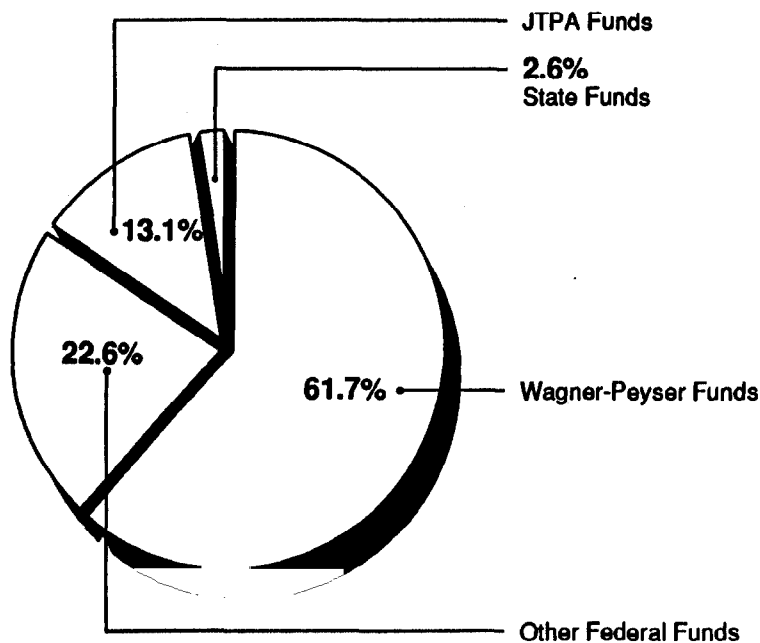
according to state officials. The Social Security Act stipulates that taxes collected from employers under the Federal Unemployment Tax Act will finance state ES programs. However, since 1984, Wagner-Peyser funding has declined 14 percent, when adjusted for inflation (see fig. 1.1). States have partially offset this loss by using state revenues and other federal funds (see fig. 1.2).

Figure 1.1: Wagner-Peyser Funding for State ES Administration (1984-90)



Note: Funding levels for the 50 states, the District of Columbia, Puerto Rico, Guam, and the Virgin Islands provided by the Department of Labor. Inflation adjustment is with the Gross National Product Deflator (1982=100).

**Figure 1.2: Sources of Funding for State ES Basic Labor Exchange Programs, 1986**



Note: Other federal funds used to support ES basic labor exchange activities include Targeted Jobs Tax Credit, Trade Adjustment Assistance, Work Incentive, Job Corps, Food Stamps, Veterans, and miscellaneous federal funds.

Based on actual ES expenditures in 41 states.

## Changes Under the 1982 Wagner-Peyser Amendments

The 1982 amendments to the Wagner-Peyser Act reflect the Congress's attempt to improve ES by providing states more opportunity to tailor ES programs to local conditions and needs. Through 1982, Labor had micromanaged the state programs, dictating office locations, staff size, services and even office design. The amendments gave the states considerable latitude in managing ES programs and focused attention on the ES labor exchange function by

- transferring primary responsibility for ES program design and operations from the federal government to the states;
- emphasizing close coordination between ES and other employment and training programs, such as JTPA;
- targeting resources to areas of greater need through a new funding formula based on state unemployment rate and labor force size; and

- allowing funding of ES nonlabor exchange activities through separate agreements.<sup>3</sup>

Labor retained responsibility for providing leadership, policy guidance, program oversight, and technical assistance to ensure compliance with the law and help the states meet problems peculiar to their local areas. But a 1985 Labor study reported that these Labor activities sharply diminished after 1982.<sup>4</sup> The “new federalism” philosophy of the 1980s was instrumental in Labor’s adoption of a “hands-off” approach to the Employment Service program.<sup>5</sup> A 1990 study concluded that Labor went “. . . well beyond the law’s [1982 Wagner-Peyser amendments] intent . . .” when it “. . . virtually abdicated the federal role in overseeing . . . the Employment Service”.<sup>6</sup> This study also noted that many states “. . . have continued to passively wait for federal instruction rather than forging ahead on their own”.

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## ES Performance Varies Dramatically

As we previously reported, local ES offices varied dramatically in their ability to place people in jobs.<sup>7</sup> For example, the top 10 percent of the 1,700 local offices found jobs for 1 in 3 job seekers while the bottom 10 percent found jobs for less than 1 in 10 (see fig. 1.3). Similarly, the top 25 percent of the offices placed 3 out of 4 in permanent jobs while the bottom 25 percent placed most people in temporary jobs (see fig. 1.4). Placement wage ratios varied less than other measures. About one-half of the offices were within 6 percentage points of the average placement wage ratio of 56 percent.

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<sup>3</sup>ES is also responsible for enforcement and compliance activities for many programs not directly related to the labor exchange function, including alien labor certifications, migrant and seasonal farmworkers’ housing inspections, and the Targeted Jobs Tax Credit program.

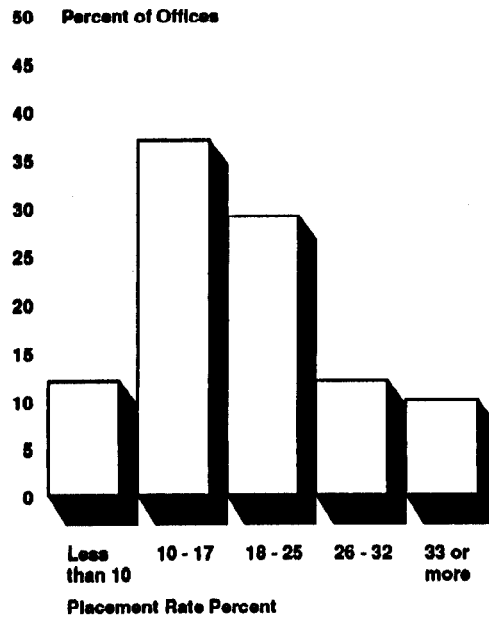
<sup>4</sup>Macro Systems, Inc., Assessment of the Implementation and Effects of the JTPA Title V Wagner-Peyser Amendments, prepared for the Department of Labor, Employment and Training Administration, December 1985.

<sup>5</sup>Executive Order 12612 of Oct. 16, 1987, “Federalism.”

<sup>6</sup>Gallo, Frank, and Levitan, Sar A., Uncle Sam’s Helping Hand: Educating, Training and Employing the Disadvantaged. Center for Social Policy Studies, Washington, D.C., Jan. 1, 1990.

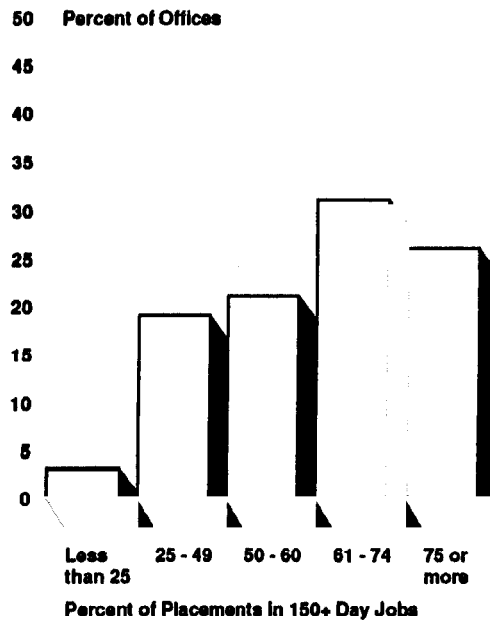
<sup>7</sup>See Employment Service: Variations in Local Office Performance (GAO/HRD-89-116BR, Aug. 3, 1989). We measured ES placement performance using three indices: (1) placement rate, (2) permanent placement rate—the percentage of placements expected to last over 150 days, and (3) placement wage ratio—the average placement wage divided by the average community wage.

Figure 1.3: Local Office Placement Rates



Note: Percentage of local ES office applicants placed in jobs.

Figure 1.4: Local Office Permanent Placement Rate



Note: Percentage of job placements expected to last over 150 days.

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Our subsequent analysis showed that lower placement performance was a result, in part, of both poor economic conditions and a client base comprised of a large percentage of disadvantaged clients. However, even when we controlled for these outside influences, some states had concentrations of offices with above average performance while other states had concentrations of below average performance.

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## Objectives, Scope, and Methodology

The Chairman of the Subcommittee on Employment Opportunities, House Committee on Education and Labor, requested that we (1) identify state management practices and local office operations that influenced local ES performance and (2) examine the Department of Labor's role in guiding and monitoring state and local ES performance.

To identify factors influencing ES performance we analyzed state management practices and local office operations and obtained employers' perceptions of ES and how it could better meet their needs. We assessed Labor's role in managing ES by examining current federal oversight and technical assistance to state programs at the national office and four regional offices (Atlanta, Boston, Chicago, and Dallas) covering 25 states. Following is a description of our scope and methodology.

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## State Management Practices and Local Office Operations

We used regression and other statistical methods to analyze state and local program performance based on the following information:

- placement data for about 1,700 local ES offices;
- management practices, services, resources, applicant characteristics, and labor market conditions for 438 local ES offices; and
- state ES program management practices and funding levels for 50 states and the District of Columbia.<sup>8</sup>

We used several methodological approaches in conducting our evaluation of factors influencing ES placement performance. Appendix I provides a detailed description of data collection methods and analysis techniques; however, a brief description of each approach is presented below.

First, we used multiple regression analysis to identify local labor market conditions that influenced local office placement performance. This

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<sup>8</sup>Throughout this report, we included results from the District of Columbia with state results.

analysis also provided the basis for an earlier report<sup>9</sup> that indicated several demographic and economic conditions significantly influenced performance. These conditions include: the unemployment rate and the percentage of the population who were youth, black, female, migrant workers, and Unemployment Insurance claimants. These results were used to adjust local office placement performance data to account for differences in circumstances particular to local areas. After adjusting for differences in economic and demographic conditions, we found substantial performance variations among local offices.

Second, we identified ES policies and practices associated with variations in local office performance by comparing the state and local practices of 181 offices identified as high or low performers using the adjusted performance data.<sup>10</sup> We found that local office performance was associated with state management practices and the way local offices carried out their activities.

As a third step, we further assessed the influence of state management strategies on performance by expanding our analysis to include 1,693 local offices with placement performance data. We grouped local offices by whether they were in a state that did or did not manage their ES program by setting measurable program goals reinforced by performance awards and evaluating local office performance through annual on-site visits. For each group, we calculated the average placement performance for our three performance measures to determine if there was a pattern of higher average local office performance in states that used the two management practices compared with states that did not use either practice. We also assessed the association between management practices and performance while controlling for local area unemployment rates. We found that placement performance patterns remained evident even in areas of high and low unemployment.

To further assess the influence of local ES practices on performance, we expanded our analysis to include 438 offices with information on local

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<sup>9</sup>See *Employment Service: Variation in Local Office Performance* (GAO/HRD-89-116BR, Aug. 3, 1989).

<sup>10</sup>Results of this analysis were presented in testimony before the Subcommittee on Employment Opportunities, Committee on Education and Labor, House of Representatives. See *Employment Service: Preliminary Analysis of Policies and Practices Related to Performance* (GAO/T-HRD-90-5, Oct. 31, 1989). We identified relatively high and low performing offices using the adjusted performance data. High performing offices were defined as those in the top 20 percent for at least two outcome measures and above average in the third. Conversely, low performing offices were defined as those in the bottom 20 percent for at least two outcome measures and below average in the third.

services and management practices. We performed multiple regression analysis to examine the association between local office practices and each of the three performance measures while controlling for other factors—including unemployment rate, labor force size, and demographic characteristics of ES applicants—that also were associated with performance variations.

Chapter 2 of this report presents our findings related to the analysis of state management practices (based on analysis of 1,693 local offices in 49 states and the District of Columbia) and local office operations (based on regression analysis of 438 local offices).

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### Employers' Perceptions of ES

To obtain employer perceptions of factors affecting performance, we conducted four focus group discussions. Two in the Washington, D.C., area and two in the Detroit, Michigan, metropolitan area. At each location we held one discussion with employers who were members of Job Service Employer Committees<sup>11</sup> and another with employers not directly involved with ES. Each discussion group consisted of 9 to 12 personnel directors or other officials responsible for hiring employees.

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### Department of Labor's Role in Guiding and Monitoring State and Local ES Performance

To examine Labor's role, we assessed federal practices related to ES program oversight and technical assistance. Our efforts focused on the national office and four regional offices—Atlanta, Boston, Chicago, and Dallas. These regions provide broad national coverage (25 states) and operate under two different organizational structures. Two regions had merged ES and JTPA program units and the other two regions still maintain separate ES units. Labor officials also identified them as better regional offices. At each location, we discussed Labor's role and activities with federal officials and reviewed Labor's program planning and compliance review guidance and related correspondence. We also discussed Labor's oversight activities and technical assistance with ES officials from 13 states within the four regions in our review.

Our work was performed between December 1989 and December 1990 in accordance with generally accepted government auditing standards.

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<sup>11</sup> Job Service Employer Committees are local office advisory boards comprised of employers who volunteer their time and expertise to bring their perspectives and suggestions for improving ES operations in local offices.

# State Management and Local Practices

Variations in Employment Service placement performance were associated with differences in state management strategies and local office operations. Even after controlling for economic and demographic factors, states with better results guided program performance through measurable goals reinforced by awards and annual on-site evaluations of local office operations. Local office operations associated with better performance included increased attentiveness to employer and job seeker needs, more interaction with other job training programs, and greater ES autonomy from the Unemployment Insurance office. However, many state and local offices did not use these practices.

## Better Results When States Focused on Performance Management

Placement results<sup>1</sup> were better in states that guided their ES program through

- measurable goals reinforced by awards to recognize local office achievements and
- annual on-site evaluations of local office operations.

Placement performance was highest when states managed program performance using both of these practices.

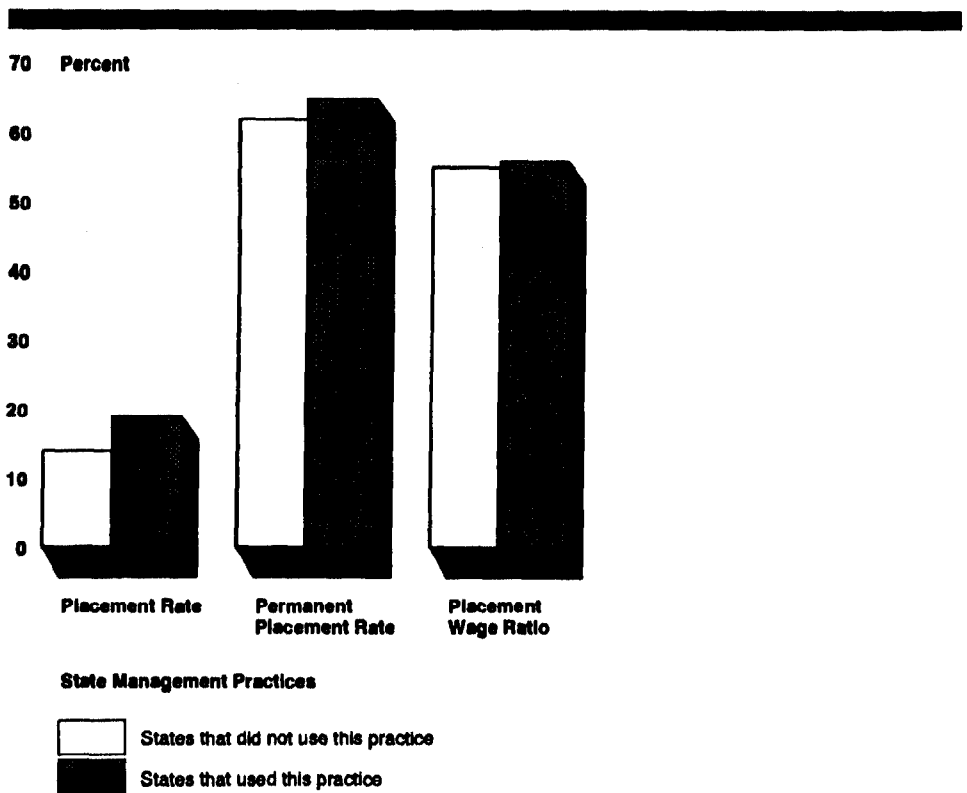
## Performance Better in States With Measurable Program Goals Reinforced by Awards

Local office placement rates were 36 percent higher in the 18 states that set goals reinforced by incentive awards, compared with states that did not adopt either practice. As shown in figure 2.1, permanent placement rates and placement wage ratios were also higher in states that used this management practice. Several state officials told us that measurable performance goals provide a focus or direction for local office staff. Performance awards, such as cash and additional office resources, were generally given to local offices as a team, rather than to individual managers or staff. This helps to reinforce staff commitment to achieving established goals and increases competition among local offices.

<sup>1</sup>Results based on management practices in 49 states and the District of Columbia compared with actual placement performance in 1,693 local ES offices during the period July 1, 1986 through June 30, 1987. Performance data were unavailable for local offices in New York.



**Figure 2.1: Placement Performance in States That Set Goals Reinforced by Awards Compared With States That Did Not**



Many states set measurable goals but few states used performance awards to reinforce established goals. In 1984, the Department of Labor suggested that states translate program goals into measurable performance standards to provide “. . . a sound basis for management and technical assistance (and) a means to distribute performance incentives.”<sup>2</sup> While 42 states set measurable goals only 18 states reinforced goals with awards (see table 2.1). For example, 39 states set job placements as a program goal, but only 12 of these states reinforced that goal with performance awards. Six states neither set measurable goals nor offered awards.

<sup>2</sup>Technical Assistance Guide for Setting ES Performance Standards, Department of Labor, Employment and Training Administration, 1984.

**Table 2.1: Performance Measures Used by States to Set Goals and Provide Incentive Awards**

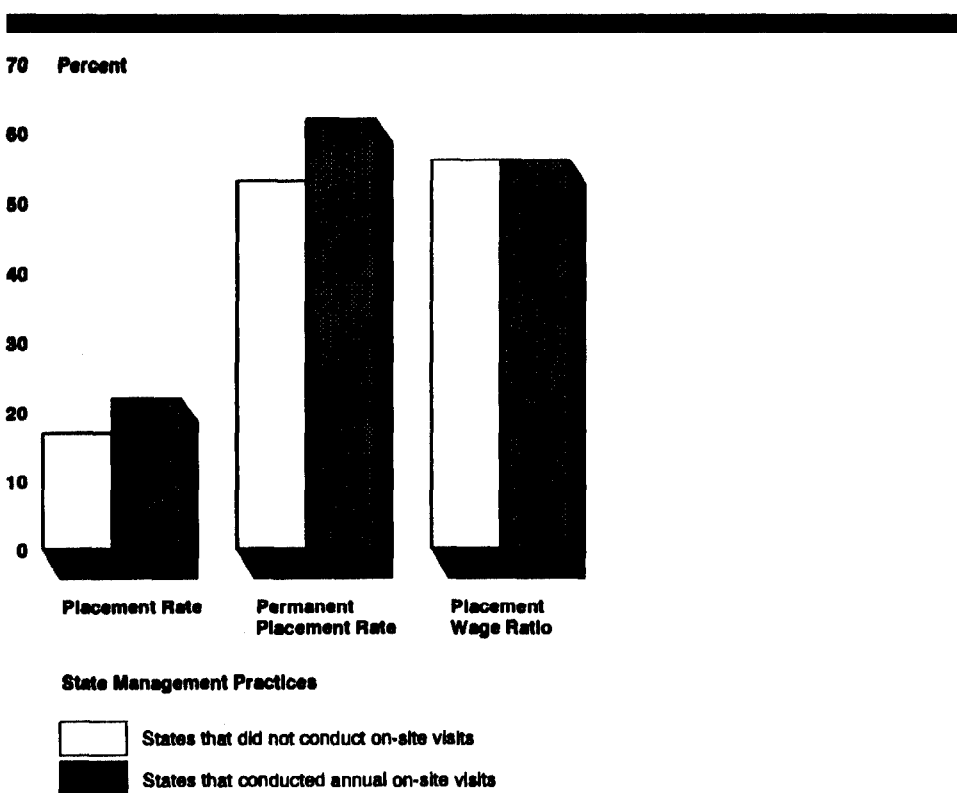
Performance measure	Number of states	
	Set goal	Reinforced by awards
Job placements (total)	39	12
Placements per office or staff	31	9
Indirect job placements (obtained employment)	27	6
Job openings received	26	6
Unemployment Insurance claimants placed per office staff	24	7
Placing people with special needs	21	8
Direct job placements (secured employment)	18	5
Reportable services	15	4
Placements in permanent jobs	10	2
Average placement wage level	9	3
Overall	42	18

Placement results were better in states that set aside funds to provide a more “meaningful” incentive program; those with award budgets exceeding \$20,000. Performance awards may include cash, promotions, more office staff, or just public recognition. However, local office placement rates were almost 45 percent higher in states that set aside funds for their awards programs compared with states that did not commit funds for such awards.

### Better Results in States That Monitored Office Performance Through Annual On-Site Visits

Local office placement rates were 30 percent higher in states that conducted annual on-site monitoring visits compared with states that did not. As shown in figure 2.2, annual on-site visits were also associated with higher permanent placement rates, but differences were not apparent for placement wage ratios. State officials told us that on-site monitoring is critical to achieving high performance. These visits impress staff with the importance placed on performance and provide an opportunity for state and local staff to exchange views. Thirty-three states visited most local offices at least once a year. However, 12 states visited offices less frequently—every 2 to 3 years—and 6 states did not visit local offices at all.

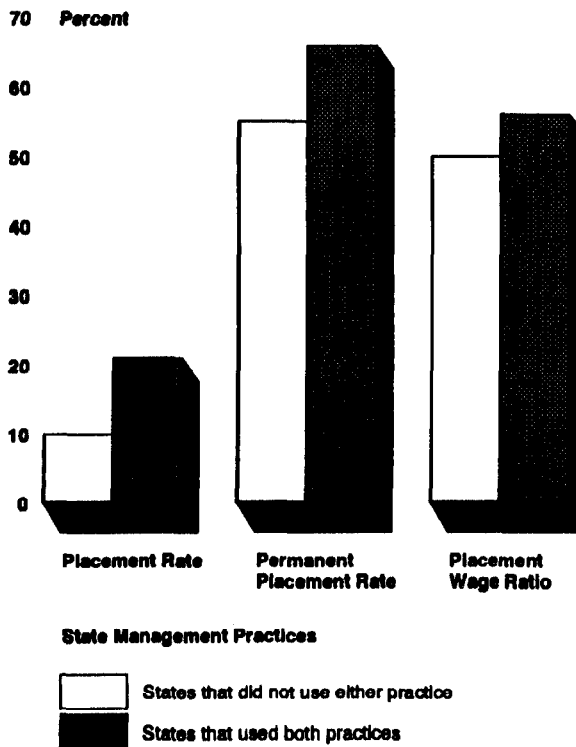
**Figure 2.2: Placement Performance in States That Monitored Local Operations Through Annual On-Site Visits Compared With States That Did Not**



**Best Results in States That Used Both Management Practices**

Placement performance was highest in the 10 states that guided program performance using both management practices: measurable goals reinforced by awards and annual on-site evaluations. For example, local office placement rates were twice as high in states that followed both of these management practices (21 percent) as they were in states that did not use either practice (10 percent). Even in areas of high unemployment, placement rates were 80 percent higher in states that adopted both practices. As shown in figure 2.3, these management practices also were associated with higher permanent placement rates and placement wage ratios, although to a lesser extent.

**Figure 2.3: Placement Performance in States That Set Goals Reinforced by Awards and Conducted Frequent On-Site Visits Compared With States That Did Not**



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## Better Results in Local Offices With Services That Were More Client-Oriented

Local offices with more client-oriented services had better placement performance.<sup>3</sup> Service delivery approaches associated with better performance include

- greater attentiveness to employer and job seeker needs,
- more interaction with the Job Training Partnership Act program, and
- separation of ES from the local Unemployment Insurance (UI) office.

Some approaches were associated with better placement rates, while others were associated with permanent placement rates or placement wage ratios. For example, frequent communication with employers was associated with higher permanent placement rates and individualized attention given to job seekers was associated with higher placement rates. When an office practice was positively associated with one performance indicator, the practice did not negatively influence the other indicators. For example, an office practice associated with higher placement rates did not lower the local offices permanent placement rates or placement wage ratios.

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## Better Results When ES Services Appeared More Attentive to Employer and Job Seeker Needs

Local ES offices had higher placement results when services were more attentive to employer and job seeker needs. Such services included:

- more frequent communication with employers to identify job openings,
- more individualized attention for job seekers applying for ES services,
- quicker job referrals through self-service job information, and
- more manager involvement in services for employers and job seekers.

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<sup>3</sup>This finding is based on our multiple regression analysis, which examined the association between local office practices and performance, while controlling for other factors, including unemployment rate, labor force size, and demographic characteristics of ES applicants that were also associated with performance variations. The data presented in this chapter illustrate differences in performance between offices with sharply contrasting practices. However, performance results in these simple illustrations do not control for the other local office practices and nonprogram factors associated with performance variations. Appendix I provides a full description of the regression analysis results.

**Frequent Communication With Employers**

Local ES offices that spent more time communicating with employers had 12 percent higher permanent placement ratios compared with offices with less frequent employer contacts (see table 2.2). While all offices worked with employers, about 7 percent had extensive communication with them—frequently calling and visiting employers, sending letters, and attending business conferences. Employers said that ES offices with a clear sense of employers’ needs were more likely to refer job seekers who met their skill requirements. Regular contact with ES helps to build an employer’s confidence in ES as a reliable source for filling job openings. Communication with employers was highest in offices where ES staff worked repeatedly with specific employers—similar to the way account executives work in private businesses.

**Table 2.2: Comparison of Placement Performance in Local Offices With More and Less Communication With Employers**

	Level of communication with employers		
	Little	Frequent	Percent difference
Permanent placement rate	0.57	0.64	12
Prevalence among local offices			
Number	315	105	
Percent	20	7	

Note: Extensive communication with employers occurred when local offices reported spending a great amount of time on at least three of four activities: calling employers, visiting employers, sending letters to employers, or attending business conferences. Little communication occurred when offices spent little or no time on these activities.

**More Individualized Attention for Job Seekers Applying for Services**

Offices that held individual intake interviews had placement rates 24 percent higher than offices that used group intake (see table 2.3). Information gathered on skills and interests during intake is critical to matching applicants with job requirements. Traditionally, this information was gathered through a personal interview with an ES staff member to ensure complete data. State officials said that local offices increasingly use group intake, though they prefer individual interviews, because fewer staff are available to conduct individual interviews with job seekers.

**Table 2.3: Comparison of Placement Performance in Local Offices With Individual and Group Settings for Job Seeker Applications**

	Primary application method		Percent difference
	Group	Individual	
Permanent placement rate	0.17	0.21	24
Prevalence among local offices			
Number	418	1050	
Percent	27	68	

**Quicker Job Referrals Through Self-Service Job Information**

Local offices that offered self-service job information had 20 percent higher permanent placement ratios (see table 2.4). Presenting job information in this way helps both employer and job seeker; a wide range of jobs are available for review without assistance. About 39 percent of the local offices offered self-service job information for all ES job openings. In these offices, details on job requirements were generally displayed on bulletin boards or computer monitors. Job seekers meet with ES staff after reviewing job information to discuss skill requirements and to schedule interviews with employers.<sup>4</sup>

**Table 2.4: Comparison of Placement Performance in Local Offices That Allowed Job Seekers Access to All or None of the Job Information**

	<u>Access to job information</u>		
	<b>None</b>	<b>All</b>	<b>Percent difference</b>
Permanent placement rate	0.56	0.67	20
Prevalence among local offices			
Number	170	602	
Percent	11	39	

<sup>4</sup>Local ES offices seldom provided information on job openings that would allow job seekers to contact employers without a referral from ES staff.

**More Manager Involvement in Client-Oriented Services**

Offices with extensive manager involvement in client-oriented services had 44 percent higher placement rates, and 11 percent higher permanent placement rates, compared with offices with little manager involvement (see table 2.5). Involvement in client-oriented services can give managers a better sense of client needs and how their offices can best meet those needs. Most ES office managers were involved with client service delivery. However, only 16 percent of the offices operated with extensive manager involvement in client services—marketing ES services to employers, soliciting job openings, working with job seekers, and making job referrals. Involvement was greater when managers supervised fewer staff and worked only on ES activities rather than splitting their time between ES and the Unemployment Insurance offices.

**Table 2.5: Comparison of Placement Performance in Local Offices With More or Less Manager Involvement With Employers and Job Seekers**

	Level of manager involvement		
	Little	Extensive	Percent difference
Permanent Placement rate	0.18	0.26	44
Placement wage ratio	0.53	0.59	11
Prevalence among local offices			
Number	357	246	
Percent	23	16	

Note: We defined manager involvement as extensive when a local office manager was involved in at least eight of the following activities: marketing ES services by attending business conferences, soliciting job openings from employers, explaining ES services to job seekers, referring job seekers to ES services, helping job seekers complete applications, matching job seekers with employers, following-up on job referrals, developing employability plans, or administering tests. Little involvement was defined as managers involved in less than two of these services.



**Local ES Offices Had Higher Placement Wages When Extensively Involved With JTPA Programs**

More ES involvement with JTPA programs was associated with higher local office placement wage ratios. For example, local offices that had extensive interaction with the JTPA Title II-A program<sup>5</sup> had a 7 percent higher placement wage ratio compared with offices that had little interaction with this JTPA program (see table 2.6). ES needs to have a ready pool of job seekers to meet the skill requirements for job openings, and several state officials said that JTPA can provide job seekers with needed training and offers employers a better pool of job-ready individuals.

Almost all ES offices reported some involvement with JTPA programs. However, less than one-fourth of the offices interacted extensively with the JTPA Title II-A or Title III programs.<sup>6</sup> These ES offices worked with JTPA programs in at least six of the following areas: screening job seekers, administering tests, training staff, using the same application form, sharing job opening information, sharing office space, or working together on other activities. In addition, local office involvement with JTPA programs was higher in states that received greater proportions of their ES funding from JTPA.

**Table 2.6: Comparison of Wage Ratios in Local Offices With More or Less Involvement With JTPA Programs**

	Level of involvement		
	Little	Extensive	Percent difference
JTPA Title II-A program	0.54	0.58	7
JTPA Title III program	0.55	0.58	5
<b>Prevalence among local offices</b>			
JTPA Title II-A program			
Number	338	355	
Percent	22	23	
JTPA Title III program			
Number	486	302	
Percent	33	21	

Note: Extensive involvement is defined as ES offices involved with JTPA in at least six of the following activities: screening job seekers, administering tests, training staff, using the same application form, sharing job information, sharing office space, or working together on other activities. Little involvement was defined as ES working with JTPA on less than two of these activities.

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

<sup>6</sup>The JTPA Title III program provides training and job placement services to dislocated workers.

**Performance Higher in Local ES Offices That Operated Separately From the Unemployment Insurance Office**

Local ES offices that operated separately from the Unemployment Insurance (UI) office had 21 percent higher placement rates compared with ES offices that were collocated with UI offices and shared the same office manager (see table 2.7). About 172 local offices (11 percent) operated separately from the UI office.

ES offices that operated separately from UI offices were larger, with an average of 16 ES staff to deliver services compared with 13 staff in offices that were collocated and shared the same manager. In addition, ES offices that collocated with UI offices could divert staff to process unemployment benefit claims rather than help people find jobs.

Employers said that people often think of ES as an “unemployment” office that provides compensation to laid-off workers. As a result, they said that some people do not think of ES as a place to find a job. From a public relations viewpoint, the separation of ES and UI offices recognizes ES as an “employment” office. This may make the office more attractive to employers and job seekers.

**Table 2.7: Comparison of Placement Performance in Local ES Offices Separated and Collocated/Comanaged With the Unemployment Insurance Office**

	Same location and same manager	Physically separate office	Percent difference
Permanent placement rate	0.19	0.23	21
Prevalence among local offices			
Number	1,035	172	
Percent	67	11	

## Higher Resource Levels Associated With Better State and Local ES Operations That Were Related to Performance

Resource levels were associated with state and local offices using the practices associated with better performance. State programs that spent more dollars for each ES applicant were more likely to evaluate local office performance through annual on-site visits and provide meaningful performance awards. Similarly, local offices located in states that spent more for each applicant were more likely to conduct individual intake interviews, communicate more frequently with employers, offer self-service job information, interact more with JTPA programs and manage the ES office apart from the UI office—all factors associated with better performance.

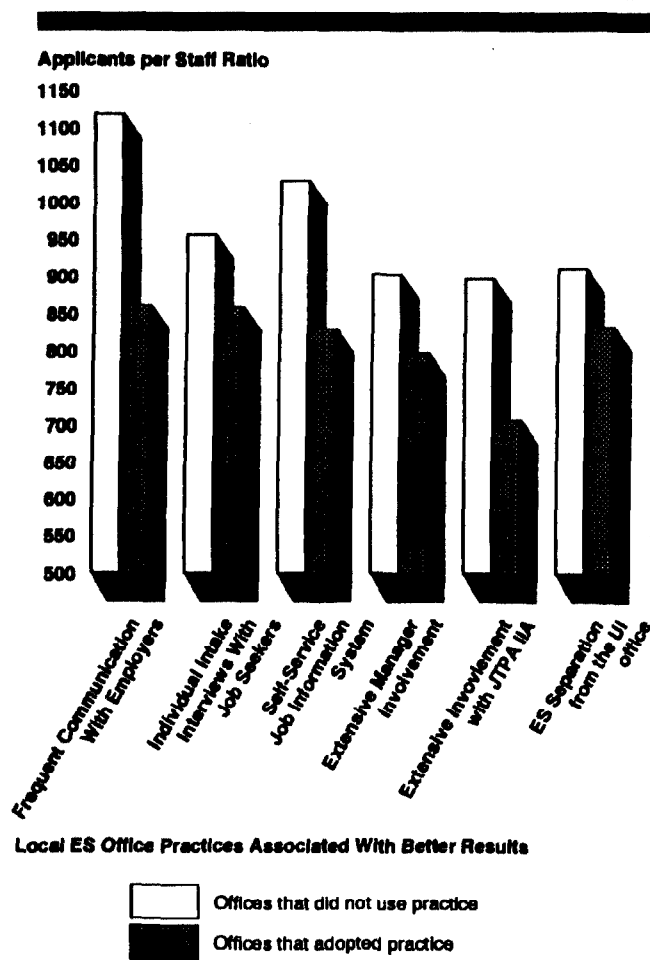
States that expended more dollars per ES applicant had higher state-level staff to local office ratios. Staff with fewer local offices to monitor were more likely to conduct annual on-site visits. For example, only 7 offices, on average, were assigned to each monitoring staff in states that conducted annual visits, compared with an average of 13 offices in states that only visited offices every 2 to 3 years. In addition, states that spent more dollars per ES applicant committed more dollars to their performance awards program.

Local offices with lower staff work loads were also more likely to use practices associated with better performance (see fig. 2.4). For example, offices that conducted individual interviews had 11 percent fewer applicants per staff compared with offices that primarily used group intake. Similarly, offices that were extensively involved with the JTPA Title II-A program had 27 percent fewer applicants per staff compared with offices that were less involved with this JTPA program.

States that spent more per ES applicant received a larger share of their ES expenditures from non-Wagner-Peyser sources. This difference contributed to the disparate resource levels between state ES programs, which was associated with differences in state and local practices and program performance. All states relied on alternative funding sources to some extent.<sup>7</sup> In fact, Labor has justified reduced Wagner-Peyser funding levels—a 14-percent decline since 1984—by estimating that decreased funding was offset by state programs drawing on other federal funds. However, the extent to which states were able to supplement their program budgets with non-Wagner-Peyser funds varied considerably—from more than 50 percent of the total ES expenditures in some states to less than 20 percent in others.

<sup>7</sup>As illustrated in chapter 1, figure 1.2, states used several alternative funding sources to support their ES labor exchange programs, including JTPA, Work Incentive program, Job Corps, Food Stamps, Trade Adjustment Assistance, Targeted Job Tax Credit, Veterans programs, and state revenues.

**Figure 2.4: Average Number of ES Applicants Per Staff by Local Practices Associated With Better Performance Results**



# Limited Federal Role Does Little to Strengthen ES Program Performance

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The Department of Labor in partnership with the states is responsible for ensuring that the Employment Service provides an effective labor exchange system. Labor defines its role as “. . . providing leadership, policy guidance, federal oversight, technical assistance and training . . .” to assure that states meet program objectives and maintain performance. However, Labor has found it difficult to balance its ES responsibilities with concerns about federal intrusion into state affairs. Federal oversight activities yield little substantive information about state program operations and Labor provides little technical assistance to help states improve performance.

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## Limited Federal Oversight

Labor’s oversight of state programs concentrates on compliance with minimum federal requirements. Oversight activities include:

- approving state program plans that consist 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 analysis of quarterly data on state program activities and performance.

However, these activities provide a narrow picture of ES services and little substantive information about how states manage their ES programs or how local offices operate and perform. Both Labor and state officials attributed Labor’s focus on state program compliance rather than performance to the absence of program goals, resulting from Labor’s hesitancy to appear prescriptive about program priorities.

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## State Plans “Sketchy” and Lack Substance

Labor gains little understanding of program strengths or weaknesses from the state plans submitted to it each year. Federal review and approval is required to assure that each state plans to provide “reasonably appropriate and adequate” services to carry out the ES basic labor exchange program.<sup>1</sup> However, the current process only provides assurance that states plan to comply with the bare minimum required by applicable laws and regulations.

Although state plans must include ES program “goals or objectives,” Labor approves plans that include only broad program mission statements without measurable goals. For example, one program’s 1990 goal was to “assist [residents] who would otherwise be unemployed to

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<sup>1</sup>20 C.F.R. 652.7(a)(2) (1990).

become self-supportive, productive participants in the economic life of the community.” Also, plans must describe basic labor exchange activities, such as how the “. . . match between jobseekers and employers will be facilitated.”<sup>2</sup> Again, state plans provide little information about how activities will be carried out or designed to meet the unique needs of clients or of the local labor market.

Labor officials told us that the planning process could be a valuable tool for helping states improve program operations. For example, Labor could use the state plan to assess proposed service delivery strategies, provide feedback to improve operations and offer technical assistance, if needed. However, Labor reviews and approves state plans using a checklist that ensures that signatures and documents are in place. According to Labor officials, this focus stems from Labor’s narrow interpretation of the 1982 Wagner-Peyser amendments—allowing states to plan ES programs without federal intervention. This reduces opportunities for meaningful dialogue between state and Labor officials during the program planning process.

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## Shallow Program Reviews

Annual federal on-site reviews have been a meaningless exercise, Labor and state officials told us, because they were designed only to focus on compliance issues and not program quality or effectiveness. For example, to assess local office compliance with the essential elements of a basic labor exchange system, Labor only needs proof that the local office served applicants and employers and completed job placements. Not surprisingly, this narrow review seldom identified state or local offices with performance problems or uncovered program activities needing improvement. Labor has temporarily suspended the on-site reviews to address higher priority work as well as to consider changes that would address more substantive issues, such as program quality and results.

During the suspension of on-site reviews, one Labor regional office decided to use ES compliance reviews as a springboard for gathering information on state management practices and local operations. This new approach helped spotlight innovative operations and identify areas needing improvement. It also prompted discussions on how states and local offices could improve program performance. For example, this modified review looked at whether the state had “performance standards/measures used to determine if the goals of the agency are being

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<sup>2</sup>20 C.F.R. 652.6 (1990).

accomplished.” The official Labor review guide does not identify whether states set measurable program goals.

Without program goals to guide federal activities, Labor officials told us that oversight will probably continue to focus on compliance rather than performance issues. While the 1982 Wagner-Peyser amendments allowed Labor to set ES performance standards, the Department has not exercised this authority. Labor officials said this decision allowed states to establish their own program goals and standards. However, Labor also has not assessed performance within the context of established state goals or standards.

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### **Little Meaningful Data**

Although quarterly state reports submitted to Labor provide another opportunity for learning about ES programs, the reports focus on state-level data to the exclusion of local office data, which limits their usefulness as a federal monitoring tool. The reliance on state-level activities and performance data can mask performance problems at the local level. Even comparisons across states are difficult because of inconsistent interpretation of data definitions by states. Although Labor has been working with states to develop a new reporting system—with more data elements and better definitions—local office data would not be included. Even with a revised reporting system, Labor officials told us that the lack of “benchmarks” to determine acceptable performance levels will continue to handicap the use of performance data.

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### **Labor Provides Little Technical Assistance to Help States Improve ES Performance**

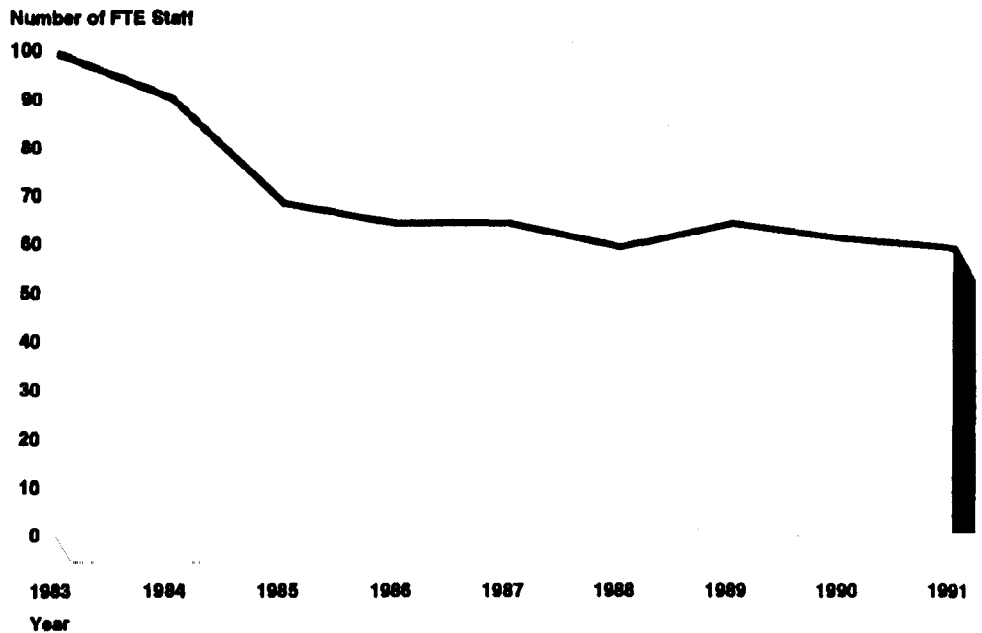
Labor provides little technical assistance to help states operate their ES programs in an efficient, effective manner. In addition, Labor does not have a system for distributing information among states on effective service delivery strategies, encouraging innovative state projects, or promoting state improvements through seminars and workshops.

Labor staff said that they spend little time on technical assistance to state programs. Contact with states was generally during the brief on-site compliance reviews and a few general discussions with state officials. Infrequent visits to state and local ES offices limits Labor’s knowledge of program operations, and this has made it difficult to develop good working relationships with state staff. Accordingly, this impedes Labor’s ability to identify areas where states need assistance and makes states hesitant to look to Labor for help.

## Labor Resources Not Earmarked for ES Technical Assistance

Limited resource commitment impedes Labor's ability to provide technical assistance. Labor does not set aside funds specifically for ES technical assistance activities. Significant reductions in staff and competing program priorities also curbed technical assistance efforts. During the 1980s, regional staff levels dropped by about 40 percent (see fig. 3.1). At headquarters, staff levels fell from more than 100 to about 20 people directly involved in ES activities. These cutbacks have not only left fewer staff to work with states but also have seriously eroded Labor's program expertise.

Figure 3.1: Number of ES Regional Staff From 1983 Through 1991



Note: Estimate of full-time-equivalent staff provided by Department of Labor, Employment and Training Administration. Actual number for more recent years may be lower.

Competing priorities within Labor also divert staff attention from the ES program. Many Labor staff oversee both state ES and JTPA programs, but many of the staff we spoke with estimate that they spend as little as 15 percent of their time on ES activities. Even in a region with a separate ES unit, ES staff were reassigned to conduct JTPA reviews for several months in 1990.

One regional office, however, demonstrated that making technical assistance a priority can make a difference. This region included ES technical



assistance activities in its 1990 work plan, committed travel funds for state visits, and did not pull staff from their ES responsibilities. They accomplished 14 of the 19 planned ES activities. Completed activities included helping a state develop a special project for in-school youth, meeting with state officials to promote ES linkages with JTPA programs, working with ES employer groups to better understand their needs, and helping states create a media campaign to promote ES services.

State officials believe that Labor needs to do more to help enhance state ES programs and meet problems peculiar to their local areas. In a September 1990 letter to the Secretary of Labor, the President of the Interstate Conference of Employment Security Agencies wrote that "Employment Service operations could and should be improved and enhanced."<sup>3</sup> But the letter also noted that state ES programs have

"acted without assistance from the Department of Labor to bring about necessary changes . . . and state efforts would be even stronger had they been coupled with an effective partnership with the Department of Labor."

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<sup>3</sup>The Interstate Conference of Employment Security Agencies is a national organization representing the administrators of Employment Service, Unemployment Insurance, and Labor Market Information programs in the 50 states, the District of Columbia, Puerto Rico, and the Virgin Islands.

# Conclusions and Recommendation

The Congress sought to improve Employment Service program operations by allowing state and local offices the opportunity to design programs that meet community needs. However, under the current approach, performance varies considerably among states and local offices. Variations in ES placement performance are related in part to differences in state management strategies and how services are provided by local offices. For example, the better performing states set measurable performance goals reinforced by awards and assessed local office performance through annual on-site visits.

The Department of Labor in partnership with states is responsible for ensuring that ES provides effective labor exchange services. However, program performance has received little attention from Labor and from many states. Labor chose not to establish federal performance standards, and many states followed suit by not setting measurable state program goals. Labor seldom visited state ES offices and provided little technical assistance. Similarly, many states seldom evaluated local office performance through on-site monitoring visits. Further, effective oversight and technical assistance was hampered, for Labor as well as many states, by high staff work loads and limited resources.

Labor's "hands-off" approach stems from a concern about balancing its ES responsibilities with concerns about intruding into state affairs. However, positive federal leadership initiatives, built on a solid partnership with the states, need not burden states nor infringe on state and local responsibilities. A revised concept of federal leadership could emphasize constructive support for state-led ES initiatives. This support could be important to helping state ES programs deliver quality services amidst declining resources.

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## Recommendation to the Secretary of Labor

We recommend that the Secretary of Labor increase the Department's leadership role by

- working with the states to identify and solve problems affecting ES program performance,
- increasing technical assistance to promote program quality, and
- sharing information on effective state and local practices.

This leadership role should recognize the states as equal partners in program management, yet spur state action to improve program performance, when needed.

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In addition, we recommend that the Secretary assist states in the development of measurable goals and performance standards for their ES labor exchange programs. Meaningful goals and standards should be state-driven and tailored to local conditions and needs.

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## Agency Comments

The Department of Labor generally concurred with our recommendations in its comments on a draft of this report (see app. V). Labor identified recent actions that reflect its recognition that it needs to take a more active leadership role with respect to the Employment Service. Labor stated that it intends to work closer with the states to provide technical assistance and training to enhance program quality and performance and develop guidelines for comprehensive performance standards.

Labor took exception to our conclusion that performance is enhanced when ES offices are separate from UI offices. Labor believes the reason separate ES offices performed better has to do more with their application-taking policy and lower number of applications received, rather than location. However, they agreed that separate offices have larger staffs and can provide more and better services.

Finally, Labor stated that our review was too narrowly focused on the ES's placement activities, and did not include other major ES performance objectives, such as counseling, school-to-work transition, and quality employer services. While we agree that ES has these other responsibilities, we believe that quality job placement is the fundamental mission of ES. Further, the performance measures we used—placement rate, permanent placement rate, and placement wage ratio—were the only performance measures for which data were uniformly available for all ES offices.

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## ICESA Comments

We also asked the Interstate Conference of Employment Security Agencies (ICESA) to comment on a draft of this report. It concurred with our recommendation that Labor provide greater technical support to the states. It commented that the effect of collocation on Employment Service performance warrants further analysis. It also raised a concern that our analysis focused on factors affecting placement performance as the measure of program success. It pointed out that states might opt to define program success in other terms, such as percentage of employers served. (See app. VI for ICESA's comments.)

# Sources of Data, Methodology, and Analysis of Employment Service Placement Performance

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This appendix describes the scope, methodology, and results of our evaluation of Employment Service performance. It includes information on the

- creation of a national database with data collection procedures for information on state and local office operations, and
- analysis of factors affecting ES program performance with a summary of results discussed in chapter 2.

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## Creation of a National ES Database

Our analysis of the influence of state management practices and local office operations on ES placement performance was based on information in three GAO databases. These databases contain

- information on 1,772 local ES offices, such as performance data and local labor market conditions;
- state ES program management practices and funding levels for 50 states and the District of Columbia;<sup>1</sup> and
- management practices, service delivery techniques, and resource levels for 438 local ES offices.

We used three outcome measures to assess local office placement performance: (1) placement rate (the percentage of applicants placed), (2) permanent placement ratio (the percentage of placements in jobs expected to last over 150 days) and (3) placement wage ratio (average placement wage divided by the average community wage).<sup>2</sup> We selected these measures because they are relevant to the basic mission of the ES labor exchange program—placing job seekers in permanent jobs at competitive wages. In addition, states defined these measures consistently and often used them to assess local performance.

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## Data Collection Procedures for 1,772 Local Offices

We created a national database on 1,772 full-time local ES offices during program year 1986 (July 1, 1986 through June 30, 1987). Information on each local office included placement performance data, applicant characteristics, and information on demographic and economic conditions in the local labor market. Local office data were obtained from state ES agencies. Information on local area demographic and economic conditions was obtained from county data collected by the Bureau of

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<sup>1</sup>Throughout this report, we included results from the District of Columbia with state results.

<sup>2</sup>The 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.

Labor Statistics and the Bureau of the Census. For local offices that served ES applicants from more than one county, data from each county were weighted based on portion of local office clients served from that county.

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**Data Collection Procedures**  
**for State ES Operations**

Information on state management practices during program year 1986 was obtained through a mail survey of state directors in the 50 states and the District of Columbia. These officials provided information on state policies and practices related to overall program management and local office operations. We also obtained resource information, such as state and local office staffing levels and expenditures for the ES basic labor exchange program.

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**Data Collection Procedures**  
**for Local ES Office**  
**Operations**

Information on local ES office operations during program year 1986 was obtained from structured telephone interviews with ES managers at 438 local offices. Information gathered included local office practices related to job seeker intake and registration; involvement with local employers; and counseling, testing, and job referral services. We also obtained resource information, such as overall local office staffing levels, staff involvement in specific ES services, and reimbursement from other job training programs. The 438 offices were identified through a stratified random sampling technique, which is discussed below.

First, we performed regression analysis to control for local demographic and economic conditions associated with variations in local office placement performance, including the unemployment rate and the percent of the applicants who were youth, black, female, migrant workers, and Unemployment Insurance claimants. These data were used to adjust local office placement performance data, or “level the playing field,” to account for differences in circumstances particular to local areas. Only local offices with complete information were included in this analysis; this resulted in adjusted performance data for 1,553 offices across 47 states.<sup>3</sup>

As a second step in selecting offices for our analysis, we identified relatively high and low performing offices using the adjusted performance data. We defined high performing offices as those in the top 20 percent for at least two outcome measures and above average in the third—

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<sup>3</sup>Complete data were unavailable for local offices in Delaware, Hawaii, New York, and the District of Columbia.

there were 81 offices that met these criteria. Conversely, low performing offices were defined as those in the bottom 20 percent for at least two outcome measures and below average in the third—there were 100 offices.

As a final step, we stratified the 1,553 local offices into three groups: the 81 high performers, the 100 low performers and the middle group of offices with mixed results. We included all 181 high and low performing offices in the survey of local office operations and we surveyed 257 local offices from the middle group. These were selected via a simple random sampling technique.

Some qualifiers to this analysis are necessary. While the three performance measures provide a basis for comparing local office performance, we cannot control completely for all demographics of applicants or labor market conditions that affected local office performance. In addition, one cannot automatically conclude that offices with above average performance are effective, because the Department of Labor has not issued performance standards for the ES basic labor exchange program. Also, differences in program objectives and expenditures per applicant make it inappropriate to compare ES performance measures with those of other employment and training programs.

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## Identification of Factors Affecting ES Program Performance

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### Analysis of Factors Related to Performance Among High and Low Performing ES Offices

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. Further analysis showed that performance variation did not appear in every state. For example, six states had a relatively high concentration of offices with above average performance, and four states had a high concentration of offices with below average performance.<sup>4</sup> These concentrations suggested that specific state and local policies and practices may contribute to better performance. To identify state policies and practices that were associated with variations in local office

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<sup>4</sup>See *Employment Service: Variations in Local Office Performance* (GAO/HRD-89-116BR, Aug. 3, 1989).

performance, we compared the state and local practices of the 181 offices identified as high or low performers.

The results of this analysis showed that high performing offices tended to be concentrated in states that

- established measurable performance goals and provided incentive awards for achieving those goals,
- monitored local office operations through annual on-site visits, and
- used other funding sources (in addition to Wagner-Peyser funds) to fund their basic labor exchange programs.

We also found that performance was associated with the way local offices carried out their labor exchange activities. High performing offices were more likely than low performing offices to

- extensively interact with other job training programs,
- use individual interviews rather than group intake procedures for registering applicants,
- provide counseling services and involve managers and counselors in placement activities, and
- use computers to facilitate the search of applicant and job order files rather than manual file searches.

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### **Analysis of Performance Variations Among States With Different Management Strategies**

To further assess the influence of state management strategies on performance, we expanded our analysis to include all local offices with placement performance data. Overall, this database included placement performance data for local offices in 49 states and the District of Columbia. Analysis of placement rates and permanent placement ratios was based on 1,693 local offices—performance data were unavailable for the 79 full-time offices in the state of New York. The analysis of placement wage ratio was based on 48 states and the District of Columbia—data were missing for Hawaii as well as New York.

We assessed the association between state management practices and local office performance by grouping states based on whether they did or did not manage their ES program by setting measurable program goals reinforced by performance awards and evaluating local office performance through annual on-site visits. Using these criteria we formed three groups: (1) states that adopted both practices, (2) states that adopted one of the two practices, and (3) states that did not use either practice. For each group, we calculated the average placement performance for

our three performance measures. We then analyzed placement performance to determine if there was a pattern of higher average local office performance in states that used the both management practices compared to states that did not use either practice. We followed this same procedure when we analyzed the two management practices independently.

This analysis differed from the analysis of states with concentrations of high and low performing offices in that we used the unadjusted local office performance data. In this analysis, we further analyzed placement performance broken down into two subgroups: offices located in areas of above average unemployment and areas with average or below average unemployment. This analytical step allowed us to assess the association between management practices and performance while controlling for local area unemployment rates.

The results of this analysis confirmed our initial finding that setting measurable goals reinforced by performance awards and annual on-site monitoring of local office operations was associated with better placement results. This pattern of higher placement performance remained evident even in areas with high and low unemployment rates.

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## **Analysis of Performance Variations Among Local Offices**

We used regression analysis to identify factors influencing overall ES placement performance for the 438 local offices included in our survey of local office operations. We first developed a performance model that identified several internal and external factors that could influence ES placement performance: state and local management practices, local service delivery techniques, resource levels, applicant characteristics, and labor market conditions.

Our analysis focused on those factors (1) for which data were available, (2) that were measurable, and (3) that had been identified by ES officials and other experts as particularly important to good performance.<sup>5</sup> Although we did not find specific practices that were so strong as to assure better performance, we found indications that offices with better placement results appeared more likely to follow a certain set of procedures in carrying out their basic labor exchange activities.

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<sup>5</sup>Other factors that could influence performance, but were not measured, include the quality of ES services and the attitudes of ES employees, applicants, and employers.

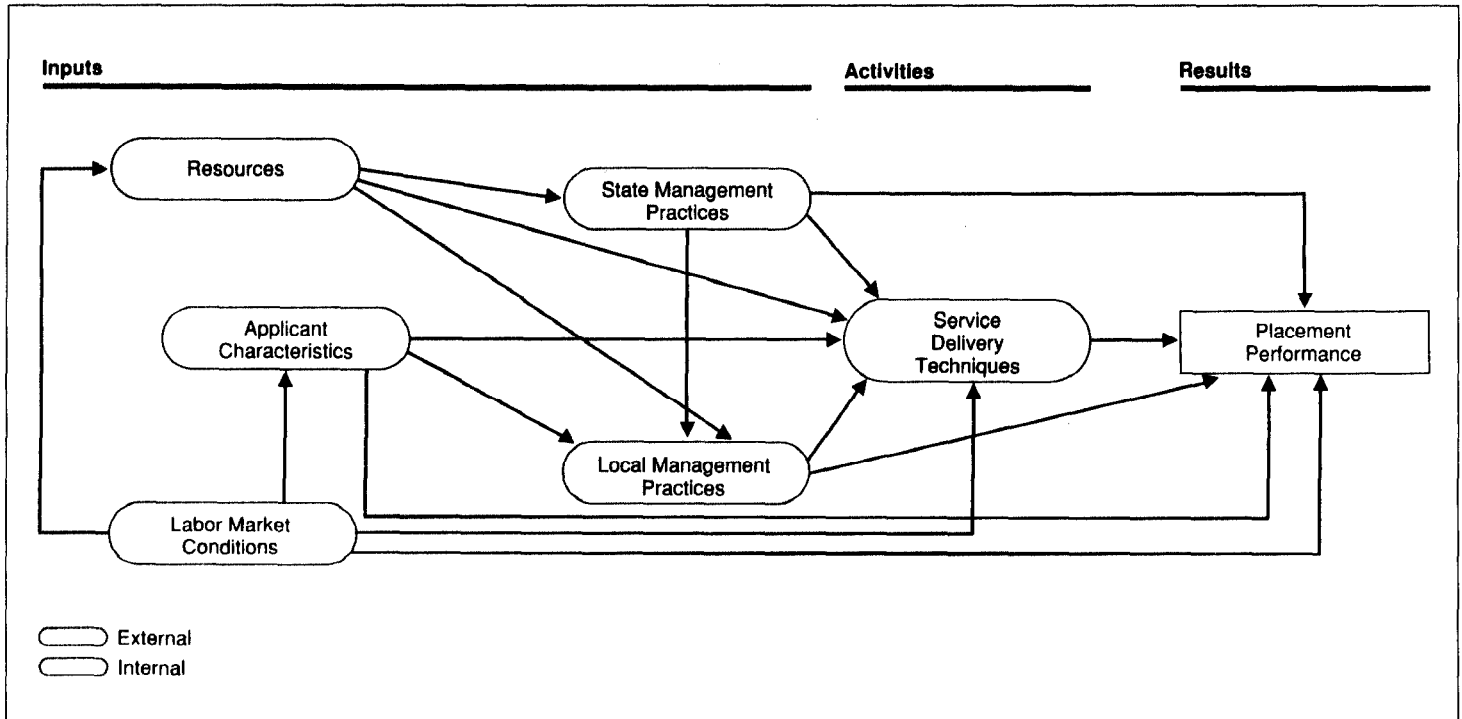


The three outcome measures again provided a basis for comparing local office performance: (1) placement rate, (2) permanent placement rate, and (3) placement wage ratio. This analysis differed from the analysis of high and low performing offices in that we used the unadjusted local office performance data. We included external factors, including unemployment rate, labor force size, and ES applicant characteristics, that might influence performance as independent variables in the performance model as well as the subsequent regression equations.

Our preliminary analyses of factors affecting ES performance found that some factors directly affect performance while others indirectly affect performance. Moreover, some factors appeared to influence performance differently in areas of differing labor market conditions. This suggested that a more complex analysis was required to understand more fully the independent effects of these factors on ES placement performance. Based on these preliminary findings, we developed a performance model (see fig. I.1) to guide our analysis of the relationships between factors that directly and/or indirectly influenced placement performance.

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**Figure I.1: Employment Services Placement Performance Model: Factors Influencing Program Performance**



Note: The direction of the arrows shows our hypothesized association between internal and external factors that could directly or indirectly influence ES placement performance. Internal factors are defined as those within the control of ES program managers.

Because it was likely that each factor had a potentially different effect on the three measures of local office performance, we developed specific diagrams for each of the three performance indicators. Working left to right, we used the ES performance model to guide our assumptions on causal relationships and develop individual regression analyses to identify significant variables for each dependent variable, and eliminate all nonsignificant variables from the diagrams.<sup>6</sup> We did this through an iterative process that resulted in only significant variables left in the final regression equations. Tables I.1 and I.2 list the specific variables used in our analyses.

<sup>6</sup>As mentioned earlier, the 438 local offices were selected using a stratified random sampling technique. This resulted in disproportionately more offices with relatively high and low placement performance. Therefore, we assigned weights that decreased the overall representation of the high and low performing offices. These weights were applied during the regression analysis to artificially restore the sample size for high and low performing offices as if a simple random sample was performed on the population of 1,553 local offices. There is no change in the effective sample size brought about by using this weighting procedure.

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**Table I.1: Means and Standard Deviations for Variables Included in the Analysis of ES Performance**

<b>Variable<sup>a</sup></b>	<b>Mean</b>	<b>Standard deviation</b>
<b>Local office service delivery techniques</b>		
Applicant intake method	2.738	2.590
Applicant testing	11.216	20.763
Communication with employers	7.558	1.446
Job matching technique	1.828	0.784
Self-service job information systems	65.880	41.043
Referring applicants to training	1.587	1.064
Referring applicants to support services	2.521	1.558
Applicant to labor force ratio	0.257	0.174
<b>Local office management practices</b>		
Manager involvement in client services	3.718	2.815
Counselor involvement in client services	2.062	2.071
Staff assigned to solicit jobs from employers	1.945	1.033
Staff assigned to work with specific employer	34.874	39.813
Involvement with JTPA Title II-A program	3.519	2.191
Involvement with JTPA Title II-B program	3.200	2.167
Involvement with JTPA Title III program	3.055	2.411
Involvement with WIN program	2.356	2.826
Automated application processing	0.917	0.374
Automated applicant information processing	1.687	0.695
Automated job order processing	1.797	0.574
ES location/management relative to UI office	1.562	0.686
Number of FTE office staff (economy of scale)	13.211	9.688
Number of FTE managers (economy of scale)	0.855	0.430
<b>State management practices</b>		
Set measurable performance goals	1.333	0.472
Provided performance incentive awards	1.504	0.501
Frequency of on-site visits to local offices	1.545	0.635
<b>Resources: workload indicators (annual)</b>		
Number of applicants per staff	887.310	433.881
Number of computers per staff	0.781	0.643
Number of job openings	3,784.895	3,819.736
Number of applicants	10,756.522	8,639.024
<b>Resources: funding indicators (annual)</b>		
ES expenditures per applicant	78.360	50.462
ES reimbursed for JTPA II-A activities	0.349	0.477
ES reimbursed for JTPA II-B activities	0.282	0.450
ES reimbursed for JTPA III activities	0.306	0.462
ES reimbursed for WIN activities	0.283	0.451

(continued)

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<b>Variable<sup>a</sup></b>	<b>Mean</b>	<b>Standard deviation</b>
<b>Applicant characteristics</b>		
Female	0.431	0.066
Black <sup>b</sup>	0.124	0.127
Youth	0.217	0.056
Migrant seasonal farmworker	0.005	0.015
Economically disadvantaged	0.113	0.082
Unemployment Insurance claimant	0.343	0.151
Veteran	0.144	0.046
<b>Local labor market conditions</b>		
Unemployment rate	8.129	3.234
Labor force size in ES office area	64,182.502	68,701.807
Located in a rural or urban/suburban area	1.647	0.478

<sup>a</sup>See appendix II for a description and the measurement scale for each variable.

<sup>b</sup>The percentage of black ES applicants was unavailable. We used the percentage of local population that was black as a surrogate indicator for this variable.

**Regression Analysis  
Results**

Multiple regression analysis allowed us to simultaneously estimate the relationship of several factors (independent variables) with each placement performance indicator (dependent variables). We found that some ES management practices and services were associated with better placement rates, while others were associated with permanent placement rates or placement wage ratios. For example, frequent communication with employers was associated with higher permanent placement rates and increased manager involvement was associated with higher placement rates and higher placement wage ratios. When an office practice was positively associated with one performance indicator, the practice did not negatively influence the other indicators. For example, an office practice significantly associated with higher placement rates did not significantly lower the local office's permanent placement rates or placement wage ratios.

While local office practices did not appear to operate at cross-purposes to the three performance measures, our analysis identified two ES demographic characteristics associated with different effects on performance. A higher percentage of youth and migrant, seasonal farmworker applicants was associated with higher placement rates, but lower permanent placement rates.

As mentioned earlier, we performed separate analyses to identify variations in performance for the three placement performance indicators.

We also assessed the correlation between these three measures and found that they were significantly correlated, but they did not work at cross-purposes to each other. As shown in table I.2, an increase in local office placement rates was associated with increased local office placement wage ratios. Similarly, an increase in permanent placement rates was associated with increased placement wage ratios.

**Table I.2: Analysis of Correlations  
Between the Three Placement  
Performance Measures**

	<b>Placement rate</b>	<b>Permanent placement rate</b>	<b>Placement wage ratio</b>
Placement rate	1.00		
Permanent placement rate	0.08	1.00	
Placement wage ratio	0.38 <sup>a</sup>	0.50 <sup>a</sup>	1.00

<sup>a</sup>Indicates significant correlation at the 0.01 level of significance.

The following tables display the final regression and correlation analyses results for (1) factors associated with variations in the three performance indicators and (2) factors indirectly associated with performance because of their effect on ES management practices, services, or local demographic characteristics of ES applicants.

Each table displays the adjusted R-squared for each regression analysis. This measures how well the regression equation accounts for the variation in the dependent variable. For example, table I.3 identified significant factors affecting local office placement rates. This analysis resulted in an R-squared of 0.35, which means that 35 percent of the variation in local office placement rates was accounted for by the set of independent variables (significant factors).

The tables also display the standardized regression coefficient for each significant variable. This statistic shows the direction of the variable's relationship with the dependent variable. These standardized regression coefficients also indicate the relative influence of each independent variable on the dependent variable, compared with the other variables in the equation. In our examination of the regression results, we found, not surprisingly, that external factors, outside of ES control, had a strong influence on performance. Our examination focused on factors associated with variations in performance—even when we controlled for other factors, such as unemployment rate and client characteristics—and were within the control of ES managers.

**Factors Directly  
Associated With  
Variations in Local Office  
Placement Rates**

We found that several internal and external factors were significantly associated with variation in local office placement rates. Internal factors associated with higher placement rates included: more manager involvement in client services, separation of the ES office from the UI office, batch or manual application processing, and a lower applicant to labor force ratio. External factors associated with higher placement rates included lower unemployment rate, areas with a smaller labor force, and a higher portion of ES applicants that were youth and migrant workers. Refer to regression analyses results in table I.3.

**Table I.3: Significant Factors Directly  
Associated With Variations in Local  
Office Placement Rates**

Influencing factor	Coefficient	T-statistic <sup>a</sup>
Extent of manager involvement with employer and job seeker services	0.17006	3.945
ES and UI collocated and comanaged	-0.15175	-3.780
Automated application processing	-0.13617	-3.301
Unemployment rate	-0.30977	-6.824
Labor force size	-0.28252	-5.628
Percent of applicants youth	0.27717	6.908
Percent of applicants migrant workers	0.24177	5.990
Applicant to labor force ratio	-0.22533	-4.949
Number of observations	429	
F-statistic	30.02	
Adjusted R <sup>2</sup>	0.35	

<sup>a</sup>All variables are significant at 0.01 level of significance.

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**Factors Directly  
Associated With  
Variations in Local Office  
Permanent Placement  
Rates**

We found that several internal and external factors were associated with variation in local office permanent placement rates. Internal factors associated with higher placement rates included more frequent communication with employers, more local office staff (economy of scale), and more job openings information that could be viewed without ES staff assistance. External factors associated with higher placement rates included a higher portion of female applicants and a lower portion of applicants that were youth, migrant workers, and economically disadvantaged. See the regression results in table I.4.

**Table I.4: Significant Factors Directly  
Associated With the Local Office  
Permanent Placement Rate**

<b>Influencing factor</b>	<b>Coefficient</b>	<b>T-statistic</b>
Frequency of communication with employers to solicit job openings	0.15512	3.455 <sup>a</sup>
Total staff in local office	0.11714	2.517 <sup>b</sup>
Percent of job openings that can be viewed without assistance	0.10260	2.259 <sup>b</sup>
Percent of applicants female	0.37374	7.098 <sup>b</sup>
Percent of applicants migrant workers	-0.19154	-4.323 <sup>a</sup>
Percent of applicants youth	-0.18722	-3.507 <sup>a</sup>
Percent of applicants economically disadvantaged	-0.17809	-3.825 <sup>a</sup>
Number of observations	381	
F-statistic	20.33	
Adjusted R <sup>2</sup>	0.26	

<sup>a</sup>Factor significant at the 0.01 level of significance.

<sup>b</sup>Factor significant at the 0.05 level of significance.

**Factors Directly Associated With Variations in Local Office Placement Wage Ratios**

We found that several internal and external factors were associated with variation in local office placement wage ratios. Internal factors associated with higher wage ratios included: more manager involvement in client services, more involvement with the JTPA Title II-A program, more involvement with the JTPA Title III program, and less involvement with the JTPA Title II-B program.<sup>7</sup> External factors associated with higher wage ratios included serving an area with lower labor force size, being located in a rural area, lower area unemployment rates, and a lower portion of applicants that were economically disadvantaged or unemployment insurance claimants. See the regression results in table I.5.

**Table I.5: Significant Factors Directly Associated With the Local Office Placement Wage Ratio**

Influencing factor	Coefficient	T-statistic
Extent of office involvement with the JTPA Title II-A program	0.17314	2.816 <sup>a</sup>
Extent of manager involvement with employers and job seekers	0.10224	2.063 <sup>b</sup>
Extent of office involvement with the JTPA Title III program	0.11336	2.117 <sup>b</sup>
Extent of office involvement with the JTPA Title II-B program	-0.20982	-3.464 <sup>a</sup>
Urban location	-0.21066	-4.060 <sup>a</sup>
Labor force size	-0.24417	-4.424 <sup>a</sup>
Unemployment rate	-0.15756	-3.187 <sup>a</sup>
Percent of applicants economically disadvantaged	-0.24705	-5.197 <sup>a</sup>
Percent of applicants that were Unemployment Insurance claimants	-0.16828	-3.501 <sup>a</sup>
Number of observations	366	
F-statistic	19.00	
Adjusted R <sup>2</sup>	0.31	

<sup>a</sup>Factor significant at 0.01 level of significance.

<sup>b</sup>Factor significant at 0.05 level of significance.

<sup>7</sup>The JTPA Title II-B program provides summer employment and training services to economically disadvantaged youth.



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**Factors Associated With the Extent of Manager Involvement With Employer and Job Seeker Services; Thus Indirectly Influencing Placement Performance**

We found that more manager involvement in client services was associated with managers having fewer staff to supervise, more full-time or more-than-full-time managers, and working in states that set measurable performance goals. See the regression results in table I.6.

**Table I.6: Significant Factors Associated With the Extent of Manager Involvement With Employer and Job Seeker Services**

<b>Influencing factor</b>	<b>Coefficient</b>	<b>T-statistic</b>
Number of local office staff	-0.50760	-11.675 <sup>a</sup>
Number of FTE managers	0.26473	6.114 <sup>a</sup>
State did not set performance goals	-0.08216	-1.969 <sup>b</sup>
Number of observations	429	
F-statistic	51.33	
Adjusted R <sup>2</sup>	0.26	

<sup>a</sup>Factor significant at 0.01 level of significance.

<sup>b</sup>Factor significant at 0.05 level of significance.

**Factors Associated With the Frequency of Communication With Employers; Thus Indirectly Influencing Placement Performance**

We found that more frequent communication with employers was associated with assigning more office staff to work with employers and having those staff assigned to specific employers. See the regression results in table I.7.

**Table I.7: Significant Factors Associated With the Frequency of Communication With Employers to Solicit Job Openings**

<b>Influencing factor</b>	<b>Coefficient</b>	<b>T-statistic</b>
Number of staff involved in job-soliciting activities	0.22397	4.799 <sup>a</sup>
Percent of job solicitation staff assigned to specific employers	0.09555	2.048 <sup>b</sup>
Number of observations	435	
F-statistic	14.30	
Adjusted R <sup>2</sup>	0.06	

<sup>a</sup>Factor significant at 0.01 level of significance.

<sup>b</sup>Factor significant at 0.05 level of significance.

**Factors Associated With ES Involvement With the JTPA Title II-A and Title III Programs; Thus Indirectly Influencing Placement Performance**

We found that more involvement with the JTPA Title II-A and Title III program was associated with the local office being reimbursed for shared activities. Increased involvement with the JTPA Title II-A program was also associated with serving a higher portion of youth and fewer female applicants. For the JTPA Title III program, increased ES involvement was associated with a higher portion of migrant worker applicants. Refer to table I.8 and table I.9.

**Table I.8: Significant Factors Associated With the Extent of ES Involvement With the JTPA Title II-A Program**

Influencing factor	Coefficient	T-statistic
ES reimbursed for shared JTPA II-A activities	0.47361	10.895 <sup>a</sup>
Percent of applicants female	-0.10855	-2.331 <sup>b</sup>
Percent of applicants youth	0.10600	2.217 <sup>b</sup>
Number of observations	432	
F-Statistic	47.36	
Adjusted R <sup>2</sup>	0.24	

<sup>a</sup>Factor significant at 0.01 level of significance.

<sup>b</sup>Factor significant at 0.05 level of significance.

**Table I.9: Significant Factors Associated With the Extent of ES Involvement With the JTPA Title III Program**

Influencing factor	Coefficient	T-statistic
ES reimbursement for shared ES-JTPA III activities	0.51631	12.345 <sup>a</sup>
Percent of applicants migrant workers	0.09960	2.381 <sup>b</sup>
Number of observations	415	
F-statistic	79.98	
Adjusted R <sup>2</sup>	0.28	

<sup>a</sup>Factor significant at 0.01 level of significance.

<sup>b</sup>Factor significant at 0.05 level of significance.

**Factors Associated With the ES Applicant to Labor Force Ratio; Thus Indirectly Influencing Placement Performance**

We found that ES offices with a larger portion of applicants relative to the local labor force size, or labor market penetration, was associated with more involvement with the JTPA Title II-A program and higher area unemployment rates. See the regression results in table I.10.

**Table I.10: Significant Factors Associated With the ES Applicant to Labor Force Ratio**

Influencing factor	Coefficient	T-statistic <sup>a</sup>
Extent of office involvement with the JTPA II-A program	0.1920	4.38
Unemployment rate	0.3900	8.90
Number of observations	425	
F-statistic	48.86	
Adjusted R <sup>2</sup>	0.18	

<sup>a</sup>Factor significant at the 0.01 level of significance.

**Association Between State ES Expenditures Per Applicant, Staff Workloads, Office Operations and Placement Performance**

Our analysis found a significant association between the local office staff workloads and the total ES dollars spent per applicant in the state. States that spent more dollars per applicant had fewer applicants per ES staff or lower workloads (see table I.11). In a related analysis,<sup>8</sup> we found that staff workload levels were associated with the way local offices operated—offices with lower workloads were more likely to operate in ways associated with better performance.

**Table I.11 : Correlation Analysis of the Association Between State ES Expenditures Per Applicant and Local ES Office Workloads**

	State ES Expenditures per Applicant (correlation coefficient)
Number of applicants per ES staff	-0.36

Note: Correlation significant at the 0.01 level of significance; 438 observations.

<sup>8</sup>See chapter 2, pages 33-34 and data in appendix III, table III.5.

# Description of Variables Used in the Analysis of State and Local Practices Associated With ES Performance

This appendix includes a description of each variable used in our analysis of state management practices and local office operations associated with variations in Employment Service (ES) placement performance. See appendix I for the scope, methodology, and results for our analysis.

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## Local Office Service Delivery Techniques

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Applicant Intake Method	Full-time-equivalent staff available to each applicant during the intake process. Values greater than 0, but do not exceed 1. For example, offices that only conducted individual intake had a value of 1 and offices had a value of 0.1 when intake was conducted in groups of 10 applicants.
Applicant Testing	Percentage of applicants that were given the Validity Generalization tests.
Communication With Employers	Job solicitation techniques used by local offices included calling employers, visiting employers, writing letters to employers, or attending conferences. Offices reported amount of time spent on each technique: 1=none/little, 2=some, and 3=a lot. Variable values reflects sum of amount of time reported for the four activities; minimum value=4 and maximum value=12.
Job Matching Technique	Local office use of computers to match applicant and job files. Values assigned: 1=computer matching only, 2=computer and manual matching, and 3>manual matching only.
Self-Service Job Information System	Percentage of job openings that can be viewed by applicants without assistance from ES staff.
Referring Applicants to Training	Percentage of applicants referred to training.

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**Referring Applicants to Support Services**

Percentage of applicants referred to support services.

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**Applicants to Labor Force Ratio**

Number of local office applicants as a portion of local labor force size.

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**Local Office Management Practices**

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**Manager Involvement in Client Services**

Extent of local office manager involvement in the following client services: marketing ES services by attending business conferences, soliciting job openings from employers, explaining ES services to job seekers, referring job seekers to ES services, helping job seekers complete applications, matching job seekers with employers, following-up on job referrals, developing employability plans and administering tests. Variable values range from 0 to 9, representing the number of activities managers were involved in.

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**Counselor Involvement in Client Services**

Extent of local office counselor involvement in the following client services: soliciting job openings from employers, referring job seekers to ES services, helping job seekers complete applications, or matching job seekers with employers. Values range from 0 to 5—representing the number of services counselors were involved in.

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**Staff Assigned to Solicit Jobs From Employers**

Number of local office staff that were involved in job soliciting activities.

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**Staff Assigned to Work With Specific Employers**

Percentage of job solicitation staff assigned to work with specific employers.

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**Involvement With the JTPA Title II-A Program**

Extent of local office involvement with the JTPA Title II-A program in the following activities: screening job seekers, administering tests, training staff, using the same application form, sharing job information,

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sharing office space, or working together on other activities. Values range from 0 to 7—representing the number of shared ES-JTPA activities.

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**Involvement With the  
JTPA Title II-B Program**

Extent of local office involvement with the JTPA Title II-B program in the following activities: screening job seekers, administering tests, training staff, using the same application form, sharing job information, sharing office space, or working together on other activities. Values range from 0 to 7—representing the number of shared ES-JTPA activities.

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**Involvement With the  
JTPA Title III Program**

Extent of local office involvement with the JTPA Title III program in the following activities: screening job seekers, administering tests, training staff, using the same application form, sharing job information, sharing office space, or working together on other activities. Values range from 0 to 7—representing the number of shared ES-JTPA activities.

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**Involvement With the  
Work Incentive Program**

Extent of local office involvement with the Work Incentive program in the following activities: screening job seekers, administering tests, training staff, using the same application form, sharing job information, sharing office space, or working together on other activities. Values range from 0 to 7—representing the number of shared ES-Work Incentive activities.

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**Automated Application  
Processing**

Local office method for processing ES applications. Values assigned: 0=information processed manually (no automation), 1=information indirectly entered into a computer (batch processing), and 2=information entered directly into computer (fully automated).

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**Automated Applicant  
Information Processing**

Local office method for processing applicant information. Values assigned: 0=information processed manually (no automation), 1=information indirectly entered into a computer (batch processing), and 2=information entered directly into computer (fully automated).

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**Automated Job Order  
Processing**

Local office method for processing job openings. Values assigned: 0=information processed manually (no automation), 1=information indirectly entered into a computer (batch processing), and 2=information entered directly into computer (fully automated).

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<b>ES Location/Management Relative to the Unemployment Insurance Office</b>	Local ES office management/location relative to the local Unemployment Insurance office. Values assigned: 0=ES and UI not collocated, 1=same location but ES and UI offices do not share manager, and 2=same location and shared manager.
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<b>Number of Full-Time-Equivalent Office Staff (Economy of Scale)</b>	Number of full-time-equivalent local office staff.
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<b>Number of Full-Time-Equivalent Managers (Economy of Scale)</b>	Number of full-time-equivalent local office managers.
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**State Management Practices**

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<b>Set Measurable Performance Goals</b>	State practice for setting measurable performance goals for local offices. Values assigned: 1=state set measurable goals and 2=state did not set measurable goals.
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<b>Provided Performance Incentive Awards</b>	State practice for providing performance incentive awards to local offices. Values assigned: 1=state provided awards and 2=state did not provide awards.
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<b>Frequency of On-Site Visits</b>	Frequency of state on-site visits to evaluate local office performance. Values assigned: 0=more than half of the offices were visited less frequently than every 2 to 3 years, or the state did not conduct on-site visits, 1=more than half of the offices were visited every 2 to 3 years, and 2=more than half of the offices were visited annually.
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**Appendix II  
Description of Variables Used in the Analysis  
of State and Local Practices Associated With  
ES Performance**

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**Resources: Workload  
Indicators (Annual)**

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<b>Number of Applicants Per Staff</b>	Number of applicants per local office staff.
<b>Number of Computers Per Staff</b>	Number of computers per local office staff.
<b>Number of Job Openings</b>	Number of job openings processed by local office.
<b>Number of Applicants</b>	Number of applicants processed through local office.

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**Resources: Funding  
Indicators (Annual)**

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<b>ES Expenditures Per Applicant</b>	Total funds available per applicant processed by state; includes Wagner-Peyser and non-Wagner-Peyser funds.
<b>ES Reimbursement for JTPA Title II-A Activities</b>	Local office reimbursement for shared activity(s) with the JTPA title II-A program. Values assigned: 0=no reimbursement and 1=some reimbursement.
<b>ES Reimbursement for JTPA Title II-B Activities</b>	Local office reimbursement for shared activity(s) with the JTPA title II-B program. Values assigned: 0=no reimbursement and 1=some reimbursement.
<b>ES Reimbursement for JTPA Title III Activities</b>	Local office reimbursement for shared activity(s) with the JTPA title III program. Values assigned: 0=no reimbursement and 1=some reimbursement.



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**Appendix II**  
**Description of Variables Used in the Analysis**  
**of State and Local Practices Associated With**  
**ES Performance**

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<b>ES Reimbursement for Work Incentive Activities</b>	Local office reimbursement for any shared activity with the Work Incentive program. Values assigned: 0=no reimbursement and 1=some reimbursement.
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**Applicant Characteristics**

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<b>Females</b>	Percentage of applicants that were female.
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<b>Black</b>	Percentage of local population that were black.
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<b>Youth</b>	Percentage of applicants that were youths.
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<b>Migrant Seasonal Farmworkers</b>	Percentage of applicants that were migrant seasonal farmworkers.
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<b>Economically Disadvantaged</b>	Percentage of applicants that were economically disadvantaged.
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<b>Unemployment Insurance Claimants</b>	Percentage of applicants that were Unemployment Insurance claimants.
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<b>Veterans</b>	Percentage of applicants that were veterans.
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**Appendix II  
Description of Variables Used in the Analysis  
of State and Local Practices Associated With  
ES Performance**

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**Local Labor Market  
Conditions**

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**Unemployment Rate**

Unemployment rate in area served by local ES office.

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**Labor Force Size in ES  
Office Area**

Labor force size in area served by local ES office.

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**Located in a Rural of  
Urban/Suburban Area**

Location of local office. Values assigned: 1=rural and 2=urban or suburban.

# Descriptive Statistics for State Management Practices and Local Office Operations for Program Year 1986

## State Management Practices

**Table III.1: States That Set Measurable Goals Reinforced by Performance Awards**

	Number of states
Set measurable goals reinforced by performance awards	18
Did not set measurable goals reinforced by performance awards	33
Set measurable goals only	24
Offered performance awards only	3
No measurable goals or performance awards	6
<b>Total</b>	<b>51</b>

**Table III.2: Awards Budgets for States That Provided Performance Awards**

	Number of states
None	2
Less than \$1,000	5
Between \$1,000 and \$20,000	4
Between \$20,000 and \$100,000	4
More than \$100,000	5
Unknown	1
Performance awards not provided	30
<b>Total</b>	<b>51</b>

**Table III.3: Frequency of State On-Site Visits to Evaluate Local Office Performance**

	Number of states
Most local offices visited each year	33
Most local offices visited every 2 to 3 years	12
No on-site visits	6
<b>Total</b>	<b>51</b>

**Table III.4: State Level Monitoring Staff Work Load by On-Site Monitoring Practices**

	Number of states	Offices per monitoring staff
Most local offices visited each year	33	7
Most local offices visited every 2 to 3 years	12	13
No on-site visits to local offices	6	<sup>a</sup>
<b>Total</b>	<b>51</b>	

<sup>a</sup>Not applicable.

**Appendix III  
 Descriptive Statistics for State Management  
 Practices and Local Office Operations for  
 Program Year 1986**

**Table III.5: Dollars Expended Per ES  
 Applicant Among State ES Programs**

	<b>Number of states</b>
\$25.00 to \$50.00	15
\$51.00 to \$75.00	11
\$76.00 to \$100.00	7
More than \$100	7
Expenditures unavailable	11
<b>Total</b>	<b>51</b>

**Table III.6: Percent of State ES Basic  
 Labor Exchange Expenditures Drawn  
 From Non-Wagner-Peyser Funds**

	<b>Number of states</b>
1 to 20%	4
21 to 30	12
31 to 40	12
41 to 50	3
51 to 60	6
More than 60%	4
Expenditures unavailable	10
<b>Total</b>	<b>51</b>

## Local Office Operations

**Table III.7: Frequency of Local Office  
 Communication With Employers<sup>a</sup>**

	Percent of local offices
Extensive	7
Moderate	72
Little	21
<b>Total</b>	<b>100</b>

<sup>a</sup>Extensive communication with employers occurred when local offices reported spending a significant amount of time on at least three of four activities: calling employers, visiting employers, sending letters to employers, or attending business conferences. Moderate activity occurred when offices spent a significant amount of time on at least two of these activities, but not more than three. Little activity occurred when offices reported spending a significant amount of time on only one activity.

**Table III.8: Local Office Primary  
 Applicant Intake Method**

	Percent of local offices
Individual	69
Group	27
Individual and Group	4
<b>Total</b>	<b>100</b>

**Table III.9: Percent of Jobs That  
 Applicants View Without Assistance**

	Percent of local offices
None	11
Less than 25%	18
26 to 50	8
51 to 75	3
76 to 99	21
100	39
<b>Total</b>	<b>100</b>

**Appendix III  
Descriptive Statistics for State Management  
Practices and Local Office Operations for  
Program Year 1986**

**Table III.10: Extent of Manager Involvement With Employers and Job Seeker Services<sup>a</sup>**

	Percent of local offices
Extensive	16
Moderate	61
Little	23
<b>Total</b>	<b>100</b>

<sup>a</sup>Extensive involvement occurred when local office manager were involved with at least eight of nine client services: marketing ES services by attending business conferences, soliciting job openings from employers, explaining ES services to job seekers, referring job seekers to ES services, helping job seekers complete applications, matching job seekers with employer, following-up on job referrals, developing employability plans, or administering tests. Moderate involvement occurred when office managers were involved with two to seven of these services and little involvement occurred when managers were involved in less than two of these services.

**Table III.11: Number of Full-Time-Equivalent Mangers in Local Offices**

	Percent of local offices
Less than 1	45
1 to 1.5	49
2 to 2.5	5
3 or more	1
<b>Total</b>	<b>100</b>

**Table III.12: Local Office Involvement With JTPA Programs<sup>a</sup>**

	Percent of local offices
<b>JTPA Title II-A</b>	
Extensive	23
Moderate	55
Little	22
<b>Total</b>	<b>100</b>
<b>JTPA Title III</b>	
Extensive	21
Moderate	46
Little	33
<b>Total</b>	<b>100</b>

<sup>a</sup>Extensive involvement in each JTPA program is defined as ES offices involved with the JTPA program in at least six of the following activities: screening job seekers, administering tests, training staff, using the same application form, sharing job opening information, sharing office space, or working together on other activities. Moderate involvement was defined as ES working with JTPA on two to five of these activities. Little involvement was defined as ES working with JTPA on less than two activities.

**Appendix III  
 Descriptive Statistics for State Management  
 Practices and Local Office Operations for  
 Program Year 1986**

**Table III.13: Local Office Separation  
 From the Unemployment Insurance  
 Office**

	<b>Percent of local offices</b>
Collocated with same manager	68
Collocated with separate managers	21
Separate locations	11
<b>Total</b>	<b>100</b>

**Table III.14: Number of Applicants Per  
 Local ES Office Staff, Annual**

	<b>Percent of local offices</b>
Less than 500	15
501 to 1,000	52
1,001 to 1,500	24
More than 1,500	8
<b>Total</b>	<b>100</b>

# Tables Containing Data Supporting Figures in Report Text

**Table IV.1: Wagner-Peyser Funding for State ES Administration From 1984 Through 1990** (Data for Figure 1.1)

Millions of dollars		
Year	Actual <sup>a</sup>	Adjusted <sup>b</sup>
1984	740	679
1985	777	693
1986	758	659
1987	755	637
1988	738	598
1989	764	597
1990	779	585

<sup>a</sup>Funding levels for the 50 states, the District of Columbia, Puerto Rico, Guam, and the Virgin Islands provided by the U.S. Department of Labor.

<sup>b</sup>Inflation adjustment is with the Gross National Product Deflator (1982=100).

**Table IV.2: Sources of Funding for State ES Basic Labor Exchange Programs, 1986** (Data for Figure 1.2)

Funding Sources <sup>a</sup>	Percent
Wagner-Peyser	61.7
Other Miscellaneous Federal Funds <sup>b</sup>	22.6
JTPA Funds	13.1
State Funds	2.6
<b>Total</b>	<b>100.0</b>

<sup>a</sup>Based on actual ES expenditures in 40 states and the District of Columbia from July 1, 1986 through June 30, 1987.

<sup>b</sup>Other federal funds used to support ES basic labor exchange activities include Targeted Jobs Tax Credit, Trade Adjustment Assistance, Work Incentive, Job Corps, Food Stamps, Veterans, and miscellaneous federal funds.

**Table IV.3: Local Office Placement Rates** (Data for Figure 1.3)

Placement rate <sup>a</sup>	Percent of local offices
33% or more	10
26-32	12
18-25	29
10-17	37
Less than 10%	12
<b>Total</b>	<b>100</b>

<sup>a</sup>Percent of local ES office applicants placed in jobs.



**Appendix IV  
Tables Containing Data Supporting Figures in  
Report Text**

**Table IV.4: Local Office Permanent Placement Rate** (Data for Figure 1.4)

<b>Permanent placement rate<sup>a</sup></b>	<b>Percent of local offices</b>
75% or more	26
61-74	31
50-60	21
25-49	19
Less than 25%	3
<b>Total</b>	<b>100</b>

<sup>a</sup>Percent of job placements expected to last over 150 days.

**Table IV.5: Placement Performance in States That Set Goals Reinforced by Awards Compared With States That Did Not Use This Practice** (Data for Figure 2.1)

	<b>States that did not use this practice</b>	<b>States that used this practice</b>
Placement rate	14	19
Permanent placement rate	62	65
Placement wage ratio	55	56

**Table IV.6: Placement Performance in States That Monitored Local Office Performance Through Annual On-Site Visits Compared With States That Did Not Conduct On-Site Visits** (Data for Figure 2.2)

	<b>State practice for monitoring local office performance</b>	
	<b>No on-site visits</b>	<b>Annual on-site visits</b>
Placement Rate	17	22
Permanent Placement Rate	52	62
Placement Wage Ratio	56	56

**Table IV.7: Placement Performance in States That Set Goals Reinforced by Awards and Conducted Annual On-Site Visits Compared With States That Did Not Use Either Practice** (Data for Figure 2.3)

	<b>States that did not use either practice</b>	<b>States that used both practices</b>
Placement rate	10	21
Permanent placement rate	55	66
Placement wage ratio	50	56

**Appendix IV  
Tables Containing Data Supporting Figures in  
Report Text**

**Table IV.8: Average Number of ES Applicants Per Staff by Local Practices Associated With Better Performance Results** (Data for Figure 2.4)

	Number of ES applicants per staff	
	Offices that did not use practice	Offices that used practice
Frequent communication with employers	1,118	861
Individual intake interviews with job seekers	956	858
Self-service job information system	1,029	829
Extensive manager involvement in client services	903	797
Extensive Involvement With JTPA II-A Program	898	708
ES office separate from the UI office	912	834

**Table IV.9: Number of ES Regional Staff From 1983 Through 1991** (Data for Figure 3.1)

Year	Regional staff <sup>a</sup>
1983	99
1984	90
1985	68
1986	64
1987	64
1988	59
1989	64
1990	61
1991	59

<sup>a</sup>Estimate for number of full-time-equivalent regional staff provided by U.S. Department of Labor, Employment and Training Administration. Actual number for more recent years may be lower.

# Comments From the Department of Labor

U.S. DEPARTMENT OF LABOR

SECRETARY OF LABOR  
WASHINGTON, D.C.

JUN 14 1991

Mr. Franklin Frazier  
Director  
Education and Employment Issues  
United States General  
Accounting Office  
Washington, D.C. 20548

Dear Mr. Frazier:

This is in response to the General Accounting Office (GAO) report entitled Employment Service: Improved Leadership Needed for Better Performance (GAO/HRD-91-88), dated April 29, 1991.

In general, the Department of Labor (DOL) concurs with the GAO recommendations that are included in the report. In fact, its issuance is timely because it coincides with some of our earlier observations regarding the Employment Service's (ES) performance. Before we reply specifically to the recommendations and issues raised in the report, however, the Department would like to make a general comment on the methodology of the report itself, namely that it is too narrowly focused on the Employment Service's placement activities: placement, wages after placements, and the duration of placements.

During the review of the Employment Service, DOL requested that GAO staff identify other major performance objectives. These include counseling, school to work transition, job search workshops, individuals referred to training, quality employer services which include job order fill rate, labor market information and referrals, and efficiency which may include placement per staff year, timeliness of applicant or employer service or cost per applicant served. The use of placements as the principal criterion for success, has ignored other legitimate performance objectives and, therefore, does not allow room to determine the relative success or failure of each as well as identify significant contributing variables.

Regarding the overall recommendation that the DOL (1) take a greater leadership role in assisting the States to identify and solve problems affecting ES program quality and performance, (2) increase technical assistance activities to promote program quality, (3) share information on effective State and local practices, and (4) develop measurable goals and performance standards for the ES tailored to local conditions and needs, the following is submitted.

The Department's Employment Service's leadership role changed dramatically in the early 1980's. In the past, DOL's policy before the passage of the 1982 Wagner-Peyser Act amendments was, as the report states, one of close supervision and management, monitoring of program operations which resulted in corrective action procedures, providing technical assistance and training, etc., to the point of micro-managing the States' Employment Service operations.

The advent of the 1982 amendments, however, ushered in the "New Federalism" and gave the States greater latitude and responsibility in the development and implementation of their own program design. Therefore, DOL seized the opportunity to intentionally interpret the new federalism to mean that States should not be constrained or inhibited in their initiative to tailor their programs to meet community needs.

Since the new policy was put into place, Labor has used the experience to study and evaluate the performance made by the States under the new federalism and independent of the GAO review and report, has already begun to implement some of its key recommendations. DOL has begun to work with States to identify and solve problems affecting ES performance, to increase technical assistance to promote program quality, and to share best/exemplary practices among State and local practitioners who have initiated effective management strategies with those States which have not been performing as well.

The GAO report states (p. 4) that DOL does not have "... a system for distributing information among States on effective service delivery strategies, encouraging innovative State projects, or promoting State improvements through seminars and workshops." DOL has undertaken a campaign of information dissemination and utilization to improve program performance and quality. One example is the information exchange forums that the Department held several months ago. Without imposing federal restrictions and thereby impeding Congress' intent to improve ES operations by allowing States to continue designing their own programs, DOL has developed new reporting standards which will form the basis for developing ES performance measurements and DOL is working with the States through the leadership of the Interstate Conference of Employment Security Agencies (ICESA) to develop performance measures.

Labor has sponsored work groups and more recently co-sponsored an "Employment Service Directors National Meeting," in conjunction with the New York State Department of Labor, ICESA, and the International Association of Personnel in Employment Security (IAPES) to emphasize the need to develop performance measurements for a more effective labor exchange program,

Appendix V  
Comments From the Department of Labor

establish a suitable mix of employment services for workers and employers, expand employment placement assistance, and facilitate State management oversight systems for overall program operations success.

Labor intends to work even closer with the States to resolve employment service issues, such as program performance, provide technical assistance and training to enhance program quality and performance, and develop guidelines for comprehensive performance standards.

In addition, the report finds that a lack of funding and staffing resources have impeded Labor's ability to provide technical assistance to the States but makes no recommendation on the subject regarding level of additional resources necessary to carry out the recommendations.

The Department appreciates the opportunity to review the report and is enclosing specific comments on data assumptions and conclusions arrived at which warrant a response.

Sincerely,

  
LYNN MARTIN

Enclosure

U.S. Department of Labor's Comments to the Draft General Accounting Office's Report Entitled: "Employment Service: Improved Leadership Needed for Better Performance"

Performance

The report states that performance was measured by the percentage of applicants who were placed in jobs and it (performance) was used as the principal criterion for success.

As commented upon earlier, the report does not sufficiently acknowledge or identify other major performance objectives selected by States which may differ as a result of State emphasis. Such objectives may include counseling, assessment, placement, job search workshops, and individuals referred to training; quality employer services which includes job order fill rate, labor market information, and referrals; and efficiency which may include placed per staff year, timeliness of applicant or employer service, or cost per applicant served.

Therefore, the measurement system used by GAO leads to conclusions which have to be understood within such limitations.

ES/UI Collocation

The report observes that placement rates were 21 percent higher (p. 34) in ES offices located apart from UI offices and, therefore, that performance is higher when they are not collocated. We review this conclusion somewhat suspiciously, feeling the reason for separate ES offices performing better under GAO's definition of performance (percentage of applicants placed) has to do more with

the application taking policy, rather than location. A separate ES office does not encounter the massive number of UI claimants for whom job applications are taken and has a larger staff to provide more and better services. The placement rate of UI claimants in jobs is very low because most have a firm attachment to the labor market and find their own job. Those who do not have this attachment have the convenience of receiving both services so that the claimant can meet the UI filing requirements and receive ES job placement assistance in tandem.

Funding

The Report draws implication that many funds are provided directly to the ES from other Federal sources, i.e., JTPA, Job Opportunities and Basic Skills (JOBS), Food Stamps, etc. without exploring that these "non-SUIESO" funds are in the nature of cost-reimbursable grants for services rendered, requiring specific performance in return for funds. For example, on p. 33, the report states: "... local office involvement with JTPA programs was higher in States that received greater proportions of their ES funding from JTPA." The performance may be more a function of specific contracting of cost reimbursable services, rather than relationships. Thus, the report does not recognize the effect of cost reimbursement contracts on total ES resources, and therefore performance.

Findings

The following findings are identified in the report whereby States may increase ES performance:

- \* the giving of awards,
- \* States that spend more dollars per ES applicant are more likely to evaluate local office performance through on-site visits,
- \* States that expend more dollars per ES applicant are found to have higher State-level staff to local office ratios, a situation which fosters the development of performance standards and on-site visits.

However, on p. 12, the report states:

"The decline in Wagner-Peyser funding has forced ES programs to reduce -- and sometimes eliminate -- individualized client services .... Since 1984, Wagner-Peyser funding has declined 14 percent, when adjusted for inflation. States have partially offset this loss by using State revenues and other federal funds ...."

While direct Wagner-Peyser resources may have declined when adjusted for inflation, the Department has provided greater autonomy and flexibility to the States enabling States to eliminate unnecessary and costly Federal requirements and thereby design programs to meet State and local needs.



# Comments From the Interstate Conference of Employment Security Agencies



**INTERSTATE CONFERENCE OF EMPLOYMENT SECURITY AGENCIES, INC.**  
SUITE 126, 444 NORTH CAPITOL STREET, N.W., WASHINGTON, D.C. 20001, 202/628-5588  
FAX # 202/783-5023

June 4, 1991

Mr. Franklin Frazier  
Director, Education and Employment Issues  
Human Resources Division  
U.S. General Accounting Office  
Washington, DC 20548

Dear Mr. Frazier:

The Interstate Conference of Employment Security Agencies (ICESA) was pleased to have the opportunity to review the General Accounting Office's (GAO) draft report entitled Employment Service: Improved Leadership Needed for Better Performance.

We commend the report's clear statement of the need for the U. S. Department of Labor to provide greater technical support to the states. The lack of such support since enactment of the 1982 Wagner-Peyser amendments has led to a great disparity among the states in terms of levels of automation, participation in technical and innovative project exchange, and implementation of performance measures to better identify the successes or failures of individual state Employment Service programs.

#### **Role Of The Federal Government As A Source of Guidance**

The Department of Labor's narrow interpretation of the federal government's role in the partnership to provide an effective public labor exchange, along with the severe reduction of resources available, have seriously undermined the working relationship between the states and the Department. The Department has relied on enforcing simple compliance, instead of promoting program quality and effectiveness. Efforts by the Department to provide information exchanges on innovative programs, management techniques and work force strategies have been sporadic and lacking in follow-up. And, the Department has demonstrated a federal mindset which seeks to pigeon-hole the 53 state Employment Service operations into a single type of operation without regard to the needs and realities of state and local labor market conditions.

**GAO Response—Page Two**

**Higher Resource Levels [are] Associated With Better State and Local Employment Service Operations That Were Related To Performance**

The GAO analysis found "a significant association between the local office staff workloads and the total Employment Service dollars spent per applicant in the state. States that spent more dollars per applicant had fewer applicants per Employment Service staff or lower workloads. In a related analysis [GAO] found that staff workload levels were associated with the way local offices operated—offices with lower workloads were more likely to operate in ways associated with better performance."

This finding is significant in several respects. On the surface, it simply reiterates that investing resources produces better performance. However, this finding also reflects the limitations of using a simple placement ratio (placements/applicants) to judge success. The fewer applicants served, the smaller the denominator and the better the ratio. Development of a permanent placement ratio, where the percentage of applicants placed in permanent jobs would be shown, could be a more meaningful measure.

**Decline in Wagner-Peyser Funding**

The report does not thoroughly address the decline in funding for the system. On page 12, the report states that "since 1984, Wagner-Peyser funding has declined 14 percent, when adjusted for inflation." During this period, state government costs, particularly staff salaries, increased faster than national inflation. Moreover, the report does not comment on the extent to which the economy grew during this period. Considering the growth in the labor force during this period, the impact of declining resources is even greater than reflected in the draft report.

- In the state of Maryland, for example, total employment grew 14.67% between 1986 and 1991. During that same period, resources declined by 14%, while the potential market grew by 14%, creating an effective net loss of 28%.
- Again in Maryland, the ratio of civilian labor force to Job Service staff will have increased from 6,939:1 in 1986, to 9,755 in 1991. By 1996, it is estimated the ratio will be 15,016:1.
- Similarly, the ratio of employers to Maryland Job Service staff has grown from 287:1 in 1986 to 448:1 in 1991. By 1996, it is estimated that the ratio will be 794:1.

**GAO Response—Page Three**

Given these comparisons, the decline in resources has been dramatic and the impact is seriously understated in the report.

**Group Intake vs Individual Intake**

The question of the effectiveness of group intake versus individual intake requires a closer look at the utilization of recently developed group intake techniques and state agencies' commitment to a strategy which uses group intake as a tactical tool rather than as a reflection of diminished resources. The data used in the report is over four years old and represents the initial implementation of group conversion.

It would be worthwhile to collect and review more recent data on the use of group intake to determine its actual role in the offices surveyed.

**Co-location of Employment Service with Unemployment Insurance Offices**

The states regard the GAO's method of reviewing the co-location of offices as being too generalized and would like to see the data file on this subject. Two factors have significantly impacted states' decisions to co-locate Employment Service and Unemployment Insurance offices: dwindling resources, and the growing impact of automation.

The need to avoid duplication of overhead costs in this time of tight state budgets has dictated consolidation wherever possible. The Employment Service and Unemployment Insurance systems are complimentary and thus conducive to consolidation of operations. Secondly, the development of automated combined intake (the input of client data required by both Employment Service and Unemployment Insurance forms at a single entry point) in a number of states has made co-location an efficient and effective mode of operation with resultant improvements in customer service.

ICESA believes that further evaluation of co-location is warranted in view of the technological advances being made in the area of automation.

**Defining Success**

The GAO implicitly defines success in terms of placement ratios, while clearly stating that program design is under state authority. However, the measures selected to monitor program performance will dramatically affect the degree of success.

**GAO Response—Page 4**

States might opt to define success in terms of the percentage of total employers served or staff to applicant ratios. These are legitimate measures—but states succeeding on this basis will be less competitive on placement ratio due to the volume served. There is not, at present, a national consensus on the definition of success for the Employment Service. Simple placement ratios should not be accepted without fully recognizing the consequences in program design decisions.

One of the most encouraging signs for the Employment Service is growing cooperation between the states and the federal government in the development of performance measures. Efforts are currently underway to develop a series of core service measurements which would give states a menu of performance measures from which to choose, reflecting the labor market conditions and the client needs of the individual states. ICESA regards this work as being consistent with the goals of the GAO in its extensive study of the Employment Service.

In closing, ICESA is pleased to have had the opportunity to participate and comment in this process. The General Accounting Office has been very responsive to questions and very understanding of the current limitations under which the state Employment Services operate.

Sincerely,



Michael V. Deisz  
President

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# Major Contributors to This Report

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Timothy E. Hall, Evaluator**

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# Related GAO Products

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Employment Service: Leadership Needed to Improve Performance (GAO/T-HRD-91-4, Oct. 16, 1990).

Unemployment Insurance: Trust Funds Reserves Inadequate to Meet Recession Needs (GAO/HRD-90-124, May 31, 1990).

Training Strategies: Preparing Noncollege Youth for Employment in the U.S. and Foreign Countries (GAO/HRD-90-88, May 11, 1990).

Dislocated Workers: Expenditures Under Title III of the Job Training Partnership Act (GAO/HRD-90-93FS, Feb. 23, 1990).

Unemployment Insurance: Comments on HR 3896, the Unemployment Compensation Reform Act of 1990 (GAO/T-HRD-90-15, Feb. 22, 1990).

Job Training Partnership Act: Youth Participant Characteristics, Services and Outcomes (GAO/HRD-90-46BR, Jan. 24, 1990).

Dislocated Workers: Labor-Management Committees Enhance Reemployment Assistance (GAO/HRD-90-3, Nov. 21, 1989).

Employment Service: Preliminary Analysis of Policies and Practices Related to Performance (GAO/T-HRD-90-5, Oct. 31, 1989).

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

Job Training Partnership Act: Services and Outcomes for Participants with Differing Needs (GAO/HRD-89-52, June 9, 1989).

Plant Closings: Limited Advance Notice and Assistance Provided Dislocated Workers (GAO/HRD-87-105, July 17, 1987).

Dislocated Workers: Exemplary Local Projects Under the Job Training Partnership Act (GAO/HRD-87-70BR, Apr. 8, 1987).

Dislocated Workers: Extent of Business Closures, Layoffs, and the Public and Private Response (GAO/HRD-86-116BR, July 1, 1986).

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### **Ordering Information**

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