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CHAPTER 11

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I had told [President Roosevelt] that the Employment Service was practically nonexistent although its name was still on a letterhead. . . . He said, "Resurrect the Employment Service right away. . . ."

Frances Perkins describing Employment Service revitalization in 1933

The U.S. Employment Service, U.S. Department of Labor, is the agency responsible for establishing and maintaining a federal-state system of local public employment offices. There are nearly 1,800 offices of the Employment Service (ES), also referred to as the Job Service, located in fifty-four states and territories of the United States, which provide a free public labor exchange to assist individuals seeking employment and employers seeking workers.¹ The ES is at a crossroads in its Labor Department history, both in terms of its relationship to the unemployment insurance (UI) program and its role in the formulation of a new workforce development system that can better meet the needs of job seekers and employers in a dynamic global economy.² Devised in the midst of the Great Depression, the federal-state ES system was established to address the recruitment requirements of New Deal public works programs. With the creation of the UI program, the ES system was subsequently organized as part of the employment

security system, which includes both ES and UI programs, to mitigate the vagaries of cyclical unemployment that characterized the U.S. labor market.³ This model of the ES as a free public labor exchange worked well for about a half-century, until the nature of work began to change rapidly. The structural shift in America's economic engine that began in the late 1970s has caused more workers to be permanently laid off, as the jobs they held disappeared, leaving them without the skills needed to obtain their next job. Moreover, the new "information economy" of the 1990s is continuing to transform the nature of work and will most likely lead to more frequent job changes, many of which will also involve significant career moves, for new and experienced workers. This heightened and increasing problem of structural unemployment requires new public and private reemployment solutions and an examination of the relationship between the ES and the UI program.

The attitudes of policy makers towards the ES, and the roles it should play in a new workforce development system, have been largely influenced by anecdotal evidence, as well as by the findings from more formal evaluations. In its early years, the ES received praise for its key role in aiding economic recovery from the Great Depression and for its postwar efforts to help in the transition from a wartime to a civilian economy. In contrast, over the last 30 years, the ES has been criticized as being ineffective and antediluvian. Much of this perspective is based largely on anecdotal information and (mis)perceptions, rather than on the evidence from more formal evaluations of its effectiveness. For example, the ES is often criticized because employers generally seem to list only relatively low-skill, low-wage jobs with the service, and only as a last resort after they are unable to find workers through other mechanisms. Similarly, in some circles, the ES has developed the image of an "unemployment office" due to its formal "business" relationship with the UI program and because it is often co-located with the UI office. The ES has also been criticized for serving relatively disadvantaged workers and others who only use the ES after other job-finding methods have failed. Finally, critics have pointed to relatively low and declining ES placement rates, and to even lower placement rates for UI claimants, as evidence of ineffectiveness. In contrast, as will be described, the results of formal evaluations of the ES paint a very different picture of its effectiveness, recognize the potentially valuable role the ES can play as a last resort, and note that the decline

in placement rates must be adjusted for factors outside ES control and viewed in the broader context of its changing mission and the target groups it serves, the level of funding provided, and shifts in labor market conditions.

In this chapter, we examine the past, present, and future role of the ES in the reemployment process, including the historical and projected linkages between the ES and the UI program. Understanding the future role of the ES in a new workforce system requires a knowledge of the formal ties between the ES and the UI programs, as well as a historical perspective on the evolving mission of the ES over more than sixty years. Also, in understanding how effectively the ES has operated in the past, how it works today, and how it is likely to function in the future, it is important not to rely on anecdotes and perceptions but, as much as possible, to draw on reliable quantitative research that measures the outcomes achieved compared to what would have happened if the program or particular service had not been available.

The remainder of this chapter is organized into four sections. In the next section, we describe the key linkages between the ES and the UI program, including the “work test” and the different types of reemployment services that the ES has provided UI claimants over the years. This is followed by a discussion of the major changes in the mission of the ES, including alterations in programs and policies, target groups (including UI claimants), and resources. For the most part, we briefly describe the early years and focus on major shifts during the past ten years. The third section summarizes the available research evidence on the effectiveness of the work test and of various ES services provided to job seekers. The final section offers our view as to how the ES is likely to function in the near term as part of a new workforce development system, with a particular focus on the relationship to the UI program and the services that will be provided to UI claimants. We draw inferences about the probable effectiveness of the labor exchange system in the future. We also identify the major gaps in our knowledge of the effectiveness of certain aspects of the likely future system, which, if filled, could help shape labor exchange policies and services.

Linkages between the Employment Service and the Unemployment Insurance Program

The ES has played an integral part in the UI program since the inception of the federal-state UI program in the Social Security Act (SSA) of 1935. In the two years between the passage of the Wagner-Peyser Act of 1933, which established the federal-state ES, and the creation of the UI program, the primary mission of the ES was to function as a labor exchange by obtaining information on the skills and qualifications of unemployed workers and referring qualified applicants to appropriate job openings that were listed by employers. With the creation of the UI program, the functions of the ES were expanded to add work registration of UI claimants to the original job-matching goal. Although the mission of the ES has spread far beyond labor exchange activities over the last sixty years, the relationship of the ES with the UI program has historically focused on two fundamental roles: the work test and reemployment services.

Work Test

A leading role played by the ES system in the UI program is to administer the work test requirement as a condition for continuing UI benefits eligibility to ensure that UI claimants are actively seeking jobs. To offset the disincentive to search for work resulting from the availability of UI benefits and to guarantee that claimants are exposed to the job market, the UI program imposes various administrative standards to encourage claimants to seek work. In particular, all federally approved state UI programs must include able-to-work and available-for-work eligibility requirements that claimants must satisfy on a continuing basis in order to receive UI benefits.⁴ For example, in most states, UI claimants who are not job-attached (i.e., are not on temporary layoff and expect to be recalled by their former employer, or do not obtain employment through a union hiring hall) are usually required to register for work with the ES, which affirms their labor force attachment and availability for work, and are required to accept a suitable job referral or an offer of suitable work.⁵ In addition, UI claimants who are not job-attached are required to search actively for work

and, in many states, to document the employers they contact as part of the continuing claims process.

The ES assists the UI program in its efforts to monitor compliance with the able-to-work and available-for-work requirements, and this function is commonly referred to as the work test for continuing UI benefits eligibility. Typically, in most states, the ES administers the work test requirement by identifying claimants who neglect to register with the ES, fail to accept suitable job referrals, or refuse offers of suitable employment. In such cases, it then refers these issues to the UI program for a determination as to whether UI benefits should be denied. Although the enforcement of the work test has varied considerably over time, as well as across states, the underlying concept of the work test has remained relatively constant throughout the sixty years that the ES has been performing this function for the UI program. The new UI requirement relating to worker profiling, for claimants likely to experience long unemployment spells to participate in reemployment services, imposes additional work test responsibilities upon the ES. In certain cases, new work test responsibilities are also put upon Economic Dislocation and Worker Adjustment Assistance (EDWAA) service providers.

Reemployment Services

The other fundamental role of the ES in the UI program is to provide UI claimants with exposure to job openings and employment services. In fact, during its first forty years of operation, ES was the *only* public agency that offered labor exchange and employment services to the unemployed and others seeking new jobs. The role of the ES in assisting UI claimants to find jobs has primarily involved job-matching services. Historically, the four major job-matching services provided by the ES to unemployed workers have been job referral, counseling, testing, and job development. Despite the many revisions in mission and focus over its first sixty years, the changes in the provision of such services have been primarily in terms of which individuals have been targeted to receive them. Each of these services will be described briefly.

Job Referral

The original mission of the ES was to provide basic labor exchange services through referrals of registrants to job openings listed with the service. This is still one of its current roles and involves matching the skill requirements listed by the employer with the qualifications of applicants. Traditionally, this has occurred through a combination of activities: sometimes individuals identify potential job openings of interest and discuss them with an ES placement interviewer, or ES interviewers, using manual or computerized search methods, identify a job opening that may be appropriate for an applicant. In most offices today, this may involve review of available openings through individual state job banks or throughout the United States by way of a computer search of a national job listings data base, which is called America's Job Bank (AJB). More recently, in response to the job-seeking needs of customers and to reduced staff resources, many states are streamlining their placement assistance process and adopting a "self-service" philosophy for the mainstream job seeker. This approach allows those who are job-ready to find their own work of interest, freeing up staff resources to focus on unemployed job seekers who face employment barriers and need more intensive services.

Available evidence indicates that a minority of all ES registrants, 30 to 40 percent, receive at least one job referral, and the rate is usually considerably lower for UI claimants.⁶ A "successful" referral that results in a job placement requires several additional steps: the applicant must contact the employer, be offered the job, and accept the job offer. Among those individuals who receive a job referral, approximately 30 to 40 percent are placed in a job.⁷ Hence, only about 10 to 15 percent of all ES registrants are placed in a job by the ES and the rate for UI claimants is lower.⁸

Counseling

Over the last sixty years, the ES has placed varying levels of emphasis on the provision of employment counseling services, such as assistance to individuals in making occupational choices, changes, or adjustments. Employment counselors help people make these decisions by providing access to employment information; by interpreting the results of aptitude, interest, and skills tests; and by providing other

employment or training assistance. For the most part, counseling has been traditionally given to individuals facing various types of employment barriers, who are not currently job ready, whereas work referrals are provided to job-ready applicants. During the middle-to-late 1960s, when the ES began focusing on serving the disadvantaged, roughly 20 percent (or more) of all new applicants received at least one employment counseling interview. More recently, the proportion of registrants receiving counseling has been falling steadily as the number of ES counselors has declined, and, in the 1990s, only 3 to 4 percent of ES registrants receive employment counseling.

Testing

Aptitude and interest tests have historically been an important part of the services provided by the ES and, in particular, by ES counselors. Various tests have been used in different ES offices, including the General Aptitude Test Battery (GATB),⁹ the Specific Aptitude Test Batteries (SATB), the Interest Check List, and the Basic Occupational Literacy Test, among others. ES counselors use these tests to help youth make career decisions. In addition, test results are used to assess specific job qualifications and to screen out applicants who are not qualified for a particular job opening.

The trends in the extent of test administration over time have, for the most part, mirrored trends in counseling services. In the middle 1960s, roughly 20 to 25 percent of all applicants received testing. This compares to less than 5 percent of all applicants by 1980, with the majority of tests given to women or used primarily for skills evaluation for clerical positions (Johnson et al. 1983). Currently, approximately 2 to 3 percent of all ES applicants receive testing services, and it appears that the likelihood that UI claimants receive testing services is even lower.¹⁰

Job Development

Job developments are similar to job referrals except that there are no existing openings listed with the ES. In an effort to help individuals find jobs, ES interviewers, recognizing that an applicant has specific work skills, may contact employers who hire individuals with similar skills, even though a vacancy has not been listed with the ES. Through this process, the ES interviewer may arrange an appointment for the

applicant with an employer, and some of these job development interviews result in job placements.

There is relatively little information on the extent of job development services and trends over time. Available evidence (Johnson et al. 1983) that relates to the operation of the ES around 1980 indicates that approximately one out of ten registrants received a job development. However, the use of job developments is highly cyclical and likely to depend on the availability of staff resources.

Other Job Search Assistance Services

In addition to these basic labor exchange services, some ES offices offer more intensive ways to help unemployed workers find jobs. These services include job finding clubs or job search assistance workshops that are usually offered on a periodic basis (e.g., weekly, monthly) and may be designed for specific groups. There is, however, considerable variation across sites in the intensity of the service and in the groups targeted to receive assistance. For example, the service can range from a single, brief (one to three hour) meeting/workshop, to a week-long intensive program of job finding, skill development and resume preparation. Some workshops are targeted to UI claimants or to specific subsets of claimants (e.g., dislocated workers), while others are targeted to occupational groups (e.g., white-collar workers, blue-collar workers).

Job-finding clubs originated in the late 1960s. Many of the early clubs were developed for white-collar or professional workers who tended to experience particular difficulties in finding new employment. The clubs are essentially peer-support groups of unemployed individuals, who meet to share their experiences and lessons learned in looking for work. Usually the meetings are facilitated by an ES staff member, often the local employment counselor. We are aware of no job-finding clubs, prior to the Worker Profiling and Reemployment Services (WPRS) initiative, that required claimants to participate in order to receive UI benefits.

The goal of job-search workshops is generally to ensure that each unemployed worker can define his or her job search objectives and can develop an employability or job search plan. Workshops vary in the time devoted to specific subjects, but most job-search workshops include such topics as how to effectively handle losing your job, self-assessment, developing realistic employment goals, organizing a job-

search strategy, preparing a resume, filling out a job application, and job interview techniques. Job search workshops tend to combine a classroom lecture style with extensive group discussion. Several different types of job-search assistance workshops have been tested as part of federal or state demonstration programs. In some cases, attendance at the workshops has been mandatory; in these instances, this service also introduces a work test feature because failure to report to the workshop as directed could lead to denial of UI benefits.

Summary

As indicated, the primary linkages between the ES and UI programs concern the administration of the work test and the provision of labor exchange and reemployment services to claimants. In contrast to the relative stability of the work-test function of the ES, job matching has shifted focus several times. To understand the reasons behind these shifts, it is essential to have a more in-depth knowledge of the history of the ES. As will be described in more detail, the functional shifts are due to changes in the central mission of the ES, in the target groups to be served, and in administrative structure and program resources. Moreover, these shifts in the mission of the ES, as they relate to providing reemployment services, have intensified in the last decade. A significant part of the next section is devoted to understanding the role of the ES in the creation of a new workforce development system that can effectively serve Americans in the emerging “information economy” of the 1990s and beyond.

The Employment Service: The First Sixty Years

To fully understand how the ES functions today and to provide a context for interpreting ES evaluation results, it is important to know how the mission and corresponding focus of the job-matching services of the ES have evolved over time. Because of the host of changes that have occurred in ES operations over the years, it is not feasible to document them all in detail. Instead, we summarize what we consider to be the major modifications in policy, program emphasis, and program

resources. This section draws from previous books, reports, and papers concerned with the ES, including Adams (1969), Johnson et al. (1983), and Kulik (1994).

In 1933, the Wagner-Peyser Act established the federal-state ES with the mission of coordinating state employment agencies that provide free services to “men, women and juniors who are legally qualified to engage in gainful occupations.”¹¹ During the Great Depression, the ES primarily functioned as a placement agency to refer applicants to newly created jobs in public works programs and work relief projects; the scarcity of private sector jobs limited the role the ES initially played in that part of the labor market. Title III of the Social Security Act of 1935 created the UI program and directed that benefits be paid through public employment offices or other agencies as approved by the Social Security Board (now the Secretary of Labor).¹² Throughout the UI program’s sixty-year history, public employment offices have been the only agency authorized to administer the payment of UI benefits. Under federally approved state UI laws, states have also been required to pay UI benefits only to claimants who were able to work and available for work and who met state-specific work-search requirements.

The ES registered claimants for work, referred qualified claimants (and other applicants) to suitable job openings, and informed the UI program when claimants did not meet the registration requirements, refused a referral to suitable employment, or refused a job offer. This role of performing the work test formed the cornerstone of the initial relationship between the ES and UI programs and, at the same time, introduced a new dimension to ES responsibilities. Specifically, it marked the first time that the ES was faced with serving individuals who were *required* to register for work.¹³ As such, it put the same ES staff members who were referring applicants to jobs in the potentially awkward position of also being responsible for reporting on the work test.

Although the ES and UI programs had been operated as federal-state partnerships,¹⁴ state ES agencies were put under direct federal control during World War II and served as a local labor market for workers in the war industries. After World War II, the operations of the ES were returned to the states, and priority was placed on providing services to returning veterans and to those workers who were dislo-

cated through the process of shifting from a war economy to a civilian economy. The postwar period also created two new responsibilities for the ES in the areas of compliance and special services to additional target groups. First, the ES provided certification of foreign labor and was required to show that employment opportunities and wages for U.S. workers would not be harmed if foreign workers were admitted. Second, in addition to offering preferential counseling and placement opportunities for veterans, by the mid-1950s, the target groups for special assistance had expanded to include youth, older workers, and the disabled.

The linkages between the ES and the UI program were strengthened during the late 1950s. During this period, the UI trust fund—the primary source of funding for local ES offices—exceeded the legal maximum, and these excess monies were distributed to individual state accounts. Under special conditions known as “Reed Act” provisions, these monies could be used by states to obtain, among other things, new buildings to administer employment security programs. As new offices were acquired, many state UI claims offices were located “in the same building as the employment offices” (Haber and Murray 1966, p. 426). At that time, critics charged that co-locating unemployment and employment offices would damage the image of the ES. They contended that good jobs and high-quality job seekers would not be attracted to co-located employment offices, and that physical separation of ES and UI would also encourage formal communication between the two agencies (Haber and Murray 1966). At one level, they may have been correct, as many American job seekers view the local employment office as a place to go when they are out of work—that is, as the “unemployment office”—not a place to look for a job. However, this co-location of ES and UI offices in post-World War II America has resulted in UI claims filing and work registration being available at a single location in many states and has spurred a number of policy initiatives centered around the development of one-stop services.

The 1960s brought a host of new responsibilities for the ES. In 1961, the Area Redevelopment Act required the ES to help establish training programs in depressed areas and called for a large expansion of its efforts in collecting labor market information. For example, it directed the ES to collect information on unemployment levels by labor market area to determine whether disadvantaged areas qualified

for federal assistance. It also established a role for the ES to work with state and local educational programs to provide data on occupational trends that would be useful in curriculum development and career counseling.

A new era for the ES was initiated with the passage of the Manpower Development and Training Act in 1962 and the Economic Opportunity Act of 1964, which increased the involvement of the ES in training programs and human resource development activities. Taken together, these pieces of legislation greatly de-emphasized the job matching and labor exchange role of the ES and resulted in the ES becoming the lead public agency in the design and delivery of job training and human resource development programs. The ES provided outreach, screening, and referral services for various training programs and other social programs established through the Great Society legislation; many of these programs were targeted to disadvantaged groups (e.g., Job Corps, Neighborhood Youth Corps). The ES also offered job readiness services for new labor force entrants and placed individuals who completed training programs in jobs. By 1965, these changes had shifted the major mission of the ES to serving low-income and disadvantaged workers through human resource development services; consequently, the ES grew considerably during this period as additional resources were allocated to meet the challenge of providing needed services to the disadvantaged. In addition, this shift in the mission of the ES resulted in a 1967 Labor Department initiative to facilitate a dialogue around the development of an integrated delivery system for human services at central locations (U.S. Department of Labor 1967, p. 3), which is surprisingly similar to the current one-stop services concept described below.

The ES reached a program zenith in the 1960s as substantial funding increases were provided to meet the needs of the disadvantaged. However, the era where the ES was the sole public provider of reemployment services ended in the early 1970s, with the passage of the Comprehensive Employment and Training Act (CETA) of 1973. CETA fundamentally changed the institutional infrastructure for employment and training assistance by fragmenting the delivery of employment and training services to economically disadvantaged and permanently laid-off job seekers. Under the CETA, the institutional infrastructure emphasized local design and delivery of employment and training pro-

grams,¹⁵ and the primary mission of the ES returned to its focus on the basic labor exchange functions of referral to job openings and job placement. As a result of this return to its original mission, funding for the ES remained relatively constant over the 1970s in real dollars. Although the ES was expected to conduct assessment activities and to provide placement services for local employment and training programs, CETA did not give the ES a clear-cut role in the employment and training system, and conflicts over “turf issues” appear to have limited the integration of service delivery between the two agencies (Levitan and Taggart 1976).

The gradual decline in the role of the ES continued through the 1980s with the next two shifts in national employment and training policy: the replacement of CETA with the Job Training Partnership Act (JTPA) in 1982, and the replacement of the JTPA dislocated worker program with the EDWAA Act in 1988.¹⁶ Both JTPA and EDWAA, which amended JTPA Title III, continued the movement toward local control of the delivery of employment and training services to unemployed workers. In an effort to refocus the ES on its basic labor exchange mission, and to foster cooperation and linkages between ES and JTPA programs, the 1982 JTPA legislation amended the Wagner-Peyser Act to give states expanded authority to reshape state labor exchange programs through federal special purpose block grants. Moreover, although EDWAA specified that the ES should have a role in the provision of services to dislocated workers, states were allowed considerable discretion in the structure of the service delivery process. In addition to devolving much authority for the ES from the federal level to the states, the amendments also altered the ES grants funding formula by allocating resources to states based on need, as measured by various indicators of unemployment.¹⁷

Although modifications in the reporting requirements that accompanied the 1982 Wagner-Peyser Amendments make it difficult to accurately measure the change in overall ES program funding, Kulik (1994) estimates that the level of resources (in real dollar terms) for the basic labor exchange activities declined by about 20 percent from 1984 to 1992. As a result, some states augmented federal ES funding through manipulation of their UI tax laws or special assessments to maintain or enhance labor exchange activities for special target groups. For example, in 1982, Montana assessed a separate surcharge on top of

employer UI taxes to shore up ES operations. Since then, other states have taken steps to buttress their labor exchange systems through the collection of special taxes that are used to provide ES services to job seekers.¹⁸ Still other states have combined local office ES and UI job descriptions and have cross-trained staff to perform claims taking and labor exchange functions; these actions were taken to cut costs or prod more “case-managed” services and, in some cases, have complicated the work test role of the ES.

The new federalism of the last three decades achieved its objective of strengthening local control of reemployment services. However, the lengthy stepwise progression of this process has often resulted in fragmented, and sometimes in contradictory, local delivery of employment and training programs to unemployed workers, including UI recipients. Moreover, during the same period, the rapid pace of global competition, the downsizing of old-line American industries, and the emergence of the information economy have created a need to revamp the employment security system and the delivery of employment and training services to job seekers. In 1991, the U.S. General Accounting Office (GAO) reported:

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....GAO recommends that the Secretary of Labor work with the states to identify and solve problems affecting ES program quality and performance.¹⁹

During the last few years, federal and state policy makers have perceived the need to design new workforce development systems to improve services to incumbent and potential workers and have introduced a number of alternative legislative proposals that have important implications for the future of the employment and training system and for the role of the ES in that process. Several such state proposals have been implemented. For example, Indiana, Iowa, and New Jersey each enacted legislation to revamp their employment and training systems. In large measure, these early state workforce development system changes were achieved with little federal assistance.

After a year of development, in March 1994, President Clinton announced the administration’s workforce development proposal,

called the Reemployment Act, to overhaul the country's fragmented employment and training system. The bill was designed to "reinvent" America's splintered job-finding system using an approach based upon service provider collaboration and competition. Under the bill's provisions, state and local governments, community colleges, and private service providers could be designated as operators, as long as they met "chartering" service criteria of the ES and other employment and training programs.

Throughout the Reemployment Act's development and short legislative life, three fundamental policy issues emerged: customer service, choice, and competition. The issue of enabling both public and private labor exchange operators to compete for customers divided the bill's natural allies and dominated every discussion of the bill's worth. As the 103rd Congress ended, the Clinton administration could not even obtain waiver authority to experiment with state employment and training programs, and the bill died. Nevertheless, the Labor Department began to press forward with its vision of building a comprehensive workforce development system.

There are four common themes that appear to be widely recognized as essential components of an effective workforce development system:

1. a reemphasis on meeting the job-finding needs of the system's customers, which the ES has dubbed "ES Revitalization";
2. the early identification of individuals who are likely to be out of work for long periods and the provision to them of job-search assistance services, often referred to as "Worker Profiling and Reemployment Services";
3. the provision of information needed by job seekers to make informed labor market choices, which is embodied in the concept of "America's Labor Market Information System"; and
4. the implementation of a seamless delivery system for all employment and training services, such as nationwide "One-Stop Career Centers."

ES Revitalization

An essential element of an effective workforce development system is a focus, and concern, on the part of ES staff that the program is meet-

ing the needs of the people who seek out employment services, that is, its customers. Recognizing the necessity to improve the ES customer focus, states, the Labor Department, and others developed an “ES Revitalization Work Plan” designed to strengthen the capacity of the ES to deliver quality information and services to its customers.²⁰ The goal of ES revitalization is to transform the traditional labor exchange model characterized by bureaucratic rules, standardized services, and dispassionate staff into a new vision of the labor exchange process that promotes universal access, permits consumer choice, provides customized services, and enables staff to either facilitate customer self-service or provide more intensive employment interventions.

To achieve this goal, the ES developed a long-term agenda and identified short-term improvements, including steps to be taken within the existing resources to enhance ES customer service. The long-term agenda envisions three tiers of ES service levels, each focusing on meeting individual customer needs, and would provide employers the ability to select job seekers from any tier. Specifically, the plan categorizes the services into the following tiers:

- Tier I: Self-Help (resource center and automated self-help system containing information on jobs, and job search assistance);
- Tier II: Basic Intervention (basic assessment and services, such as referral to jobs, job search assistance, and training);
- Tier III: Intensive Services (job seekers could be served by ES or referred to other workforce development programs).

In the short term, the United States Employment Service established cooperative agreements with six states to develop and share the latest knowledge and practices in areas that will enhance ES customer service: staff capacity building (Iowa), best practices clearinghouse (West Virginia), customer satisfaction (Rhode Island), job matching (Ohio), leadership exchange (Texas) and local office redesign (Maryland).²¹ A description of several key products includes the following:

- **Clearinghouse.** Gives SESAs an on-line computer resource, called *The Workforce ATM*, that contains federal and state workforce development information. The Internet address for *Workforce ATM* is <http://www.icesa.org>.

- **Customer Satisfaction.** Provides SESAs with customer satisfaction measurement tools for employers, job seekers/claimants, and staff, and staff training to utilize customer feedback. Customer satisfaction is increasingly viewed as a leading gauge of success in workforce development programs and a main source of guidance for labor exchange service improvements.
- **Job Matching.** Offers SESAs technical information about effective methods to match job seekers with employers by identifying and documenting SESA automated job-matching systems and by identifying alternative systems (e.g., resume-based, skill-based, text-retrieval). Intelligent job matching technology is likely to play an increasing role in future labor exchange systems.

Worker Profiling and Reemployment Services

Based on findings from Labor Department-sponsored demonstration programs, it is widely believed that the early identification of, and provision of reemployment services to, individuals who are likely to be long-term unemployed should be a key component of any effective workforce development system. Thus, in March 1993, an amendment to the Social Security Act directed the Labor Department to establish and encourage state participation in a profiling screening program to identify likely UI exhaustees needing reemployment services.²² In November 1993, additional amendments to the Act made state participation in the profiling screening program mandatory and required UI claimants identified by the profiling program to participate in reemployment services or risk being disqualified from receiving UI benefits.²³

Although the profiling screening process and the identification of targeted claimants are the responsibility of the UI program, the WPRS system increases the work test responsibilities of the ES and EDWAA service providers. Specifically, the WPRS system contains four basic components: (1) early identification, (2) selection and referral, (3) reemployment services, and (4) feedback to the UI program. The UI program is responsible for the first two components, while ES and EDWAA substate grantees share responsibilities for the other two components. For example, in most states, claimants selected by the state profiling screening program are referred to ES or EDWAA substate

grantee service providers by their fifth week of unemployment for orientation and assessment. The assessment process is designed to identify the reemployment needs of each claimant, through vocational testing, interest inventories, and counseling, and to result in the development of an individualized service plan.²⁴ Claimants who have the skills and experience to fill openings that are currently available receive job referrals, while others are required to participate in a program of reemployment services customized to suit the claimant's reemployment situation. The potential reemployment services that meet the requirements include job search workshops, interview or resume preparation classes, or other job search assistance services.²⁵ Claimants who do not have marketable skills are referred to occupational training providers through the EDWAA program or through other training programs.

The WPRS system not only strengthens the mission of the ES to provide reemployment services to UI claimants, it further expands the work-test responsibilities that are performed by the ES or the EDWAA service provider, depending on state referral arrangements. These expanded work-test responsibilities include feedback to the UI system relating to the claimant's week-to-week participation status, completion of reemployment services, or failure to participate in reemployment services.

To ensure that there was sufficient capacity within the states to provide reemployment services and feedback information to UI, approximately \$20 million in program years (PYs) 1994-1995 EDWAA supplemental funds was made available to support the capacity building and implementation efforts of states. These EDWAA supplemental funds were distributed through the existing substate grantee structure to local EDWAA service providers and the ES. In states where the ES is the WPRS service provider, supplemental funds were used to revitalize assessment, counseling, and job search programs for dislocated workers and feedback systems to UI, which helped to build ES staff capacity and to partially offset the declining resources received in recent years.

America's Labor Market Information System

Labor market information is a critical element of any new workforce development system designed to meet the needs of workers and employers in an information economy, including workers and employers who must adapt to the educational and training requirements of this different economy. A comprehensive and easily accessible national labor market information system will provide the data necessary to make informed choices about jobs and to maintain U.S. global competitiveness. For example, such a system will enable workers to adjust more rapidly to structural changes in the economy and help them make informed career choices minimizing the amount of structural unemployment. This type of system is also needed to support the development of One-Stop Career Centers, which will facilitate job seeker and employer access to employment, training, and income support programs.

A network of this sort has been included in most proposed workforce development programs, including the Clinton administration's vision of a truly comprehensive labor market information system, which has been dubbed America's Labor Market Information System (ALMIS). The purpose of ALMIS is to help labor markets function more efficiently. Reflecting a philosophy similar to that underlying the concept of One-Stop Career Centers, ALMIS will offer one-stop access to information. As such, it will give anyone—job seekers, students, employers—direct access to a wide range of labor market information from a variety of sources. ALMIS will also include valuable program evaluation data, such as on customer satisfaction, and information about the performance of education and training providers.

A companion of ALMIS is AJB, a nationwide electronic labor exchange of job orders shared by states and operated by the AJB Service Center in Albany, New York, which currently lists over 600,000 job openings daily. In the past, access to individual state job banks was limited, and available only to those who used ES offices. To address this issue, in 1995, the job listings in AJB and affiliated state job banks were made available to the Internet, and in a way so that employer listings can be easily reviewed and searched electronically.²⁶ To further support an enhanced electronic labor exchange, federal-state ES cooperation has made it possible for employers to enter job orders directly

into the AJB system, and a nationwide ALMIS talent bank network of job seekers is being tested, which can be easily searched by employers.²⁷ These technological advances will provide employers and job seekers with new nontraditional ways to tap into the labor market.

One-Stop Career Centers

A central feature of the Clinton administration's efforts to replace the splintered employment and unemployment structure with a comprehensive workforce development system is in the formation of One-Stop Career Centers.²⁸ The vision of such centers is to transform the fragmented employment and training system and afford all job seekers easy access to reliable, up-to-date information on jobs, skills in demand, performance records of training institutions, and UI benefits, as well as to provide employers access to the talent and skills they need to successfully manage their businesses. The four tenets that underpin the goals of these centers are as follows:

- **Universality.** To integrate the delivery of services from existing unemployment, employment and job training programs and to provide customers with an array of job finding and employment development assistance
- **Customer Choice.** To provide customers with options and choices of where to get the services that best meet their needs
- **Integrated System.** To offer a comprehensive and accessible "one-stop shop" for employment and educational with integrated programs, services, and governance structures including access to Labor Department-funded employment and training programs
- **Performance-Driven/Outcomes-Based.** To measure system performance and to determine if it actually achieved outcomes, including a strong connection to whether the customer is satisfied with the services received (U.S. Department of Labor 1994a).

In 1994, the Labor Department provided grants to implement One-Stop Career Centers to six states²⁹ and gave planning grants to nineteen other states totaling \$34 million. In 1995, an additional ten states received \$40.5 million to implement One-Stop Career Center systems.³⁰ Finally, in early 1996, all remaining states received grants totaling approximately \$4 million to develop One-Stop systems.³¹ Further

Labor Department investments are planned.³² Each state will offer state and federally funded employment and training services to customers at single points of delivery, and performance measures will be linked to customer satisfaction, cross-program indicators, and continuous improvement. Thus far, most of the states that are implementing One-Stop Career Centers are using the ES as the centerpiece of their new systems.

Summary

As has been indicated, the roles and responsibilities of the ES during its first sixty years have changed considerably. Although the initial charter to match unemployed workers to job openings listed by employers was complicated by the addition of numerous responsibilities and by multiple target groups with different needs, by the mid-1970s, the focus had returned to providing basic labor exchange services for applicants. In addition, the role of the ES as a player in the employment and training arena changed, as other programs were introduced that were responsible for a broad range of employment and training functions, and as federal authority for operating the program was replaced by state authority. Consequently, the emphasis placed on the administration of the work test tended to vary depending on unemployment conditions. Also, as more disadvantaged target groups were added to the list of ES responsibilities, services to claimants—who were required to register for work at the ES—were not a priority.

In contrast, over the last several years, the ES has become involved in a major initiative to respond to structural changes in the workplace and to utilize advanced information systems. Both the structural change and advanced technologies require innovative ways to organize and provide services and are leading to a different role for the ES in serving structurally unemployed customers, mostly UI claimants, who are likely to need more intensive assistance. This new way to organize and provide services should lead to a new labor exchange system “without walls” where job seekers obtain services and find jobs, and employers find high-quality workers through a variety of computer-assisted tools and integrated delivery systems.

Evidence of the Effectiveness of the Employment Service in Assisting Unemployed Workers

As described, the two main roles of the ES in serving UI claimants involve (1) helping in the administration of the work test, and (2) providing basic labor exchange and job search assistance to UI claimants. In this section, we summarize evidence concerning the impacts and cost-effectiveness of the ES in performing the work test and in helping unemployed workers to find jobs. Whenever possible, we focus on the evidence as it pertains specifically to UI claimants.

The evidence on the effectiveness of the ES and of specific ES services varies considerably in terms of validity. Here, we distinguish between two types of validity: internal and external. Internal validity refers to obtaining unbiased estimates of the effects of ES services on employment and earnings outcomes. External validity refers to the ability to generalize the findings to a broader population.

In some cases, the evidence is based on carefully designed and implemented field experiments, which randomly assigned individuals to groups that were offered specific services or to a control group that was not. In these instances, differences in the outcomes between the groups have high internal validity and provide very strong and convincing evidence of the effects of the services in question, at the sites where the field experiments are conducted. If the sites are representative, and meet the external validity criterion, then the findings can be generalized to a broader population.

In other cases, the evidence is based on statistical comparison group designs, where outcomes for individuals who receive the service are compared to outcomes for individuals who do not, using multivariate methods that (whenever possible) control for demographic and other personal characteristics and labor market conditions. In these situations, the internal validity of the evidence depends critically on the degree of similarity between the groups being compared, and on the effectiveness of the statistical procedures in adjusting for potential systematic differences between the two groups.

Still other cases have evidence that consists simply of information bits, and inferences are drawn without a real benchmark for comparison purposes. Finally, in certain cases, the effectiveness of the service

is for all practical purposes completely unknown, as it has never been evaluated.

Effects of the Work Test

Individuals receiving UI benefits must demonstrate that they are able to work and available for work. In most states, claimants who are not job-attached are required to actively search for work, to register for work with the ES, to participate in assigned work-search activities, and to accept suitable job referrals. Claimants who are found not to comply with this requirement are disqualified from receiving UI benefits for the period they are out of compliance, or possibly longer.

The administration of the ES work-test requirement involves ES staff effort (and hence incurs costs) and provides potentially important benefits to society.³³ These benefits arise from the potential reductions in UI payments, as claimants leave the unemployment rolls sooner than they would have done in the absence of the work test. Reduced weeks of UI payments could occur because claimants return to work more quickly or because even though they continue to claim additional weeks of benefits, some of their claims are denied for not meeting the work test. Reductions in UI payments could also occur if, because of the perceived higher costs of collecting UI payments due to the work test, claimants choose to no longer receive benefits but do not immediately return to work. Since these outcomes generate different benefits from the social perspective, in order to fully assess the overall impact of the work test it is important to understand whether it affects the subsequent wage rates or earnings of claimants.

There is considerable evidence concerning the administration and effects of the work test requirements for UI claimants. This includes descriptive information reported in Johnson et al. (1981b) of how the work test operated in a national sample of thirty ES offices in 1980; evidence based on an analysis of time series of cross sections of 1964-1981 state data concerning variation in UI nonmonetary eligibility determination rates, as reported in Corson et al. (1984a); and descriptive information from a national survey of recipients of unemployment benefits and exhaustees reported in Corson and Dynarski (1990). It also includes findings from two demonstration programs. We will first

highlight the evidence from the nonexperimental studies, which are all based on nationally representative data:

- There are extensive differences across UI/ES offices in the requirements claimants must meet to be viewed as able to work and available for work; as to whether claimants are required to register with the ES; and in the degree of enforcement of the work test. Office managers and ES staff consistently reported that staff spent modest amounts of time in activities related to the work test for UI claimants, and that such time did not generally detract from their ability to provide labor exchange services to other registrants. The large majority of ES staff also did not consider their role in the work test as “monitoring” or “policing,” but simply as a provider of information to the UI program that was obtained through the normal part of the ES process of following up with employers on the status of job openings.
- Nonmonetary determination rates vary considerably from UI office to UI office and depend on differences in agency practices and behaviors, as well as on differences in eligibility regulations and criteria across states. States with formal requirements that claimants search for work, and with detailed instructions regarding the documentation necessary to meet the requirements, have higher nonmonetary determination rates, and states with more severe disqualification penalties have fewer denials. It also appears that higher sanctions reduce the number of individuals seeking unemployment benefits.
- Results from a national survey reveal that most job-attached claimants who expect to be recalled by their previous employer are recalled, indicating that the limited work-search requirements imposed for job-attached claimants by most states are appropriate. In contrast, 16 percent of individuals receiving UI benefits who did not expect to be recalled reported that they did not look for work while receiving UI benefits, and 18 percent of exhaustees found a job within two weeks of receiving their last payment.

This nonexperimental evidence, which suggests that the costs of conducting the work test are not large and that strict work-search requirements could be effective in reducing UI outlays, is strongly supported by the experimental evidence obtained from two demonstration

programs conducted in the 1980s. These two projects—the Charleston Claimant Placement and Work Test Demonstration, and the Washington Alternative Work Search Experiment—provide a good contrast, in that the Charleston demonstration evaluated an approach that strengthened the work test, and the Washington demonstration assessed an approach that streamlined (or weakened) the work test. The work test component of the Charleston demonstration implemented in three ES offices involved a comparison of two groups of claimants who received a first UI payment: claimants randomly assigned to a control group that had their work registration requirement waived (which essentially formalized the policy that was previously in effect), and claimants randomly assigned to a treatment group that was instructed to register with the ES no later than the end of the week following the week in which they received their first check. Based on a cross-matching of ES and UI data files, claimants who did not comply with the strengthened work test were called in by the UI program for a fact-finding interview to determine whether a disqualification should be imposed until the requirement was met.

In contrast, the Washington demonstration, which was conducted in a single large urban ES office, examined the effectiveness of the work test by comparing the outcomes of two groups of monetarily and non-monetarily eligible claimants that were randomly assigned to different work test approaches. One group was assigned to the standard work search policy, traditionally used in most states, of requiring claimants to make at least three employer contacts each week and to report those contacts on their continued claim form. The other group was randomly assigned to a streamlined work search approach that did not require claimants to report work search contacts and had UI payments automatically sent to claimants in a sum equal to the weekly benefit amount, unless the claimant called the local office to report changes in circumstances that affected the benefit amount. The following brief summary of highlights from these two experimental evaluations of the impacts and cost-effectiveness of the work test is based on the results reported in Corson, Long, and Nicholson (1984) and in Johnson and Klepinger (1994):

The experimental evidence from the demonstration projects is consistent and clearly indicates that strong work test requirements

are effective in reducing UI payments and that weak work search and work test policies have large and adverse consequences for the UI trust fund. For example, evidence from the Charleston demonstration indicates that a strengthened work test requirement that claimants must register with the ES or else will be denied benefits, coupled with rigorous enforcement, reduces UI payments by 0.5 weeks per claimant, and does not affect claimants' likelihood of working or average earnings. Moreover, evidence from the Washington demonstration indicates that a weak work search policy has very large and adverse consequences for the UI trust fund. Specifically, relative to the standard approach to work search, the weaker policy resulted in longer durations of unemployment benefit receipt of over 3 weeks and increased total UI payments by over \$250 per claimant, but did not significantly affect claimants' subsequent earnings.³⁴

The consistency of results from these two demonstration projects, each with high internal validity, indicates that the role of the ES in performing the work test for UI claimants is very significant. In particular, the findings suggest that UI/ES offices that require claimants to search for work and to register with the ES and that have an effective mechanism to follow-up and enforce this requirement, can bring about significant savings to the UI trust fund, without adversely affecting other outcomes for claimants. However, there appears to be wide variation in work test policies and practices across offices, which limits the overall effectiveness of the ES in this role nationwide.

Effectiveness of Services

The second major role the ES plays for UI claimants (and for other registrants) involves the provision of basic labor exchange services or services to assist in the matching of qualified applicants with job openings. This includes the fundamental services such as job referrals, employment counseling, testing, and job development. It also includes other, more intensive, services, such as job search workshops, which are offered periodically in some offices. In this section, we summarize the available evidence on the effectiveness of ES services, with particular attention, whenever possible, on the evidence as it pertains to serving claimants.

Because the ES is mandated to serve all individuals who request assistance, attempts to use experimental methods of random assignment to evaluate the ES have previously been rejected by the Labor Department as inappropriate or infeasible.³⁵ As a result, the evidence of the overall effectiveness on the main ES labor exchange services is based on comparison group methodologies that statistically control for potential differences between the groups of applicants who receive services and those who do not. Because comparison group designs, regardless of the rigorous statistical methods used, have less internal validity and provide inherently less convincing results on program effectiveness, there are *no* studies that provide incontrovertible evidence on the overall effectiveness of the main ES labor exchange services. Moreover, most of the available evidence corresponds to how the ES program was operating in the late 1970s to the mid 1980s. Despite these potential limitations, we will summarize the lessons learned from the most rigorous of these studies.

There is, however, extensive and quite convincing evidence concerning the impacts of job search workshops on the labor market outcomes of unemployed workers and, in particular, of UI claimants. This is primarily because of several demonstration projects undertaken by the U.S. Department of Labor at a variety of sites, in which claimants were randomly assigned to a treatment group that included a mandatory job search workshop, or to a control group that was not eligible for the workshop. Classical experimental evaluation methods were viewed as appropriate in these instances, as the workshop was considered to be something “extra, and in addition to” the basic labor exchange activities, and in most instances, was not part of the regular set of ES services offered prior to the demonstration.³⁶ The findings from these studies will also be summarized.

Primary Labor Exchange Services

Of the various labor exchange and job-matching services provided by the ES—job referral, counseling, testing, job development—there is no reliable research evidence on the impacts of testing or of job development. Moreover, there is no reliable evidence on the effects of the labor market information services provided by the ES. In contrast, there has been one comprehensive national evaluation (Johnson et al. 1983) that examined the impacts of ES labor exchange services, prima-

rily job referrals, on the short-term labor market outcomes of ES applicants in a representative sample of ES offices. In addition, research by Katz (1978), Romero, Cox, and Katz (1991), and work in progress by Katz and Jacobson examine the job search outcomes of individuals who use the ES versus the outcomes of those who do not, using a rich data base for unemployed workers in a single state, Pennsylvania. There has also been one (pilot) experimental evaluation of the effectiveness of counseling in the ES (Benus et al. 1977), and there has been a national survey of the counseling program (Johnson et al. 1981). The main highlights from these studies are as follows:

- Women who receive ES job referrals are estimated to return to work more quickly (about three weeks sooner) and to obtain higher earnings (by nearly 25 percent) in the short term than otherwise similar individuals who did not receive referrals. Because the wage rates of women who received referrals and those who did not are very similar, the earnings gains are due to women with referrals spending more time in employment; however, they do not trade earlier employment for lower wage rates.
- The positive effects of ES job referrals for women are widespread and are not concentrated on specific subgroups. In particular, the effects of ES referrals for women are similar for both mandatory and nonmandatory registrants.
- In part because the cost of serving ES registrants is so low, the benefits that accrue to women in the short term are sufficiently large to conclude that the ES is an efficient use of public resources, even without considering long term outcomes or other potential benefits of the ES.
- Many unemployed workers (and particularly dislocated workers) use the ES as a “last resort” or as a “backstop,” and turn to the ES only after other job-finding methods have failed. After controlling for when dislocated workers choose to use the ES, results indicate that ES services (placements and referrals that do not lead to placements) significantly reduce the remaining unemployment duration. Although the effects are significant for both men and women, the effects are larger for women who were dislocated, and for those who wait longer to use the ES.

- A pilot study of the impacts of ES counseling concluded that it had no significant impact on duration of unemployment, earnings, or job satisfaction.³⁷ This is consistent with findings from a national survey of the counseling program, in which counseling supervisors reported that counselors were primarily evaluated on the quality of the counseling records kept, the size of their caseload, and their communication and relationship skills; many fewer indicated that counselors were evaluated on ES services provided to job seekers or on the results of those services.

Although these results indicate that job referral services provided by the ES to unemployed workers may be cost-effective, the conclusions apply primarily to how the ES operated 15-20 years ago. Moreover, a recent national survey of UI recipients and exhaustees (Corson and Dynarski 1990) reported that only 4 percent of all recipients and exhaustees found their jobs through the ES. New information is needed to assess the effectiveness of the ES overall and in providing job-matching services to claimants.

Job Search Assistance Services

In addition to these analyses of the basic labor exchange services, there have been a number of demonstrations in recent years designed to test the effects of enhanced job search assistance services (and other services) in improving the labor market outcomes of UI claimants. These efforts include three demonstration projects completed in the 1980s—the Charleston Claimant Placement and Work Test Demonstration, the New Jersey UI Reemployment Demonstration, and the Washington Alternative Work Search Experiment—all of which were rigorously conducted using random assignment to treatment or control status. In addition, the success of these projects and the need to better understand the behavioral response to different service delivery packages have spawned other ongoing, rigorous demonstrations testing various packages of enhanced job search services in Maryland,³⁸ Florida, and the District of Columbia. We will briefly describe the key features of these programs and highlight the lessons learned from the demonstrations completed to date.

The Charleston, New Jersey, and Washington demonstrations shared several key design features. For example, all three programs adopted

an “early intervention” philosophy and offered enhanced ES job search assistance services relatively early in the unemployment spell (i.e., generally four-to-six weeks). Moreover, the additional services provided were all considered “mandatory,” and claimants who did not report could be denied benefits. Finally, the enhanced services all included a job search workshop that was conducted by ES staff. Despite these common elements, there were also important differences in the population of claimants targeted for assistance, and in the intensity and content of the specific services offered:³⁹

- In Charleston, the job search workshop lasted only approximately three hours and was offered to all claimants (except those with mass layoff claims) who had been collecting UI benefits for four weeks. Moreover, the claimants randomly assigned to take the workshop also received strengthened work test services and a detailed ES interview along with a job referral or job development attempt.
- The New Jersey demonstration was designed to serve the subset of claimants who were likely to be dislocated workers.⁴⁰ Further, all treatment group members assigned to take the workshop were first interviewed and tested (in about the fifth week after filing the claim), and they were also required to make follow-up periodic contacts with the ES office. The workshop was designed to last three hours each morning for a week.
- The demonstration in Washington tested a “pure” job search workshop treatment that involved a two-day intensive workshop about five-to-six weeks after filing the claim. Workshop participation was required except for union members and employer-attached claimants.

Despite the differences in design and target groups, the results from the three demonstrations, reported in Corson et al. (1984b), Corson et al. (1989), and Johnson and Klepinger (1991, 1994), are quite consistent. Highlights from these demonstrations indicate the following:

- There is strong and statistically significant evidence on the effectiveness of enhanced job search assistance services in reducing the duration of UI benefits. On average, claimants in the group directed to the job search workshop received about one-half week less of UI payments during the benefit year than those assigned to

the control group. This corresponds to about \$50-\$70 per claimant on average.

- There is no evidence that the relatively rapid reemployment of claimants in the enhanced services group occurs at the cost of lower earnings or hourly wage rates. That is, the wage rates and earnings of the treatment and control groups are similar.
- Extensive benefit-cost analysis indicates that the enhanced services approach in each demonstration was very cost-effective.
- It appears that the shorter durations of receipt of UI payments for the workshop groups are primarily due to the effect of being required to attend the workshop, which raises the costs to the claimant of remaining on UI, and are not due to the enhanced job search abilities derived from participating in the workshop.

The consistency of the findings across sites from these experimental evaluations, each with internal validity, provides strong evidence that mandatory job search assistance workshops for claimants early in their unemployment spell are a cost-effective method of reducing the duration of unemployment and of promoting more rapid reemployment, without compromising the level of pay.⁴¹ These findings lead Meyer (1995) to conclude that policy makers “should consider making enhanced job search assistance services universal.” However, because of the difficulty of isolating the effects of the job search assistance workshop from the effects of other changes that were made, it is unclear how the best combination of enhanced services should be designed.

The Current and Future Role of the Employment Service in a New Workforce Development System

The ES has undergone numerous changes in recent years and is at a crossroads in its history, both its relationship with the UI program and in its role in a new workforce development system. Moreover, although the preceding discussion has identified valuable information concerning the impacts and cost-effectiveness of the ES in general and in its roles in serving UI claimants, much of this information is becoming

somewhat dated, and there are many gaps in our understanding of the effectiveness of certain ES services. Some of the knowledge gaps will be filled by evidence from recently completed or ongoing research demonstration programs; in other areas, there is much to learn, and there are no research efforts we are aware of to address those issues.

In this concluding section, we first offer our view as to how the ES will probably function in the near future as part of a new workforce development system. Then, based on the available research evidence, we discuss how effective the new system is likely to be, particularly as it relates to the work test and reemployment services. As part of this discussion, we identify the major knowledge gaps, describe what information is anticipated to be obtained from recent/current demonstrations to fill these gaps, and outline potential areas that should be considered for research that could be used to help shape future ES policies and services.

Writing in 1966, Haber and Murray concluded that it was premature to indicate how far the process of separation between the UI and ES components would or should be. In the thirty years since they reached this conclusion, there has been an unprecedented amount of structural change in the U.S. and world economies. In today's information economy, the proposition of separate UI, ES, and training systems is incompatible with the speed and methods with which information is conveyed and work is performed. Twenty-first century job seekers will need integrated—not fragmented—programs and systems to manage their work lives. They also will need easy access to comprehensive information concerning occupations, labor market trends, and availability of education, employment and training services.

The role of the ES in the information age will be quite different from its past missions. Computerization has allowed several states, such as Colorado, Wisconsin, and North Carolina, to permit unemployed workers to file for benefits over the telephone, to use voice response units to provide weekly claims and job information, and to capitalize on artificial intelligence software to determine benefit eligibility. The future UI program will rely more and more on automated claims processes that will require fewer staff resources. This may allow the ES to devote increased staff efforts to providing quality reemployment services for dislocated UI claimants in a more "case-managed" environment.

The information age is also reshaping the labor exchange functions of the ES. Currently, numerous individuals search for job openings through ES automated job banks linked to the AJB through local ES offices or from personal computers in their own homes. Many states are converting local office areas where UI claimants once stood in lines for services into "resource centers" where job seekers sit to browse computer job listings, prepare resumes, or access a variety of labor market and training "consumer reports." By the end of the century, the expansion of ALMIS and AJB will likely enable all job seekers to provide information about their talents and to obtain data about job openings, reemployment services, and training through full-service career centers and a network of self-access systems via telephones, personal computers, and kiosks. By providing mainstream unemployed workers with an unbounded labor exchange system, easy access to critical information to help them find their own jobs should be commonplace. Thus, more ES staff resources should be available to focus on structurally unemployed workers who face more severe employment barriers and who require more intensive services.

Future full-service labor exchange offices may replicate features of the prototype one-stop Plymouth Career Center in Plymouth, Massachusetts,⁴² or Employment Service Center in Tampa, Florida. The Plymouth office stations all local workforce development partners in a one-stop Career Center, where customers receive job information through an advanced computer resource library and a comprehensive menu of services. Located in the former Plymouth Job Center office, the Career Center was completely remodeled to meet the needs of new workforce development partners and customers. The design and implementation of the Plymouth Career Center resulted from a partnership between local area employers, the community college, and employment and training providers.

The Tampa center is located in a former shopping mall where all Florida employment and training programs, as well as other community agencies, are housed to serve area customers. The Tampa Employment Service Center includes eight employment and training organizations, formerly located at thirteen different public employment and training office locations. All job seekers who enter the facility are greeted by a knowledgeable Service Center staff member, as UI and ES staff are cross-trained. Center staff members think of themselves as

“old UI claims takers” or “old ES interviewers,” and they provide job seekers with all the assistance needed at a single service point.

It is likely that the workforce development system of the next decade will include one-stop services that are tailored to customer needs and are provided in such a way that both the employer and the job seeker have access to the information necessary to make better employment and reemployment choices. Instead of the archaic “one size fits all” approach of providing similar services to all unemployed workers, the future system will offer multiple levels of assistance that range from access to valuable self-service tools to more intensive services. Within this system, individuals with certain requirements will receive what they need, not a service designed for the average unemployed worker. In addition, the job-matching function will continue to become more automated, with new information systems giving individual job seekers and employers the opportunity to increase their involvement in the process. Finally, the WPRS initiative mandates the participation in designated reemployment services of claimants identified through a profiling screening program as likely UI exhaustees. This will ensure that the ES expands its work test function.

The preceding discussion briefly summarizes a widely held view of the direction the workforce development system is headed, including its likely key features, and the labor exchange functions that will be performed. Despite this perspective, a key question still remains to be answered. How effective will such a system be in meeting the needs of unemployed workers in the rapidly changing global economy? We will address this question based on the available research evidence and will highlight the major issues that need to be addressed in future research.

The increase in the use of automated and remote processes for filing initial and continuing UI claims will result in more efficiency in that fewer staff resources will be required to conduct these functions. At the same time, however, the use of more automated claims filing processes is also likely to lead to less contact between the average claimant and the ES system, which may focus the work test role of the ES on an exclusive subset of the population of UI recipients—dislocated workers—who are referred to the ES as a result of a profiling screening system. Moreover, many states seem to be reducing the work search requirements for claimants, and some are considering eliminating the requirement that claimants register for work at the ES.⁴³ However,

there is no indication that states are modifying their availability for work requirements for refusing a suitable job referral or an offer of suitable work. The research evidence strongly indicates that UI programs that require claimants to search for work and to register with the ES and that follow through and enforce these standards produce significant savings to the UI trust fund through reduced UI payments. Moreover, there is good evidence that streamlined registration and work search policies have adverse consequences for the UI trust fund. As such, to the extent that the future workforce development system includes a UI program that relies more heavily on automated and distant processes and streamlined registration and work search requirements, the value of the ES will be limited in performing the work test, contributing to higher UI outlays.

There is also reasonably strong evidence on the likely effects of the WPRS initiative. Specifically, results from the New Jersey UI Reemployment Demonstration indicate that identifying individuals early in their unemployment spell who are likely to be displaced and who will experience difficulty in becoming employed, and providing intensive (mandatory) services to those individuals, is a cost-effective way to reduce UI payments and facilitate reemployment. Although the program tested in New Jersey has been the model on which many states are designing their early intervention program, it is also clear that there are potentially important differences between the New Jersey model and how WPRS may be implemented that could affect the effectiveness of the WPRS initiative. For example, the New Jersey model used a highly structured and standardized approach for claimants who were referred to services (e.g., orientation, testing, job-search workshop, assessment interview), as opposed to the new focus on customized service that is likely to prevail as these programs develop. Moreover, the New Jersey model required that claimants report to the ES office at several specific points following the assessment interview; it is too early to tell whether many states are adopting the same feature in their profiling and reemployment services programs. The ongoing Labor Department-sponsored Job Search Assistance Demonstration in Florida and the District of Columbia and an evaluation of the WPRS systems in Delaware, Florida, Kentucky, Maryland, New Jersey, and Oregon will provide evidence on the effects of a standardized versus a customized service-delivering strategy for claimants who are profiled

and referred to reemployment services. However, it is difficult to estimate how much difference changes to the New Jersey model will make in the likely benefits from the WPRS process.

Perhaps the two most important changes in the workforce development system concern the movement to integrated one-stop services and the expansion of labor market information. Although the evaluation of the New Jersey demonstration concluded that the success of the project was in no small part due to the well-developed linkages between UI, ES, and JTPA and the coordinated efforts of their staff, this belief was based on qualitative judgments and not on formal quantitative evidence. The New Jersey demonstration did not test a one-stop service approach, and we are aware of no other research projects underway that will provide valid evidence on the effectiveness of one-stop services. This is an important research gap. Specifically, it is important to understand the overall effectiveness of the one-stop approach and whether this success varies depending on the service mix/levels offered (e.g., information broker, job matching service, job search assistance, training).

Moreover, there is no research evidence on the cost-effectiveness of providing labor market information; it is assumed that improvements in the access to and quality of information will lead individuals to use the data and to make better employment and career decisions. Although it is often thought to be difficult to experimentally test the effects of increased information, the Departments of Labor and Education are currently implementing a demonstration project that uses experimental techniques to assess the effects of providing information to experienced workers on investment in lifelong learning. Similar efforts should be considered to test the effects of improved labor market information on reemployment decisions of unemployed workers.

In spite of the lack of concrete evidence, one-stop systems are likely to serve as the organizing vehicle for providing access to a wide range of customized employment services. In the end, one-stop services may provide only street-level consolidation of local offices, rather than of programs. At this juncture, it is not clear whether the bundling of services in many states at physical sites in each labor market area will provide job seekers with more than co-located programs. Without federal legislative changes, current employment and training programs retain separate eligibility and funding streams that limit consolidation.

Beyond program consolidation, a one-stop delivery system is still no pie-in-the-sky job seeker panacea. Unless state one-stop systems are built upon integrated computer structures, their value in today's information economy will be short term. The road to a unified one-stop services system is a long one. Ultimately, the issue for federal and state ES policy makers may be what role the state ES is to play in one-stop system development.

As the Labor Department and its state partners shape a long-term strategy for the ES based upon the needs of employers and job seekers, it may be that future Wagner-Peyser resources of states will fund workforce development systems and not an old-line institution—the ES. Irrespective of what moniker is used to describe state labor exchange functions, a new look at performance standards is sorely needed to ensure state-to-state program quality and expansion of unmediated job listing and seeking technologies. Before the end of the century, a Labor Department goal should be to examine national labor exchange performance standards that improve access, increase job listings, promote service satisfaction, and reduce job transition time. An examination of labor exchange performance standards for UI claimant services should include the degree of early intervention, the receipt of quality reemployment services, the analysis of job transition time standards for claimants who are experiencing different (i.e., frictional, cyclical, structural) unemployment circumstances, and the resultant UI trust funds' savings.

Each chamber of the 104th Congress has passed legislation that could have dramatically altered the entire employment and training system as it has evolved since the days of the New Deal. The Consolidated and Reform Education, Employment, and Rehabilitation Systems Act (CAREERS Act, H.R. 1617), which was passed in the House of Representatives on September 19, 1995, and the Senate version of H.R. 1617, called the Workforce Development Act (passed October 10, 1995), consolidated a large number of education, and employment and training programs into a limited number of block grants to states. The House bill would have fused about 100 programs into three block grants to states. The Senate bill would have consolidated about 80 programs into a single block grant to states. Both bills created a one-stop delivery system for the provision of employment and training services; amended the Wagner-Peyser Act to establish a more "state-led" labor

exchange system; and required the ES to integrate its programs into the one-stop system.

In the House bill, the federal ES functions would have been administered by the Secretary of Labor. Under the Senate bill, the federal ES functions would have been administered by a Workforce Development Partnership under the joint control of the Secretary of Labor and the Secretary of Education. There are other areas of the Senate bill which, if enacted into law, would have produced marked change to the existing federal-state labor exchange system. Section 1 of the current Wagner-Peyser Act reads, in part, “to promote the establishment and maintenance of a national system of public employment offices. . . .” In the Senate bill, the word “public” modifying “employment offices” was deleted. This change could have resulted in the privatization of labor exchange services, which in turn would have raised a host of accountability and continuity-of-service issues. In addition, the Senate bill would have apportioned to states 25 percent of the single block grants (including Wagner-Peyser funds) for workplace employment activities or Wagner-Peyser activities. The issue of separate FUTA funding to provide for the administration of ES programs counting toward the 25 percent workforce employment apportionment could have sharply limited state resources for occupational training. Further, the House bill promoted private sector labor exchange services and authorized federal incentive grants through which one-stop centers and labor market information implementation would have been accomplished. The Senate bill provided for no similar federal incentive funding to states.

In summary, both bills promoted the development of one-stop delivery systems, folded employment services into them, created options for public and private operators, ensured customer choice, and drastically shifted government control to the states. As such, they contained several key features of the failed 1994 Reemployment Act and its policy successor, the proposed G.I. Bill for America’s Workers.⁴⁴ In July 1996, a House-Senate conference committee voted out along party lines the Workforce and Career Development Act, but Congress failed to take further action.

The ES system in the United States is likely to experience manifold changes in the next few years. As the federal ES role diminishes, state ES agencies may be catapulted to leadership positions that they may

not have expected. At what may be the most decisive crossroads in its history, ES finds itself headed in several new directions:

- **U.S. Employment Service.** Its title may still be listed on a federal “letterhead,” but its partnership role is likely to be more “consultative.”
- **State Employment Services.** They are likely to continue merging their labor exchange programs into broader workforce development systems. Federal block grants to states for employment, training, education and welfare programs may be more flexible and also increase the demand for the ES to serve welfare customers.
- **Local Employment Services.** They may be operating in a more deregulated environment, where the lines between public and private labor exchange service providers are increasingly blurred.
- **Employers and Job Seekers.** They are likely to be provided with job and training services and with “consumer reports” about labor markets at multiple service points using distant and self-accessed technologies—in an electronic labor exchange “without walls.” Those who need them are likely to receive comprehensive and mediated services that are customized to their requirements.

Throughout this century, despite sometimes conflicting public policy directions, the ES has provided vital labor exchange services to the American workforce. As we enter the next century, the signposts of the new directions point to likely shifts in the federal-state ES partnership and in the ES public charter. However, the fate of a national electronic labor exchange system may be tied as much to its popularity and growth as to any legislative reform.

NOTES

The authors wish to thank Louis Jacobson for his helpful comments in preparation of this chapter.

1. There are offices in fifty states, the District of Columbia, the Commonwealth of Puerto Rico, Guam, and the Virgin Islands.

2. On January 3, 1918, the Division of Information in the Labor Department was renamed the U S Employment Service and reorganized to facilitate war production. The economic prosperity that followed World War I left little policy sentiment for retaining a national ES system until the tumult of the Great Depression. In 1933, the ES was at a similar crossroads, and President Roosevelt decided to revitalize it.

3 The employment security system is a national network of state agencies, called state employment security agencies (SESA), that today operates a public ES, a UI system, a foreign labor certification program, labor market information programs, including the collection of employment and unemployment statistics carried out under cooperative agreements with the Bureau of Labor Statistics, and may also include other employment and wage loss programs, such as temporary disability insurance.

4 Although it is a federal requirement that approved UI programs include “able-to-work and available-for-work” continuing eligibility criteria, states have substantial latitude in setting the specific standards to meet this requirement. For example, when a claimant is unable to work because he or she is ill or otherwise incapacitated, benefits are not payable, albeit state laws vary on what constitutes incapacity. Further, in some states, claimants who are not job-attached are required to contact at least three potential employers during each week they claim benefits, while other states require fewer contacts per week, or do not require the contacts to be listed when claiming benefits. In addition, the work search requirements placed on claimants who expect to be recalled differ, depending on whether there is a known recall date.

5 Availability for suitable work means work “which is ordinarily performed in (the claimant’s) chosen locality in sufficient amount to constitute a substantial labor market for his services” (U.S. Department of Labor, 1962, p. 57)

6 Johnson et al. (1983) find that UI claimants are much less likely to obtain a job referral than are other ES registrants. Specifically, after adjusting for other characteristics, they estimate that regular ES registrants are roughly 50 percent more likely to obtain a job referral than are UI claimants. More recent data confirm that regular ES registrants are considerably more likely to obtain a job referral than UI claimants. However, ES services to UI claimants have increased to claimants over the last few years. Specifically, national program data for the three-year period of program year (PY) 1992-1994 indicate that the proportion of all UI claimants who registered with the ES who received at least one referral increased from 23.4 to 29.0 percent.

7 Over PY 1992-1994, the proportion of individuals who received ES referrals who were placed ranged from 32.6 to 33.8 percent.

8 In PY 1994, the proportion of all ES registrants who were placed in a job was 14.3 percent. This compares to 7.5 percent for all UI claimants who registered with the ES.

9 In the early 1990s, based upon a National Academy of Sciences report, *Fairness in Employment Testing* (May 1989), the Labor Department advised states to terminate the use of within-group conversion scoring or other race- or ethnicity-based adjustments to GATB scores in making selection and referral decisions. States are permitted to use the GATB and its variants, as one of a variety of criteria, for referring customers to job vacancies (U.S. Department of Labor, 1991).

10 For example, from PY 1992 to 1994, the proportion of all eligible claimants who were tested ranged from 1.4 to 2.1 percent.

11. Section 3(a) of the Wagner-Peyser Act of June 6, 1933, 29 U.S.C. 49 et seq.

12. Section 303(a)(2) of the SSA, 42 U.S.C., and section 3304 (a)(1) of the Federal Unemployment Tax Act (FUTA), 26 U.S.C.

13 Many years later, in 1971, the ES took on a similar function for certain recipients of food stamps and Aid to Families with Dependent Children (AFDC).

14 In these partnerships, the federal government has traditionally been responsible for establishing broad policy and program guidelines, for payroll taxes to finance the administration of programs, and for allocating operating budgets to the states, who were in turn responsible for the day-to-day operations of the programs.

15 This relationship was characterized as a federal-local partnership and labeled “New Federalism.” Under this federal-local governance structure, the Nixon administration and subsequent administrations initiated federal block grants to states and local areas.

16 We believe that the SESA should have been designated to administer the EDWAA program. Dislocated workers are, in large measure, a subset of SESA UI and ES customers.

17. Originally, administrative funds to operate state ES programs were based upon a federal-state match. Since 1938, the principal revenue source for funding state ES programs is employer contributions under FUTA, 26 U.S.C. The amount of ES funds derived from FUTA revenues has varied, and, currently, is 97 percent from FUTA and 3 percent from federal general revenue. Administrative grants to operate state ES programs are allocated under a mandated formula (section 6 of the Wagner-Peyser Act) that distributes 97 percent of the available ES funds to states according to relative shares of the civilian labor force and number of unemployed. The Secretary of Labor distributes 3 percent of the total available ES funds to assure that all states maintain a statewide ES.

18. Twenty states utilize employer surtaxes to fund administrative and program costs of employment and training programs (U.S. Department of Labor 1995, pp. 2-39 to 2-44).

19. U.S. General Accounting Office (1991, p. 5). In the report, GAO also recommended that the Labor Department develop performance standards for the ES labor exchange system. While some federal-state ES steps to develop standards were taken, no ES performance standards have been implemented.

20. ES Revitalization partners include the Labor Department, State Employment Security Agencies (SESAs), organized labor, Interstate Conference of Employment Security Agencies (ICESA), and the International Association of Personnel in Employment Security.

21. The cooperative agreements are operated in conjunction with the Center for Employment Security Education and Research, an affiliate of ICESA.

22. Public Law (P.L.) 103-6, section 4, Profiling New Claimants (March 4, 1993).

23. P.L. 103-152, section 4, Worker Profiling (November 24, 1993).

24. The service plan contains a description of the specific set of services that will be provided and for which participation is required as a condition of continuing UI eligibility. It is to serve as a reemployment compact between the claimant, service provider, and the UI program, and may form the basis for feedback to the UI component. In many states, ES staff prepare the service plan and provide reemployment services in cooperation with other service providers.

25. Some of the states that received Labor Department assistance to implement early WPRS systems are providing a broader range of reemployment services. For example, Delaware includes money management in the assessment process, and New Jersey places emphasis on direct placement referrals for job-ready claimants and provides in-depth assessment and job clubs as follow-up to a job-search workshop.

26. As of this writing, twenty-nine states have voluntarily placed their state job banks on the Internet. The Internet address is <http://www.ajb.dni.us>

27. A twenty-state Talent Bank Consortium, led by Michigan and Missouri, was formed to pilot test an electronic on-line resume system.

28. Over the years, various proposals to provide one-stop services have been introduced. In April 1992, the Bush administration sponsored the Job Training 2000 Act (S. 2633), which included creation of a local Skill Center network to provide "one-stop shopping" for vocational and job training services. The bill received scant congressional attention.

29. Connecticut, Iowa, Maryland, Massachusetts, Texas, and Wisconsin. Under the Massachusetts proposal, One-Stop Career Center development is based upon market competition, which is unique among One-Stop implementation states. Massachusetts One-Stop operators are selected through a competitive process open to public and private service providers.

30. Arizona, Illinois, Indiana, Kentucky, Louisiana, Minnesota, Missouri, New Jersey, North Carolina, and Ohio.

31 In fiscal year (FY) 1994, Congress appropriated \$50 million for ALMIS and One-Stop Career Centers under existing Wagner-Peyser Act authority. In FY 1995, Congress approved the Labor Department's request to expand ALMIS and One-Stop systems and appropriated \$100 million.

32 After a lengthy debate, in April 1996, the administration and Congress reached an overall FY 1996 budget agreement that included \$110 million for ALMIS and One-Stop systems. The president's FY 1997 budget requests \$150 million toward the continued growth of ALMIS and One-Stop systems.

33. As indicated earlier, the ES plays a role in administering the work test requirements for other income support programs, as well as for UI. In this chapter, we focus on the evidence concerning the UI program.

34 If such a weak work test were implemented nationwide, the results suggest that the adverse consequences for the UI trust fund could exceed \$2 billion. In interpreting this evidence, it is important to note that the specific streamlined policy tested in Washington differed from normal services both in that the work search requirements were reduced and the UI payment process was altered, as claimants were automatically sent a check for their full benefit amount unless they contacted the office to report a change in circumstances that affected their benefit payments. As such, it is likely that a significant part of the overall impact is due to the changes in the payment process, and that only part is due to the streamlined work search requirements. A recently completed demonstration in Maryland was designed to overcome this problem and to provide direct evidence on the efficacy of work search requirements *per se*.

35 The only exception of which we are aware is a pilot study of the effects of ES counseling, in which individuals in need of counseling were randomly assigned to receive it or not; both groups received normal placement services, as appropriate. The results of that study, reported in Benus et al. (1977), are summarized in the following text.

36. As job search workshops become more entrenched as part of the basic set of reemployment services offered, it will be interesting to see whether this limits the ability of researchers to use classical experimental evaluation methods to test the effectiveness of such services.

37 Although the sample sizes of ES registrants in need of counseling and included in the pilot study were relatively small, the estimated impacts were also consistently small and did not approach conventional levels of statistical significance.

38 The demonstration in Maryland is also testing the effects of alternative work search requirements, including increases in the number of employer contacts, as well as testing the effects of verifying the reported contacts.

39. As a result of these design differences, it is difficult to separate the effects of the mandatory job search workshop from the effects of the other job search assistance and requirements provided in some of these demonstrations.

40. A series of eligibility screens was used to target the services to likely dislocated workers. The most important screen was a tenure requirement, which excluded all claimants who had not worked for their previous employer for at least three years. In addition, individuals younger than age 25 and those with a definite recall date were excluded. Only about one-quarter of all UI claimants who received a first payment were eligible for the demonstration.

41 Very preliminary results from the Job Search Assistance Demonstration, currently being tested in Florida and the District of Columbia, appear to be consistent with the results reported from the earlier demonstrations and indicate that enhanced job search assistance services reduce UI benefit payments.

42 The Plymouth Career Center was awarded the 1995 National Awards Pyramid Prize sponsored by the U.S. Department of Labor and the ICESA, for collaboration in improved customer

service. Inaugurated in 1994, the SESA National Awards program was based upon recommendations from ICESA and other ES Revitalization partners

43 While we know of no quantitative evidence that identifies the causes for relaxation of registration and work search requirements by states, we suggest one reason may be that federal implementation in the 1980s of a nationwide UI quality control program influenced states to relax formal registration and work search policies to improve measured payment accuracy rates

44 In December 1994, President Clinton proposed a Middle Class Bill of Rights designed to help Americans meet the challenges of the new economy. One of its elements, a G.I. Bill for America's Workers, would restructure federal job training programs by giving the resources directly to workers to learn new skills, and would provide information, advice, and job search assistance.

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