



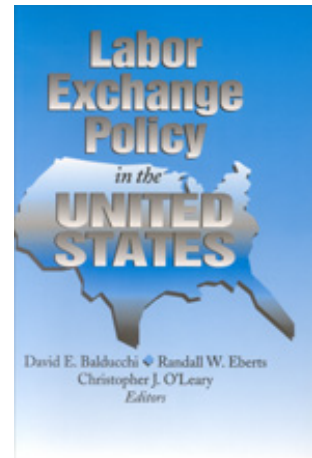
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8

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Seventy years ago, in the depths of the Great Depression, the United States instituted a national labor exchange policy to aid economic recovery and labor market stability. To implement it, the new Roosevelt Administration and Congress established a federal–state system of public employment offices. Throughout subsequent economic, social, and political changes, the federal–state system under the Wagner-Peyser Act has provided steady and equitable labor exchange services to job seekers and employers. This chapter describes the evolution of labor exchange policy in the United States, summarizes the major findings in the preceding chapters, and provides reflections about the future of labor exchange policy.

EVOLUTION OF LABOR EXCHANGE POLICY

In the 1890s, state labor departments started denouncing as immoral the practices of many private employment agencies accused of fleecing the unemployed. Guzda quotes Iowa's Commissioner of Labor, J. R. Sovereign, who complained that Iowa's private employment

agents were the “most unscrupulous, despicable, double-dyed villains that ever lived . . .” (Guzda 1983, p. 13). Around this time, reformers in Ohio established the first continuous public employment offices in the five largest cities in the state (Guzda 1983, p. 13). A number of other states and cities soon followed the Ohio example and set up public employment offices offering no cost job-matching services.

To help accommodate the influx of European immigrants during the early years of the 20th century, the first federal employment office was set up in 1907 on Ellis Island in New York harbor. The Division of Information within the U.S. Department of Commerce and Labor administered federal employment activities until it was reassigned to the new U.S. Department of Labor (USDOL) in 1913. With America's entry into the First World War, the Division of Information was renamed the U.S. Employment Service. It established federal–state employment service (ES) offices in 40 states with the purpose of recruiting defense workers, advertng labor shortages, and aiding industrial production. Most of the employment offices were shut down after the first world war ended. “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” (Balducchi, Johnson, and Gritz 1997, p. 495).

Not until 1933, when unemployment reached 13 million, was the contemporary federal–state ES system established under the Wagner-Peyser Act. At the time, only 135 employment offices existed under public administration in 24 states (Persons 1933, p. 6). To fill the gap until states could establish public employment offices under the federal–state program, the National Reemployment Service (NRS) was set up as part of the U. S. Employment Service. By November 1933, NRS established 2,000 federal reemployment offices to function as placement agencies for the Public Works Administration, Civil Works Administration, Works Progress Administration, other public works agencies and private employers. The NRS was a successful incubator for the federal–state ES system, and by 1939 it was dissolved when all states established ES programs under the Wagner-Peyser Act (Balducchi 2002, p. 103). During the Great Depression of the 1930s, the ES system placed 26 million workers in jobs.

The federal–state ES system was started as a service to employers who could voluntarily use the service free of charge for screening and referrals of job seekers to vacancies. The first major expansion of labor exchange policies came when the Social Security Act of 1935 created

the federal–state Unemployment Insurance (UI) program. Functions of the ES were expanded to provide the UI system validation that beneficiaries were engaged in active and useful job search activity while being paid jobless benefits.

During the Second World War, the federal government nationalized the ES system. It was placed under the Federal War Manpower Commission and charged with helping fill job openings for employers deemed essential for the war effort, directing the flow of migrant workers, and recruiting new workers (Kulick 1994, pp. 1–3). At the close of the war, USDOL resumed responsibility for the ES system and the federal–state structure was reestablished. In the years immediately following World War II, the ES system aided the return of nearly 12 million veterans to civilian jobs. To achieve this, it adopted a labor exchange policy known as the “Six-Point Program,” which included job placement, employment counseling, services to special applicant groups, management services to employers, labor market information, and services to community constituencies (Haber and Kruger 1964, p. 34). In the 1950s, the ES system provided additional manpower services for older and disabled workers, and created special local offices devoted to the placement of professional workers.

In the 1960s, the policy focus of the ES system ostensibly shifted from employers to job seekers, and attempts were made to separate ES systems from UI operations. During this period, labor exchange policy emphasized job placement, and industry-specific offices were established in some urban areas. Moreover, human resource development policies initiated through Great Society legislation unevenly steered the ES system to act as a job-finding medium for economically disadvantaged groups (Trutko and Barnow 1996, pp. 6 and 8).

These changes were not warmly welcomed by some employers. In response, the National Employer Committee, known as the Vickery Committee, was formed in 1971. Two years later, based upon the Vickery Committee report, USDOL launched the Job Service Improvement Program. The program was designed to reestablish relations between the ES system and the business community, and to return the ES system to the delivery of basic labor exchange services (Trutko and Barnow 1996, p. 15).

In the 1980s, a major shift in labor exchange policy took place. Amendments to the Wagner-Peyser Act contained in the Job Training Partnership Act (JTPA) of 1982 and accompanying regulations de-

volved the bulk of federal responsibility for labor exchange policy to the states. Writing in 1994, Kulick asserted that the single most important goal of the amendments—to devolve responsibility for ES operations from the federal to state governments—succeeded (Kulick 1994, pp. 1–5). During the 10-year span following JTPA's enactment, ES effectiveness slipped because of diminished attention by the federal partner—including decreased federal funding to support state ES operations.

In the first decades of the federal–state ES system, the focus was on service to employers. As part of the broad agenda for social justice in the 1960s, the ES was reoriented to address economic and social disparities and focused services on to hard-to-employ job seekers. By the 1980s, federal labor exchange policies reflected a political and budget conservatism that consigned to states a greater responsibility for program administration. The current labor exchange environment, codified in the Workforce Investment Act (WIA) of 1998, regards the public labor exchange system as a central feature of the federal–state workforce development system.

As mandated by WIA, each local area receiving federal job-training funds must establish a one-stop center that is a central physical location for the provision of services by the following federal and state programs: UI, ES, Dislocated Worker and Youth Training, Welfare-to-Work, Veterans Employment and Training Programs, Adult Education, Post-Secondary Vocational Education, Vocational Rehabilitation, Title V of the Older Americans Act, and Trade Adjustment Assistance. Other programs may also be included under a one-stop center's umbrella of services. Services provided by the one-stop centers are divided into three levels: core, intensive, and training. Services within each level are characterized by the amount of staff involvement and the extent to which customers can access the service independently. Core services typically have the broadest access and the least staff involvement of the three categories. Many core services are accessible on a self-serve basis. All adults and dislocated workers can access core services, which include assessment interviews, resume workshops, labor market information, and interviews for referral to other services. Intensive services require a greater level of staff involvement, and consequently access is more limited than for core services. Services within the intensive category include individual and group counseling, case management, aptitude and skill proficiency testing, job-finding clubs, creation of a job

search plan, and career planning. Training services, the third and highest level of service intensity, are open to customers only through referrals. Training services typically include adult basic skills education, on-the-job-training, work experience, and occupational skills training. Services delivered with Wagner-Peyser Act funds are either in the core or intensive categories.

WIA spawned a fresh interest by governments in constructing workforce development systems to meet the changing job and training needs of workers and employers in the emerging information economy. As a result, there was resurgence in the type and use of labor exchange services. Together with WIA, a variety of contemporaneous institutional changes contributed to the renewal of ES activity. These include:¹

Federal-state implementation of WPRS. Between 1993–1996, nationwide implementation of Worker Profiling and Reemployment Services (WPRS), a legislative mandate for states to identify UI claimants who are likely to exhaust benefit entitlements and refer them to reemployment services, resulted in states' establishing new job search workshops and linkages between UI, ES and job-training programs. Between PY 1993 and PY 2001, the use of job search workshops by UI claimants increased from 37.2 percent to 78.8 percent. In concert with this growth, state workforce development agencies expanded the availability of both self-service and staff-assisted employment services. In many one-stop centers, the presence of WPRS job search workshops likely expanded the availability of such workshops to other job seekers.

Customer service. In the 1990s, a customer service revolution swept the public sector. State and local workforce development agencies incorporated many customer-driven techniques commonly used by private sector companies (e.g., surveys and focus groups). The WPRS initiative complemented this revolution as job search workshops prompted strong customer satisfaction and increased service usage.

One-stop implementation funds and WIA one-stop delivery systems. Between PYs 1994–2000, ETA distributed to states \$826.5 million in one-stop grants to replace disparate job finding and training structures with consolidated one-stop delivery systems. Many states selected their ES systems as the frameworks for consolidating new one-stop delivery systems. Under WIA, 17 separate workforce development programs are required to be part of the one-stop delivery structure. In 2003, an estimated 3,459 local

offices comprise the public workforce system and are designated as one-stop centers or affiliated sites.

Resource rooms. Many one-stop centers provide job seekers and employers with easy access to labor exchange services through resource rooms that contain personal computers, telephones, work areas, and fax and copy machines. Resource rooms provide job seekers and employers with information and equipment to conduct their job searches in a professional and effective way.

Technology. In most resource rooms, job seekers and employers may access Web-based job-finding software through portal sites called Career One-Stop. Its major component is a national database of job openings and resumes called America's Job Bank (AJB), a computerized job vacancy and resume listing system. Between 1995 and 2000, AJB experienced a tremendous growth, rising to an average stock of 1.5 million job openings. "(S)tates voluntarily connect their job openings to AJB, and one-third of the job openings are listed directly by employers" (Balducchi and Pasternak 2001, p. 148).

Universal access to Wagner-Peyser Act and WIA Title I services. Under the original Wagner-Peyser Act, a requirement for state agency affiliation with the U.S. Employment Service was that state ES agencies make labor exchange services available at no cost to employers and job seekers who are eligible to work in the United States. This universal service requirement was expanded to Title I programs of WIA that fund services for adults and dislocated workers. As a result, there has been an increase in the use of labor exchange services in one-stop centers and at remote self-service locations.

ETA policy leadership. ETA issued numerous WPRS, one-stop, and WIA policy directives, technical guides, and regulations to spur systemwide capacity building and compliance. To promote effective service delivery, ETA hosted numerous national WPRS, one-stop, and WIA conferences that showcased state and local approaches.

Sustained economic growth. Prior to the recession of 2001, the United States experienced an unprecedented economic expansion that began in 1993. A bustling U.S. economy with a strong demand for workers may have enabled states to expand labor exchange service availability. These expanded self-service and staff-assisted services are designed for employers and three types of job

seekers: 1) first-time job seekers who are entering the labor market, 2) job seekers who are laid off and face greater job finding challenges, and 3) job seekers who are employed seeking better jobs.

AN OVERVIEW OF LESSONS LEARNED

In the opening chapter of this book, Eberts and Holzer tackle the broad issue of who uses public ES services and how often. They note that federal and state governments have long recognized the importance of providing free labor exchange services. They assert that if labor exchange services were restricted to only privately provided sources, a type of market failure may result. In particular, a public agency has the potential to redistribute job opportunities to those individuals with limited opportunities, such as disadvantaged and disabled workers. Eberts and Holzer report that public employment agencies are not the most heavily used avenues of job search by the unemployed, but that public services are used by a significant fraction of the unemployed, especially those who lose their jobs involuntarily. They conclude that the Internet may be seen as complementing the public ES and other search methods, while substituting for informal networks of family and friends. Eberts and Holzer suggest that the “relevant question for the public ES is whether those who use it have significantly better outcomes than they would have had the service not been available, and how any such gains compare to the public cost of providing the service” (p. 21). They conclude that without a random assignment evaluation, or a close approximation, it is difficult to provide definitive answers to these questions. Eberts and Holzer assert that WIA has restored the role of the public ES to provide basic labor exchange services, while consolidating those services into a broader array of other workforce development services.

Balducchi and Pasternak examined the division of power between federal, state, and local partners managing workforce development programs. They point out that since its inception as part of the New Deal, with the exception of the World War II period, the ES has remained a cooperative federal–state program administered by governors, while

job-training programs have been locally administered since the 1960s. They observe that the one-stop approach implemented under WIA did not reappropriate political control of ES and job-training programs. During the first three decades following the 1933 Wagner-Peyser Act, there were efforts to shift the federal–state balance of power toward federal control, while during the last three decades efforts have been directed at localizing power. Power sharing under the Wagner-Peyser Act is framed by federal requirements that a state agency must administer programs, the agency must submit a plan of service to USDOL for approval, a merit personnel system must be utilized, and services must be delivered by state agency employees. During 1997 and 1998, a compliance dispute in Michigan tested the federal government's power to set and enforce requirements upon states when dispensing financial grants to administer the ES. A federal court decided that the requirement for administration by state merit personnel was a reasonable rule to ensure consistent and equitable delivery of labor exchange services statewide. Balducchi and Pasternak state that in the face of this court decision, Wagner-Peyser Act regulations promulgated by USDOL in 2000 strengthened the authority of state ES agencies. They anticipate that issues of centralization and decentralization will continue to pose “splendid tensions” in American workforce federalism.

Ridley and Tracy observe that one impressive trend in the U.S. labor market is the explosive growth of intermediaries—organizations that match job seekers with employers—and the present challenge of a public ES is to, in their words, “remain relevant.” WIA firmly established one-stop centers as the entry to a full range of publicly funded workforce programs, and mandated that ES be one of the programs providing services through one-stop centers. They describe and explain the shift from in-person job matching to self-directed services, and identify a list of those activities that would benefit most from staff intervention, such as working with employers to develop and list new job orders. In addition to automated services, resource rooms containing a host of job-finding aids have also transformed the way customers use ES services. A key new role for Wagner-Peyser Act–funded staff in many one-stop centers is to maintain these rooms and provide core services. Ridley and Tracy assert that under the three-tiered service strategy of self-services, facilitated self-help and staff-assisted services, staff-assisted services tend to be provided mainly to subgroups of job seekers

with particular barriers to employment. They also argue that since enactment of WIA, ES has forged new partnerships with other social and workforce programs, but there has been a breakdown in the close relationship between ES and UI due largely to remote claims-taking technologies. Ridley and Tracy conclude that a key role of the public ES may be to act as a “concierge for intermediaries” by creating pathways for job seekers and employers.

Smole writes that ETA has worked with the states and made great strides toward establishing a performance measurement system for the public labor exchange, yet the task remains unfinished. Performance measurement involves the ongoing monitoring of program outcomes to provide guidance for managers and staff to improve program administration and service delivery. In finalizing the labor exchange performance measurement system, Smole recommends that states establish clearly defined performance standards against which the delivery of labor exchange services can be measured. As ETA and the states do this, they should consider instituting a methodology for adjusting standards for demographic and economic conditions, as well as differences in state program administration. He asserts that doing so would make for fairer comparisons across states and also would counteract tendencies for “creaming” in service delivery. Smole suggests instituting performance indicators for services to employers, such as the market penetration rate; performance indicators that apply across the one-stop delivery system; and methodologies for linking program benefits to costs to permit tracking of program cost effectiveness; and more closely linking the performance measurement procedures applicable to state grantees under the Wagner-Peyser Act and to ETA under the Government Performance and Results Act of 1993. Performance indicators merely track gross outcomes; they do not measure the incremental value of a service. To do that would require contrast of program participant success with that of an appropriately specified counterfactual. Without more closely examining the effectiveness of the labor exchange through program evaluation, the degree to which the public labor exchange aids the job-matching process remains uncertain. Thus, performance indicators should not be used in isolation, but should be part of a broader strategy used to monitor and assess the delivery of labor exchange services. Nonetheless, when properly employed, performance measurement is a valuable tool for effective program administration and management.

O'Leary reports that evaluations of job search assistance have focused on three main topics: job interview referrals, job search assistance, and targeted job search assistance. He asserts that evidence from these studies has helped shape the direction of public labor exchange policy in the United States. ES job referrals are most effective for women and for men over 45 years of age and for men in urban areas. Linking the ES to UI through the work test leads to significantly shorter periods of compensated joblessness. Standardized UI eligibility review interview and job search workshops are inexpensive to administer and have a sizeable effect on reducing periods of compensated joblessness. Targeting job search assistance to dislocated workers at risk of long-term employment can be a cost-effective intervention, by shortening the duration of compensated joblessness. This research has shaped the development of programs for dislocated workers, targeted job search assistance, and institutions for coordination of services. These include WPRS, establishment of one-stop centers, and state eligibility review interview programs as part of the UI work test.

Woods and Frugoli examine the most revolutionary change in labor exchange services: the explosive growth in public and private job search sites available on the Internet. ETA has made substantial investments in automation to state and local workforce development. These have included development of one-stop computer operating systems, UI telephone and Internet claims processing, and a new computer-based occupational coding system called O*Net. Woods and Frugoli see a natural tension developing between public and private labor exchange operators because the Internet has expanded the capacity of both sectors to deliver information directly to consumers. However, they assert that information sharing may be the most essential ingredient of a successful labor exchange system, and a public role is critical to ensuring access for all. Labor market information provided through the Internet can augment other means of job search. The USDOL strategy was to provide labor exchange and career planning services through the Internet, with America's Job Bank (AJB) at the core. The system was intended to facilitate the expansion of universal services through the one-stop delivery system. It has helped streamline program registration, intake and referral to services. Woods and Frugoli suggest that the increased capabilities of automated systems to provide easy

connections between job seekers and employers may reduce the demand for staff-assisted services in one-stop centers.

Lippoldt and Brodsky provide a comparison of public labor exchange programs in 10 selected OECD countries: Australia, Belgium, Denmark, France, Japan, the Netherlands, Sweden, Switzerland, the United Kingdom, and the United States. The market share of all job matches for the public labor exchange differs widely among these economies. For example, in 1999 fully one-third of the labor force in Denmark enlisted the public employment service (PES) in job search, while only 6 percent of the labor force did so in Switzerland. Lippoldt and Brodsky explain the difficulties in comparing performance measures of the PES across countries, but they provide evidence that the Swiss PES was relatively effective by placing 24 percent of the job seekers who registered for assistance. In contrast, the Danish, who register the broadest cross-section of the labor force, placed only 8 percent of registrants. Naturally, neither of these gross outcomes is a measure of value added by the PES. Lippoldt and Brodsky summarize international evaluations indicating positive findings with respect to several approaches that help to support and motivate active job search: job search assistance, intensified personal interviews, compulsory referral of unemployment compensation recipients to labor market programs, and tightening of unemployment benefit eligibility requirements. Each country has pursued a distinct path, but certain trends in policy were identified. Most countries are decentralizing management of programs by giving more authority for decision making to the local level which is closest to the problems. Simultaneously, central governments are requiring that local areas improve their systems for cooperation among service providers, including the PES, for-profit service providers, community-based agencies, and not-for-profit service providers. Local areas are also commonly accountable for performance through regular monitoring of program outcome performance standards. The PES, driven by results, is also emphasizing a customer-service orientation and active job search assistance for those receiving public compensation for joblessness. In a world of tight budgets, the PES is pursuing these ambitious goals using new automated methods of including Internet job matching, self-service assistance modules, and improved management information systems for PES management and frontline staff.

THE FUTURE OF PUBLIC LABOR EXCHANGE POLICY

Like previous federal job training programs, WIA was enacted in 1998 with a “sunset” clause. WIA would end in five years if not renewed. The Bush Administration’s 2003 proposal to reauthorize and revise WIA includes a further shift of power and authority from federal and state governments to local governments. The Bush proposal contains the following key elements (Executive Office of the President 2003):

- consolidating and improving workforce development programs for adults,
- strengthening accountability for achieving results,
- improving workforce development services to youth by targeting funds to out-of-school youth, and
- creating more effective state and local workforce investment boards.

The proposal also calls for elimination of the distinct funding stream for the ES, and abolishes the U.S. Employment Service, which was created to administer national labor exchange policy. To accomplish this, the proposal repeals the first 13 sections of the long-standing Wagner-Peyser Act and incorporates the Act’s existing provisions related to the collection of labor market information, administration of the UI work test, and assistance to veterans, migrant, and seasonal workers into Title I of WIA.

Ever since the Wagner-Peyser Act was amended in 1982, funds for the ES have been distributed to states as special purpose block grants. Under the Bush proposal, the Wagner-Peyser Act would be superseded by a WIA block grant for adults.² The block grant would consolidate three funding streams: adult and dislocated workers under WIA of 1998, and the Wagner-Peyser Act. States and localities would receive a single block grant funding the bulk of all core, intensive, and training services at one-stop centers. While other provisions in the Bush proposal provide expanded authority to state governors, the proposal reduces the power of governors to determine how funds are used for labor exchange services. Under the proposal, states must send 50 percent of their adult block grants directly to local areas. Hence, in comparison to

the Wagner-Peyser Act, state governors could lose authority over the bulk of their state labor exchange funds, thereby compromising their ability to steer statewide policies for workforce and economic development.

Proponents of the Bush proposal argue that repeal of the Wagner-Peyser Act would increase state and local flexibility to develop and merge service delivery that best meets labor exchange priorities and economic circumstances. They assert that it would simplify state and local one-stop center administration, eliminate separate accounting for labor exchange services, and increase the efficiency in delivery of core services by public and private WIA service providers. Under the proposal, Congress would appropriate federal funds for labor exchange services from general revenues instead of the UI trust fund. Backers of the proposal say that combining the three funding streams into a single formula block grant would result in streamlined program administration and avoid the duplication in reporting and inefficiency of service delivery that now exists in state and local one-stop delivery systems (DeRocco 2003b).

Opponents argue that, if enacted, the proposal would eliminate the 70-year-old U.S. Employment Service, created to establish and maintain a system of public employment offices, and unravel the mutual funding of UI and ES services through the UI trust fund; thereby raising as a prime issue the apportionment of power and authority between state governors and local leaders for labor exchange policy. Other critics such as the American Federation of State, County and Municipal Employees (AFSCME) contended that eliminating ES is a harbinger for privatizing the UI program. AFSCME anticipated that passage of the proposal would resurrect an attempt in the 107th Congress to turn the federal financing of UI administration back to the states (Loveless 2003).

Reflecting diverse political sentiments among its members, the National Association of State Workforce Agencies (NASWA), took a middle-of-the road position. Supporting Bush's proposal to provide greater flexibility in the delivery of core, intensive, and training services, NASWA acknowledged that some members were concerned that repeal of the Wagner-Peyser Act would result in service disruptions as many states used their ES structures as the foundation for building their one-stop delivery systems (Leapheart 2003). Others, such as Oregon's Gov-

ernor Kulongoski (2003), expressed more serious concerns of equity and fairness:

We are concerned that the proposed repeal of the Wagner-Peyser Act, would eliminate the Employment Service (ES), and undermine the principle of an unbiased, nonpartisan agency to administer job referrals and assist in the payment of UI benefits. The strong ES infrastructure in Oregon must be kept in place for the benefit of employers and job seekers.

The Republican Party controlled the 108th Congress. In the House, Republicans held 229 seats to the Democrats' 205 seats and 1 Independent. On March 13, 2003, Representatives McKeon (CA) and Boehner (OH) introduced H.R. 1261, the "Workforce Reinvestment and Adult Education Act" to reauthorize WIA. The Bush Administration did not submit a separate bill in the House, but its policy proposal was substantially the same as H.R. 1261. One difference in the House bill that typified the 30-year tendency of Congress to support federal-local workforce federalism was in the distribution of state funds for the adult block grant. Under H.R. 1261, like the Bush proposal, 50 percent of the adult block grant must be sent directly to local areas. But, unlike the Bush proposal, which reserves the remaining funds to state discretion, the House bill requires one-half of the state's 50 percent share must also be sent to local areas either in funds or staff to support core services in one-stop centers. The House took quick action on the bill, with the Rules Committee limiting floor debate to one hour. As a result, there was no substantial debate on the future of the Wagner-Peyser Act. However, a floor amendment was approved that assured states would receive the same proportional amounts of annual funds that they would have received if the three adult workforce programs had not been consolidated. The House passed the bill on May 8, 2003, on mostly a party-line vote of 220 to 204.

Upon passage, the Bush Administration strongly endorsed H.R. 1261, declaring that it "would promote economic development and better equip businesses and workers for success" in the information economy (Executive Office of the President 2003). Expressing the views of the opposition, Democratic Leader Nancy Pelosi (CA) declared that the bill "will consolidate funding for services for adults, dislocated workers, and employment services into a single block grant, forcing these groups to compete against each other for assistance and likely leading

to reduced funding. It will eliminate the U.S. Employment Service, which maintains a free nationwide labor exchange that matches job seekers and employers” (Pelosi 2003).

Since the mid-term election of 1994, a broadly backed part of the Republican agenda has been to reduce the role of the federal government in the everyday lives of Americans by shifting power and authority to other levels of government (Downs 1996). Establishing a second order devolution block grant (see Chapter 2) to states and localities not only reduces the role of the federal government, but also is likely to curb the labor exchange policy-making role of state governors. Congress may be shifting too much power to localities.³ Thus, Congress may be exacerbating the innate conflict between the state and regional characteristics of economic growth and the fragmented self-interests of localities. If the bill is enacted, it will be interesting to see whether local workforce boards consider state and regional economic perspectives in carrying out labor exchange policies.

The fate of the Wagner-Peyser Act may be a marquee issue in the Senate debate. The Bush Administration hopes to complete action on the bill during the fall of 2003. While it may be too early to predict the consequences of the House-passed bill if it were enacted without amendment, it does appear that it would provide for greater flexibility in the use of labor exchange funds. On the other hand, it would nullify the public charter of ES, allow private service providers to deliver labor exchange services, and may hamper coordination of labor exchange and UI services.

While the destiny of the Wagner-Peyser Act is unknown as of this writing, we foresee the continued emergence of new work methods that may significantly alter job finding and employment arrangements. As a result, it appears that government will continue to be engaged in efforts to link education, economic development, and employment. Likewise, the role of labor exchange services may continue to expand as new public and private intermediaries are brought into the workforce development system.

Notes

1. Parts of this section are drawn from Balducchi and Pasternak (2001) and Balducchi (2002, pp. 105–107).
2. Block grants, sometimes referred to as “special revenue sharing” during the Nixon era, are transfers of funds to state and local governments in broad functional areas; they are more flexible than categorical grants (Nathan 1983, p. 22). During the House Committee on Appropriations testimony, Assistant Secretary DeRocco disputed a reference to block grants and called them a “formula grant program, through a single consolidated grant” (DeRocco 2003a). The authors use the term “block grant.”
3. Under H.R. 1261, power and authority vary between state governors and local leaders. For example, local workforce boards received a greater say in the use of adult block grants, but state governors received the power to certify one-stop centers and, in consultation with state workforce boards, divert federal funds that go to one-stop partners programs to fund one-stop center administrative costs. The answer to who won or lost in the power game often depends upon the political and policy viewpoints of the person you ask.

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