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A New Look at Labor Exchange Policy

It has been three decades since a thorough examination of labor exchange policy has been undertaken. A new book published by the W.E. Upjohn Institute for Employment Research fills that void. *Labor Exchange Policy in the United States* takes a broad and timely look at labor exchange policy in the modern U.S. workforce development system, which includes public, private for profit, and nonprofit providers. (See p. 7 for information on how to order this book.) Publicly funded labor exchange services, such as skills assessment, counseling, job search workshops, and job vacancy referrals and placement services, continue to be the most frequently used job search assistance provided to workers and employers at the nearly 3,500 one-stop centers and affiliated sites that make up the nation's workforce development system. Despite this fact, since the 1980s, policymakers, public service providers, and researchers have focused less on labor exchange services and more on developing and expanding local job training structures.

When work on this book commenced in spring of 2000, the Workforce Investment Act (WIA) of 1998—the federal law enacted with a five-year sunset clause requiring states to restructure their job training and labor exchange systems to meet the challenges facing the twenty-first century workforce—had not yet been fully implemented in all states. As circumstance would have it, the May 2004 publication of *Labor Exchange Policy in the United States* comes at a time envisioned by neither the book's authors nor editors: final congressional debate over reauthorization of WIA. The two competing legislative bills to extend WIA offer revisions to both workforce development policy and to grants-in-aid for labor exchange and job training programs. As such, the pivotal role that

labor exchange policy plays in the fabric of state and local economic development, and who controls policy and how labor exchange services are delivered, may be at center stage.

According to state data collected by the U.S. Department of Labor, in program year 2001, 19 million job seekers nationwide registered for labor exchange services with state workforce agencies; 12 million of those who registered received staff-assisted services, and more than 4 million found work. While impressive, these data do not include the huge volume of labor exchange services provided to job seekers through self-service and

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Web-based job finding services through America's Job Bank and local one-stop centers. In contrast, during the same period, about 425,000 job seekers exited WIA job training programs, with 241,000 of them entering employment. As these data illustrate, the scale of labor exchange services dominate the workforce development scene. Much of the debate about workforce development since the 1980s has concerned how to assimilate state labor exchange services into local job training structures.

Under the original Wagner-Peyser Act of 1933, a requirement for state agency affiliation with the U.S. Department of Labor was that state employment service agencies make regular 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 adopted for core employment services

available to participants in adult and dislocated worker programs under Title I of WIA. *Labor Exchange Policy in the United States* tells the story of how WIA has brought the employment service full circle by returning its labor exchange function to the original intent of the 70-year-old Wagner-Peyser Act. Under WIA, the ES joins other public and private service providers to supply a consolidated array of workforce development services through one-stop centers.

The book's authors, drawn from the fields of economics and public administration, dissect the evolution of labor exchange policy in the United States, summarize the major findings about the effectiveness of labor exchange services, and offer reflections on the future of labor exchange policy. In its eight compact chapters, the book provides an overview of U.S. labor exchange policy, focusing principally on the last three decades of the twentieth century. One chapter explores how the labor exchange system incorporated tools of the information age during the 1990s to advance one-stop center customer service techniques and self-service job finding methods. Another chapter closely examines the intergovernmental tensions over funding and delivery of services. Other chapters describe how federal, state, and local governments administer labor exchange and other workforce development services. Systems for performance evaluation and evidence on effectiveness of labor exchange services are also reviewed.

Following is a list of the chapter titles and authors:

- Overview of Labor Exchange Policies and Services, *Randall W. Eberts and Harry J. Holzer*
- Federal–State Relations in Labor Exchange Policy, *David E. Balducchi and Alison J. Pasternak*
- State and Local Labor Exchange Services, *Neil Ridley and William A. Tracy*
- Labor Exchange Performance Management, *David P. Smole*
- Evaluating the Effectiveness of Labor Exchange Services, *Christopher J. O'Leary*

- Information, Tools, and Technology: Informing Labor Exchange Participants, *Jim Woods and Pam Frugoli*
- Public Provision of Employment Services in Selected OECD Countries: The Job Brokerage Function, *Douglas Lippoldt and Melvin Brodsky*
- Experience and Prospects for Labor Exchange Policy, *David E. Balducci, Randall W. Eberts, and Christopher J. O'Leary*

As we enter a new century in which workers will face changing skill demands and work arrangements that may significantly alter job finding practices, 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 by including new public and private

intermediaries. The synthesis of research and policy insights in *Labor Exchange Policy in the United States* provides valuable insights to policymakers and practitioners interested in workforce federalism and the challenges of crafting education, economic, and employment policies.

Staff Working Papers

Upjohn Institute working papers present research by staff or by outside scholars affiliated with the Institute. The purpose of the papers is to present preliminary findings and to generate review comments and discourse. Full-text working papers are available on our Web site: www.upjohninstitute.org.

Economic Reforms and Productivity-Enhancing Reallocation in the Post-Soviet Transition

Staff Working Paper 04-98

J. David Brown, *Heriot-Watt University, Central European University Labor Project*

John S. Earle, *Upjohn Institute, Central European University*

Revised: January 2004

This paper studies the consequences of enterprise privatization and liberalization of product markets, labor markets, and imports in the former Soviet Republics of Russia and Ukraine. Analyzing interfirm reallocation of output, labor, capital, and an input index with annual industrial census data from 1985 to 2001, the paper finds that Soviet Russia displayed low reallocation rates that bore little relationship to relative labor and multifactor productivity across firms. Since reforms began, resource flows have increased in both countries, and their contributions to aggregate productivity growth have become substantial both through increased flows from less productive to more productive continuing firms and through higher exits of less productive entities, i.e., through creative destruction.

Incentive Solutions

Staff Working Paper 04-99

Timothy J. Bartik, *Upjohn Institute*
February 2004

This paper reviews the research literature relevant to economic development incentives provided by state and local governments, and recommends reforms in these incentives. It argues that the main problem with current incentive policies is that state and local governments often provide incentives that are not in the best interest of that state or local area—for example, incentives that are excessively costly per job created, or that provide jobs that do not improve the job opportunities of local residents.

Small Cities Blues: Looking for Growth Factors in Small and Medium-Sized Cities

Staff Working Paper 04-100

George A. Ericckek, *Upjohn Institute*
Hannah McKinney, *Kalamazoo College*
June 2004

The purpose of this exploratory study is to attempt to identify particular public policies that have the potential to increase the economic viability of smaller metropolitan areas and cities. The study identifies characteristics associated with smaller metro areas that performed better than expected (winners) and worse than expected (losers) during the 1990s, given their resources, industrial mix, and location as of 1990. Once these characteristics have been identified, it looks for evidence that public policy choices may have promoted and enhanced a metro area's ability to succeed and to regain control of its own economic destiny.

A New WPRS Profiling Model for Michigan

Staff Working Paper 04-101

Randall W. Eberts, *Upjohn Institute*
Christopher J. O'Leary, *Upjohn Institute*
June 2004

The Worker Profiling and Reemployment Services (WPRS) system was established nationwide following the 1993 enactment of Public Law 103-152. The law requires state employment security agencies to profile new claimants for regular unemployment insurance (UI) benefits to identify those most likely to exhaust their regular benefits, and refer them to reemployment services to promote a faster transition to new employment. This paper offers a new WPRS model for Michigan that improves on the original model (also estimated by the Upjohn Institute) by applying lessons learned nationwide in the years since WPRS models were first implemented. A variety of alternative specifications were considered, the best of these was proposed as the new Michigan WPRS model. Michigan has since implemented this model and is now using it to profile UI claimants for referral to reemployment services promoting a speedy return to work.