

New Directions in Reemployment Policy

[Editor's Note: This article is the sixth in a series on "Research Questions for the New Millennium." The series aims to identify research needed to inform employment policy in the near future.]

Reemployment policy in the United States can be dated to the passage in 1933 of the Wagner-Peyser Act, which established the U.S. Employment Service (ES). Throughout its history, the ES has served as a free public labor exchange, registering job seekers, taking job orders from employers, and matching workers with job vacancies. Since the establishment of unemployment insurance (UI) in 1935, the ES has also administered the UI work test, which attempts to ensure that UI recipients are able to work, available for work, and seeking work. Although the ES has had other functions over the years, these two have been consistent.

The Changing Role of the Employment Service

Like UI, the ES is a federal-state system; that is, each state administers its own ES program, but the U.S. Department of Labor funds and oversees the state programs. Accordingly, the role of the ES has changed as the emphasis of federal reemployment policy has changed. This evolution of the ES's role is summarized in Table 1, which lists relevant major federal legislation and the implications of each act.

Until the 1960s, reemployment policy in the United States emphasized job placement and assumed that unemployed workers were job-ready and merely needed to be matched to an employer. During the 1960s, however, the Manpower Development and Training Act and the Economic Opportunity Act shifted emphasis away from job placement and toward "second-chance" training for workers who either were poorly served by the conventional system of public education or who were dislocated as a result of structural economic change. The role of the ES in this shift was at first substantial, but that role dwindled with the adoption of the Comprehensive Employment and Training Act (CETA) in 1973. Under CETA, training services were administered locally, with the result, in the view of many, that reemployment services became fragmented. The diminished role of the ES continued through the 1980s and into the 1990s following adoption of the Job Training Partnership Act (JTPA) in 1982.

During the 1980s there was much dissatisfaction with the ES, and questions were raised about its role and importance. Also during the 1980s, however, convincing research became available showing that existing government training programs fell short of their hoped-for results (LaLonde 1995). Moreover, a series of demonstrations using randomized trials suggested the effectiveness of relatively inexpensive reemployment services (job search workshops, interview and resume preparation classes, and other assistance) in helping unemployed workers (Meyer 1995). As a result, the former optimism over second-chance training was replaced by an emphasis on placing workers in jobs. In short, the sentiment for "training first" was replaced by a growing belief in "work first."

Table 1 Employment and Training Legislation and the Changing Role of the Employment Service

Legislation	Implications for Policy and ES
Wagner-Peyser Act (1933)	Creation of U.S. Employment Service; emphasis on public labor exchange/placement services.
Social Security Act, Title III (1935)	Creation of the Unemployment Insurance (UI) system; ES to administer the UI work test.
Area Redevelopment Act (1961)	ES established training programs in depressed areas; increased collection of labor market information.
Manpower Development and Training Act (1962)	Further involvement of ES in training programs; reduced emphasis on traditional placement services.
Economic Opportunity Act (1964)	ES provides outreach, screening, referral for disadvantaged worker programs.
Comprehensive Employment and Training Act (1973)	Local provision of reemployment services as well as by ES; fragmentation of reemployment services.
Job Training Partnership Act (1982)	Continued local control of delivery of reemployment services.
Worker Profiling and Reemployment Services (1993)	ES administers reemployment services under UI profiling; return of emphasis on public labor exchange/placement services.
Workforce Investment Act (1998)	ES becomes locus of One-Stop Centers.

Source: Haber and Murray (1966); Bendick (1989); Balducchi, Johnson, and Gritz (1995); Fagnoni (2000).

The new emphasis on “work first” was embodied in amendments to the Social Security Act that established the Worker Profiling and Reemployment Services initiative in 1993. Under profiling, UI claimants who are likely to exhaust their UI benefits are required to attend job search assistance workshops conducted by the ES or risk losing their UI benefits (Corson and Decker 2000).

The Workforce Investment Act

The new emphasis on “work first” is even clearer in the Workforce Investment Act of 1998 (WIA), which embodies two main changes in reemployment policy. First, it requires that states provide most federally funded employment and training services through a system of One-Stop Centers, which provide all reemployment services (or information about and referral to such services) at a single location. The intent of One-Stop Centers is to offer an attractive, logically organized office that directs any job seeker to information, assistance, or programs needed to gain employment. Moreover, One-Stop Centers encourage coordination of services by collecting the day-to-day operations of various reemployment programs under a single manager.

Second, WIA replaces the JTPA programs for economically disadvantaged and dislocated workers with programs for adults, dislocated workers, and youth that deemphasize the differences among the groups needing assistance. Specifically, WIA provides three levels of services: core (including basic services such as job search assistance), intensive (including services such as assessment that require staff assistance), and training (for eligible workers). As part of this change, the Private Industry Councils that existed under JTPA are replaced with Workforce Investment Boards. This is significant, because Private Industry Councils were concerned mainly with the provision of training under JTPA, but Workforce Investment Boards have responsibility in principle for overseeing all reemployment services and government-funded training in their region. (In practice, further legislation will be required before Workforce Investment Boards are able to influence programs like vocational rehabilitation and vocational-technical education.)

The idea of “one-stop” reemployment services is hardly new: Haber and Murray referred to it in their 1966 volume on UI, and a year later, the Manpower Administration issued a memorandum on “Improving Communication and Service to the Public” that discussed integrated delivery of human services at central locations. Accordingly, WIA must be viewed as an attempt to bring about what has long been viewed as desirable: the centralization of information and other reemployment services to promote employment.

The Employment Service in Recent Years

The traditional role of the ES as a free public employment agency has involved five main services: job referral, counseling and assessment (including aptitude and interest testing), job development, other job search assistance services, and referral to training. Over 40 percent of ES applicants received job referrals in 1994 and 1998 (Table 2), and a growing percentage of ES applicants have been receiving “other” services, which include job search workshops, job-finding clubs, and classes in job-finding skills. These latter have increased in importance since worker profiling started in 1994. Only about 11 percent of ES applicants received counseling and assessment in 1998, and just over 2 percent received referral to training. This last, presumably, will increase under WIA, which gives the ES greater access to the training system. (Statistics do not exist on the frequency of job development, which is similar to job referral except that an ES interviewer contacts one or more employers known to hire workers with the applicant's skills.)

Table 2 also shows the composition of ES applicants: roughly 40 percent are UI claimants,

over 10 percent are veterans (reflecting administration of special programs for veterans by the ES), and about 15 percent are economically disadvantaged. In 1998, 2 percent had a disability. It is too early to know whether or how this composition will change as WIA takes hold and One-Stop Centers proliferate.

Table 2 Employment Service Activity Measures, Program Years 1994 and 1998

Measure	1994	1998
Total Applicants	18,810	17,288
Receipt of Services (as a % of total)		
Received any service	63.7	62.8
Referred to employment	43.7	40.5
Counseling/assessment provided	na	10.8
Job search activities	21.3	36.0
Referred to training	2.2	2.4
Applicants by type (as a % of total)		
Eligible UI claimants	40.7	37.1
Veterans	12.2	10.2
Economically disadvantaged	15.7	14.5
Persons with disabilities	na	2.0
Applicants placed (000s)	2,682	1,886
(as a % of total applicants)	14.3	10.9
Applicants entering employment (000s)	3,358	3,265
(as a % of total applicants)	17.9	18.9
Job orders received (000s)	2,838	2,897

Sources: U.S. Employment Service Annual Report. Washington, D.C.: Office of Workforce Security, U.S. Employment Service, U.S. Department of Labor (reports for program years 1994 and 1998).

Finally, 11–14 percent of ES applicants are placed in jobs by the ES, and 18–19 percent of ES applicants enter employment within 90 days of registering with the ES. These figures might be interpreted to imply that ES applicants are difficult to place. However, Table 2 also shows that the ES may be hampered in placing applicants by a lack of job orders: the number of job orders received by the ES is usually only slightly greater than the number of workers placed.

Issues for Policy and Research

The WIA points government efforts to assist unemployment workers in a new direction, and its success will turn on whether the assumptions underlying its adoption are correct. The above discussion suggests the importance of the following research questions.

1. Is WIA's "work first" approach effective? WIA has been subject to two types of criticism. One is that WIA, in emphasizing job placement over training, may limit the access to training of workers for whom it would be effective (Emsellem 2000). Another is that effective training is expensive, and WIA, rather than increasing the total resources available for employment and training, amounts to a downsizing of the reemployment system (Bartik and Hollenbeck 2000). An essential question for reemployment policy, then, remains whether programs that encourage employment (or rapid reemployment, even in a low-wage job) are better for workers and society in the long run than are government training programs.
2. What is the value of various reemployment services? Of the services traditionally provided by the ES—job referral, counseling and assessment, job development, and other (intensive) services—only job referral and intensive services have been evaluated comprehensively. However, evidence of the effectiveness of referrals has been criticized because, unlike the most convincing evidence on employment and training policies, it has not been based on randomized trials. Also, the intrinsic value of intensive job search assistance remains unclear. Experimental research suggests that job search workshops reduce unemployment duration by imposing an additional requirement on UI recipients—i.e., to report for services—rather than by enhancing workers' job search abilities per se (Balducchi, Johnson, and Gritz 1997). In order for One-Stop Centers to function effectively, knowledge of what services work best for various groups of workers is essential.
3. Little is known about the value of universal access to information of the kind available through America's Job Bank, the computerized national labor exchange. Arguments for the public subsidy and provision of information on jobs turn on the value of such information and the failure of private markets to generate enough. Do the arguments in favor of a public labor exchange—e.g., those of Bendick (1989)—continue to hold in a day of relatively easy Internet access?
4. How is the performance of reemployment services best gauged? The performance measures set out in WIA have been criticized by economists for their focus on easily measurable outcomes that are weakly related to the value of reemployment services and that may create incentives for One-Stop Centers to assist workers least in need of services (that is, to "cream"). For example, emphasis on the entered-employment rate—the proportion of applicants who enter employment within 90 days—can be expected to induce One-Stop Centers to focus on workers who might easily find jobs on their own rather than on workers requiring greater effort to place (Jacobson 1999). There is much need for research into performance measures that are easily obtained and that also gauge

the benefits and costs of services provided.

The WIA brings reemployment policy closer to the focus on job placement and “work first” that it had before the emergence of federally funded training programs in the 1960s, but with a novel twist. While attempting to retain what many view as the benefits of a reemployment system that receives substantial direction from local community interests, WIA promises to centralize the locus of information, training, and other services for unemployed workers in One-Stop Centers. Evaluating whether the promise of WIA is realized and learning what can be done to improve continuously the reemployment system will require data and innovative research that will occupy policymakers and researchers for years to come.

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