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The Wagner-Peyser Act and U.S. Employment Service: 75 Years of Matching Job Seekers and Employers

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A report commissioned by NASWA on the occasion of
the 75th Anniversary of the Wagner-Peyser Act

Outline

1. Introduction
2. Background
3. Role of the ES in the Labor Market
4. Evolution of the U.S. Employment Service
5. Effectiveness of the Employment Service
6. Challenges in the Next 25 Years

1. Introduction

The Wagner-Peyser Act

“To provide for the establishment of a national employment system and for cooperation with the States in the promotion of such a system, and for other purposes.”

May 6, 1933

1. Introduction

At a minimum, each State shall administer a labor exchange system which has the capacity:

- (a) To assist jobseekers in finding employment;
- (b) To assist employers in filling jobs;
- (c) To facilitate the match between jobseekers and employers;
- (d) To participate in a system for clearing labor between the States, including the use of standardized classification systems; and
- (e) To meet the work test requirements of State unemployment compensation systems.

2. Background

- Public Labor Exchanges before the Wagner-Peyser Act
- Labor Market Context of the Wagner-Peyser Act
- Personalities Introducing the U.S. Employment Service
- Introduction of a Permanent Financing Mechanism

2. Background

Job Market Intermediaries before Wagner-Peyser

- 1890 - First municipal public employment office
- 1907- INS job placement service for immigrants
- 1916 - USES (War) 350 offices/2,000 staff
- For profit job placement (fee charging)
- 1919 - ILO Convention No. 2, No. 34 (1933, 1949)
- 1923 - Wisconsin/Federal = \$60,000/\$1,800
- 1933 - Emergency Work Progress Bill (March)

2. Background

Context of the Wagner-Peyser Act in 1933

- Unemployment 25% of the labor force (Census)
- BLS 1884, MLR 1915, Census-BLS CPS 1947
- Uncertainty about depth of Depression
- High interest, zero business investment
- WPA, CCC, PWA – 5,000 camps/200 slots
- USES federal funding fell after Versailles
- Half of states, some municipal ES offices

2. Background

“I had told [President Roosevelt] that the Employment Service was practically non-existent although its name was still on a letterhead... He said, “Resurrect the Employment Service right away...”

Frances Perkins, Secretary of Labor
Describing ES revitalization in 1933



Rep. Peyser

Secy. Perkins

Sen. Wagner

2. Background

Personalities Involved:

- Franklin D. Roosevelt, President
- Frances Perkins, Secretary of Labor
- Robert F. Wagner, Senator (NY)
- Theodore A. Peyser, Representative (NY)

2. Background

Wisconsin Personalities Involved:

- Robert M. LaFollette, Senator
- Robert M. LaFollette, Jr., Senator
- Philip F. LaFollette, Governor
- John R. Commons, Professor
- Edwin E. Witte, Director CES, Professor

2. Background

Introduction of Permanent ES Financing

Federal Unemployment Tax Act (FUTA) of 1939

The federal unemployment trust fund (UTF)

Employment Security Administration Account (ESAA)

Congress appropriates annually from the ESAA for administering: UI, Wagner-Peyser, Veterans, and LMI

Excess reserves in UTF yield Reed Act distributions

Merit rating of state employees in ES offices

3. Role of the ES in the Labor Market

- Job search by the unemployed
- Job search by the employed
- Employer efforts to fill job vacancies
- Job search and the Internet

3. Role of the ES in the Labor Market

Job Search by the Unemployed (Percentages from CPS)

- 18.9 Public employment agency
- 8.4 Private employment agency
- 62.0 Direct employer contact
- 15.4 Information from friends or relatives
- 15.4 Placed or answered advertisements
- 51.3 Sent out resumes and filled out job applications
- 2.7 Used university or school placement centers
- 2.3 Used union or professional association listings
- 6.8 Used other active methods of job search

ES Applicants, (PY) 1999 and Average Monthly Unemployed, 2000

	ES	Unemployed
Total	16,708,228	5,655,000
Gender – Female	46.1%	47.8%
Race – Black	21.5%	22.4%
Race – Hispanic	12.7%	15.5%
Age – Youth (under 22)	13.8%	23.0%
Age – Older (over 54)	8.2%	8.5%
Education – Less than HS	19.3%	13.6%
Education – BA+	14.0%	15.1%

3. Role of the ES in the Labor Market

Job search among employed wage and salary workers:
9% actively search for work

The employed who are most likely to search:

- Younger employed workers under age 25
- Workers not covered by health insurance
- Workers not covered by a pension plan
- Salaried workers with higher educational attainment

The likelihood of job search declines with longer job tenure

Between 10 and 30% of employed search with ES (CPS)

3. Role of the ES in the Labor Market

Employers in four major cities (Holzer 1998):

- 72% relied on direct walk-ins
- 90% of employers used informal referrals
- 30% used state ES agencies
- 50% used ES or other local public agencies

Employer use of the ES is more likely:

- Employers with more than 500 employees (56%)
- Employers in the public sector
- White collar jobs not requiring college education
- Jobs in the manufacturing sector

ES Job Listings by Industry, PY 1999

Average Monthly Employment, 2000

	Listings	Employment
Agriculture, Forestry and Fisheries	4.9%	1.5%
Mining	0.3%	0.4%
Construction	4.8%	7.2%
Manufacturing	13.3%	14.2%
Transportation and Utilities	5.9%	7.3%
Wholesale Trade	3.2%	3.8%
Retail Trade	13.3%	16.9%
Finance, Insurance and Real Estate	3.1%	6.6%
Services	43.8%	37.6%
Public Administration	7.3%	4.6%

Table 4
Job Listings by Occupation
Received and Percent Filled, PY 1999

Occupation Categories	Job Openings	
	Received	Percent Filled
Professional, Technical and Managerial	1,120,430	12.2%
Clerical	1,479,820	21.1%
Sales	585,145	17.2%
Domestic Services	50,643	45.9%
Other Services	1,194,364	22.5%
Farming, Forestry and Fishing	297,151	33.1%
Processing	344,807	46.0%
Machine Trades	341,424	31.4%
Bench Work	387,940	36.8%
Structural	604,813	29.5%
Motor Freight	206,861	26.7%
Transportation	108,201	18.4%
Package and Materials Handling	666,534	42.4%
Other	64,541	24.5%
Total	7,452,674	25.5%

3. Role of the ES in the Labor Market

More than 2,000 Internet job search sites exist

In 2001, job search on the Internet was done by

- 32% of the unemployed
- 11% percent of the employed
- Internet was the third most popular job search method

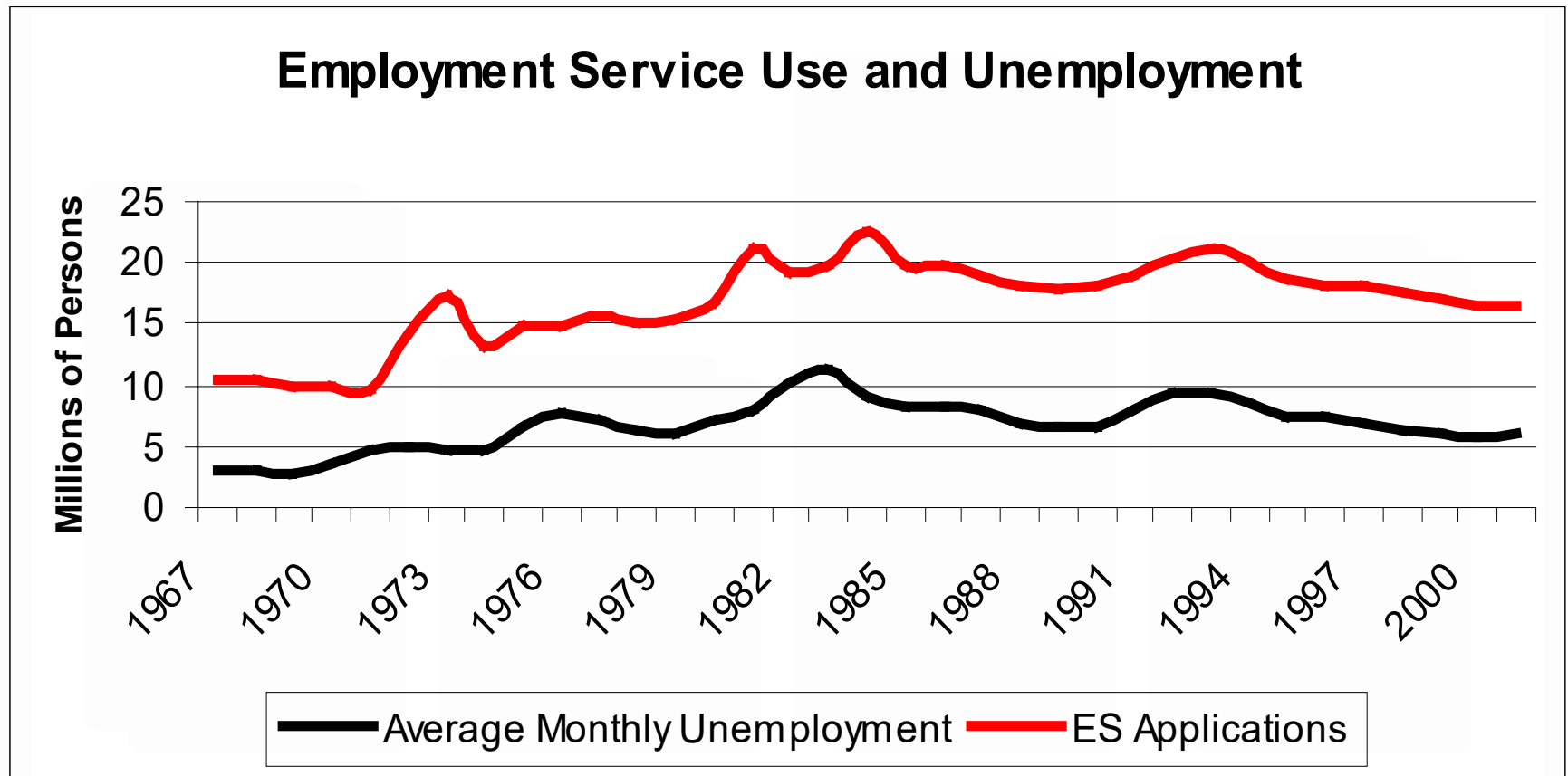
America's Job Bank interstate system until July, 2007

NASWA and EmployerDirect created JobCentral-NLX

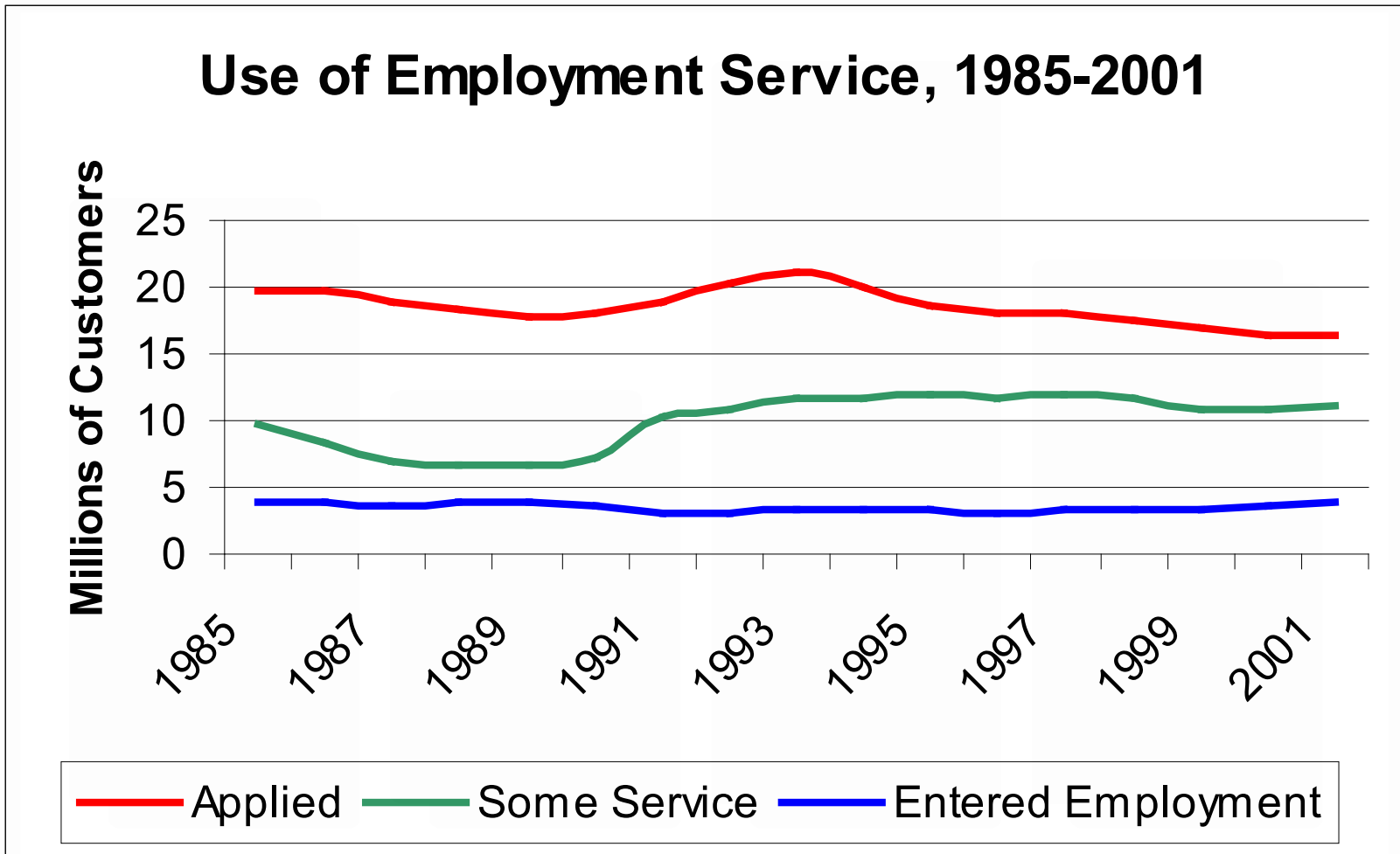
4. Evolution of the U.S. Employment Service

- Use of the ES
- The Wagner-Peyser Act under WIA
 - Partners
 - ES in One-stop Centers
- Financing the ES
- Supplementary Resources for the ES

4. Evolution of the U.S. Employment Service



4. Evolution of the U.S. Employment Service



4. Evolution of the U.S. Employment Service

12 Required One-Stop partners (CFR 662.200)

- (1) WIA programs for:
 - (i) Adults; (ii) Dislocated workers; (iii) Youth; (iv) Job Corps; (v) Native American programs; (vi) Migrant and seasonal farm-worker programs; and (vii) Veterans' workforce programs;
- (2) Wagner-Peyser Act ES programs
- (3) Adult education and literacy
- (4) Rehabilitation Act (A and B of title I)
- (5) Welfare-to-work programs
- (6) Senior community service employment activities
- (7) Postsecondary vocational education (Perkins Act)
- (8) Trade Adjustment Assistance and NAFTA Adjustment
- (9) Veterans and disabled veterans activities
- (10) Community Services Block Grant employment and training
- (11) Housing and Urban Development employment and training
- (12) Programs under State unemployment compensation laws

4. Evolution of the U.S. Employment Service

Optional One-Stop partners (662.210)

Local board and chief elected officials may approve other entities that carry out human resource programs including Federal, State, or local programs in public or private sectors

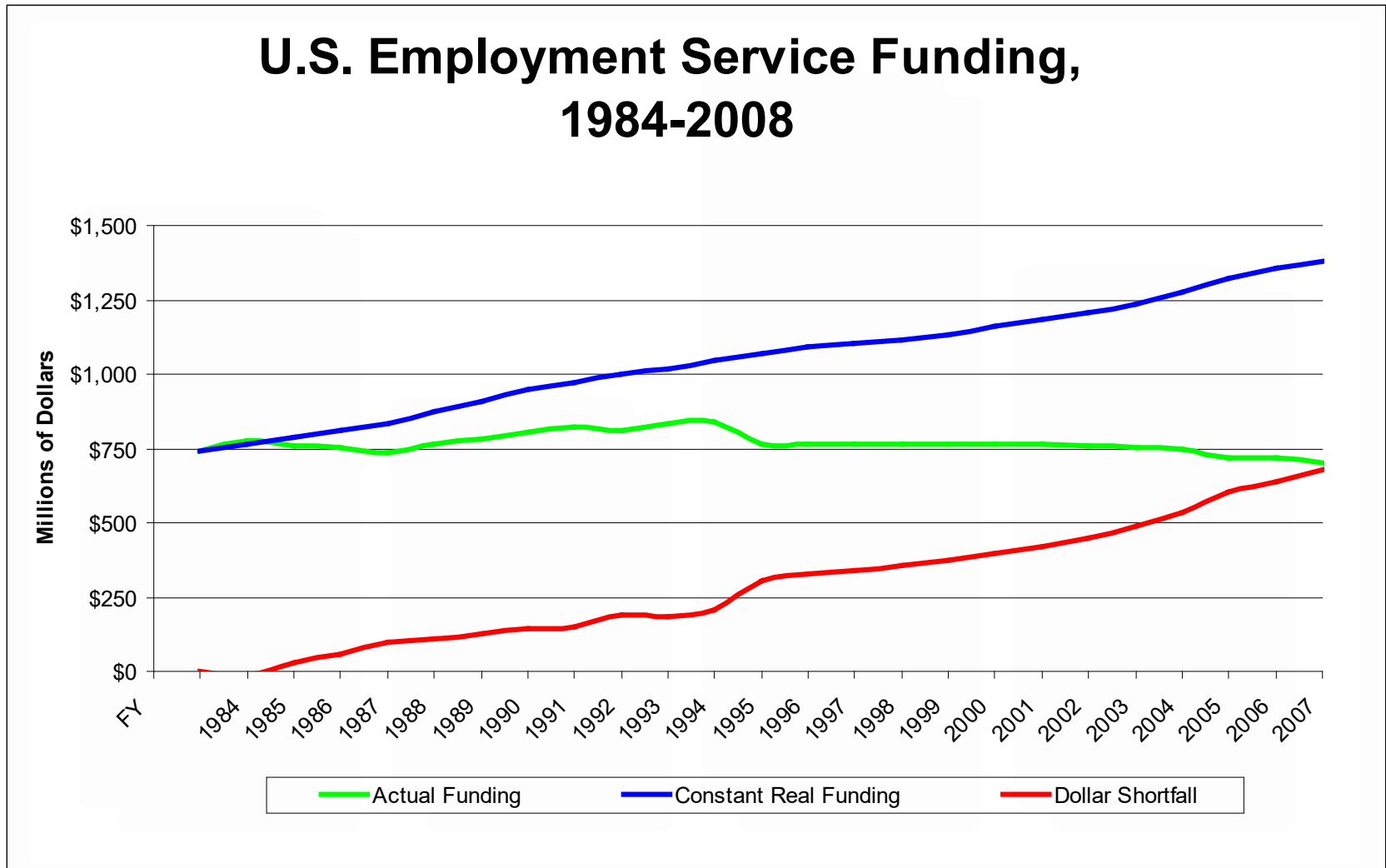
- (1) TANF programs
- (2) Employment and training programs of Food Stamp Act of 1977
- (3) Work programs under the Food Stamp Act of 1977
- (4) Programs under the National and Community Service Act 1990
- (5) Other appropriate Federal, State or local programs, including programs related to transportation and housing, and programs in the private sector.

* States have declared that Wagner-Peyser Act ES programs are a required partner in all one-stops, both comprehensive and affiliate.

4. Evolution of the U.S. Employment Service

One-stop Centers	2003	2007	Change	Percent
Comprehensive	1,955	1,821	-134	-6.9%
Affiliate	1,627	1,377	-250	-15.4%
Total	3,582	3,198	-384	-10.7%

4. Evolution of the U.S. Employment Service



4. Evolution of the U.S. Employment Service

Uses of 2002 Reed Act Funds	Numbers of States	Estimated Impacts 2004
Tax Reduction	25	\$4,085 million
Benefit Enhancements	18	\$2,945 million
UI Administration	35	\$ 843 million
ES Administration	25	\$ 438 million

5. Effectiveness of the Employment Service

- Functions of the public labor exchange
- Effects of Job Interview Referrals
- Effects of JSA and Work Test
- Effects of targeted JSA (WPRS)
- ES compared to other employment and training programs

5. Effectiveness of the Employment Service

Functions of a Public Labor Exchange:

Job interviews: job interview referrals, job vacancy listings, job development

JSA: resume help, JSW, job clubs, LMI, job search plans

Assessment: interviews, employment counseling, testing

Training Referrals: federal, state, supportive services

Effectiveness of Job Interview Referrals

Job referrals are most effective for women (Johnson et al. 1983)

Job referrals are also effective for men over 45 years of age and men in urban areas

→ Evidence for services to middle aged dislocated workers

JSA most effective early in a spell of joblessness (Katz 1991)

ES job referrals act as a back stop

→ Evidence for early JSA

Job placements most effective for experienced with strong attachment (Jacobson and Petta 2000)

→ Evidence for JSA to dislocated workers

Effectiveness of Job Search Assistance

Stronger UI work test validating contacts (Charleston, SC)
Evidence for interagency cooperation (Corson et al 1985)

Eliminating continued claim and work test—longer spells
Response to ERI and JSA is invitation effect (Johnson and Klepinger 1991)

Standardized ERI and JSW are inexpensive and effective
Verification of contacts is effective (Klepinger et al. 1998)

Employment Eligibility Assessment (like ERI or ERP)
REA enhances rapid reemployment (Benus et al 2008)

Effectiveness of Targeted JSA

JSA targeted to dislocated workers cost effective (NJ)
These results led directly to WPRS implementation
(Corson et al. 1989)

Structured JSA targeted to at risk long term joblessness
(Decker et al. 2000)

WPRS modestly shortens jobless durations (Dickinson
et al 1999)

Kentucky WPRS significantly shortens jobless durations
in a study with random assignment (Black et al. 2003)

5. Effectiveness of the Employment Service

Evaluations of employment efforts find:

(1) JSA most cost-effective

(2) PSE least effective and most costly

(3) Job training programs and wage subsidies effectiveness can be improved with proper targeting

6. Challenges in the Next 25 Years

- Changing Labor Markets
- Employment as Welfare Reform
- Financing Employment Policy

6. Challenges in the Next 25 Years

- Changing Labor Markets
 - Premiums for higher education and skills
 - International markets for occupations
 - Internet based job search growing
 - Staff assisted services essential
 - Aging workforce
 - New entrants, re-entrants, less able
 - Facilitating self-employment
 - Health insurance and labor demand

6. Challenges in the Next 25 Years

- Employment as Welfare Reform
 - ES linkages and targeting TANF leavers
 - Early ES for TANF recipients
 - UI eligibility for TANF leavers
 - Job retention and advancement WIA and ES
 - EITC expansion and filing assistance

6. Challenges in the Next 25 Years

- Financing Employment Policy
 - Wagner-Peyser services are effective
 - ES the key partner in one-stop centers
 - Staff assisted services are essential
 - ES funding stagnant and insufficient
 - Reemployment efforts are key to cost savings
 - UI emphasis on reemployment
 - TANF emphasis on self-sufficiency

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