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Reemployment Services Policy in **Solving the Reemployment Puzzle: From Research to Policy**

Stephen A. Wandner

Urban Institute

with David E. Balducchi

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Reemployment Services Policy

with David E. Balducchi

Incongruously, the demand for reemployment services across the United States grew a great deal over the decade and a half after 1993, at the same time that resources were declining. Clinton administration policies that implemented the Worker Profiling and Reemployment Services (WPRS) system and One-Stop Career Centers, automated labor-exchange services, enhanced labor-market information services, and, later, amended the Wagner-Peyser Act and enacted the Workforce Investment Act (WIA), all increased the scope of services provided. But these policies were not accompanied by a corresponding increase in the resources necessary to provide them, and the temporary funding increases for labor market information, One-Stop Career Centers, and WPRS disappeared. This chapter examines federal reemployment service policy since the early 1990s, with special attention to how research findings have informed the policy process.

OVERVIEW

Classical economic theory assumes that perfect competition governs labor markets. Perfect competition as a theory, however, assumes perfect information for the players in these labor markets: workers have to be able to find job openings, and employers similarly must be able to find workers with the skills they need. In the real world of imperfect labor market knowledge, workers and employers require considerable assistance in matching job openings with qualified workers. Since the 1930s, the Employment Service (ES) has acted as a public labor exchange to facilitate impartial job matching at no cost at the point of service to either job seekers or employers. Services are prepaid by employers through an excise tax under the Federal Unemployment Tax Act.

The primary provider of reemployment services in the United States is the U.S. Employment Service. The goals of the ES as a public labor exchange program have varied over time. It was born during the Great Depression with the enactment of the Wagner-Peyser Act of 1933 and was established to help unemployed workers find needed jobs during that time of very high unemployment. After the Unemployment Insurance (UI) Program was enacted in 1935, a policy decision was made that the ES should continue to refer the best-qualified workers to available jobs, rather than to first refer UI claimants. This policy continued after the federal UI and ES agencies were brought together within the U.S. Department of Labor (USDOL) in 1949 (Altmeyer 1966; Haber and Kruger 1964).[1]

In December 1941, the state ES programs were nationalized to support the war effort during a time of full employment and labor shortages. The goal was to ensure the full utilization of workers in the private sector for the duration of the war.[2] The ES was administered by the War Manpower Commission. In 1945, the War Manpower Commission was abolished, and federal administration returned to the U.S. Employment Service in the Department of Labor. By congressional action, states resumed administration of the programs in late 1946 (Haber and Kruger 1964). The ES returned to serving the state and local labor market needs and fulfilled the role of a universal public labor exchange that treated all workers and all areas of the country equally by referring the best applicants for jobs to job openings submitted by employers (Altmeyer 1966).

In 1961, President Kennedy redirected the Employment Service to deal with a number of special populations (e.g., older and younger workers) and special concerns (workers displaced by automation and technological change, and workers challenged by rural poverty and chronic unemployment). Provisions in the Area Redevelopment Act of 1961 emphasized serving depressed economic areas. Starting in the mid-1960s, the ES was called upon to put heavy emphasis on placing the disadvantaged, minorities, and women in jobs, in accordance with the provisions of the Economic Opportunity Act of 1964. As a result of rising job loss in the early 1970s, ES policy shifted to strengthen traditional labor exchange and employer services, which had eroded during the strong labor market of the late 1960s. At the same time, the ES expanded job placement services for welfare and food stamp recipients (USDOL 1973, pp. 2, 47).

In the 1980s, the manner of providing reemployment services began to change. The switch from staff-assisted services to self services began. The most important two factors in this switch were 1) the decline in funding, which meant that fewer staff were available to provide services, and 2) the rise of automation, which provided the computer technology to make the switch to self services. Automated job banks developed first. The department started the Interstate Job Bank in 1979, and states developed individual automated job banks by the mid-1980s. Later, both the states and the federal government would make a variety of tools available for use in resource centers and over the Internet (Ridley and Tracy 2004).

Since the early 1990s, there have been a number of major employment and training policy initiatives that have affected Wagner-Peyser Act programs. The ES was the platform for the ambitious One-Stop Career Center initiative starting in 1994 and was responsible for providing reemployment services under the WPRS initiative, which became operational in the mid-1990s. The role of the ES in the One-Stop centers was formalized with the enactment of the Workforce Investment Act of 1998. As a result, the ES became a principal component of most One-Stops, especially in areas that could not fund large comprehensive One-Stops.

Section 1 of the Wagner-Peyser Act states that "the United States Employment Service shall be established and maintained within the Department of Labor." However, in 2002, the USDOL eliminated the U.S. Employment Service as a separate organization within the department. The USDOL contended that although the agency was eliminated, its functions were maintained. Beginning in 2003, the Bush administration proposed and worked to eliminate the Wagner-Peyser Act per se and replace it and WIA with block grants to states. Meanwhile, the states have mostly ignored the Bush consolidation policy proposals. Through the federal appropriations process, the states continued to receive WIA and Wagner-Peyser Act grants, and they have continued to operate their own state Employment Services and provide reemployment services, but with little guidance from Washington, D.C.

ONE-STOP CAREER CENTERS

One-Stop Career Centers Begin

In September 1994, the Department of Labor initiated a grant program to encourage states to adopt One-Stop Career Centers. Between 1994 and 2000, every state received a grant of between $3 million and $24 million to launch its One-Stop centers (Ridley and Tracy 2004). The initiative came from the Clinton administration, arising directly from Vice President Al Gore's national performance review, an initiative that searched for more effective methods of operating the federal government. One-Stop centers were an attempt to bring many employment and social programs under one roof, providing easy access to all workers. For department-funded programs, the Job Training Partnership Act (JTPA) program, the ES, veterans' employment programs, and UI were all made mandatory partners in the One-Stop centers. There also were many voluntary partners for programs funded outside the department, such as welfare programs.

The One-Stop Career Center initiative was a large-scale effort to deliver employment and support services to the American people. The initiative was based on four principles: 1) universality, 2) customer choice, 3) integration, and 4) performance-driven/outcome-based measures. The principle of universality meant that "all population groups will have access to a wide array of jobseeking and employment development services, including the initial assessment of skills and abilities, self-help information relating to career exploration and skill requirements of various occupations, consumer report information on the performance of local education and training providers, and quality labor market information" (USDOL 1995a).

The employment and training system thus was expanded to serve all persons—employed, unemployed, or out of the labor force—who would be able to come into any One-Stop in the country and receive basic reemployment services.

While the goal of universal access might have been grand and noble, the funding of the state workforce development programs did not correspondingly increase to adequately serve the large number of people who could be expected to present themselves at a universal access facility. When Secretary Reich initiated the One-Stop movement, he recognized the need to increase funding to serve a larger, universal population, and he succeeded in increasing funding in the first years of the Clinton administration. But with the loss of Democratic control of the Congress in 1994, the budget for organizations that staffed the One-Stops began to decline.[3]

One-Stop funding continued to decrease during the Bush administration years. Appropriations to fund WIA and Wagner-Peyser Act grants to states fell sharply in the 2000s. While some voluntary partner agencies put staff in the One-Stops, they were not willing—and not required—to contribute to One-Stop administrative costs. Among the mandatory partners, most state UI programs chose not to contribute to funding the One-Stops. In the early 1990s, with the advent of telephone claims taking, the UI program began to move local claims activities to telephone call centers. This left the funding of the One-Stops to the JTPA (later the WIA) and ES programs.

Meanwhile, combined JTPA/WIA and ES program funding remained flat in nominal dollar terms from the mid-1980s to the early 2000s and declined through 2008. JTPA/WIA grants to states peaked in the early 1990s at $3.4 billion and were well below $3 billion in 2008. JTPA/WIA plus Wagner-Peyser Act state grants reached a peak at $4.2 billion in 1994 (Table 6.1). These nominal levels hide the sharp decline in real funding levels, which resulted in substantial staffing cuts. The ability to provide more (and more expensive) services declined, and self services increasingly replaced staff-assisted services.

A more complicated story emerges when we look at the individual program funding levels. Wagner-Peyser Act grants reached a peak of $839 million in 1995 and have decreased since then despite the five budget years between 2001 and 2005, when approximately $35 million in funding for WPRS was added to the state Wagner-Peyser Act appropriations. The JTPA/WIA adult state grants have declined fairly steadily ever since 1984. By contrast, in response to the problem of worker displacement that emerged in the 1970s, the JTPA/WIA dislocated worker state grants continued to increase for longer than the other programs, reaching a maximum of $1.3 billion in 2000; funding has decreased since then to $1.1 billion in program year 2008. The youth program reached a maximum of $1.5 billion in 1993 and then decreased sharply in 1995, in response to the release of an evaluation of the JTPA program

Table 6.1 Grants to States That Are Available to One-Stop Career Centers from Funding of WIA, JTPA, and Wagner-Peyser Act Programs, 1984–2008 ($000)

Program year	Wagner-Peyser Act programs	JTPA and WIA programs: Adult	Dislocated Worker	Youth	JTPA/WIA total	JTPA/WIA + W-P Act
1984	740,398	1,886,151	223,000	724,549	2,833,700	3,574,098
1985	777,398	1,886,151	222,500	824,549	2,933,200	3,710,598
1986	758,135	1,783,085	95,702	635,976	2,514,763	3,272,898
1987	755,200	1,840,000	200,000	750,000	2,790,000	3,545,200
1988	738,029	1,809,486	215,415	718,050	2,742,951	3,480,980
1989	763,752	1,787,772	227,018	709,433	2,724,223	3,487,975
1990	779,039	1,744,808	370,882	699,777	2,815,467	3,594,506
1991	805,107	1,778,484	421,589	1,182,880	3,382,953	4,188,060
1992	821,608	1,773,484	423,788	661,712	2,858,984	3,680,592
1993	810,960	1,015,021	413,637	1,535,056	2,963,714	3,774,674
1994	832,856	988,021	894,400	1,496,964	3,379,385	4,212,241
1995	838,912	996,813	982,840	311,460	2,291,113	3,130,025
1996	761,735	850,000	878,000	776,672	2,504,672	3,266,407
1997	761,735	895,000	1,034,400	997,672	2,927,072	3,688,807
1998	761,735	955,000	1,080,408	1,000,965	3,036,373	3,798,108
1999	761,735	954,000	1,124,408	1,000,965	3,079,373	3,841,108
2000	761,735	950,000	1,271,220	1,000,965	3,222,185	3,983,920
2001	796,735	950,000	1,162,032	1,127,965	3,239,997	4,036,732
2002	796,735	945,272	1,233,688	1,127,965	3,306,925	4,103,660

2003	791,557	894,577	1,150,149	994,459	3,039,185	3,830,742
2004	786,887	893,195	1,171,408	994,459	3,059,062	3,845,949
2005	780,591	889,498	1,184,784	986,288	3,060,570	3,841,161
2006	715,883	864,199	1,189,811	940,500	2,994,510	3,710,393
2007	715,883	864,199	1,189,811	940,500	2,994,510	3,710,393
2008	703,377	849,101	1,115,077	924,069	2,888,247	3,591,624

NOTE: All grants are adjusted for rescissions. Wagner-Peyser Act programs include Reemployment Services grants for FY 2001–2005 (in $000) as follows: FY 2001, $35,000; FY 2002, $35,000; FY 2003, $34,773; FY 2004, $34,567; FY 2005, $34,290. A variety of training programs have been in place since 1963. The Manpower Development and Training Act (MDTA) was operational from 1963 to 1972. Both MDTA and the Comprehensive Employment and Training Act (CETA) were in effect for 1973; CETA was in effect from 1974 to 1983; CETA/JTPA for 1984; JTPA from 1985 to 1998; JTPA/WIA for 1999; and WIA from 2000 to the present.

SOURCE: USDOL budget documents.

that found the youth program to be ineffective. Through congressional appropriations, youth programs gradually recovered and were funded at $900 million in 2008.

The One-Stop center initiative was ambitious but unsustainable, since funding was inadequate in 1994 and has become even more so in the years since it was initiated. The reality of inadequate funding was clear to some people in the department. In 1994, Mary Ann Wyrsch, administrator of the Unemployment Insurance Service, saw that there were insufficient resources to match the soaring ambitions of universal access. At that time, she would describe the new One-Stops as "One-Stops for a dollar ninety-eight." A dollar and ninety-eight cents did not look as if it was going to cover the bill for this new, large-scale undertaking. The JTPA and ES programs were not able to cover the cost of their new One-Stop center responsibilities. The funds for UI administration also would be needed, and even the supplementation with UI funding would not be enough.

Because UI was a required partner of the One-Stops, UI was expected to provide some of the One-Stops' administrative funding. From the 1990s to 2008, the UI program paid benefits to 7–10 million beneficiaries per year, and its administrative funding remains considerable. Basic funding for UI administration amounts to $2–3 billion per year and could have been used to supplement the declining flow of One-Stop funding as WIA and Wagner-Peyser Act grants to states declined (Table 6.1). Traditionally, the Wagner-Peyser Act programs and the UI programs were operated in the same local offices throughout the United States. The UI program and the ES jointly funded the operations of the local offices they shared, but that cooperative relationship began to fade in the mid-1990s.

If the UI program had remained in the One-Stops, it would have been a major contributor to the One-Stop funding. However, it would have been difficult or impossible to administer the UI system effectively if the program transferred large amounts of funds to the One-Stops. Not surprisingly, the UI administrator opted out of the One-Stops by supporting a policy of telephone claims-taking. The effect of opting out was to end, in large measure, the UI in-person claims-taking process in local offices and replace it with telephone claims-taking.

Endorsing telephone claims was an about-face from prior federal policy. When Colorado became the first state to introduce telephone claims-taking in April 1991, the USDOL was not supportive. It had reviewed the new procedures and questioned whether eligibility requirements could be adequately assessed remotely. Reluctance to endorse telephone claims-taking ended in June 1995 when Wyrsch recommended that states implement telephone and other electronic claims-taking methods (O'Leary 2006; O'Leary and Wandner 2005).[4]

By 1995, Wyrsch had decided that she had been wrong not to embrace the new technology—both telephone and Internet claims-taking. She wanted to save administrative funds on claims-taking in order to devote more funding to the new Benefits Quality Control system, which was a key part of maintaining the integrity of the UI system. Wyrsch also was concerned about the quality of employment services UI claimants would receive in the One-Stops. One-Stop staffing relied on generalists who knew a little about a lot of different programs, while UI claimants needed help from specialists who could provide them with labor market information, placement services, and job search assistance.[5] The Unemployment Insurance Service began funding grants for state agencies to convert to telephone claims-taking in 1996 and to Internet claims-taking in 1998.

By 2005, the transition to telephone claims was nearly complete. Of the 50 states plus the District of Columbia, Puerto Rico, and the Virgin Islands, 40 states were taking initial claims over the telephone, 10 had plans for doing so, and only three had no such plans. For continuing claims, 47 states used telephone systems, five were planning to do so or were implementing a phone system, and only one state had no plans to move in that direction. The UI program had moved basic claims-taking out of the local office. UI claims-taking was often done from a "telephone on the wall" at the One-Stops—thus UI fulfilled its responsibility under WIA to be a partner in the One-Stops—but because it did not have a staff presence in the One-Stops, the UI program could not be assessed to cover the costs of One-Stop operations (O'Leary 2006; O'Leary and Wandner 2005).

However, even with UI financial support, the One-Stops would not have been sustainable unless they changed the way they were doing business. There would not have been enough staff to deal with the flood of job seekers. The One-Stops responded with increased automation of many core services—i.e., basic job-finding services. As part of the initiative to create the One-Stops, banks of personal computers were placed in the One-Stop resource centers that were capable of providing a wide variety of automated services, such as a spectrum of electronic labor-exchange services including testing and assessment, resumé writing, and labor-market information services. More and more workers came to the One-Stops but received few if any staff-assisted services. They went into the resource rooms and worked on their own to search for and find work (Ridley and Tracy 2004).

Reemployment Services in the One-Stop Centers

Self-service job-finding activities are available to workers directly, without their using the One-Stop staff as intermediaries. They are made available cheaply at the One-Stop centers in resource rooms with electronic job-finding services. Alternatively, workers can receive self services through the Internet on remotely accessed computers. Thus, the principle of universal access has required the One-Stops to provide core services for all who walk through their physical or virtual doors, but with most of those core services provided in a self-service rather than a staff-assisted manner.

Nonetheless, the demand for staff-assisted reemployment service has remained high. Between three and five million UI claimants registered with the Employment Service have received a reportable (i.e., staff-assisted) service each year since 1995. One-and-a-half to four million of these UI claimants have participated in a job-search activity in years since 1993, but these numbers declined sharply in 2005 and 2006 (Table 4.6). Since 2001, the WPRS system has been referring over one million UI claimants to the One-Stops, and between 800,000 and 1 million were reported to have received reemployment services between 2004 and 2008. (See Table 4.4.)

While the ES provides most of the core and intensive services to One-Stop customers, the WIA programs also provide such services. In the 1990s, under the JTPA Adult and Dislocated Worker programs, about 60 percent of program exiters participated in training, leaving about 40 percent who received reemployment services other than training. Since approximately 300,000 to 400,000 individuals exited these programs between 1993 and 1999, between 100,000 and 150,000 exiters received reemployment services but no training services each year (Table 6.2).

From 2001 through 2005, WIA exiters from the Adult and Dislocated Worker programs numbered between 300,000 and 450,000. Approximately half of these exiters received training, so between 150,000 and 200,000 received core services only or core and intensive services only. Clearly, the JTPA and WIA programs have been relatively small providers of reemployment services compared to the Employment Service.

In 2006, 2007, and 2008, the number of WIA Adult and Dislocated Worker exiters exploded. The change was due to new 2006 definitions of WIA exiters, who suddenly included ES participants who could be "coenrolled" in the WIA program, even if the WIA program provided them with no additional services. As a result, most of the increase in WIA Adult and Dislocated Worker exiters was from individuals who received core services only—i.e., Wagner-Peyser Act services—but were double-counted by the WIA programs.

Job training has been a key program service provided under the Workforce Investment Act and its predecessor organizations. However, with the decline in WIA funding and the increased demands of funding core and intensive services in the One-Stops, the provision of job training services suffered. With training costs averaging between $3,000 and $5,000 per trainee, relatively few workers served by the WIA system actually receive training services (Mikelson and Nightingale 2006). Table 6.2 shows that fewer than 300,000 JTPA exiters received training between 1993 and 1999, while under WIA's Adult and Dislocated Worker programs, trainees numbered no more than 200,000 per year.

Even with a shift from staff-assisted to self-service reemployment services and the limited availability of funding for the most expensive service—job training—the decline in WIA and ES funding has reduced the ability of the One-Stop system to maintain itself. In the 2000s, the number of One-Stops declined sharply. The decline has been seen in both the comprehensive One-Stops, which are prevalent in urban areas, and the affiliate One-Stops, which are more concentrated in areas with low population densities. (Comprehensive One-Stops must have all of the WIA-required partners operating within the One-Stop, whereas the backbone of the affiliate One-Stops is the ES.)[6] Between the end of 2003 and the end of 2008, the number of One-Stops declined steadily from nearly 3,600 to less than 3,000—a decline of 18 percent. The number of One-Stops held steady during much of the Great Recession (Table 6.3).

Table 6.2 JTPA Program Exiters for 1993–1999; WIA Program Exiters for 2001–2008, by Adult and Dislocated Workers

	Job Training Partnership Act programs			
Year	Program	All exiters	Training[a]	Training/all exiters
1993	Adult	180,178	126,100	
	Title III	164,826	80,800	
	Total	345,004	206,900	0.60
1994	Adult	175,647	126,500	
	Title III	187,938	94,000	
	Total	363,585	220,500	0.61
1995	Adult	162,120	118,400	
	Title III	266,401	130,500	
	Total	428,521	248,900	0.58
1996	Adult	151,155	113,400	
	Title III	283,513	147,400	
	Total	434,668	260,800	0.60
1997	Adult	147,717	110,800	
	Title III	266,112	143,700	
	Total	413,829	254,500	0.61
1998	Adult	151,580	112,200	
	Title III	240,896	134,900	
	Total	392,476	247,100	0.63
1999	Adult	113,774	83,100	
	Title III	189,794	110,100	
	Total	303,568	193,200	0.64

Workforce Investment Act programs

Year	Program	All exiters	Core services only[b]	Core & intensive services only	Training	Training/all exiters
2001	Adult	172,366	36,918	59,485	75,963	
	DW	129,969	17,777	46,000	66,192	
	Total	302,335	54,695	105,485	142,155	0.47
2002	Adult	239,252	42,533	89,048	107,671	
	DW	178,493	20,262	59,691	98,540	
	Total	417,745	62,795	148,739	206,211	0.49
2003	Adult	219,979	43,787	73,242	102,950	
	DW	187,664	23,626	61,623	102,415	
	Total	407,643	67,413	134,865	205,365	0.50
2004	Adult	225,683	48,403	68,788	109,492	
	DW	178,446	25,544	57,789	95,113	
	Total	404,129	73,947	126,577	204,605	0.51
2005	Adult	230,446	51,481	73,508	105,457	
	DW	210,117	42,402	84,016	83,699	
	Total	440,563	93,883	157,524	189,156	0.43
2006	Adult[c]	510,034	313,744	86,762	109,528	
	DW	259,564	111,235	71,169	77,160	
	Total	769,598	424,979	157,931	186,688	0.24
2007	Adult[c]	765,483	542,147	113,660	109,676	
	DW	261,354	128,783	65,909	66,662	
	Total	1,026,837	670,930	179,569	176,338	0.17
2008	Adult[c]	849,738	540,665	210,859	98,214	
	DW	293,614	154,410	84,251	54,953	
	Total	1,143,352	695,075	295,110	153,167	0.13

NOTE: No WIASRD Data Book was prepared for PY 2000. DW = Dislocated Workers. Title III was the dislocated worker section of JTPA.
[a] JTPA training includes occupational skills training and on-the-job training.
[b] WIA staff-assisted core services only.
[c] The effect of coenrollment on WIA adults and Wagner-Peyser Act registrants began to affect the WIA Adult Program statistics in 2006.
SOURCE: WIASRD and SPIR data books, various years.

Table 6.3 Number of One-Stop Career Centers in the United States, 2003–2009, and Local Offices under CETA, 1974, and JTPA, 1999

Date	Comprehensive OSCC	Affiliate OSCC	Total
1974 under CETA			3,454
1999 under JTPA			2,505
December 29, 2003	1,955	1,627	3,582
December 29, 2004	1,945	1,638	3,583
December 29, 2005	1,900	1,559	3,459
December 29, 2006	1,864	1,401	3,265
December 29, 2007	1,773	1,395	3,168
June 30, 2008	1,783	1,332	3,115
December 31, 2008	1,801	1,149	2,950
February 4, 2009	1,789	1,126	2,915
April 17, 2009	1,833	1,181	3,014
July 2, 2009	1,850	1,184	3,034
December 31, 2009	1,853	1,133	2,986

SOURCE: CareerOneStop (2010) at http://www.servicelocator.org for selected dates since 1993. Numbers for 1974 and 1999 from Dunham et al. (2005).

Mikelson and Nightingale (2006) examined the distribution of funding of employment and training programs between training and nontraining services. The study's main goal was to determine the amount and percentage of funding that was spent on training for each of the department-funded programs. The study found that in 2002 "training" programs expended most of their funds for purposes other than training. Even among departmental workforce development programs in which a portion of the funds was spent on training, the training expenditures constituted an average of only 18 to 27 percent of all expenditures—between \$1.1 and \$1.7 billion of the \$6.5 billion appropriated. (See Table 7.1.) Thus, these programs were spending three-quarters or more of all of their funds on nontraining activities.

WIA and other departmental programs are called on to fund a large number of nontraining activities as a result of the wide variety of functions performed by the One-Stops. *Anatomy of a One-Stop,* a study by Stack and Stevens (2006), describes the spectrum of reemployment services that are provided to workers, whether they are relatively unskilled or are highly skilled professional workers. While the less-skilled workers spent well over an hour at the Baltimore, Maryland, One-Stop office each time they came for assistance, the more skilled workers spent a half-hour during each visit to the Columbia, Missouri, office. (See Table 5.3.)

The department funded a study of the effectiveness of the implementation of WIA programs in eight states. The study (Barnow and King 2005) found that core services play a more prominent role in the One-Stop centers in states with traditional program-based systems than in states with more "comprehensive workforce policy" frameworks. In either case, however, core services play an important role, whether the workforce strategy is to make the provision of core services more or less central to the centers' mission.

A study of workforce services in rural areas (Dunham et al. 2005) shows that for much of the United States outside of the major metropolitan areas, affiliate One-Stops dominate the landscape, and the Wagner-Peyser Act's Employment Service is the centerpiece of these One-Stops. With reductions in funding, comprehensive One-Stops can be afforded mainly in large metropolitan areas, although the number of comprehensive One-Stops was declining through 2005. In other, less densely populated areas, affiliate One-Stops tend to have several participating agencies, but the principal agency is usually the ES; they too are declining in number.

America's Labor Market Information System (ALMIS)

Technology drives many of the recent changes in the public labor exchange system. The department developed a number of automated labor-market information tools that made use of the Internet. These tools included an expanded automated labor exchange connected to the Internet called America's Job Bank and a number of other automated labor-market information tools.

The department updated all of its labor-market information tools in the mid-1990s. America's Job Bank (AJB) was launched between 1993 and 1995. It was an updated, Internet-based, automated national labor exchange with powerful capabilities. Job seekers could create resumés and search for job openings by location, occupation, job title, and key words. Employers could search for workers' resumés by key words, occupation, or military code (Ridley and Tracy 2004). AJB played an important role in interstate job data sharing. In 2006, 39 states were submitting jobs to the site, and 33 states signed up to receive its job listings (Frauenheim 2007a). AJB was operated for over a decade by NaviSite, a for-profit firm under contract with the New York Department of Labor.

The USDOL funded an evaluation of America's Job Bank, conducted by Technical Assistance and Training Corporation (TATC 2001). The evaluation results showed that AJB was widely used. The TATC report found that 35 percent of employers who were tracked over a three-month period hired at least one person from AJB. Furthermore, the study estimated that over a one-year period approximately 345,000 workers were directly placed in jobs by AJB (Frauenheim 2007b; Woods and Frugoli 2004).

America's Job Bank was also evaluated by the six-state public labor exchange evaluation (Jacobson et al. 2004), which found that AJB was cost-effective. (See Chapter 5.)

In addition to America's Job Bank, the department developed and maintains other electronic labor-market information accessible at CareerOneStop.com (formerly America's Career Kit). This resource includes the following:

- Occupation Information Network (O*Net OnLine): contains information on the knowledge, skills, and abilities required for specific occupations.
- America's Career InfoNet: brings together state and federal data to provide information on occupations, trends in employment and wages, and state profiles.
- America's Career Locator: identifies the closest One-Stop local office for job seekers.

The department developed America's Job Bank and other labor market information tools believing that they were proper governmental functions, but this belief was challenged in the 2000s. Stiglitz, Orszag, and Orszag (2000) examined the role of government in a digital age. They viewed the role of government as being limited in this arena, but found that government has four roles: 1) determine the policies and regulatory structures, 2) deliver the programs and services of government to the citizenry, 3) use the information infrastructures to enhance the internal administrative practices, and 4) interface with citizens in the democratic process of government. They found that America's Job Bank was one of the legitimate services the government could provide to its citizens, stating that "America's Job Bank seems consistent with the principles for government action."

Privatization Demonstrations

In the process of negotiating and implementing the One-Stop Career Centers in the mid-1990s, pressures to privatize the Employment Service developed in a number of states. While Texas and Florida were unsuccessful in more broadly privatizing their Wagner-Peyser Act programs statewide, three states were able to negotiate special demonstration arrangements. In 1994, Massachusetts negotiated the ability to have its local Workforce Investment Boards deliver Wagner-Peyser Act and job training services, stipulating that both public and private agencies be permitted to deliver the services. This authority was narrowed in 1998 to be applicable to only four local boards within the state—those in Boston, Brockton, Cambridge, and Springfield. Only in these local boards could Wagner-Peyser Act services be delivered by either for-profit or nonprofit private or public agencies. Colorado was given authority in 1997 to devolve the provision of Wagner-Peyser Act services down to the county level of government as long as local office staff were protected by public merit staffing. In 1998, the department permitted Michigan to deliver Wagner-Peyser Act services by a public agency other than the state workforce agency as long as that agency used public merit staffing (Balducchi and Pasternak 2004).

In each of these three cases, the Department of Labor granted states the authority to provide Wagner-Peyser Act services by other than merit-staffed state employment security agency personnel under Section 3(a) of the act. This alternative delivery approach was authorized as a provisional demonstration project.[7] Further demonstration authority was not granted in other states, and these demonstration projects were subject to evaluation and review.

Determining the effectiveness of the demonstration sites required an evaluation of the three sites with a comparison to traditional state ES operations. In 1998, the Westat Corporation began an evaluation of Wagner-Peyser Act programs that concentrated mostly on the public labor exchange function. It evaluated three traditional programs that provide labor exchange services through state merit-staffed employment security agencies in North Carolina, Oregon, and Washington, as well as the three demonstration states. The purpose of the evaluation was to compare service delivery in the traditional states to service delivery in the demonstration states to determine whether to continue the demonstrations or to terminate them. The study was completed in February 2004 but was not released by the department until September 2008 (Jacobson et al. 2004). When the Office of Management and Budget (OMB) finally forced the release of the report on the department's Web site, it was accompanied by an unprecedented and awkward caveat impugning the findings and methodology of the study.[8]

Chapter 5 discussed the evaluation findings—that the labor exchange services offered in the demonstration states did not perform as well as the services offered in the traditional, state merit-staffed Employment Service agencies. The logical response to the evaluation results would have been to cancel the demonstrations and declare that the services provided in the traditional ES performed better than those services in the demonstration sites. If policy had followed research, the traditional approach would have been declared the only approach the department would approve, in staying consistent with the Wagner-Peyser Act.

The actual result was that the political leadership of the Employment and Training Administration suppressed the Westat study for four and a half years. In 2003, contrary to the evaluation findings, the department called for the termination of traditional public labor exchange by eliminating the Wagner-Peyser Act. The reauthorization plan for WIA called for the elimination of a 70-year-old New Deal program. The public policy recommendations were thus in direct contradiction to the research findings.

WORKER PROFILING AND REEMPLOYMENT SERVICES

The WPRS system was enacted in 1993, but the system only gradually became operational in states across the country. It was not fully operational until mid-1996, which was just as the One-Stops were becoming operational. Thus, two major changes to the workforce development system were being implemented at the same time.

Chapter 4 reviewed the implementation of the WPRS system and discussed the fact that the provision of reemployment services primarily fell to the Employment Service. The ES has been the usual provider of most core services and some intensive services in the One-Stops, and thus the ES has provided the majority of reemployment services under WPRS since it was first implemented. As a result, the ES's workload in providing reemployment services has grown sharply. In 1993, before WPRS was implemented, the ES provided UI claimants with 1.6 million reemployment services. During the 2001 recession period, the number of reemployment services provided increased to 3.9 million. With sharply declining funding and the decline in the unemployment rate, however, the number of claimants receiving reemployment services dropped sharply throughout the 2000s, hitting a low of 1.54 million in 2006. (See Table 4.7.)

In the mid-1990s, WPRS became a major focus of the ES staff. UI recipients who were profiled were sent to the One-Stops to receive reemployment services. In 1997, in two-thirds of the states, the ES was the major provider of reemployment services, delivering services to 75 percent or more of WPRS-referred claimants. The JTPA Dislocated Worker program provided only a small portion of WPRS services. In the one-third of states where the JTPA Dislocated Worker program provided WPRS services, the ES also provided services. ES provided most or some of the services in all localities in the WPRS evaluation study states (Dickinson et al. 1999).

In 2003, the National Association of State Workforce Agencies (NASWA) conducted a survey of all state UI programs that examined the job search rules and reemployment services provided to UI claimants. The study found that state UI programs used two methods to promote reemployment and carry out the UI work test: WPRS and the Eligibility Review Program. Since Eligibility Review Programs exist in fewer than a dozen states, it is WPRS that has been the main method of promoting reemployment by the UI programs in the states (O'Leary 2006; O'Leary and Wandner 2005).

The NASWA survey also found that WPRS was the most common method of providing reemployment services to UI claimants. A secondary source was WIA core services offered at the One-Stop centers. Services received by UI claimants at the One-Stops included provision of labor market information, referral of claimants to jobs, assistance with resumé preparation, and delivery of workshops to improve interviewing skills (O'Leary 2006; O'Leary and Wandner 2005). In recent years, the provision of these reemployment services, both to UI claimants and to other workers, has declined sharply, which can be attributed to the decline in Wagner-Peyser Act funding as well as the lack of federal support for the WPRS system during the Bush administration.

EMPLOYMENT SERVICES DURING THE BUSH ADMINISTRATION

Under the Bush administration, policy toward the ES and the WIA programs changed radically. The U.S. Employment Service was eliminated as an agency within the department. America's Job Bank also was eliminated. And legislative proposals to reauthorize the WIA program would have eliminated the Wagner-Peyser Act and created a single block grant to replace WIA programs and the ES. Furthermore, in its regulatory proposal published in December 2006, the department proposed to eliminate merit staffing in state employment services.

The Elimination of the United States Employment Service

The Wagner-Peyser Act requires the U.S. Department of Labor to retain the U.S. Employment Service as an identifiable organizational unit within the department to guide the state ES agencies with respect to labor exchange and related programs and policies. Section 1 of the Wagner-Peyser Act states, "the United States Employment Service shall be maintained within the Department of Labor." From its establishment in 1933 until 70 years later, the USES had always been a free-standing agency within the U.S. Department of Labor, and it had retained the name "United States Employment Service"—in accordance with the federal Wagner-Peyser statute—through the end of the Clinton administration.

The organizational status of the U.S. Employment Service changed abruptly under the Bush administration (Table 6.4): in 2002, it was downgraded from an office to a division. It temporarily disappeared as a part of the Office of Adult Services in 2003, but it later reemerged as

Table 6.4 Organization of Wagner-Peyser Programs in the USDOL for Select Years, 1977–2008[a]

Date	Name of Wagner-Peyser Act organization
Spring 1977	United States Employment Service
September 1983	United States Employment Service, Office of Employment Security
Winter 1991	United States Employment Service
Summer 1996	United States Employment Service
Fall 1998	United States Employment Service
March 2002	Division of U.S. Employment Service/America's Labor Market Information System (ALMIS), Office of Career Transition Assistance
February 2003	Office of Adult Services, Office of Workforce Investment (OWI)
February 2004	Division of Employment Service and ALMIS, Office of Adult Services, OWI
April 2005	Division of Adult, Dislocated Worker, Employment Services, and Workforce Information, OWI
April 2006	Office of Adult Services, OWI
April 2007	Division of Adult Services, OWI
April 2008	Division of Adult Services, OWI

[a] The dates given depended on the availability of USDOL telephone directories in the USDOL library when the author searched the library in 2008. The point of the table is to show that the name remained unchanged (and met the requirements of the Wagner-Peyser Act) from 1977 (and, before that, from 1933) until 2002, when the Bush administration first downgraded and then eliminated the USES.

SOURCE: USDOL telephone directory, selected years since 1977.

part of a division in 2004 and 2005. Informal and repeated renamings of the organization that housed the ES function were followed by a formal reorganization of the Employment and Training Administration (ETA) in the summer of 2005. The ETA staff was apprised of the reorganization, which was negotiated with the union representing departmental employees. The reorganization formally eliminated the U.S. Employment Service. Beginning in 2006 it became an unidentified part of an office, and then a division of Adult Services. Its function was combined with, and disappeared into, that of the WIA Adult and Dislocated Worker programs. There was no Employment Service administrator and no staff to deal solely with Wagner-Peyser Act matters. The United States Employment Service had disappeared.

Eliminating America's Job Bank

The Department of Labor shut down America's Job Bank (AJB) on June 30, 2007. AJB, however, was enormously useful to workers and employers. Both could search for work or offer job openings in states across the country or in multiple states without having to access individual state job banks. AJB served all employers and all workers at no cost, while many of the private job banks serve only niche populations at a price. Both private job banks and AJB served the high-wage, high-skilled workers. However, almost none of the private job banks were interested in serving the low-wage, relatively unskilled labor that AJB also served.

America's Job Bank was cheap to operate. Its funding had been as high as $27 million a year when it was fully operational. By early 2004, however, the department had put AJB on a "maintenance only" budget of $12 million per year, which was not sustainable and which weakened it relative to its private competitors. Before AJB was terminated, it lagged behind other commercial job boards by a substantial margin. The Web information company Alexa found that in the first five months of 2006 AJB averaged 1.9 million unique visitors per month, compared to 21 million unique visitors per month for CareerBuilder. This disparity existed despite the fact that participation in AJB was very great. AJB had 2.2 million job openings posted, far more than CareerBuilder with 1.5 million job openings. AJB also had 600,000 resumés and about 450,000 registered employers (Frauenheim 2007b).

The decision to shut down America's Job Bank was controversial, and some of the controversy was over whether or not the program was cost-effective. Former Labor Secretary Reich, who had started AJB, said that "the social benefits of efficiently and quickly matching employers and job seekers far exceed the government costs of providing this service." The department under Secretary Chao countered with a statement that "there is no evidence that AJB created an economic efficiency and quickly matched employers and job seekers. The private sector provides this service more efficiently, more effectively, and in a more customer friendly manner" (Frauenheim 2007c).

There was no way to resolve this controversy publicly because the two studies—by TATC (2001) and Jacobson et al. (2004)—that the department had commissioned were embargoed and were not made publicly available. The Bush administration had good reason to keep the studies under wraps, because those studies did not support the administration's argument. Both studies concluded that America's Job Bank was cheap and cost-effective.

The department justified the shutdown of AJB on the grounds that it duplicated the operations of job boards in the private sector. The department also asserted that AJB had outmoded computer equipment and technology. That claim was disputed by Denis Martin, executive vice president of NaviStar, the company that operated AJB for the USDOL (Frauenheim 2007c). Nonetheless, after being put on a starvation funding diet, AJB would have required substantial investment if it had been continued.

Frauenheim (2007c), in the pages of *Workforce Management,* expressed dismay at the termination of America's Job Bank: summarizing his reporting on this issue, he wrote, "Businesses liked the free government Web site. So did the states. It served a wide range of workers with many listings for low-paid jobs. During its heyday around 2000, research found the site to be a cost-effective, appropriate government service . . . America's Job Bank continued to win praise—including a 2007 honor from the respected recruiting consulting firm Weddle's."

One commentator speculated that the elimination of AJB was simply part of the Bush administration's overall privatization effort, which was proceeding in the case of AJB regardless of how well the program worked (Frauenheim 2007c).

However, the America's Job Bank concept refused to die. By April 2007, two private corporations announced that they wanted to continue the system. NaviStar announced its intention to continue AJB. It set up a new, private Internet site to continue the program, which would be called AJB2 and would be found at www.americasjobbank2.com. NaviStar, however, had competition. DirectEmployers Association, a nonprofit on-line recruiting company and an employer membership organization of large firms, also declared that it wanted to take over a successor AJB system (Electronic Recruiting News 2007).

The department had ostensibly eliminated America's Job Bank because it had no policy or financial value. Yet two private firms competed to become the successor operator of the system. Electronic Recruiting News (2007) said of the competition between the two firms that "there are major assets at stake in this transition." Something did not compute. The private firms saw value where the administration saw none.

Into this competition stepped the National Association of State Workforce Agencies (NASWA). NASWA is a nonprofit membership organization of all of the state workforce agencies. Its members are the state agencies that supplied the job openings that fed the AJB system. They also would have to feed any new system.

The individual state workforce agencies agreed that NASWA should continue to organize an America's Job Bank successor under a partnership with the private sector, taking a portion of the profits from the new operation. NASWA held a competition and selected DirectEmployers to create the new national job bank, JobCentral National Labor Exchange, which began operations in July 2007. By October 2008 all but five state workforce agencies had joined JobCentral (NASWA 2008).

A key function of AJB was that, by posting jobs to AJB, employers fulfilled Office of Federal Contract Compliance Programs (OFCCP) requirements. These requirements ensured that firms doing business with the federal government were in compliance with rules regarding nondiscrimination and affirmative action in employment. JobCentral includes a feature that also allows firms to meet their federal contact compliance obligations and veteran priority compliance requirements (NASWA 2008).

It is ironic that despite the fact that Assistant Secretary of Employment and Training Emily DeRocco ended AJB as a federal program, the states nevertheless chose to continue it. Indeed, NASWA has made money for the state workforce agencies by taking it over, and DirectEmployers pays a portion of its dues to NASWA. It is also ironic that two former ETA staff members who created AJB at the department have worked with DirectEmployers to resurrect it. James Vollman was an originator of America's Labor Market Information System while working for the department as a political appointee in the Clinton administration. David Mormon was a career department employee in charge of helping to design and implement AJB. In April 2004 Morman retired from the department, in part to protest the starvation and imminent demise of AJB (Frauenheim 2007c). Vollman and Mormon were waiting in the wings, ready to resurrect AJB in its next incarnation under another name and new ownership.

The elimination of America's Job Bank was only part of the Bush administration's attempt to eliminate funding for state labor-market information systems. During the Bush years, increasing amounts of America's Labor Market Information System funding that should have been provided to the states for state labor-market information uses were transferred to other uses, including the political initiative of the president's demand-driven workforce development system, which comprised three politically motivated programs that transmitted funding to organizations outside the workforce development system in the name of regional economic development.[9]

Finally, in 2008, as part of the president's budget request for fiscal year 2009, the Bush Administration unsuccessfully proposed ending all funding for labor market information. It proposed to incorporate labor market information into a new, more comprehensive block grant that would replace both the WIA and Wagner-Peyser Act programs.

The Employment Service under WIA Reauthorization Proposals

A steady stream of proposals to eliminate the Wagner-Peyser Act flowed out of the Bush administration during its two terms. The Workforce Investment Act of 1998 authorized the WIA program for five years. When program authorization expired in 2003, the Bush administration unsuccessfully tried to reauthorize the program three times: in 2003, 2005, and 2007, three different but related Bush administration proposals were introduced in the 108th, 109th, and 110th Congresses that would have reauthorized WIA but eliminated the Employment Service.

WIA's programs continued to operate through the federal appropriations process in the years after it expired. Through the same process, the public employment service programs also were maintained. The Bush administration's response to WIA's expiration was to propose legislation to reauthorize it in a manner that would transform it into a block grant program for various combinations of WIA programs (e.g., programs for WIA Adults, Dislocated Workers, and Youth) as well as the Wagner-Peyser Act program. The desired result of this proposal was to repeal the Wagner-Peyser Act and to eliminate both the U.S. Employment Service and the governor-controlled state employment services, with their merit-staffed state employees. But that didn't happen. The House of Representatives passed bills that were similar to the Bush administration proposals in 2003 and 2005, but the Senate refused to support the House initiatives. Instead, the Senate passed legislation, with bipartisan support, that retained the basic structure of the current WIA system (Naughton and Lordeman 2007). Most senators viewed workforce development programs from a state's perspective, and they wished to preserve statewide Wagner-Peyser Act programs.

The common theme of all of the Bush administration proposals was to consolidate the services provided by the WIA and Wagner-Peyser Act programs and replace them with block grants to states. The asserted justification for this policy was that the Wagner-Peyser Act program and administrative structure were duplicative of those of WIA and, thus, were redundant. The justification for block grant funding was that the states could replace these two programs with a single, more cost-effective program. According to the Bush administration's reasoning, increased state flexibility in the use of funds would contribute to greater program efficiency. At the release of the President's FY 2009 budget, Labor Secretary Elaine Chao denied that the block grant proposal was about spending cuts. Rather, she said, it is "a matter of effectiveness." "By eliminating the mess and maze of duplicative bureaucratic programs, we can increase the number of workers who receive training," she said. The current system, it was argued, confused clients and duplicated services. It was "overly complicated" and needed to be changed because it "shouldn't require a PhD to get help."[10] The theme throughout the Bush administration was that there was no need for employment services, not even services that made sure that the right people got the right training that could help improve employment and earnings outcomes. All that was needed was to put training vouchers on the stump and walk away.

The federal government's experience with block grants, however, did not support Chao's argument. In 1995, the General Accounting Office (GAO) reviewed the 15 block grants in place in 1989, of which nine had been established by the Reagan administration in 1981. On average the 1981 grants had experienced a funding reduction of 12 percent. Initially the states were able to maintain the programs, supplemented by state contributions and helped by streamlining the programs and increasing state flexibility in administration. But over time, pressure to increase accountability resulted in new federal constraints that had the effect of "recategorizing" the programs and reducing flexibility—making them similar to the categorical programs they were before they became block grants, but with reduced funding (GAO 1995).

As with the elimination of America's Job Bank, the principal motive for the elimination of Wagner-Peyser Act programs appeared to be a strong Bush administration penchant for privatization of government services. That preference was made explicit in December 2006 when the Bush administration claimed that, based on the results of the three-state Employment Service privatization demonstration, private employment services could be at least as cost-effective as public employment services. Interestingly, the only study of alternative ES delivery systems was conducted by Jacobson et al. (2004) at the demonstration sites in Massachusetts, Colorado, and Michigan. The conclusion by the Bush administration was at best a misreading of the Jacobson et al. study and was contrary to its findings that the public labor exchange is cost-effective. The Bush administration's claim was nevertheless used to support its proposal to eliminate traditional public employment services staffed by state employees (*Federal Register* 2006).

Attempted Stealth Elimination of the Employment Service—Federal Register Notice, December 20, 2006

The Bush administration had eliminated the U.S. Employment Service as the national office that provides guidance to the state Employment Service agencies across the country. However, starting in 2003, the administration had been unsuccessful at legislative efforts to eliminate the Wagner-Peyser Act, which authorizes the U.S. Employment Service and a system of federal-state ES offices across the country. Therefore, the Bush administration tried to accomplish the same result through federal regulation. In December 2006, after the Democrats had won a majority in both houses but before the new Congress took office in January 2007, the department made one last, desperate attempt to kill the Employment Service. A Notice of Proposed Rule Making (NPRM) was published in the *Federal Register* on December 20, 2006, pages 76558–76569, with comments due by February 20, 2007. The proposed rule would have effected a number of changes to the WIA and Wagner-

Peyser Act programs, including banning all “stand-alone” local public ES offices, known as affiliated One-Stop Career Center offices. The affiliated offices numbered approximately 1,400 in late December 2006 and represented over 40 percent of all One-Stops. The affiliated offices operate throughout the United States but are particularly heavily represented in less densely populated areas. They are distinguished from large comprehensive One-Stops, which operate primarily in large urban areas and which numbered over 1,800 in late December 2006.

Specifically, the proposed regulation would have allowed for privatization of the state Employment Service, enabled nonstate employees to administer employment services, and effectively amended without congressional authority the Wagner-Peyser Act, which mandates that merit-staffed state employees administer job placement services impartially between competing employers and job seekers. Furthermore, the regulation would have closed rural One-Stop offices by centralizing labor exchange services and would have allowed disqualifying issues surrounding labor-market availability of UI claimants under the work test to go undetected.

When the One-Stop delivery system was launched in the early 1990s, the department left the decision to state governors on the development—with Wagner-Peyser Act and WIA funds—of affiliated and comprehensive One-Stop centers. The proposed 2006 regulation would have reversed this New Federalism standard and reduced the authority of state governors by taking away much of their discretion in using Wagner-Peyser Act funds.

The department’s contention that so-called stand-alone employment service offices should be created outside of the states’ One-Stop delivery systems was crafted to support its policy proposals. Research has shown that affiliated One-Stop offices rarely provide only the labor exchange services funded under the Wagner-Peyser Act; more often, they provide services from two to five other workforce development programs (Dunham et al. 2005), including UI , veterans’ services, WIA, and other services. In rural areas, small and medium-sized employers as well as large firms often utilize affiliated One-Stops as their recruitment centers. In every state, these affiliated One-Stops are part of the state’s One-Stop delivery systems, and they are connected electronically to services and programs available in the comprehensive One-Stop centers.

The proposed regulations, which would have allowed states to terminate the Wagner-Peyser Act requirement that its employees be merit-staffed state employees, meant that states could have instead privatized all employees through contracts with local Workforce Investment Boards. Privatizing state Wagner-Peyser Act functions raises the question of whether private employees can carry out functions that are inherently governmental. If Wagner-Peyser Act functions were privatized, private employees would determine who is referred to job openings and who is not. Private employees also could assist in determining who receives or is denied UI benefits under the UI work test. To qualify for UI benefits, each year 8 to 10 million UI beneficiaries must demonstrate to the Employment Service staff that they are able to work, available for work, and actively searching for work.

The department's asserted justification for eliminating the proposed merit staff requirement was that the "three demonstrations have showed that it is possible to deliver Wagner-Peyser Act services efficiently and effectively using non–State merit staff employees . . . While a formal evaluation of the three Wagner-Peyser demonstrations has not been completed, the department believes the three demonstration states are performing successfully" (*Federal Register* 2006, p. 76560).

Ignored by this statement are two facts: 1) Jacobson et al. (2004) found that the provision of services by state merit–staffed Wagner-Peyser Act employees was more effective and efficient than provision of these services by the demonstration sites, and 2) the formal evaluation of the demonstrations relied on in the notice of proposed rulemaking had in fact been completed by Jacobson et al. and accepted by the department in early 2004—nearly three years before the notice of proposed rulemaking was published.

These proposed regulations could have forced affiliated One-Stop offices to close, leaving much of the country without any public employment services. Furthermore, under the proposed regulations, the Wagner-Peyser Act programs would only have existed as part of the remaining comprehensive One-Stop local offices. States would have been allowed to replace state merit employees with private employees funded under WIA, and the new staff would be indistinguishable from other local WIA employees. The goal of these regulations was to eliminate the Wagner-Peyser Act programs without legislative authority. The

Wagner-Peyser Act would have continued to exist as a matter of law but would have been stripped of its impact as a matter of fact.

Eliminating the Employment Service: Congress Responds

The Senate's Health, Education, Labor, and Pensions Committee was well aware of the regulatory maneuvers of the Bush administration. They saw the December 20, 2006, notice of proposed rulemaking as an attempt to circumvent their legislative failures. On January 17, 2007, Senators Edward M. Kennedy of Massachusetts and Patty Murray of Washington wrote to the leaders of the Senate Appropriations Committee requesting that they restrict the ability of the administration to carry out the proposed regulations.[11] Later that month, Congress acted on the request and used the budget appropriations process to prohibit the administration from implementing the proposed regulations during the remainder of fiscal year 2007 by barring the expenditure of funds to promulgate or implement the rule. The continuing resolution for the new appropriation stated in section 20601 that "none of the funds made available in this division or any other Act shall be available to finalize or implement any proposed regulation under the Workforce Investment Act of 1998, Wagner-Peyser Act of 1933, or the Trade Adjustment Assistance Reform Act of 2002 until such time as legislation reauthorizing the Workforce Investment Act of 1998 and the Trade Adjustment Assistance Reform Act of 2002 is enacted" (U.S. Congress 2007, pp. 21–22).

Thus, Congress prevented the department from making any major policy changes with respect to these three workforce statutes.

The prohibition on implementing regulations through the appropriations process, however, only lasts for one year. It would have to be renewed each year through the appropriations process. In December 2007, the Omnibus Budget Reconciliation Act, which funded the USDOL for the remainder of fiscal year 2008, contained virtually the same language and again prohibited the Bush administration from finalizing and implementing its proposed rule for another year.

In 2008, the Congress took no action to reauthorize the Workforce Investment Act. Decisions about the structure and content of the WIA programs and their relationship to the Employment Service awaited President Obama and the new Congress. It was not until August 2009 that the department withdrew the proposed rule, published in December 2006, stating that the withdrawal was based on a continuing congressional prohibition against publishing a rule until WIA was reauthorized.

Research and the Bush Policy Proposals

Eliminating and privatizing the Employment Service

The Bush administration's determination to get rid of traditional public employment services with their state merit–staffed employees was not based on any research findings that the traditional public employment services were not cost-effective. In fact, the department-funded evaluation of the public employment service showing they were cost-effective was ignored.

When the administration first proposed to eliminate the public employment service system in 2003, the Jacobson and Petta (2000) evaluation of the public labor exchange in Oregon and Washington states had already been completed and published by the department. While the study only examined two traditional state public labor exchange systems in the states of Washington and Oregon, it found that these public employment services yielded unusually high net benefits compared to most public expenditures. The benefit-cost ratios were greater than 1.0 for all users of the state public labor exchanges, but for UI claimants the ratios ranged between 1.2 and 4.5 (pp. 7–9). If this study had been consulted in developing policy, it would have encouraged the retention of traditional public employment services.

The key issue in making a policy decision should have been a determination of whether the nontraditional employment service offices available to all job seekers were more cost-effective than the traditional public employment service offices. The Clinton administration had set up a test in three states: Colorado, Massachusetts, and Michigan. In order to evaluate which approach worked better—the traditional model or the nontraditional model—the Jacobson et al. (2004) evaluation of the public labor exchange function in the United States evaluated six states separately and then compared the three demonstration states to the three traditional states. The results showed that the traditional approach worked better.

The administration's response to the Jacobson et al. (2004) evaluation was not to use it as a guide to policy development, but rather to suppress the research findings for four and a half years. The administration then undertook a policy that was directly contrary to the evaluation findings. During this period, several attempts to have the completed study released—from both inside and outside the department—were met with opposition from political leaders in the Employment and Training Administration. In March 2005, Congressman Ray LaHood (R-IL) requested a copy of the completed study. In May, DeRocco replied oddly that "the study was never completed," although the report had been completed and accepted by the department in February 2004 and the Westat research contract was closed out later that year.[12] Indeed, when the evaluation results were cited in the December 2006 *Federal Register* notice, they were misrepresented as having found that private employment services were as effective as public employment services.

Alan Krueger, former chief economist at the department, commented on the suppression of the research results. He wrote in the Economix blog of the *New York Times* that "the Bush administration . . . buried a careful study that found that outsourcing job placement services for the unemployed at the local level was less effective than traditional state public labor exchange services, and continued with its pursuit to contract-out and devolve a cost-effective program" (Krueger 2008).

He saw this effort as part of the larger privatization effort. "Just as it has tried to with other government functions such as Social Security, the Census, the Federal Emergency Management Agency and national defense, the Bush administration has been trying to outsource or eliminate services for the unemployed" (Krueger 2008).

Evaluating America's Job Bank

Until it was eliminated in June 2006, America's Job Bank appeared to compete successfully with private employment services. Woods and Frugoli (2004) conducted a national search of AJB and private job banks and found that AJB had more job openings listed than the private job banks for a number of occupations. They listed three occupations—computer programmers, secretaries, and welders—for which AJB had substantially more openings than two other all-purpose job search sites, Monster.com and CareerBuilder.com.

The department funded a study of the outcomes of America's Job Bank (TATC 2001). It showed that AJB had a substantial impact on helping workers find employment. Using a small sample of employer and job seeker participants, it made a number of findings. Employer postings on AJB attracted the submission of resumés; employers then interviewed 13 percent of the job seekers whose resumés were received, and 8 percent of the AJB job orders led to at least one hire (Woods and Frugoli 2004).

The America's Job Bank study examined data for the program year ending on June 30, 2001. For that year, it found the following:

New job orders posted:	6,962,692
New job openings posted:	11,228,690
New employers registered:	55,563
Total employers registered:	226,274
Resumé searches conducted:	8,234,049

TATC estimated that 79,000 total employers hired at least one person through AJB and that 345,000 workers were placed through AJB (Woods and Frugoli 2004). TATC concluded that AJB was an effective program.

Disseminating research

Little employment and training research was disseminated by the ETA after the first year of the Bush administration. A review process was established by which the deputy assistant secretary, Mason Bishop, received all completed research and evaluation reports for his personal review. The review process went very slowly, if it proceeded at all. In time, Bishop piled the reports high on the floor in a corner of his office. Inquiries about the status of the reports were met with replies that they were still under review. Eventually, the inquiries ceased.

The Jacobson et al. (2004) public labor exchange evaluation was completed in December 2003 and submitted to the department. As director of research, I submitted it to ETA program administrators and staff for their review in December. I was immediately informed by an e-mail from Bishop that "this report is NOT to go to anyone in ETA outside of the second floor"—the floor where the political leadership of the department was housed. Furthermore, I "should NOT be convening any meetings concerning this report."[13] The report did, however, go through a technical review by the ETA's research and evaluation staff, and comments were provided to the researchers at Westat. Those comments were incorporated into the final report, which was received by the department in February 2004. The final evaluation was accepted and determined to be adequate and completed, and the contract was closed out. That report was held by the assistant secretary's office and was not shared with anyone inside or outside of the Employment and Training Administration.

Shortly afterward, the book *Labor Exchange Policy in the United States* (Balducchi, Eberts, and O'Leary 2004) was completed in draft form and submitted to the department prior to its publication by the W.E. Upjohn Institute for Employment Research. This book and another, *Job Training Policy in the United States* (O'Leary, Straits, and Wandner 2004), were partially funded by the department under the Clinton administration, and departmental staff had been authorized by the USDOL to work on the book as authors and editors with other outside contributors. As is consistent with the rules of the federal Office of Government Ethics, they also were given permission to work on the publications during work time at the department, as long as this work did not interfere with completing their other work and they were not compensated for their work.

On February 6, 2004, I received an e-mail about the labor exchange book. The sender, the career deputy assistant secretary,[14] was "currently in discussion with the Solicitor's Office to obtain clarification on the appropriate role of Department staff in development" of the book, to determine the "appropriate review and clearance process of the draft within the Department," to "develop very clear guidance that would guide any ongoing and future efforts of Employment and Training Administration staff participating as authors or editors of outside publications . . . to clarify the authorization process to obtain approval to work on such activities in an official capacity." Meanwhile the career deputy asked me to "provide . . . [him] a copy of the grant agreement under which the publication was produced." I provided the grant agreement, but the guidance and clarification were never forthcoming.

The grant agreement revealed that the Upjohn Institute was legally bound to publish the two books upon completion at no cost to the department. All of the chapters of the books already had been reviewed by outside reviewers and by the editors of the volumes. Discussions continued for many months between the ETA and the Upjohn Institute, but, despite pressure placed on the Institute by the ETA political leadership not to publish the books, both books eventually were published. The ETA's leadership was able to delay publication, but they were not able to suppress the books.

In the years that followed, further dissemination of publications was severely limited. By 2006, the number of unpublished studies had grown considerably. The list included the following: a Westat five-year study, *Evaluation of Labor Exchange Services in a One-Stop Delivery System Environment* (Jacobson et al. 2004); a report to Congress on the H-1B job training programs that had been required by the American Competitiveness in the Twenty-First Century Act (P.L. 106-313); three five-year research plans for the periods 2002–2007, 2004–2009, and 2006–2011, all required to be submitted to Congress under Section 171 of the WIA; a study of the uses states had made of $8 billion in Reed Act unemployment insurance funds that had been distributed to them; at least eight miscellaneous studies, including evaluations of youth offender demonstration projects; two reports that were part of a large unemployment insurance research evaluation; and six studies that were part of the Administrative Data Research and Evaluation (ADARE) project. Many of these studies were initiated during the Clinton administration. The research findings frequently, but not always, were at odds with the Bush administration's initiatives. As the studies were completed, they were sent to Deputy Assistant Secretary Mason Bishop for his review. The studies sat in his office.

In November 2006, the Democrats won a majority in both houses of Congress. In January 2007, Senator Murray, the new chair of the Employment and Workplace Safety Subcommittee of the Senate Committee on Health, Education, Labor, and Pensions, which is responsible for workforce development issues, became aware that a number of departmental studies that might be of use to the subcommittee as it carried out its legislative work had not been distributed or published. She had acquired a list of most of the unpublished ETA studies. Senator Murray wrote to the department and requested the studies. After discussion with ETA political appointees, in February 2007 the administrator of ETA's Office of Policy Development, Evaluation, and Research sent the studies to Murray. Senator Murray shared them (for review purposes only) with a small number of researchers, but they were never publicly disseminated or used for public policy purposes.

At the OMB, a number of senior career staff and political appointees supported basing labor policy on rigorous research, but had not received research products on the major employment and training programs. At the same time, OMB staff became aware that research had been completed but not released. They read references to the unpublished research and spoke to some of the researchers who had conducted the research. In one case, they participated in a review of the research. Prior to becoming an OMB examiner, Joe Siedlecki had worked for Christopher King, director of the Ray Marshall Center for the Study of Human Resources at the University of Texas. Siedlecki was familiar with one of the unpublished studies—a quasiexperimental impact evaluation of WIA training programs authored by King and Kevin Hollenbeck of the Upjohn Institute. In 2006, Siedlecki, in his capacity as OMB examiner, requested but did not receive a copy of the King and Hollenbeck evaluation from the department.[15]

On April 8, 2007, OMB staff went to the Hart Senate Office Building and held discussions with Murray's staff. The OMB received the list of unpublished studies that had been completed and learned that the department had sent the studies to Senator Murray. OMB political and career staff were concerned both that the studies had not been publicly released and that the studies had been shared with Congress before the OMB had seen them. OMB staff wanted to reach their own conclusions about the appropriateness of new department policy initiatives, and they wanted to use the latest research in making those decisions. Later in April, OMB career and political staff met to decide what to do about the department's stonewalling on research and evaluation. The OMB adopted a four-part process: 1) an independent review of the quality of the suppressed studies, and the publication of the suppressed studies that were found to have merit by the independent reviewer; 2) the development and publication of an overdue five-year ETA research plan; 3) completion of three evaluation and demonstration projects; and 4) ETA collaboration with an independent organization to peer-review the design of all future evaluations.

On May 16, 2007, Mason Bishop was called to the New Executive Office Building to discuss the OMB's research and evaluation. Regarding the unpublished studies, Bishop tried to explain what had happened. He sought to justify his actions and those of Assistant Secretary DeRocco in suppressing the studies by criticizing the research as being of "poor quality" and, therefore, not appropriate for dissemination. OMB staff, however, directed that the studies be disseminated. After the meeting, the department sent the OMB the studies. Some of the studies were then provided to researchers for external review.

The OMB also raised a concern about the future use of research and evaluation funds. It proposed to take an active role in the ETA's research planning process to assure that funds were used for their intended purposes. OMB insisted that the department complete and publish a WIA five-year research plan in 2007—the department had ignored congressionally mandated deadlines to publish plans in 2002, 2004, and 2006.

Finally, OMB also took the unusual step of directly intervening in the current research and evaluation process. OMB staff informed Bishop that the ETA's research, demonstration, and evaluation allotment for the new program year beginning in July 2007 would be held up unless the department agreed to undertake three research efforts and revise its peer review process.

The proposed research projects consisted of 1) a long-term random assignment experimental evaluation of the Adult, Dislocated Worker, and Youth components of the Workforce Investment Act program that included a benefit-cost component; 2) a short-term, quasiexperimental evaluation of the WIA program (in addition to releasing the King-Hollenbeck quasiexperimental impact study); and 3) completion of the WIA Individual Training Account (ITA) Demonstration by conducting a second round of telephone interviews and a longer-term evaluation. The OMB was concerned that billions of federal dollars had been spent on the WIA program since its inception, and yet the program had never been rigorously evaluated. The OMB also thought that two quasi-experimental impact analyses could be used by the next administration to inform WIA reauthorization and that the random assignment evaluation, which would take at least five years to complete, could and should inform future policy decisions. The requirement that the ITA study be extended arose from staff concerns that the original follow-up survey to determine training outcomes had been conducted before some of the trainees had completed training, thereby limiting the usefulness of the research.[16]

To ensure that future evaluation efforts be of the highest quality, the OMB required the ETA to work with the Coalition for Evidence-Based Policy—an independent research organization that supports the development of rigorous evidence for program assessment. Thereafter, the department began to use the coalition to peer-review existing draft evaluations and participate in the review of designs of future evaluations, in particular those deemed by the ETA to have the potential for significant policy impact.

By 2005, Congress also had realized that something was wrong with the way the ETA was conducting research and evaluation. Congress had lost confidence in the department's management of two WIA budget accounts: 1) Pilots, Demonstrations, and Research, and 2) Evaluation. As a result, Congress directed the ETA to report to it on how these research funds were being used. The fiscal year 2006 appropriation conference report for the Omnibus Budget Reconciliation Act contained the following:

> The conferees direct that the Department submit a quarterly report beginning in January 2006 to the House and Senate appropriation committees on the status of awards made for pilot, demonstration, multi-service, research and multi-state projects under section 171 of the Workforce Investment Act. This quarterly report shall be submitted to the House and Senate committees on appropriations no later than 45 days after the end of each quarter and shall include the following information: a list of all awards made during the quarter, and for each award shall include the grantee or contractor, the amount of the award, the funding source of the award, whether the award was made competitively or by sole source and, if sole source, the justification, the purpose of the award, and expected outcomes. (U.S. House of Representatives 2005)

While Congress could not direct the department to carry out a specific research agenda, it did what it could to force the department to develop and implement a legitimate research plan.

In 2008, both Congress and the OMB put yet more pressure on the department to release the suppressed studies, but the department resisted. In July, the first study released was an analysis of the uses of the Reed Act distribution. A researcher at the Congressional Research Service had been asked by House Ways and Means staff to write the UI section of the "Green Book," which describes the programs under the jurisdiction of the committee. The researcher was aware of the Reed Act study and wanted to include an analysis of it in the Green Book. After the department declined a request for access to it, the researcher called congressional and OMB staff to ask for assistance. A PDF file of the study was posted on the ETA Web site on July 30, 2008.

The department, however, did not want to acknowledge that the Reed Act report had been withheld for four years. The Reed Act study therefore was hidden in plain sight. At the ETA's Web site, the study was not noted as a new release, did not appear in the chronological listing of research studies, and could not easily be found during a search of the site. There was no listing of the report and no link to the URL, so analysts could not search for the report using the USDOL search engine. The only way to find the paper was to know the URL and enter it on the Web. No one was informed about how to find the URL, so I received many questions about whether and where the studies had been posted and how to find them. A colleague had quietly sent me the URLs for all of the reports that were posted in August and September of 2008. Without that tip even I would not have been able to find the papers or inform others of how to find them. It was in this sense that this and the other reports were "hidden in plain sight."

Indeed, the Reed Act study had been given a number as an ETA occasional paper. Rather than giving it a 2008 release date, the ETA backdated it and gave it the number ETA Occasional Paper 2004-11, suggesting that it had been released in 2004.

Ryan Hess of the *Employment and Training Reporter* did not accept the 2004 release date. In an article titled "ETA Dusts Off Reed Act Paper," Hess (2008) reported that the study was actually released in 2008 and asked the department "why this was kept under wraps for so long." He reported the department's response as follows:

> "Over the years, there were a number of studies that ETA commissioned, and it received reports that were either of poor quality or not relevant to the Employment and Training Administration's direction," an agency spokesman told MII [Publications, which publishes E&TR]. "After recent discussions with [the Office of Management and Budget], ETA decided to issue a number of these reports by posting them online." (p. 14)

Thus, even after DeRocco and Bishop had left the department—in late 2007 and the beginning of 2008, respectively—the department still claimed that the unreleased research was of "poor quality," despite the fact that the studies in question were the product of third-party research that the department had sponsored, reviewed, and approved. The department correctly indicated that the USDOL's policy "direction" was contrary to the research. And the statement failed to mention that in the ETA's discussions with the OMB, it had been ordered to release all of the rest of the studies of which the OMB was aware.

Ironically, the method that the OMB used to require the release of the suppressed studies was the Bush White House management tool, the President's Management Agenda. The President's Management Agenda sets quarterly targets for the Department of Labor—and other executive branch agencies—to reach. OMB set September 30, 2008, as the deadline for publication of the rest of the suppressed studies. The cited studies were all released—though hidden in cyberspace—in August and September of 2008 (Table 6.5).

Dismantling the research process

As part of the effort to ensure that there would be no more unwanted research results, Assistant Secretary DeRocco removed most of the senior staff responsible for policy, research, and evaluation from the Office of Policy Development, Evaluation, and Research in the ETA. Gerri Fiala, administrator of the office, was "encouraged" to leave the department and did so after spending one year on an intergovernmental personnel assignment to a nonprofit agency. James Woods, director of evaluation, was reassigned to direct a strategic planning division in another office. I was removed from my position as director of research and demonstrations and transferred to another office. David Balducchi, the manager of demonstration projects, was similarly transferred and made the manager of an administrative unit. The director of policy, Terry Finegan, retired.

Much of the funding for research and evaluation was redirected to other areas that supported Bush administration initiatives. Funds for pilots, demonstrations, research, and evaluation were used less and less for research purposes and instead were diverted to nonresearch purposes or to projects of interest to the administration. Thus, the Bush administration's "war on science" scored a victory at the Employment and Training Administration (Mooney 2005).

Table 6.5 Selected Employment and Training Administration Research Studies Released in 2008

Research study	Release date	Completion date	ETA occasional paper number
Unemployment Insurance: Assessment of the Impact of the 2002 Reed Act Distribution	7/30/08	12/04	2004-11
Net Impact Estimates for Services Provided through the Workforce Investment Act	8/15/08	10/05	2005-06
Anatomy of a One-Stop: Baltimore City Eastside Career Center; Anatomy of Two One-Stops: Camdenton, Missouri, and Columbia, Missouri (2 papers)	8/29/08	No date (2006)[a]	2006-07, -08
Workforce Development in Rural Areas: Changes in Access, Service Delivery, and Partnerships	9/04/08	6/30/05	2005-07
Youth Offender Demonstration Project Process Evaluation. Final Report, Vol. 1.	9/04/08	6/06	2006-06
Youth Offender Demonstration Project Process Evaluation. Final Report, Round Two	9/08/08	6/04	2004-10
Evaluation of Labor Exchange Services in a One-Stop Delivery System Environment	9/11/08	2/04	2004-09
Unemployment Insurance and Reemployment among Older Workers	9/11/08	2/04	2006-09
Five Year Research Plan, 2002–2007 (3 papers)	9/14–15/08	No date (2002)[a]	2003-09 to -11
Five Year Research Plan, 2004–2009 (8 papers)	9/16/08	No date (2004)[a]	2005-08 to -15

[a] "No date" means there was no date printed on the documents when they were released; however, the author knew the year in which they were completed (in parentheses).

SOURCE: ETA research Web site at http://wdr.doleta.gov/research; undated and untitled table.

ABANDONING PROGRAM OVERSIGHT

By its actions, the administration showed that it was not interested in the stewardship of the statutorily established programs for which the ETA was responsible. Instead, the focus of the ETA was on the president's "demand-driven" system, which provided funds outside of the traditional public workforce system. During the 2004 presidential campaign, President Bush promoted the expansion of opportunities through the "ownership society," which called for the federal government to allow Americans to have the option of managing their economic and retirement security. Within the department, under the demand-driven banner, policy and discretionary funding efforts were launched to weaken workforce security protections that had been developed during the New Deal and Great Society eras. This new system was composed of three sets of discretionary grants that were more related to business development than employment development. They consisted of 1) Workforce Innovation and Regional Economic Development (WIRED) grants, 2) Community-Based Job Training Grants (CBJTG), and 3) High Growth Job Training Initiative (HGJTI) grants. "High growth" industries receiving funding included the retail industry, where funding went to a variety of mall developers such as Westfield, Glimcher, and Prime Properties. Community-based grants went to community colleges around the country that tended to be located in Republican-friendly areas, including Mesa Community College in Phoenix, Arizona.

The vast majority of all ETA discretionary funds were channeled into the demand-driven system. In January 2007, the Congressional Research Service (Lordeman and Levine 2007) found that between May 2002 and December 2006, nearly $732 million in discretionary ETA funding had been awarded through these grants. In essence, ETA—without congressional oversight—abandoned the federal-state workforce structure. The HGJTI ($287 million) and CBJTG ($250 million) grants were made in 14 sectors that ETA had identified as "high growth" sectors. The WIRED grants ($195 million) were made to 13 regions of the United States to "transform and rebuild their economies."

An audit by the department's Office of Inspector General (OIG), published in November of 2007, found that between July 1, 2001, and March 31, 2007, the ETA awarded 157 High Growth Job Training Initiative grants totaling $271 million. Only 23 grants were awarded competitively, while the rest were awarded noncompetitively. Examining a sample of the noncompetitively awarded grants, the audit found that "ETA could not demonstrate that it followed proper procurement procedures in 35 of 39 tested noncompetitive awards (90 percent)" (OIG 2007).

At the department, many ETA staff members were assigned to work almost full-time on the WIRED grants. They were not working on the ongoing workforce development programs that the department was congressionally mandated to operate, oversee, and manage. In mid-February 2007, at an ETA managers' retreat, Assistant Secretary DeRocco was asked by one staff member, "What should I do? I am spending so much time on my WIRED grant that I have no time for my regular work." DeRocco responded: "WIRED *is* your regular work!" Work priorities at ETA were clear.[17]

In effect, the demand-driven system became the real work of ETA staff, leaving little time for anything else. Travel to oversee state and local workforce development programs virtually stopped. Attendance at regional and national meetings was limited to trips to market the demand-driven system. The statutorily mandated programs of the department were largely abandoned for a new economic development initiative. The justification for this new initiative was a theory of trickle-down workforce development: if the department put money into regional economic development, new firms would become established, old firms would grow, and new jobs would flow from these firms.

One indicator of the administration's lack of interest in traditional workforce development programs was the reduction in the number of guidance letters sent out to regions and states concerning congressionally authorized programs (Table 6.6). Technical assistance and guidance sharply declined in all statutorily created programs. Between 2002 and 2007, the department issued few guidance letters relating either to the ES or to the reporting and analysis systems. Guidance regarding the UI system also declined. Only the development and issuance of Training and Employment Guidance Letters continued to function at a steady level, but the focus of the guidance switched to areas of interest to the Bush administration, including the acceleration of the foreign labor certification process.[18]

Table 6.6 Guidance Letters Provided by the ETA, 1999–2007

Year	Unemployment Insurance Program Letters	Training and Employment Guidance Letters	Employment Service Program Letters	Reports and Analysis Letters
1999	49	15	11	1
2000	33	22	2	0
2001	47	31	8	1
2002	30	27	0	0
2003	32	26	0	0
2004	31	36	0	0
2005	31	35	0	0
2006	30	30	0	0
2007	27	32	0	0

SOURCE: USDOL Web site http://wdr.doleta.gov/directives (accessed May 10, 2010); dissemination files from DOLETA's Office of Policy Development and Research.

THE STATES CONTINUE TO PROVIDE REEMPLOYMENT SERVICES

Despite the Bush administration's attempt to privatize public employment services during its eight years in office, Congress continued to appropriate Wagner-Peyser Act grants to the states each year, and, as a result, the programs survived at the state and local level. Even with federal neglect of state ES programs and state WPRS systems, the states continued to provide employment services. The level of services, however, declined with the drop in appropriated funds. The level of activity in the WPRS system is enumerated in Table 4.4. The ES's provision of reemployment services—ES reportable services and job search services—is described in Table 4.6.

The Bush administration had not succeeded in eliminating the Wagner-Peyser Act. In fact, no major federal workforce development legislation was enacted during the Bush years, and reauthorization of WIA and TAA remained for the Obama administration to tackle.[19]

State workforce agencies continued their work individually and cooperatively, especially through their coordinating agency, the National Association of State Workforce Agencies. Despite the lack of technical assistance that might have been provided by their federal partner, the states continued to operate their programs. Even America's Job Bank survived under a new nonprofit structure through the efforts of the individual states and NASWA.

LESSONS LEARNED

The lessons learned from the examination of reemployment services policy in this chapter are as follows:[20]

United States Employment Service. The USDOL should reestablish the United States Employment Service within its department and reestablish an active partnership with the states to oversee the operation of the public workforce system.

Privatization demonstration. The Jacobson et al. (2004) study found that 1) employment services provided by state workforce agency employees ("traditional employment services") are more cost-effective than employment services provided by private agencies and government agencies other than the state workforce agencies ("nontraditional" demonstration sites), and 2) traditional sites provide much greater access to reemployment services to a much wider population. Thus, demonstration authority granted in the mid-1990s to several states should be rescinded. Wagner-Peyser Act funds should be administered statewide under the control of the governors. All states should be required to administer their state employment services through their merit-staffed professional employees of state workforce agencies.

National electronic job bank. The department should actively support a national electronic job bank. It should either reestablish America's Job Bank as a departmental program or establish a partnership role with the National Association of State Workforce Agencies in operating the JobCentral National Labor Exchange.

Employment service funding. Funding of workforce development programs should reflect their relative cost-effectiveness. Funding for Wagner-Peyser Act programs should be substantially increased.

Reemployment Services Grants. Annual grants to support the WPRS system should be reestablished. Funding should be set at a higher level than the $35 million per year appropriated between 2001 and 2005. The full cost of providing comprehensive reemployment services to all workers currently being referred by the WPRS system is between $200 and $300 million per year.

Research and evaluation. The research and evaluation program should be revitalized and receive adequate staffing and funding. In a time of burgeoning deficits and fiscal austerity, the department should help people get back to work in the most cost-effective way possible. Because it has been a decade since the last evaluation of the employment services under the Wagner-Peyser Act, the department should undertake a new evaluation of the program.

Notes

This chapter was written with the assistance of David E. Balducchi, who made contributions throughout the chapter.

1. Initially, the federal UI program was the Bureau of Unemployment Compensation within the Social Security Board, while the United States Employment Service was part of the U.S. Department of Labor. The two organizations had to negotiate the colocation of the two programs at the local level as well as the services that ES would provide to UI claimants. They also agreed to act “as if they were a single agency.” The federal UI and ES agencies were brought together by President Truman in a reorganization implemented under the Reorganization Act of 1949 (Altmeyer 1966, pp. 62–65, 175–178).
2. In a telegram to the governors on December 18, 1941, President Roosevelt requested the transfer of local ES offices from state employment services to the federal government under the direction of the U.S. Employment Service to assure “that we utilize to the fullest possible extent” workers “to increase our production of war materials . . . by centralizing work recruiting into one agency.” The president was authorized to carry out this action through an appropriation measure that had been enacted earlier in 1941 (Altmeyer 1966, pp. 129–134).
3. Lawrence Katz, interviews with the author, August 21 and September 25, 2008.
4. Unemployment Insurance Policy Letter 35-95 stated, “The Department believes that SESAs [state employment security agencies] should move toward fully implementing telephone claims taking or other electronic methods of filing . . .”
5. Mary Ann Wyrsch, interview with the author, July 29, 2008.

6. The ES is permitted to operate affiliated One-Stop sites under the WIA. The WIA/Wagner-Peyser Act regulations state that "local Employment Service offices may operate as affiliated sites, or through electronically or technologically linked access points as part of the One-Stop delivery system (20 CFR 652.202, *Federal Register* 65, 156: 49462, August 11, 2000).
7. The Workforce Investment Act/Wagner-Peyser Act regulations state, "The Secretary has and has exercised the legal authority under section 3(a) of the Act to set additional staffing standards and requirements and to conduct demonstrations to ensure the effective delivery of service provided under the Act. No additional demonstrations will be authorized" (20 CFR 652.216, *Federal Register* 65, 156: 49464, August 11, 2000).
8. The caveat begins, "The evaluation is biased in favor of a conclusion that PLX [public labor exchange] services—particularly those offered in a traditional setting absent One-Stop Career Center integration—offer a more effective delivery mechanism than WIA service delivery provided in a One-Stop Career Center environment." The entire caveat can be found at http://wdr.doleta.gov/research/keyword.cfm?fuseaction=dsp_resultDetails&pub_id=2379&mp=y (accessed January 6, 2010).
9. See the section "Abandoning Program Oversight," on p. 232, which discusses these three programs.
10. Elaine Chao, statement at the release of the president's 2009 budget, February 5, 2008.
11. Edward M. Kennedy and Patty Murray, letter to Senators Tom Harkin and Arlen Specter, January 17, 2007.
12. Emily DeRocco, letter to Rep. LaHood, in response to his written request for a copy of the Jacobson et al. (2004) study, May 13, 2005.
13. Mason Bishop, e-mail to the author, December 22, 2003.
14. Different from Bishop, who was the political DAS, not the career DAS.
15. Joseph Siedlecki, interview with the author, December 29, 2008. Information in the next four paragraphs comes mainly from Siedlecki.
16. Ibid.
17. I attended this meeting.
18. Since Table 6.6 is a list of guidance letters posted on the ETA's Web site in October 2008, some guidance letters may have been issued and then removed from the Web site.
19. The department succeeded in gaining reauthorization of the Trade Adjustment Assistance in 2002, but not under the terms that were desired by the Bush administration. The TAA was not reauthorized after it expired in 2007. The American Recovery and Reinvestment Act of 2009 reauthorized TAA.
20. These recommendations were developed at the end of 2008. By the end of 2009, the Obama administration had addressed two of these recommendations with the February 2009 enactment of the American Recovery and Reinvestment Act. First, the act provided additional funding for the ES in the amount of $400 million. Second, from the new ES funds, $250 million was reserved for Reemployment Services Grants. These funds were made available through June 30, 2011.