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One of the most striking trends in the American labor market is the explosive growth of intermediaries—organizations that match workers with employers. In the 1990s, the number of temporary staffing agencies multiplied rapidly, and they broadened their services to employers in multiple sectors (Osterman 1999, p. 56). With increasing use of the Internet, the number of on-line job banks that provide electronic matches between workers and employers grew from nearly zero at the beginning of the decade to an estimated 3,000 at the end (Autor 2001, p. 26). At the same time, new community-based intermediaries, such as the Wisconsin Regional Training Partnership and Project Quest in Texas, developed increasingly sophisticated relationships with employers in targeted local industries.

The last two decades have also been a time of dramatic change for the public Employment Service (ES), one of the oldest labor market intermediaries. Faced with declining federal funding and the potential of information technology, states and the federal government provided an array of new self-service options. Public job banks made their debut on the Internet alongside Monster.com and other private job boards. These new tools allowed individuals and employers to make their own job matches, reducing the need for individualized assistance traditionally provided by staff. With the expansion of self-directed services, ES staff increasingly focused on providing group-oriented assistance rather than individualized services. Job search assistance for those with special needs and dedicated funding for target groups, such as the economically disadvantaged and veterans, expanded dramatically during this period. Some states also developed new labor market information services and explored other approaches to meeting employer needs.

Since the 1980s, the drive to “do more with less” prompted new partnerships between the ES and other public programs, particularly with the locally run employment and training programs that were established in the 1970s. One-stop centers that pulled together staff and resources from multiple programs first emerged in Wisconsin and a few other states in the mid 1980s. Spurred on by federal investments and later federal legislation, the one-stop concept spread to the rest of the country during the 1990s.

The impact of new one-stop systems on the ES and its customers has been substantial. One-stop partnerships, where successful, expanded the range of labor exchange and other services available to customers. Co-location of staff from multiple programs also led to increased specialization as the ES took on key responsibilities for core services delivered under the Workforce Investment Act (WIA). The ES’s flexible funding and focus on a universal customer base have been crucial assets to the fledgling one-stop system.

Even as the ES strengthened linkages with a number of public programs, other trends strained the historically close relationship between the ES and the Unemployment Insurance (UI) system. The implementation of automated claims filing systems in the 1990s pulled apart ES and UI staff that had been co-located since the 1960s, creating new barriers to service coordination. To overcome these challenges, some states have begun to reinforce the ES/UI connection through technological links and targeted services for UI claimants.

The purpose of this chapter is to describe these “sea changes” in the public labor exchange and its relationships with other public programs. The chapter is largely based on interviews with state administrators with long service in workforce development. It also relies on the relatively sparse recent literature on the public ES. The first section provides the historical background for shifts in ES administration and service delivery. The next sections describe the shift from active job matching to self-directed services, the changing mix of intensive labor exchange services, the impact of one-stop partnerships on the ES, and the evolving relationship between ES and UI. The final section suggests future directions for the public labor exchange based on the trends described here.

FROM THE WAGNER-PEYSER ACT TO THE WORKFORCE INVESTMENT ACT

In the late 19th century, a number of states began to operate employment agencies that provided placement services, primarily to poor individuals (Bendick 1989, p. 89). The Wagner-Peyser Act of 1933 established for the first time a federal–state ES and asserted a strong federal role in assisting the unemployed. A few years later, the Social Security Act of 1935 instituted a system of unemployment insurance, combined new ES and UI programs in a network of state employment security agencies (SESAs), and made registration with ES a condition for receiving UI benefits.

During the next fifty years, the federal government largely set the terms of the federal–state partnership. State ES agencies were put under federal control during World War II, serving as the recruitment arm of the war effort. Federal rules largely governed state administration, services, and even the look of local offices. As late as the 1970s, an observer could note that the interior of an ES office in Alaska closely resembled that of an office in New York or San Francisco, even though the offices were located in different labor markets and run by different state agencies (Lazerus et al. 1998, p. 5).

From CETA to JTPA

In the 1970s, a third player was added to the federal–state partnership. The Comprehensive Employment and Training Act (CETA) of 1973 introduced local government as a new power center in employment and training programs. Under CETA, local elected officials received direct allocations of federal funds, using them to create an independent network of employment and training services for disadvantaged individuals. In addition, CETA did not clearly define the role of the ES in the newly established employment and training system (Balducchi, Johnson, and Gritz 1997, p. 469). As a result, competition and conflicts arose between state agencies and local governments with their service providers. These tensions were partly relieved by the massive infusion of funds for public service employment after 1975. Many state ES offices received local allocations that were used to add staff to organize public service employment activities.

The replacement of CETA with the Job Training Partnership Act (JTPA) in 1982 reinforced local control of employment and training services for disadvantaged individuals and displaced workers. JTPA firmly established Private Industry Councils (PICs), local committees composed of a majority of business representatives, service providers, and other community partners. PICs became responsible for overseeing and administering a battery of services that often operated independently of the local ES operation.

JTPA also contained amendments to the Wagner-Peyser Act that gave state agencies new flexibility to manage ES programs. These policy changes provided states with authority to use federal special purpose block grants to tailor labor exchange programs to state and local needs (Balducchi, Johnson, and Gritz 1997, p. 469). At the same time, federal oversight and technical assistance diminished as a result of budget cuts and staff reductions at the U.S. Department of Labor (USDOL). Nearly 10 years after the passage of JTPA, the U.S. General Accounting Office (USGAO) could observe that the Labor Department was taking a "hands-off" approach to helping states manage their ES programs (USGAO 1991).

From JTPA to WIA

By the early 1990s, policymakers had begun to express concerns about fragmentation and duplication of workforce services. A series of USGAO reports pointed to a patchwork of JTPA, ES, and other publicly funded programs that were "bewildering and frightening to clients." The programs also seemed inefficient since they funded similar services to individuals with similar needs (USGAO 1994, p. 1).

In response to this criticism, Congress and the president enacted the WIA of 1998 to strengthen the links among federal workforce programs. A central purpose of the legislation was to establish a framework for organizing public programs designed to build the nation's workforce. WIA establishes a governance structure composed of state and local boards (called workforce investment boards) to provide leadership and oversight for workforce programs. It also authorizes one-stop centers that bring together services from 17 federal programs (including ES). One-stop centers must provide any adult citizen with basic services, such as information on jobs and careers and job search assistance. In addition, one-stop centers provide certain eligible individuals with opportunities for intensive services, such as case management and training services. As a result of WIA, a range of federal programs, including the ES, are expected to become components of a more coordinated and efficient "system" of workforce development.

THE SPREAD OF SELF-SERVICE TOOLS

Only a decade or two before WIA was enacted, job seekers had to trudge to "unemployment offices" to find public labor exchange services. There, they would probably sit down with an ES interviewer to discuss available job openings in the local area. Today, however, job seekers can find jobs themselves by using Internet-based Web sites that list vacancies across the United States. Alternatively, they can use publicly funded resource rooms in one-stop centers where they can prepare a resume on a computer and e-mail or fax it to an employer. The spread of self-service options is the most visible and probably the most significant innovation in labor exchange services in recent times.

Shift to Self-Service and New Paradigm of Service Delivery

For many years, the core function of the public employment service was active job matching—collecting job orders from employers, and screening and referring applicants to firms for suitable positions. Since the mid 1980s, there has been a gradual but marked shift from active matching to self-directed services, spurred by three factors. First, limited federal funding for Wagner-Peyser Act services placed tight constraints on staffing in many states and local areas. After plunging in the early 1980s, state ES grants stabilized in the late 1980s and remained mostly flat during the 1990s, leading to a decline in real or (inflationadjusted) terms. Second, the spread of computer technology and Internet access facilitated development of automated job-matching systems. Third, economic and cultural changes emphasized individual responsibility for charting job and career transitions.

The shift toward self-directed services is reflected in a new paradigm of service delivery. Although the terminology varies from place to place, most states and local areas have adopted a three-tiered structure for delivery of labor exchange services. At the first level is self-service, which includes computer-based tools such as Internet-based job banks and skills-assessment tools. Self-service is available to the broadest possible group of potential customers. The next level of assistance features facilitated self-service, which involves access to resource rooms stocked with computers and staffed with knowledgeable employees. The third level consists of staff-assisted services, such as individualized screening and job matching as well as counseling. A similar tiered service structure is available for employers.

Self-Service Tools

In the past, access to state job banks was limited to individuals who visited public employment offices. Since the mid 1980s, nearly all states have built automated job banks that greatly expand the reach of public labor exchange services. In the early 1990s, Wisconsin developed and launched JobNet, drawing on a combination of Wagner-Peyser Act, ES automation, and federal one-stop implementation grant funds. The current version of JobNet allows job seekers to search for job openings by county, job title, employer, and occupation. Jobs from neighboring states are also searchable. Employers can enter job postings through a specialized and secure Web site. Access to JobNet is widely available through easy-to-use, touch screen terminals located in all of the state's one-stop centers or through the Wisconsin agency's Web site.

States have developed other tools to complement job banks. Michigan was one of the first states to implement a Talent Bank, an on-line repository for resumes. Job seekers can post resumes to a Web site and employers can search the resumes by keyword, education level, salary, and location. As of July 2002, the Talent Bank held nearly 600,000 resumes on a daily basis. Meanwhile, Oregon is developing (and preparing to launch) an Internet-based iMATCH enrollment and job placement system that targets job seekers' skills, not simply their qualifications or work experience. Using the O-NET coding system, the iMATCH system allows job seekers to identify the type and level of skills they possess. It also allows employers to identify the qualifications and skills needed by prospective employees.

The federal government has made similar investments in automated job-matching systems. In 1979, the U.S. Department of Labor (USDOL) created the Interstate Job Bank, a national database containing state job openings from employers who requested nationwide listings. In the mid 1990s, the Interstate Job Bank was renamed America's Job Bank (AJB) and was connected to the Internet. AJB became an electronic network that combines vacancies submitted daily from state job banks. In addition, employers can post jobs directly to the Web site and job seekers can submit resumes. Between 1995 and 2000, AJB experienced dramatic growth, attaining an average stock of 1.5 million job openings that represent most occupations from professional to blue collar (Balducchi and Pasternak 2001, p. 148).

Since the introduction of the national job bank, the capabilities of AJB have expanded. Job seekers can build resumes and search current job openings by location, job title, occupational codes, and key words. Employers can search resumes by occupation, key words, resume number, or military code. A feature called Job Scout and Resume Scout allows users to rerun previously saved searches, store any new matches that are found, and receive an e-mail notification of new resumes or job listings.

In addition to AJB, USDOL invested in a suite of complementary tools. America's Talent Bank, a repository of on-line resumes piloted by several states, was launched as a separate tool and later integrated with AJB. Three additional electronic tools are now accessible through www.careeronestop.org:

- **America's Career InfoNet** combines federal and state data to provide information on occupations, employment and wage trends and state economic profiles.
- **America's Service Locator** connects job seekers to local one-stop centers in their area.
- **O*NET Online**, the Occupational Information Network, contains information on the knowledge, skills and abilities required for specific occupations.

Impact of Automated Systems

The spread of automated job-matching systems and self-help tools has provided easy access to services previously limited to what was available at local offices. Following AJB's launch, the number of "hits" by users jumped astronomically, rising from only 15,000 in early 1995 to 8.5 million only a year and half later (USDOL data on usage). The more popular state job banks have broadened the customer base for labor exchange services. An internal state analysis conducted by Wisconsin in the late 1990s found that the computerized job bank contained a range of jobs that represented the key industries in the state's economy and a spectrum of job seekers that was highly representative of the state's citizens.

The spread of automated systems, combined with declining staff capacity, has altered the traditional role of the ES in screening candidates sought by employers. In the past, the ES stood between the job seeker and the employer, screening applicants, and referring only suitable ones to the employer. States are increasingly offering employers the option to submit open or unsuppressed job orders that allow candidates to contact firms directly or at least to provide sufficient information for the employer to contact promising candidates.

Still, the use of open job orders varies widely. A few states, such as Georgia, continue to maintain mostly suppressed job orders that require screening. Some states, such as Utah, are just beginning to offer employers the option of open job orders. Other states have shifted largely to unsuppressed job orders. After experiencing initial staff resistance, Wisconsin now operates with over 90 percent unsuppressed job orders. Screening services are now limited to assistance with writing job orders and assessing their legality.

Resource Rooms

Like computerized self-service tools, resource rooms have transformed customers' interaction with the public labor exchange. Usually located in local one-stop centers, they are designed to be attractive and welcoming to customers. They generally contain a wide range of self-help information and services. Every one-stop center in Utah, for example, contains a Job Connection room that provides access to labor market information, resume and cover letter preparation tools, career exploration software, and an orientation to soft skills required in the workplace. There are also fax machines and phones to facilitate the job search. Some one-stop centers, such as the Anoka workforce center in Minnesota, are well stocked with libraries of pamphlets, books, and videos that provide guidance to job seekers.

Resource rooms also require trained staff. Many first-time customers need assistance with using self-service tools and finding information that matches their needs. Staff assistance is particularly critical for those customers who lack work or job search experience. In addition, staff members carry out a "triage" function, identifying job seekers that may have barriers to employment and referring them to intensive or more specialized services (Social Policy Research Associates 1999, p. VII-7).

Resource rooms for employers are less common. Where they exist, these rooms generally contain information and other materials useful to employers, such as guides to employment law and tax credits (Social Policy Research Associates 2001, p. V-27).

CHANGING MIX OF STAFF-ASSISTED SERVICES

During the last decade or so, the scope of intensive, staff-assisted services has narrowed, largely driven by declining federal funding, the spread of information technology, and the shift to self-help services. Traditionally, individuals visiting public employment offices would receive a range of staff-assisted services, such as counseling, testing, and direct job referrals. Since the mid 1980s, however, staff-assisted services for individuals have become increasingly focused on those who have trouble using self-service systems or who require considerable assistance in navigating the labor market.

Staff-Assisted Services for Individuals

In the past, state agencies retained full-time, certified counselors who were available to advise individual job seekers on career planning and career decision making. During the 1960s, a time of peak funding for the ES, over 20 percent of new applicants met with a counselor (Balducchi, Johnson, and Gritz 1997, p. 463). During the last decade or so, the counseling function has weakened, and has even disappeared in some places, as states have shifted limited resources to infrastructure, information technology, and other functions. ES counselors no longer exist in Oregon, and the number of designated ES counselors in Florida and Wisconsin has dwindled markedly over the last 20 years. Nationally, only 3 to 4 percent of ES registrants currently receive employment counseling (Balducchi, Johnson, and Gritz 1997, p. 463).

Testing has declined along with counseling. Traditionally, ES counselors would administer a variety of aptitude and interest tests, such as the General Aptitude Test Battery, to help young people decide on careers and to determine the qualifications of adult job seekers. During the 1960s, about 20–25 percent of all applicants underwent testing. By contrast, only 2 to 3 percent of ES applicants currently receive testing services (Balducchi, Johnson, and Gritz 1997, p. 463).

As individualized counseling and assessment services have declined, other group-oriented services have become more significant. Some local one-stop centers employ Wagner-Peyser Act–funded staff to run workshops geared toward groups of job seekers. Although workshops tend to vary widely in availability and in the types of groups targeted, they generally tend to provide guidance on the job search process, resume building skills, interviewing skills, the hidden job market, and similar topics. At some one-stop centers, workshops specifically target UI claimants or certain occupational groups. Many one-stop centers, on the other hand, offer regularly scheduled workshops that are open to all job seekers.

Another group service available to some job seekers is a job club or job search network. Although not available everywhere, job clubs bring together groups of unemployed individuals who meet to support one another and share job-finding tips. ES staff typically facilitate the meetings.

Wagner-Peyser Act–funded staff still provide individualized assistance with job search and placement. In the past, active placement of individuals into jobs was the dominant role of local staff. With the introduction of self-service technology and the general decline in staffing capacity, active matching for most has given way to active matching for a few. Staff now tend to reserve individualized assistance for customers who struggle with using self-service technology and for targeted groups of customers, such as UI claimants, veterans, people with disabilities, and individuals eligible for case-managed programs.

Some states provide placement services to targeted groups of job seekers as a result of interagency agreements or contracts, which supplement ES funding. For example, in Iowa, the Department of Human Services contracts with the Department of Workforce Development to operate the Promise Jobs placement program for welfare recipients. ES staff provide a range of services, including assessment, development of an employment plan, job search assistance, administration of job clubs, and job fairs with local businesses (Lazerus et al. 1998, p. 75). Vermont's Department of Employment and Training has a similar arrangement with the state human services agency to find jobs for welfare recipients and people with disabilities.

Although most states have cut back staff-assisted services in the face of limited federal funding, some states have maintained such services by supplementing their federal ES grants with state funds. A few states, such as Oregon, have established reserve funds with a special assessment on employers through the UI tax system. Interest drawn from the reserve is commonly used to support ES and UI administration, including labor exchange services. Other states, such as Colorado and Georgia, have instituted special assessments that are regularly collected from employers through the UI tax system to support delivery of labor exchange services and UI administration[1] (USDOL 2002, p. 2.32–2.34).

Staff-Assisted and Specialized Services for Employers

Staff-assisted services for employers, like those for job seekers in many states, have become more targeted to specific groups of customers. These services generally entail developing job orders, referring applicants that match job requirements, and providing information on tax credits and government regulations. Other services may include using local one-stop centers for interviewing and recruitment and assisting with layoffs. As a result of a decline in staffing capacity, local ES staff in many states tend to focus on providing staff-intensive assistance to firms in specific industries or with specific characteristics (such as high-wage jobs or jobs with benefits).

Throughout most of its history, the ES emphasized services to job seekers. During the 1990s, however, some states and local one-stop centers began to develop more specialized services for employers (OECD 1999, p. 97). For example, field offices in Georgia have assisted new businesses with screening applicants and conducting large-scale recruitment for new businesses moving into local communities (Lazerus et al. 1998, p. 39). In one case, a field office screened about 50,000 applications for a brewery that was opening in the area. Such initiatives have promoted economic development and increased employer awareness and use of public labor exchange services, according to state officials.

Another example is Montana's deployment of "business advocates" to provide specialized services to employers. Beginning in the 1990s, every local ES office designated a staff person to be the "business advocate"—charged with identifying and meeting the needs of local business customers. These staff members are expected to be proactive. They provide economic information, prepare employee handbooks, and perform other tasks requested by local employers.

States have also increasingly marketed labor market information as a service to business.[2] In 1995, Oregon hired 16 regional labor market information specialists by converting positions from ES field operations. Based in local offices, these specialists help employers keep up to date with changing labor market trends, and help increase awareness of the public labor exchange. The specialists also serve as a resource for public partners and local workforce boards. Wisconsin is using Wagner-Peyser Act discretionary funds reserved for the governor to place seven labor market economists in local one-stop centers.[3] Like the specialists in Oregon, the economists in Wisconsin provide customized information to employers, partners, and local boards.

A few states still rely on Job Service Employer Committees to increase input from employers on the types of labor exchange services they need. Employer committees serve primarily as a "sounding board" to provide feedback on services to the business community. Moreover, they are sometimes involved in suggesting and implementing new products or services. The contribution of such committees varies widely. They have disappeared entirely in most states, but still retain a strong presence in certain states or in certain regions within states. For example, both Georgia and Montana have maintained a state-level employer committee alongside local employer committees attached to field offices.

THE GROWTH OF ONE-STOP PARTNERSHIPS

The spread of self-service tools and a new mix of staff-assisted services are the most visible changes in the provision of labor exchange services. Less visible, but equally important, is the growth of partnerships that bring together a range of publicly funded workforce programs. These partnerships have expanded in response to declining federal funding, limited staff capacity and concerns about efficiency of services.

Establishment of One-Stop Centers and New Consolidated Agencies

Beginning in the 1980s, states created one-stop centers that brought together services from a range of workforce programs. Some of the first one-stop centers emerged in rural parts of Wisconsin when ES and JTPA staff agreed to share resources in an effort to keep local offices open (Lazerus et al. 1998, p 143). Indiana required collaboration between ES and JTPA staff during the 1980s and later enacted state legislation establishing one-stop centers (or workforce development centers) as the primary approach to service delivery. New York, Pennsylvania, and Massachusetts also launched early pilots of community one-stop centers. The ES was a major player in nearly all of the experimental one-stop initiatives, contributing leadership, staff, and resources.

States also strengthened links among programs by reorganizing agencies. Indiana became one of the first states to consolidate ES, UI, JTPA, and a variety of other programs in a new Department of Workforce Development. Colorado merged JTPA with ES in a new unit within the Department of Labor and Employment. As a result of that action, ES and JTPA staff reported to a single director and took a team approach to joint planning and decision making.[4]

A few states created "super-agencies" with a broad array of workforce, welfare, and social services programs. In one of the most sweeping overhauls, Utah in 1997 established the Department of Workforce Services by combining ES, JTPA, Temporary Assistance for Needy Families (TANF), Food Stamps, and other programs. The merger led to the creation of a new identity for the agency. State officials replaced the old Job Service Bureau and other program divisions with a field operations unit with staff funded by multiple programs. Staff shifted from managing services for a single program to administering a number of programs through a network of local offices.

Federal One-Stop Center Initiative and Transition to WIA

Building on state efforts to coordinate workforce programs, USDOL launched the One-Stop Center initiative in 1994. Between 1994 and 2000, every state received a three-year implementation grant ranging from \$3 million to \$24 million. ES was generally a core partner in emerging one-stop center systems. In fact, a condition of the federal grants was inclusion of the ES (with JTPA and other USDOL-funded programs) in the development of state plans. Most states used federal grant funds to establish or renovate physical sites and build the communications and information systems needed to link disparate public programs (Lazerus et al. 1998, p. 6).

By the time WIA was enacted in 1998, many states had begun to establish one-stop centers as the front end to a range of publicly funded programs. The passage of WIA had three significant consequences for the ES. First, the legislation authorized provision of core services, such as job search and placement assistance, which were similar to the labor exchange services funded by the Wagner-Peyser Act. States and local areas were expected to coordinate closely to avoid duplication of services.

Second, WIA included ES as one of 17 mandatory partner programs that were required to make services available through the local one-stop system. Services must be accessible through at least one physical center in each local area. They can also be accessible through affiliated sites that bring together one or more partner programs and through a local network of partner programs.

Third, the WIA altered the roles of state agencies and the local boards that replaced PICs. During the federal one-stop grant period, state agencies generally oversaw planning and implementation of one-stop centers as well as Wagner-Peyser Act services. WIA shifted responsibility for selection and oversight of one-stop centers to business-led local boards. However, control of Wagner-Peyser Act staff and funding remained with state agencies.

The Impact of One-Stop Partnerships on Labor Exchange Services

The growth of one-stop partnerships since the 1980s has changed the management and delivery of labor exchange services. Increasingly, Wagner-Peyser Act staff and funds contribute to a comprehensive range of services available to all citizens through local networks of one-stop centers.

Co-location of Partners in One-Stop Centers

Since the federal grant period, most states and local areas have adopted a similar approach to implementing one-stop centers. A set of core partners from public programs comes together to select a physical site for the one-stop center—either one of the partners' existing offices, a complex of existing offices, or a new site. The core partners then agree to co-locate staff—either full-time or part-time—at the chosen site. Additional partners are connected to the one-stop center through electronic linkages and a system of referrals.

Although implementation tends to follow a common pattern, the composition of partnerships varies widely. According to the USGAO, ES and WIA are the only two mandatory partners that have consistently supported operations of one-stop centers across the sites that USGAO visited (USGAO 2001, p. 19). Participation by other partners is more varied. Some states, such as Florida, require participation of the TANF program in every local one-stop center system. By comparison, some local areas have broadened partnerships to include community-based organizations and employer organizations.

Just as the mix of partners tends to reflect state and local needs, so the extent of co-location among core partners varies from state to state and even from site to site. Three dominant patterns have emerged. The first pattern is found in many small, rural states. Old SESA offices that housed ES and UI programs have been converted to full-service one-stop centers and ES staff are then co-located with other partners at every site.

A second group of states requires co-location of ES with other partners at nearly all comprehensive one-stop centers. These sites include a wide range of sites from new facilities to renovated grocery stores or bowling alleys to upgraded public offices. Stand-alone SESA offices housing only ES and UI staff have disappeared.

A third group of states has adopted a more flexible approach to co-locating core partners. These states encourage co-location of ES with other partners at selected comprehensive one-stop centers. In addition, a number of old SESA offices housing ES and UI staff are allowed to continue as affiliate sites within local one-stop systems. Full co-location of ES staff in comprehensive one-stop centers is typically hampered by limited funding, overextended staff, and the constraints of long-term leases on existing facilities (USGAO 2002, p. 19).

Different Approaches to Managing ES in Local One-Stop Centers

States have also adopted different models for managing Wagner-Peyser Act staff and funds in local one-stop center systems. The most common model is dual state and local management of personnel in one-stop centers. In Wisconsin, for example, the Department of Workforce Development oversees and manages ES staff and funds assigned to one-stop centers, while the local workforce board, the county, or other entity is responsible for WIA and other program staff. In many centers, state and local staff are represented on management teams that oversee operations. In some instances, the partners appoint a site manager to help coordinate services and make day-to-day operational decisions. However, final decisions about resources and personnel are the responsibility of on-site or off-site ES administrators.

A second model—common in small states with a single workforce area—features centralized administration of ES, WIA, and other workforce programs. In 1983, North Dakota unified JTPA and ES service delivery by charging the ES with administration and delivery of JTPA services. Since then, this model has spread to other states that are single state local areas. For example, Vermont has established 12 Career Resource Centers that bring together state staff from ES, UI, and WIA. In

Vermont, Utah, and other "state-administered" jurisdictions, decision making about funding and staffing for these programs is highly centralized.

A third model emphasizes decentralized oversight and responsibility for ES staff and funds. Indiana was one of the first states to attempt such a transfer. In 1982, the state issued "The State of Indiana Policy for Vocational Education, Training, and Employment," a plan for ceding administration of local ES services to local PICs. However, court challenges by state ES workers and their unions blocked the proposed plan and reasserted the role of state merit system employees in performing Wagner-Peyser Act functions.

Although Indiana's attempt failed, other states have succeeded in decentralizing ES functions. In the late 1990s, Colorado became one of three states that can allow nonstate merit system staff to provide Wagner-Peyser Act services. The state is gradually devolving responsibility for maintaining a public labor exchange to local workforce regions. As state ES positions become vacant through attrition or retirement, the funds tied to that position are transferred to the local board. Boards can then employ county merit system staff instead of state staff in the one-stop centers. Until the transfer of positions takes place, the counties work with regional ES managers (who are not on-site) to supervise the local ES staff. At the same time, several rural local workforce regions have opted not to accept responsibility for ES functions and have turned over administration of their one-stop centers to the state Department of Labor and Employment. In those regions, state managers supervise state ES staff and also oversee delivery of WIA services. Colorado's unique state–local agreement has thus led to decentralized decision making for multiple programs in most parts of the state and, conversely, has increased centralization in several regions.

Massachusetts illustrates another variation of decentralized management of ES functions. In 1995 the Boston PIC chartered three one-stop centers, which were intended to compete with one another for customers. One of the centers is operated by the state employment service, the second is managed by a partnership of three community-based organizations, and the third is administered by a partnership of the City of Boston and a community-based organization. Each of the centers receives an allocation of Wagner-Peyser Act funds and is required to deliver a fully integrated set of public labor exchange services.

The Role of Labor Exchange in One-Stop Partnerships

As one-stop partnerships have expanded, the ES has continued to perform its traditional function of providing labor exchange services. What has changed is that Wagner-Peyser Act staff and funds have become part of a comprehensive battery of services available through local one-stop center systems (Social Policy Research Associates 2001, V–5).

The ES has played a central role in successful one-stop partnerships because its flexible funding can be used to provide services to a universal customer base. In many sites, ES staff and funds tend to be the sole or primary support for operation of resource rooms and other core services under WIA (Social Policy Research Associates 2001, V–7). Co-location of staff from other programs has allowed ES staff to specialize in staffing the resource room or providing other core services. The use of flexible Wagner-Peyser Act funds for core services allows WIA, TANF, and other more targeted program funds to be targeted for more intensive services.

In other successful centers, the ES is simply one of several programs that contribute to delivery of high-volume labor exchange services. For example, at the Kenosha County Job Center in Wisconsin, staff from different agencies provide services in Employment Central, the resource room that provides self-service and facilitated self-service to the general public and businesses (Heldrich Center for Workforce Development 2002). Other sites support core services by combining multiple funding streams, including ES, WIA, and others (Social Policy Research Associates 2001, V–7). The result is an expansion of the level and range of labor exchange services available to customers.

Some successful one-stop centers also have formed integrated employer service teams composed of representatives of multiple partners, including the ES. For example, the Golden Crescent Workforce Center in Victoria, Texas, has a multiprogram employer services unit that performs a high level of recruitment and prescreening at no cost to the employer (Heldrich Center for Workforce Development 2002). Many integrated teams designate account representatives, organized by location, industry, or other method, to conduct outreach and serve as a single point of contact for designated firms. In other sites, by contrast, the ES has taken the lead responsibility for managing employer services. However organized, ES staff and funds have begun to contribute to a richer and more diverse mix of services for business customers.

CONNECTIONS BETWEEN EMPLOYMENT SERVICE AND UNEMPLOYMENT INSURANCE

While the one-stop movement was strengthening linkages among workforce development programs, other trends were contributing to a "disconnect" between ES and UI. The operations of these two programs were closely linked as a result of the Social Security Act of 1935, which made registration with ES a condition for receiving UI benefits. UI staff took claims from applicants, verified information, and issued benefit checks. ES staff in most states registered claimants for work, referred applicants to suitable job openings, and informed UI staff when claimants did not meet work requirements (Balducchi, Johnson, and Gritz 1997, p. 466). Beginning in the late 1950s, UI and ES staff were typically co-located in local SESA offices and sometimes cross-trained to perform similar duties.

The close relationship between ES and UI programs forged over time has been tested in the 1990s. Beginning with Colorado in 1991, a growing number of states have adopted automated systems that allow applicants to file claims by telephone and, most recently, by the Internet. As of 2002, nearly all states are either planning or implementing systems to take telephone and Internet-based initial claims (Information Technology Support Center 2003). Implementation in most states has led to the transfer of UI staff from local offices to centralized call centers and adjudication offices. As a result, ES and UI staff in many states have become physically separated, creating new barriers to communication and coordination.

To address this challenge, some states are establishing technological linkages between ES and UI services. Colorado, the first state to implement telephone-based claims-taking, recently developed an online work registration Web site that is tied to the UI Web site. Customers can move easily from filing a UI claim to registering for employment services. Utah is also linking the ES and UI databases through the UWORKS Web site, thus allowing customers to file an electronic claim and then begin a self-directed job search.

States are also targeting UI claimants and providing enhanced reemployment services. In some states, the ES participates in the eligibility review process, which is used to determine continued eligibility of selected UI recipients and evaluate the progress of the job search. In

Florida, for example, teams of ES and UI staff members conduct eligibility reviews at six-week intervals. Staff members interview selected groups of UI recipients, verify their eligibility, and provide guidance on getting back to work quickly.

Another linkage is the use of "profiling" under the Worker Profiling and Reemployment Services System. Enacted in 1993, this system requires all states to identify claimants who are likely to exhaust their UI benefits and refer them to reemployment services, such as job search assistance and training. In Wisconsin (as in a number of states), ES staff are responsible for providing reemployment services to individuals who have been "profiled" and referred by UI staff.

Since fiscal year 2000, Congress has authorized reemployment services grants under the Wagner-Peyser Act to increase targeted services for UI claimants. With funding from that grant, Oregon has established an "enhanced enrollment" process for UI claimants. ES staff conduct interviews, provide labor market information and job referrals, and develop a plan for UI claimants before they reach their eighth week of insured unemployment. In Colorado, the reemployment services grant has supported case management and specialized job search workshops for selected groups of UI claimants.

Although many states have struggled to maintain the traditional linkages between ES and UI in the 1990s, Georgia has reinforced them. In 1995, the state developed the Reemployment Units Program (REU), a unique combination of intensive services for a large pool of unemployed individuals. Services were geared for three groups of individuals:

1) UI claimants who are eligible for at least 14 weeks of benefits,
2) dislocated workers, and
3) other UI claimants who have been profiled and determined to be likely to face difficulty in finding employment.

Program participants begin with an assessment and then enter a required three-to-four-hour job search workshop with a group of other claimants. Participants must also attend subsequent one-hour eligibility review program workshops in which they receive job search advice and undergo a review of their UI eligibility. In addition to the required workshops, the REU program offers optional workshops on financial and stress management, individual counseling, and a variety of informational resources (Lazerus et al. 1998, pp. 32–35).

KEY TRENDS IN ADMINISTRATION AND DELIVERY OF PUBLIC LABOR EXCHANGE SERVICES

This chapter has described the "sea change" in the administration and delivery of public labor exchange services during the last two decades. Beginning in the 1980s, states implemented job banks, resource rooms, and other self-service options that transformed customers' experience with the public labor exchange. At the same time, the mix of staff-assisted services shifted, as counseling and testing declined and individualized job matching became more focused on targeted individuals and employers.

Another major trend was the growth of partnerships among public programs in response to limited funding and growing criticism of the performance and efficiency of public institutions. New consolidated agencies in some states combined the ES with job training and other services. At the local level, one-stop centers established by WIA brought together ES and a range of state and local partners, expanding the mix of services available to labor exchange customers.

While the one-stop movement tended to deepen partnerships between ES and other public programs, other trends beginning in the 1990s weakened the historically close relationship between ES and UI. Implementation of telephone and Internet-based claims-filing systems led to the physical separation of ES and UI staff, hampering communication and coordination of services.

FUTURE DIRECTIONS FOR THE PUBLIC LABOR EXCHANGE

As the public Employment Service enters its 70th year, it faces serious challenges. Limited funding will constrain the ability of states to maintain and upgrade new technology and services. The aging of state workforces and a looming retirement "bubble" among state and local government personnel will limit the supply of trained staff needed to provide effective services. In addition, the complex issues that arise from co-location of multiple programs in one-stop centers and joint delivery of services create difficulties for both the ES and other partners.

A more fundamental challenge is the need to remain relevant in a labor market characterized by a plethora of new options for job seekers and employers. The role of the ES in the labor market of the future remains an open question. Will the public labor exchange continue its traditional role of job matching when new technology permits active job matching through the Internet? Will the ES need to maintain a public access job bank when there is a proliferation of private and nonprofit job banks tailored to different niches in the labor market? Will new labor market intermediaries reduce or even eliminate the need for a public labor exchange?

In our view, the public labor exchange must play a continuing role to support economic security and the healthy functioning of the American labor market. However, its role is likely to change to keep pace with an increasingly "wired" labor market (Autor 2001). Below, we lay out six potential options for the public labor exchange.

1) Ensure access to information tools. A key role for the public labor exchange is to become the information backbone for the labor market by ensuring easy and equitable access to a wide array of information tools. One of the most important tools is labor market information, the collection and dissemination of data on the economy and occupations. Other tools include public and private job and talent banks, corporate Web sites containing on-line applications as well as computerized career guidance software.

Although self-help and information tools will become more effective and widely used, staff-assisted services will be essential. Trained staff members are needed to assist job seekers who are unable to use advanced information tools and who need referrals to intensive and specialized services. They also provide a much needed "human touch" (Social Policy Research Associates 1999, p. VII–7). In the future, staff will need to be accessible not only in person through one-stop centers, but also on-line as "help desk" representatives and counselors.

2) Create paths to new intermediaries. In the last two decades, new intermediaries have emerged to mediate between employers and individuals in the on-line world and in local labor markets. These intermediaries include

- private temporary and staffing agencies that provide "temp to perm" routes to employment,
- cluster-based organizations that provide networking opportunities for firms and employees within a regional cluster, and
- community-based organizations such as Project Quest that prepare low-income individuals for jobs in targeted industries.

Because many individuals and employers may not have access to such organizations, a role for the public labor exchange is to provide direct access to the new intermediaries. In other words, the ES can become a navigator or "concierge" for an array of intermediaries. By taking on this new role, the ES can transition from its traditional role as a broker between individual job seekers and employers to become a facilitator of an expanding number of transactions in the broad labor market.

3) Collaborate, don't compete, with private agencies. Helping job seekers navigate the labor market will require strong collaboration, not competition, with private labor exchange agencies. Some states are using the public labor exchange to connect individuals with a wide array of options for finding jobs and building careers. For example, the Utah Department of Workforce Services Web site—www.jobs.utah.gov—incorporates links to public job banks as well as corporate human resources sites and private job boards. In Portland, Oregon, the local workforce board and one-stop system worked with EmployOn, a Cleveland-based on-line employment matching service, to launch a Web site that provides access to employment opportunities in the semiconductor, teaching, health care, and other local industries. This joint venture brings a high-quality job finding site to local job seekers interested in high-demand fields.

What is needed in the future is a more systematic and energetic approach to public–private collaboration. The agreement between USDOL and Monster Board to share transaction data and jointly use SOC codes is a first step in this direction. A more ambitious goal is to promote a common architecture for the public–private labor exchange (Sheets 2002, p. 44). USDOL, working with state and private sector partners, could help develop a common language and protocol for the electronic labor exchange. As a neutral party, the government could negotiate the necessary agreements on standardization and confidentiality of private records. Such a common architecture would facilitate access to both public and private databases and transfers of information among them. O-NET provides an excellent framework and taxonomy upon which to build such collaboration. The robust array of career information and guidance embedded in O-NET would provide a foundation of career management for workers at all skill levels.

4) Upgrade services for employers. Building strong public–private partnerships and joint ventures will be essential to improving services to employers. At the Racine County Workforce Development Center in Wisconsin, public partners invited the Chamber of Commerce and Economic Development Corporation to provide services to local employers through the one-stop center. These two organizations brought instant recognition and credibility with the business community.

Upgrading services for employers will also require strong partnerships among public programs. Many successful one-stop centers have organized integrated teams to maximize the level and variety of services to employers. These teams are composed of representatives from multiple partners, including ES, WIA, and other programs. In the future, the public labor exchange must contribute to a robust array of services that are valued by employers, such as recruitment, screening, customized training, and other human resource functions.

5) Reconnect UI with reemployment services. Another important goal for the future is to reconnect UI with the public labor exchange. Reestablishing the relationship is important for both individual customers and employers. Evaluations demonstrate that UI claimants who receive job search assistance and other services shortly after or even before job loss find new jobs faster, shortening the length of unemployment for workers and reducing the costs of UI for employers.

Some states have begun to explore creative solutions for bridging UI and reemployment services. For example, Missouri's new Auto-Match System speeds up the referral of UI claimants to job openings available through the state's one-stop center system. Shortly after a UI claim is filed, information is extracted to match the UI claimant with job openings and is shared with one-stop centers. Missouri's system is simply one example of many promising technological and other solutions that are needed to reestablish the historically close connection between UI and the public labor exchange.

6) Clarify administrative structures at the state and local levels. As this chapter has discussed, three approaches to administration of workforce programs have emerged during the last two decades:

1) joint state administration of ES, WIA, and other workforce programs (most common in small states with a single workforce area),
2) divided administration with state-driven ES and locally driven WIA programs (most common in most medium and large states), and
3) devolved oversight of Wagner-Peyser Act staff and/or resources to local authorities.

Few, if any, evaluations have established any relationship between administrative structure and overall performance. Nevertheless, case studies and other qualitative research suggest that divided oversight of staff in local one-stop centers tends to create inefficiencies and perpetuate barriers to smooth coordination of services for customers. To improve public partnerships in one-stop centers, states and their local partners should have flexibility to pilot and promote models of unified management of multiple workforce programs.

All of these options suggest future directions for a public institution that has experienced dramatic change over the last few decades. A powerful combination of flexibility, creativity, and commitment to reform are needed if the public labor exchange is to remain relevant in the competitive new marketplace for employment services.

Notes

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1. As of 2002, at least 28 states collected surtaxes through UI and used them for UI administration, ES administration, and training. At least five states had established reserve funds to pay for ES and UI administration and training.
2. Labor market information is the compilation and dissemination of data showing trends in the economy, labor market and occupations. The Bureau of Labor Statistics prepares national data, and units within each state workforce agency prepare state reports.
3. Governors can reserve 10 percent of the Wagner-Peyser Act state allocation to provide performance incentives, services for groups with special needs, and exemplary models of service delivery, including labor market information tools.
4. At least 33 states have combined most USDOL-funded programs (such as ES, UI, WIA, veterans, and the Trade Act) in a single agency.

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