



B-179083

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Evaluation Of
Comments On Report On
Problems In Filling Job Orders
And Placing Job Applicants
In Massachusetts

Department of Labor

*BY THE COMPTROLLER GENERAL
OF THE UNITED STATES*

MWD-75-49

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JAN. 23, 1975



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-179083

1 The Honorable Michael J. Harrington
House of Representatives

Dear Mr. Harrington:

As promised in our report to you entitled "Problems in Filling Job Orders and Placing Job Applicants in Massachusetts" (B-179083, Oct. 30, 1974), herewith is a copy of the Department of Labor's comments (app. II), received after the report was issued. Also included is a copy of the Massachusetts Division of Employment Security's comments (app. III). Our evaluation (app. I) covers matters discussed by both agencies.

2 Copies of this evaluation are being sent to the Secretary of Labor, the Director of the Massachusetts Division of Employment Security, and other members of the Massachusetts congressional delegation. CSY

Sincerely yours,

A handwritten signature in cursive script that reads "James P. Stacks".

Comptroller General
of the United States

EVALUATION OF DEPARTMENT OF LABOR
AND MASSACHUSETTS DIVISION OF EMPLOYMENT SECURITY
COMMENTS

JOB MATCHING

Both Labor and the Massachusetts Division of Employment Security (MDES) criticized the report's comparison of available job openings and job applicants using the first three digits of the Dictionary of Occupational Titles (DOT) number. They believed that these digits were inadequate for determining that a match existed or for making referrals.

As stated in our report (p. 13), except when an applicant first applies for employment services in a local office, MDES generally makes little attempt to match applicants and job openings. MDES personnel spend little time in file search, and the "active" applicant files contain many applications which are no longer current. We recommended that the applicant files be kept current to facilitate file search and to allow a quicker response to job orders.

As evidence that there may be qualified applicants for job openings, and the converse, we compared random samples of applicants and openings by three- and six-digit DOT codes. The results at the three-digit level are detailed in the report. At the six-digit level, there were 6 or more job openings for the majority of the 248 applicants in our sample. Even for the 126 applicants who received no referrals, there were 6 or more jobs in the same six-digit DOT code for 53 of them and 20 or more jobs for 24 of them. Even allowing for the fact that wages, experience requirements, and related factors may make some of these people inappropriate for some jobs, it nonetheless seems that many appropriate matches could be made if MDES personnel had accurate files and attempted to search through them.

Although Labor said our report suggested "automatic referrals" based solely on identical three-digit DOT codes, other parts of our report clearly show that this is not correct. For example, we recommended increasing staff knowledge of local industry, which would help interviewers make better referrals. Our report certainly does not advocate that job applicants be referred without their consent solely because of a DOT code match or that referrals should be made without the assistance of MDES personnel.

Labor "has found that the use of the first three digits of the DOT codes does not provide a sufficient basis for making

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referrals." MDES gave an example of a three-digit code which covers a wide variety of skilled occupations. We agree that, in some cases, a three-digit code may be too broad to use. However, the DOT codes are designed to represent the universe of all occupations nationwide. But, even in the comprehensive listing, many three-digit DOT groups include only one or two six-digit codes. This is likely to be even more pronounced at the local level because no locality will have as diverse an occupational mix as does the entire Nation. Therefore, in many cases, at the local level the six-digit codes may be no more specific than the three-digit codes.

For example, under the three-digit code 201 (secretary) there are only two six-digit codes (social secretary and secretary); under the three-digit code 202 (stenographer) there is only one six-digit code (court reporter, stenographer, and stenotype operator); and under the three-digit code 203 (typist) there are three six-digit codes (chief telegraphic-typewriter operator; vari-typist; and telegraphic-typewriter operator, typist, or wires-transfer clerk). In such cases, the difference between using a six-digit code and a three-digit code may not be important. Determining which, if any, of the active applicants may be suited to a specific opening involves considering wages, fringe benefits, experience, and other factors noted by Labor, but the first step is isolating the most likely possibilities. Labor uses DOT codes for this purpose.

Labor mentioned that the DOT numbers actually contain nine digits. Use of the last three digits of the DOT numbers is still experimental, and they are not used in Massachusetts.

PLACING UNEMPLOYMENT INSURANCE (UI) CLAIMANTS

Both Labor and MDES took issue with our conclusion that arrangements between local UI and employment service offices to coordinate referral and placement of UI claimants were ineffective and that management in this area needs improvement. MDES said that more research and analysis of the data would be needed to draw fair conclusions about the success of placing UI claimants versus nonclaimants.

As shown in the report, the referral rate for non-UI claimants was twice that for UI claimants and the placement rate was four times greater, based on our job order and applicant samples. Our discussions with four local employment service office managers and eight local office interviewers confirmed that local arrangements had little effect, and only limited efforts were made to review UI claimant files to "match" claimants with

available jobs. These facts indicate that improved management efforts are needed to place UI claimants in jobs.

MDES also implied that, because it merely administers the various Federal and State statutes, these statutes themselves may be part of the problem. Nothing in the law prevents MDES from referring more UI claimants to appropriate job openings and disqualifying from UI those claimants who refuse to take interviews or accept offers of suitable employment (as determined by the Director, MDES). Existing statutes, in fact, require this.

There are disincentives to UI claimants to seek jobs as actively as do nonclaimants, and we plan to evaluate this matter further--as suggested by the State--as part of a larger review of the Federal/State employment service.

EXTERNAL FACTORS LIMITING PLACEMENTS

Both Labor and MDES indicated that high unemployment in Massachusetts limits placements. Labor pointed out that there was an overall inadequate demand for workers. MDES indicated that there were only about 8,000 job openings for about 33,500 insured unemployed in the Boston area.

The first two statements do not explain why MDES had the Nation's poorest record in filling available job openings. It might be difficult to place a high proportion of applicants during a period of high unemployment, but it should be easier to fill job orders because there is a larger job applicant pool. As shown on page 6 of our report, MDES was not referring applicants on file.

Regarding the MDES comment that there were only about 8,000 jobs available in the Boston area, most employers do not list a majority of their job openings with MDES, as pointed out in our report, and so in reality there were far more than 8,000 jobs available. In fact, getting job openings listed is one of MDES' biggest problems. The press indicates that MDES recently reported that it had received for listing only about 20 percent of the available job openings in the State.

Labor indicated that many of the jobs listed were hard to fill because of high skill level required, unattractiveness, or low pay. As stated in the report, if the active applicant files were current and MDES would carry out adequate file search, referrals to many of these jobs could probably be made.

Labor indicated that many employees are waiting to be called back to their former employers and are not actively seeking work. However, employees with an expected date of recall account for

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about half of the 20-25 percent of UI claimants in certain categories who are not generally required to register with the employment service. Therefore, these individuals were not included among those covered by our review. Further, it seems reasonable that UI claimants in these categories who voluntarily register are actively seeking other employment.

Labor commented that another negative external factor was a forced diversion of MDES employment service staff to process an increased number of UI claims. Labor did not mention that MDES also suffered other staffing reductions in recent years through Labor's allocating operating funds to State employment service agencies by a formula that rewarded above-average-performing States and penalized below-average ones.

INCREASED PRODUCTIVITY IN FISCAL YEAR 1974

Both Labor and MDES stated that placements and placement productivity increased in fiscal year 1974. Our review was made during fiscal year 1974, and the latest available data--on the first half of fiscal year 1974--was included in the report.

Labor indicated that employment service grant fund placements of individuals per man-year of effort increased by 42.3 percent, from 72.6 in fiscal year 1973 to 103.3 in fiscal year 1974. However, Labor did not count placements of individuals funded under other programs, such as the Work Incentive and Concentrated Employment programs, nor did it include the effort devoted to these placements. Labor's calculations, therefore, do not include the total MDES placement activity.

The annual reports submitted by MDES to Labor on total MDES placement activity for both fiscal years showed an increase in productivity of 22.4 percent, from 60.6 to 74.2 placements of individuals per man-year of effort. This data includes total placements of individuals and total man-years of effort regardless of program funding, thus eliminating any bias in attempts to allocate effort among various programs with the same goal--placement of people in jobs.

MDES provided data showing that total placements had increased from 91,420 in fiscal year 1973 to 104,755 in fiscal year 1974. However, these figures represent placement transactions and include individuals placed more than once in a given period as well as mass agricultural placements. According to MDES reports to Labor, the actual number of different individuals placed in jobs was 47,356 in fiscal year 1973 and 63,346 in fiscal year 1974.

NATIONAL PERSPECTIVE

MDES was concerned that the report did not include an appropriate national perspective. It pointed out that the employment service has several missions and has been faced with changing functions and priorities. While we agree, this is obviously not unique to Massachusetts but is a national problem.

In the report we compared MDES' performance in terms of (1) total placements per man-year, (2) proportion of job openings filled, and (3) proportion of applicants placed to that of all States and Washington, D.C., States with comparable unemployment rates, and other populous States. We believe these comparisons provided a national perspective.

STANDARDS FOR SUCCESS

MDES disagreed with our "general negative conclusions" because it did not believe that the report provided any standards for "success." As with many public programs, providing specific measures for success is difficult. Therefore, we compared MDES' performance with that of all other States. As shown in the report, MDES ranked low on several measures. Beyond this, we believe that factors such as (1) MDES fills only 24 percent of its job openings, (2) MDES places only 20 percent of its job applicants, and (3) many employers do not use its services extensively--even though they are free of charge--because of dissatisfaction with MDES' performance support our conclusion that MDES has many management problems to overcome.

GAO RECOMMENDATIONS

Both Labor and MDES indicated that, in general, action has been taken on our recommendations to improve MDES placement activities. Most of these actions, dealing with the purging of applicant files, improving the accuracy of data in the files, increasing job matching, increasing referrals and making them more timely, increasing job development efforts, and specializing personnel by occupation, were taken after our review was completed. These actions, if taken properly, will help improve MDES' placement performance.

U.S. DEPARTMENT OF LABOR

OFFICE OF THE ASSISTANT SECRETARY
WASHINGTON, D.C. 20210



NOV 4 1974

Mr. Gregory J. Ahart
Director
Manpower and Welfare Division
U. S. General Accounting Office
Washington, D. C. 20548

Dear Mr. Ahart:

We have reviewed the draft report, "The Massachusetts Division of Employment Security: Problems in Filling Job Orders and Placing Job Applicants." We generally support the seven basic recommendations of the subject report. These recommendations are consistent with Department of Labor and Massachusetts State Agency policies and reflect sound management practices.

However, we have three basic criticisms of your draft report:

1. Some negative conclusions are presented without substantiation.
2. The adverse impact of external factors was not accounted for.
3. Insufficient recognition is given to the substantial improvement in the agency's placement performance since FY '73 and the actions already taken by the agency pertaining to the recommendations of the report.

Your report concludes that the agency does not adequately match applicants with available job openings, based on the first three digits of the nine-digit Dictionary of Occupational Titles (DOT) codes. The Department of Labor has found that the use of the first three digits of the DOT code does not provide a sufficient basis for making referrals. Those three digits would cover a broad array of occupations with an equally broad level of skill required. The use of automatic referrals of this type would undoubtedly result in underqualified and overqualified applicants being referred to employers. This is a situation we try very hard to avoid in the Employment Service.

Many factors determine whether referrals should be made, e.g., competitiveness of the employers' wages, working conditions, fringe benefits, upward mobility, accessibility to public transportation, education, and work experience. Unfortunately, none of these were analyzed prior to your conclusion that inadequate matching took place.

[29]

On page 41 the report states that the agency has made provision for local [See GAO Employment Service (ES) and Unemployment Insurance (UI) staff to coordinate efforts for the placement of UI claimants. The report further states that you believe these local arrangements possibly have little practical effect on placing UI claimants. Such a conclusion is unsubstantiated and is inconsistent with our knowledge of the success of these local arrangements.]

Your staff provides us with a very interesting case study of one employer, the Internal Revenue Service (IRS) in Andover, Massachusetts, which dramatically shows how high UI benefits in Massachusetts serve as a deterrent for UI claimants to accept new employment. While recognition is given to this disincentive, no estimate is made of its impact on the agency's placement performance. In FY '74, 35 percent of the agency's ES intake consisted of UI claimants and, therefore, the negative impact had to have been significant. In case there is any misconception about it, the DES does not prescribe the UI benefits to be paid, rather it administers the State laws which are enacted by the legislature. The agency has recommended legislation to improve the State UI program, some of which will have a positive effect on placement activity.

The State's high unemployment rate should have been recognized as a negative external factor, but in fact you conclude (page 34) that it should have been [24] a positive factor for placement. We cannot agree for the following reasons:

1. There was an overall inadequate demand for workers.
2. Massachusetts is a highly unionized State, where collective bargaining agreements typically include call-back provisions. Thus, newly laid off employees frequently wait some time before actively seeking other employment and employers cannot and do not advertise many of their jobs.
3. In times of high unemployment, available openings are frequently in "hard to fill" jobs, either because of high skill level or the unattractiveness of the job and low wages.
4. The disincentive generated by high UI benefits.

Another negative external factor was the necessity for the agency to function with a 17 percent reduction in ES grants staff brought about primarily by the forced diversion of resources to process the increased number of UI claims. The 17 percent reduction in staff, combined with a 7 percent increase in new and renewed applicants, forced local office staff to cut corners in order to provide at least minimum placement services.

In spite of the added difficulties placed on the agency by its reduced staffing and worsening labor market conditions, the agency did improve its placement performance in FY '74. The total number of ES grants individuals placed increased from 42,990 to 50,930 (18.5 percent) and the productivity

GAO note: Numbers in brackets refer to the final report.

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of the staff increased from 72.6 to 103.3 (42.3 percent), Improvement of this magnitude should have a prominent place in your report.

Below are our comments on your specific recommendations for the Massachusetts DES:

1. Purge active files in accordance with DOL guidelines. The agency has complied with our guidelines on applicant purging. Automatic inactivation occurs where there has been no service for 90 days. A special statewide purge of veterans' files during the last quarter of FY '74 was completed based upon individual responses to questionnaires. Nationally we have recently issued optional procedures for State agencies to further reduce their active file.

[17] 2. Improve the accuracy of data in the active files. Your report note, [See GAO (page 25) summarizes the findings of our April 1973 validation of the P. 9.] Massachusetts ESARS. It should be noted that most of the problems found at that time have already been corrected by the agency.

Within the next few months our Boston Regional Office will review the agency's computer and local office active file maintenance. This review will identify any continuing file discrepancies, their causes, and corrective action, if necessary, will be taken by the State agency.

3. Increase efforts to match applicants with available job openings.

4. Increase the number of applicant referrals to unfilled jobs and insure that timely referrals are made. These two recommendations are interrelated. As we indicated above, we do not agree that the State agency should arbitrarily increase its referral of applicants on the basis of the DOT code. Job matching is much more complicated than that.

The statistics on your sample of job orders and applicants on the surface indicate improved performance is warranted. However, additional investigation would be necessary before making any definitive judgments.

5. Increase job development activities through the use of employer service representatives and local office personnel. An employer services improvement program has begun. Initially, the program will be installed in Worcester, Brockton and Quincy. A fourth site will cover Waltham, Newton, Woburn and the 128 Professional Placement Centers. Additional sites are being planned. The following are key elements in the program:

a. An ad hoc committee of representative community employers, which identifies problems and recommends improvements in ES operations and relations with employers. This involvement of a prestigious employer group

is a result-oriented working relationship, on an as-needed basis, has been shown to offer the ES both the information feedback and the community support which are necessary to initiate constructive change in the delivery of ES services.

b. A local ES manager who is supportive of the project's means and ends. Management styles in most offices reflect the downward communication pattern of traditional ES procedures, with no upward feedback from staff. To be effective, the ES manager must develop his most important resource, local ES staff. The manager also must possess the skills necessary for maintaining productive relationships with the employer community.

c. A task force of local ES staff, which develops workable solutions to the problems presented by the employers. Involvement of a staff task force in planning and implementing change has been a key factor in increasing local ES morale and productivity, as well as in reducing potential staff resistance to change. The product of task force efforts is a Plan of Action that reflects local ES inputs from all functional levels, and that details those recommended changes that will be implemented by the local office in an effort to respond more effectively to employers' needs.

d. A system of support to the local ES manager from each level in the ES structure. In order to assist the local ES to become truly responsive to local needs, district and State levels must communicate their support to local offices: i.e., they are interested; they are listening; they will help. Similarly, regional and national levels of the ES also meet support and assist the State in making necessary changes.

e. A catalyst, or change agent, who knows the Employment Service, and who provides the impetus and technical assistance for implementing an effective problem. The change agent serves as both liaison and catalyst for bringing the interested parties together in the coordinated and phased ESIP process, during which the change agent also imparts the techniques necessary for continuing the process and ensuring ES responsiveness.

We believe there is some misunderstanding about what is considered "job development activity." We consider that to mean the efforts toward obtaining a job for a specific individual. If the individual is placed in a job which was not already listed with the agency, then and only then is the opening considered to have been as a result of a job development contact. Job openings generated by the agency's Employment Service Representatives are not counted as such. Therefore, your report (page 31) seriously understates the [21] level of job openings generated via direct contact with employers versus [See GAO employers calling openings directly into the job bank. note, p. 9.]

6. Consider specialization of local office personnel in specific areas. The recommendation is consistent with existing DOL policy and State agency practice. Specialization of staff already exists in several locations in

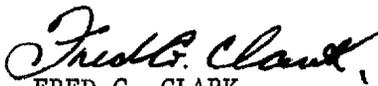
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the Boston metropolitan area where this can be justified on a volume basis. In smaller locations specialization as you suggest is not possible.

7. Improve management efforts to place unemployment insurance recipients. The Massachusetts agency will continue to be concerned with the placement of greater numbers of UI claimants. However, we do not agree that the State agency is primarily responsible for the relatively poorer rate of placement for claimants vs. nonclaimants. Department of Labor has given the agency a positive incentive to increase its placement of UI claimants via our Balanced Placement Formula allocation of national ES funds.

The review of any State employment service is a difficult, complex matter. Our comments have been made with the intention of providing greater balance and additional information for your report. Our Boston Regional Office participated in the development of our comments and will be primarily responsible for follow-up and appropriate action with the Massachusetts agency.

Sincerely,



FRED G. CLARK

Assistant Secretary for
Administration and Management



The Commonwealth of Massachusetts

Division of Employment Security

Charles F. Harley Employment Security Building

Government Center, Boston, Mass. 02114
September 27, 1974

Office of the Director

Mr. Elmer B. Staats
Comptroller General of the
United States
General Accounting Office
441 G Street, N. W.
Washington, D.C. 20548

Dear Mr. Staats:

We appreciate the opportunity to comment on Report B-179083 concerning the Massachusetts Division of Employment Security. It is difficult in a short letter, however, to do justice to some three manyears of diligent effort that went into the preparation of this report.

This Division was pleased to have GAO evaluate the Employment Service program in Massachusetts and the sincere interest of Congressman Michael J. Harrington who requested the study. It is our firm belief that the U. S. Employment Service has long been the neglected stepchild of Federal manpower efforts, and its effectiveness should be an important item of national concern. Although the Employment Service is the largest Federal manpower program in terms of the number of employers and workers served, its basic authorizing legislation (the Wagner-Peyser Act) has not been updated since 1933. No Congressional hearings on Employment Service effectiveness have been held for many years, and according to project staff no GAO evaluation has been performed within recent times.

National perspectives

Unfortunately, the report does not include appropriate national perspectives in evaluating the 100% federally financed Employment Service program. Quoting from a 1974 study by the U.S. Department of Labor of our sister agency in Colorado:

"this Agency, like many others, has been caught up in the multi-directional pressures brought on by the proliferation of manpower programs during the last ten years."

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"Manpower program requirements have been placed on the Agency by at least 23 Federal statutes, 11 Executive Orders and 20 or more major operating programs. In addition, the CDE [Colorado Division of Employment] has been subject to continuing changes in its basic administrative processes--ESARS, the Cost Accounting System, and MODS have all been introduced during this period."

These same problems were covered in a 1971 U.S. Department of Labor assessment of the U.S. Employment Service which concluded that:

"The new programs and responsibilities of the '60's have presented an immense administrative burden. Each new program usually meant:

- Changed priorities
- Staff adjustments
- Additional reports
- New state and federal pressures
- More meetings, conferences, etc.

and sometimes entirely new functions. Since 1960, 2,300 programs and administrative letters [were issued]-an average of one for every working day!"

The uncertainty of the role and mission of the U.S. Employment Service is an important one which no evaluation report should leave unaddressed. No public agency can be "all things to all people." Limitations of staff and resources will just not permit the Employment Service to accomplish universality of services. Priorities must be established by the Congress and the U.S. Department of Labor, and criteria for "success" must be defined.

Recommendations to the Congress are needed for a thorough updating of the 41-year old Wagner-Peyser Act since the labor markets of the 1970's are hardly similar to those of the 1930's. As Garth Mangum, a leading manpower researcher, has recently noted:

"Union hiring halls, federal, state, and local civil service commissions, company personnel departments, private employment agencies, temporary employment services, professional and trade associations, schools placing their own graduates . . . all compete in the arena which the public employment service had almost to itself in 1933." ¹

¹ Johnson, Miriam Counterpoint. Salt Lake City: Olympus Publishing, 1973.

Recommendations are also needed to institute an extensive program of research and experimentation in order to answer Mr. Mangum's tough questions, namely:

"What if there were no public employment service? What difference would it make? . . . It is to be supposed that the agency's general presence does make a difference, but there is no evidence."²

Simply dealing with the job matching process as if it were a clerical procedure is unsatisfactory in our view. The hard questions of priorities among various applicants and employers should not be left unaddressed.

Lowering the Unemployment rate

Congressman Harrington, in his letter requesting this study, indirectly raised the question of Employment Service mission when he stated that:

"In the face of these facts [high unemployment], it appears to me that the Division of Employment Security is poorly managed."

In other words, the Congressman is contending that the Employment Service program in Massachusetts should be able to lower the unemployment rate. Unfortunately, this hypothesis is not addressed in the report, and there is no discussion of either the adequacies or the deficiencies of job openings available to the unemployed in Massachusetts.

In general, it would appear that there are just not enough jobs or jobs of satisfactory quality to absorb the available labor force. For instance, in November 1973, the Boston SMSA (covering about one-half of Massachusetts) had only 7,879 job openings for 33,458 insured unemployed according to statistics collected for the Federal-State Job Openings Labor Turnover program. This shortage is, of course, compounded by mismatches in which the job vacancies demanded different or higher skill levels than were possessed by the unemployed workers.

However, we believe that a complete study of the Congressman's question would be desirable particularly in light of major national economic concerns about improving the trade-off between unemployment and acceptable levels of inflation (the Phillips curve). Can the Employment Service assist in reducing the trade-off between unemployment and inflation? If so, how should the Employment Service agencies implement such efforts and how can their success be measured? Recommendations should be made on these vital questions.

² Ibid.

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Unemployment insurance and the incentive to work

There is no doubt that compensation paid under the Federal-State program of unemployment insurance does result in some disincentive to work, particularly at jobs paying considerably lower wages than the worker has received in the immediate past. In fact, that very phenomenon has long been recognized as one of the major objectives of the program. By providing temporary income support, an individual is afforded an opportunity to seek employment consistent with his past work history, and not end his job search to take the first available job, regardless of pay rate.

Nevertheless, we do feel that the problem of strengthening the work incentive while preserving the many worthy features of the U.I. Program is an important policy issue of national dimensions. We believe that recommendations should be made to the Department of Labor to begin addressing this issue through large scale research and experimentation projects. Similar issues have been researched in the public welfare arena through the New Jersey Income Maintenance Experiment and other smaller efforts. No similar attention has been given to U.I. One example for study would be the effect of varying the ratio of payment levels to average wages. While the Massachusetts ratio is much higher than some other States, no one really knows its effect on the incentive to work, if any. Another possible area for experimentation would be "front-end loading" the weekly benefit amounts in order to increase the early payments and gradually decrease the later ones. This concept has been proposed as a device for strengthening the work incentive.

Case Study: Internal Revenue Service Center

We believe that including the "case study" of the Internal Revenue Service Center is very appropriate to any evaluation of Employment Service performance. Certain employers use the Federal-State UI system as a means of compensating their part-year workers during slack seasons. This practice is particularly common in style-oriented industries. Employers such as IRS actually encourage their workers not to accept full time year-round employment in other industries.

Naturally these practices are totally outside the control of MDES and can only be curbed through appropriate legislation. We believe that such a recommendation should be included in the report.