

Y4

.Ed 8/1

Em 7/9

GOVERNMENT

Storage

Doc. Exp.

[COMMITTEE PRINT]

THE ROLE AND MISSION OF THE FEDERAL-
STATE EMPLOYMENT SERVICE IN THE
AMERICAN ECONOMY

REPORT PREPARED BY THE
SUBCOMMITTEE STAFF

TO THE
SELECT SUBCOMMITTEE ON LABOR

COMMITTEE ON EDUCATION AND LABOR
HOUSE OF REPRESENTATIVES

EIGHTY-EIGHTH CONGRESS

SECOND SESSION

KSU LIBRARIES



✓
A11900 985389

5 Congress
2



DECEMBER 1964

Printed for the use of the Committee on Education and Labor

ADAM C. POWELL, *Chairman*

U.S. GOVERNMENT PRINTING OFFICE

40-748

WASHINGTON : 1965

COMMITTEE ON EDUCATION AND LABOR

ADAM C. POWELL, New York, *Chairman*

CARL D. PERKINS, Kentucky	PETER H. B. FRELINGHUYSEN, New Jersey
PHIL M. LANDRUM, Georgia	WILLIAM H. AYRES, Ohio
EDITH GREEN, Oregon	ROBERT P. GRIFFIN, Michigan
JAMES ROOSEVELT, California	ALBERT H. QUIE, Minnesota
FRANK THOMPSON, JR., New Jersey	CHARLES E. GOODELL, New York
ELMER J. HOLLAND, Pennsylvania	DONALD C. BRUCE, Indiana
JOHN H. DENT, Pennsylvania	JOHN M. ASHBROOK, Ohio
ROMAN C. PUCINSKI, Illinois	DAVE MARTIN, Nebraska
DOMINICK V. DANIELS, New Jersey	ALPHONZO BELL, California
JOHN BRADEMAS, Indiana	M. G. (GENE) SNYDER, Kentucky
JAMES G. O'HARA, Michigan	PAUL FINDLEY, Illinois
RALPH J. SCOTT, North Carolina	ROBERT TAFT, JR., Ohio
HUGH L. CAREY, New York	
AUGUSTUS F. HAWKINS, California	
CARLTON R. SICKLES, Maryland	
SAM GIBBONS, Florida	
THOMAS P. GILL, Hawaii	
GEORGE E. BROWN, JR., California	

LOUISE MAXIENNE DARGANS, *Chief Clerk*

RUSSELL C. DERRICKSON, *Staff Director*

Dr. DEBORAH PARTRIDGE WOLFE, *Education Chief*

LEON ABRAMSON, *Chief Counsel for Labor-Management*

PHILIP R. RODGERS, *Minority Clerk and Counsel*

CHARLES W. RADCLIFFE, *Minority Counsel for Education*

SELECT SUBCOMMITTEE ON LABOR

ELMER J. HOLLAND, Pennsylvania, *Chairman*

JAMES G. O'HARA, Michigan	DONALD C. BRUCE, Indiana
DOMINICK V. DANIELS, New Jersey	M. G. (GENE) SNYDER, Kentucky
ROMAN C. PUCINSKI, Illinois	ROBERT TAFT, JR., Ohio
GEORGE E. BROWN, JR., California	

Dr. R. E. L. KNIGHT, *Director*

LETTER OF TRANSMITTAL

DECEMBER 23, 1964.

HON. ADAM C. POWELL,
*Chairman, Committee on Education and Labor,
House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: Transmitted herewith is a staff report of the Select Subcommittee on Labor entitled "The Role and Mission of the Federal-State Employment Service in the American Economy."

This report has been prepared by R. E. L. Knight, director of the subcommittee, in consultation with Prof. Curtis C. Aller, of the Department of Economics, San Francisco State College. Professor Aller served as director of the subcommittee from May 1963 to September 1964. During his period of tenure with the subcommittee, its study of the Federal-State employment service was initiated, and extensive hearings were held.

Since I am strongly of the opinion that legislation designed to strengthen the employment service should receive a high priority on the subcommittee's agenda in the next session of the Congress, I instructed the subcommittee staff to analyze the large volume of information developed in our July-August 1964, hearings, as well as other available material concerning the employment service. The purpose of this analysis was to identify those problems of the employment service, as revealed by the subcommittee's study, for which legislative solutions should especially be considered by the Congress.

I believe that this staff report will be very helpful to members of the Committee on Education and Labor, and to other Members of Congress, in portraying for them the problems that appear to call most urgently for effective attack, if the Federal-State employment service is to play its proper role in the critical effort to develop and fully utilize the Nation's manpower resources. The report, however, should not be interpreted as necessarily representing the views of the subcommittee as a whole, or of its individual members.

Sincerely,

ELMER J. HOLLAND,
Chairman, Select Subcommittee on Labor.

III



LETTERS OF THE BISHOP

TO THE CLERGY

OF THE DIOCESE

OF BIRMINGHAM

IN THE YEAR

1850

BY

THE BISHOP

OF BIRMINGHAM

AND

OF THE DIOCESE

OF BIRMINGHAM

IN THE YEAR

1850

BY

THE BISHOP

OF BIRMINGHAM

AND

OF THE DIOCESE

OF BIRMINGHAM

IN THE YEAR

1850

BY

THE BISHOP

OF BIRMINGHAM

AND

OF THE DIOCESE

OF BIRMINGHAM

THE ROLE AND MISSION OF THE FEDERAL-STATE EMPLOYMENT SERVICE IN THE AMERICAN ECONOMY

I. INTRODUCTION AND SUMMARY

The United States today has no domestic problem which is more urgent than that of conserving, improving, and fully using the Nation's human resources. If poverty is ever to be eliminated in America, and if our pace of economic progress is not to fall behind that of other industrialized countries, we must commit ourselves to maintaining an active, positive manpower policy. This policy will be designed to assure that American workers are soundly trained in the complex skills required by a modern society, that they are retrained as rapidly changing technology creates demand for new skills and shrinks demand for old, and that they are placed in productive work in an economy operating at a level of full employment.

As the Nation moves vigorously to attack its manpower problems, it must rely—first and foremost—upon the Federal-State employment service system as an agency which will press this attack at the operating level of the local community. Programs that are broadly framed by Congress have to be carried out through day-to-day activity in cities and towns throughout the country. The Federal-State employment service, with its present network of approximately 2,000 local employment offices, is clearly the chief instrument through which national manpower policy decisions can be rapidly and efficiently translated into operational reality.

It was appropriate, accordingly, for the Select Subcommittee on Labor to undertake a wide-ranging study of the public employment service. Through this study, the subcommittee's intention was to shed light upon these urgent questions:

What are the responsibilities that the employment service should bear in carrying out its important role in the Nation's effort to maintain an adequate manpower policy?

What are the resources that the employment service must be given, if it is to be able to meet these responsibilities?

What are the most important problems that may presently restrict the employment service's ability to fill its assigned role with maximum effectiveness?

To develop answers to these questions, the subcommittee held extensive hearings during July and August of 1964—the first such congressional hearings, for more than 30 years, that have been directed specifically toward employment service issues. Many of the country's leading authorities on employment and manpower problems presented their testimony. On the opening day of the hearings, the subcommittee benefited from a roundtable symposium discussion by a

group of notably distinguished labor economists: Profs. E. Wight Bakke, of Yale University; George Shultz and Arnold Weber, of the Graduate School of Business, University of Chicago; John Dunlop, of Harvard University; Arthur Ross, of the University of California; and Richard Lester, of Princeton University. The symposium afforded the members of the subcommittee an exceptional opportunity to receive a variety of expert views on the employment service, and observe these views being tested and analyzed in face-to-face discussion among the participating economists. In following days of hearings, the subcommittee heard testimony from other outstanding university scholars, as well as from leading Federal and State employment security agency officials, business executives, labor representatives, and others. The views presented by the witnesses who appeared personally were supplemented by additional statements gathered by the subcommittee staff from a large number of individuals well qualified to offer insights into employment service problems. Experts in such areas as counseling and vocational guidance, rehabilitation of the physically and mentally disabled, manpower training, youth employment problems, and vocational education submitted written statements for the subcommittee's printed record.

From this study of the employment service, the most comprehensive that has yet been undertaken by a congressional committee, a number of problem areas have been identified. Each of these is discussed in detail in the following pages of this report. The conclusions reached will be briefly summarized here.

1. Since 1933, the Federal-State employment service system has operated under the authority of the Wagner-Peyser Act. Broad and flexible though this act has proven to be, it does not adequately identify the employment service as a manpower agency which must carry out many important functions other than direct placement service to workers seeking jobs and employers seeking workers. The active manpower policy which has evolved in the United States since 1961 calls for the employment service to receive a new legislative charter, or mandate, which clearly indicates the wide range of responsibilities that the Congress is assigning to the service.

2. Acute present and prospective shortages of capable trained personnel, particularly in such professional occupations as counseling, labor market analysis, and occupational analysis, threaten to damage the employment service's capacity for discharging its responsibilities as a manpower agency. Legislation specifically directed toward alleviating these personnel shortages requires consideration by the Congress.

3. The problems of inadequate salaries in the State employment services, large discrepancies in salary levels for the same class of employee from one State to another, and marked differences among the States in minimum standards of qualification for professional employment service positions call for further study by the Congress, through its appropriate committees. Serious difficulties in recruiting and retaining competent staffs appear certain to continue to harass the Federal-State employment service, if imaginative and effective steps are not eventually taken to bring about more adequate and uniform levels of salaries and standards of qualification in the State agencies.

4. The public employment service, particularly through the initiative exercised by the U.S. Bureau of Employment Security with the encouragement of the Kennedy-Johnson administration, has made significant progress in recent years toward erasing its image as a system of "unemployment offices," whose primary purpose is to distribute unemployment compensation benefit checks. One of the most important and effective steps taken toward eliminating this unwarranted image has been that of physically separating unemployment insurance and employment service offices in the Nation's larger metropolitan areas, as well as establishing specialized employment offices for the more efficient placement of professional, clerical, and other separately identifiable occupational categories of workers. The employment service's efforts to remove the "unemployment office" image should enable it to be more effective in meeting the manpower responsibilities Congress has assigned to it.

5. A major responsibility of the Federal-State employment service is the provision of special services to inexperienced youth, the physically handicapped, members of racial minority groups, and other disadvantaged workers who have particularly difficult employment problems. These essential services, which are directed specifically at reclaiming significant segments of the Nation's manpower, are relatively costly by comparison with standard job placement services for the majority of workers. Serious consideration should be given to the desirability of supporting these special services to the disadvantaged, as well as other employment service activities that are only indirectly related to the unemployment insurance program, out of general Federal revenues rather than out of the Federal unemployment insurance tax.

6. The interstate clearance process of the Federal-State employment service, whereby jobs and workers are matched across State lines, can and should be of great value in fostering geographical mobility in the American labor market, alleviating local labor market shortages and surpluses, and generally improving the utilization of the Nation's manpower. To date, however, the interstate clearance process has not been developed to an adequate level of effectiveness. It appears clearly desirable to consider legislative steps which would assign primary responsibility for this process to the U.S. Employment Service, in order to assure a nationally coordinated, centrally directed attack on the technical difficulties involved in the interstate clearance of jobs and workers.

7. In dealing with the problem of shortages of capable employment service personnel, the Congress should consider taking action to enable experienced staff members of the various State employment security agencies to transfer from one State to another, and between State agencies and the U.S. Bureau of Employment Security, without loss of job status, seniority, and accumulated benefits. Such freedom of transfer will help prevent the loss, to the national system as a whole, of capable personnel who have gained experience in one State, but who are unwilling—upon moving to another State—to reenter the employment service at usual entry levels of salary and responsibility.

II. THE NEED FOR STUDY OF THE FEDERAL-STATE EMPLOYMENT SERVICE

This study of the Federal-State employment service system is a logical sequel to the subcommittee's previous activity. This subcommittee is the successor to the former Subcommittee on Unemployment and the Impact of Automation, of the House Committee on Education and Labor. That subcommittee, also under the chairmanship of Representative Elmer J. Holland, held extensive hearings in 1961 on the Nation's manpower problems, placing particular emphasis on the difficulties facing workers with skills rendered obsolete by technological change. From these hearings, and related hearings in the Senate, there emerged the Manpower Development and Training Act of 1962—a major legislative act which broke new ground in this Nation's present movement toward proper conservation and utilization of its manpower resources. During 1963, the Select Subcommittee on Labor held additional hearings which led to a number of important amendments to the act. These amendments were enacted into law in December 1963.

The relevance of this previous legislative activity to the public employment services lies in the fact that the Manpower Development and Training Act of 1962, as amended, makes the employment service the key operating agency charged with carrying out the purposes of the act. It is the public employment service which bears the primary responsibility, under this act, for identifying those occupations in which workers shall be trained or retrained, with reasonable expectations of training-related employment. It is the employment service which has been given the duties of selecting those who are to be trained in these occupations, of referring them to approved training facilities, and of helping them to find employment which utilizes the training they have received.

Not only the Manpower Development and Training Act but, also, other recent legislation of the Congress, brought the employment service into the spotlight as a critical agency for carrying out national manpower policy. There has been, in fact, a strong new surge of interest in manpower problems—in academic, educational, management, and labor circles, and in the Congress—which has been increasingly evident since 1957.

In 1957, the Soviet Union launched its first space satellite, just as the United States slipped into its third postwar recession. That recession, though short lived in itself, left the Nation with an unemployment rate that has stubbornly remained at 5 percent or higher, in virtually every single month of the past 7 years. Both the evidence of Soviet progress in enlarging its supply of first-rate scientists and highly skilled technicians, and our own persistent inability to reach full utilization of our human resources, led to a marked increase in concern over manpower. The first major legislative result of this con-

cern was the National Defense Education Act of 1958. This act was the foundation stone of our long-range response to the challenge of highly educated Soviet scientific manpower, just as the Manpower Development and Training Act of 1962 initiated our response to the problem of inadequate training and underutilization of American manpower generally.

During the years 1958-64, these two acts have been accompanied by others which focus upon our manpower problems and which place heavier duties upon the Federal-State employment service system. The most important of these acts include: The Area Redevelopment Act of 1961, which initiated, on a relatively small scale, the worker-training programs for which the employment service, in cooperation with the schools, bears a major responsibility; the Vocational Education Act of 1963; and the Economic Opportunity Act of 1964.

Another reason for the subcommittee's decision to study the employment service lay in the rather startling fact that, ever since the creation in 1933 of the service by the Wagner-Peyser Act, there has been no occasion on which the Congress has taken a thorough, penetrating, comprehensive look at this important institution. The employment service has been left by Congress to operate under an act passed a generation ago, and amended in only minor respects since. Meanwhile, the complexity of our economic system has increased; the labor force has grown tremendously; the nature of our economic and social problems has changed greatly; and—it is important to note—the standards of achievement that Americans expect their economic system to meet have risen. It seems probable that the public employment service system visualized by the framers of the Wagner-Peyser Act as appropriate for the America of the early 1930's may not be adequate for the America of the 1960's. Yet up to now, Congress has taken no action to describe, through new legislation, the dimensions of the modernized employment service required to meet the challenges of today's economic and social problems.

The Federal-State employment service system has not, however, remained static since the early 1930's. The language written into the Wagner-Peyser Act of 1933 was of a broad, general nature. To date, this language has not prevented the employment service from evolving in many ways to meet the needs of our changing economy. And, as this report has already noted, new legislative acts in the areas of manpower and education have assigned special responsibilities to the employment service that are not explicitly spelled out in the original Wagner-Peyser Act. Thus, the employment service has not been frozen since 1933 into the mold of a simple labor exchange—an agency, that is, which does little more than passively register workers seeking employment and take job orders from employers in need of workers.

Instead, the Federal-State employment service is a complex institution which performs a variety of important functions in addition to the task of direct job placement. As a manpower agency, the employment service has a wide range of responsibilities. It gathers, analyzes, and distributes labor market information. It provides aptitude testing and counseling to young people who have recently entered, or may soon enter, the labor market. It will emphasize this function increasingly as its programs for establishing Youth Opportunity Centers and counseling selective service rejectees get fully underway. It provides spe-

cial services to older workers, the physically handicapped, and others with unusually difficult employment problems. It works in cooperation with other public and private organizations to establish manpower development and training programs and has the responsibility for selecting the workers to be accepted for these programs. It carries out research and demonstration projects designed to cast more light upon manpower and unemployment problems, and to develop useful techniques for dealing with these problems. It assists other agencies whose programs involve manpower considerations—for example, immigration and tariff programs. It maintains a readiness to mobilize civilian manpower in case of defense emergency or civilian disaster—and has demonstrated its capacity to meet such crisis manpower needs.

However, the current legislative situation is not satisfactory. The specific duties imposed upon the employment service by the new legislation enacted in recent years have not been developed as part of an integrated plan which establishes the desired role of the service as a manpower agency. These duties have come to the service as bits and pieces of new laws that do not focus directly upon the employment service itself, but upon a complex of interrelated education, training, and general manpower issues. We have, therefore, an employment service which has recently been called upon to improvise rapid responses to a variety of instructions from Congress. But nowhere in this new legislation has Congress made a comprehensive statement of the full range of functions to be expected from a modern public employment service.

The Wagner-Peyser Act itself is permissive, but not explicit. That is, its terms of reference are general enough to have allowed the employment service to do labor market research, to provide extensive aptitude testing and counseling, to give special services to hard-to-place categories of workers, to advertise listed job vacancies, to counsel high school students planning to enter the labor market, and to perform many other functions. Nevertheless, the fact that the employment service's range of functions has not been restricted by the Wagner-Peyser Act is not sufficient reason for the act to be judged entirely satisfactory for the present day.

At least two major considerations indicate the need for new legislation. First, so long as the legislation governing the employment service fails to incorporate an extensive, explicit, and reasonably detailed statement of the duties Congress intends the employment service to carry out, there is always danger that some of these duties may not be provided for at all, or may receive only very inadequate provision. Desirable functions which the employment service has not been explicitly directed to carry out, by legislation, become solely the stepchildren of the appropriations side of the congressional machinery. Appropriations requested for such functions may be provided—but there is no legislative mandate which makes clear the intention of Congress that funds shall be made available for them. Hence, the employment service must face uncertainty, from year to year, over the possibility that desirable existing programs may be eliminated, simply because Congress has not explicitly made these programs part of the permanent, continuing responsibilities of the service.

Second, in the absence of a more explicit and detailed mandate for the employment service, it is exposed to frontal attacks by its op-

ponents, without adequate legislative bulwarks of support. The service will continue to find itself standing on the defensive against the attacks of those who argue that the service should undertake no activities which are not precisely spelled out in the Wagner-Peyser Act of 1933. From the standpoint of valid legal interpretation of the act, these attacks have no substance. Yet they inevitably develop a certain amount of support among members of the public who do not comprehend the real nature of the Wagner-Peyser Act and its place in relation to present-day manpower problems. Moreover, the circumstances under which the Wagner-Peyser Act was enacted have fostered unjustifiable—but nevertheless widespread and widely publicized—misunderstanding of the role it gives to the employment service. The act was passed in 1933 in the worst period of mass unemployment in American history. Accordingly, many people mistakenly view the Federal-State employment service as having been created solely in response to the extraordinary unemployment problem of the 1930's, and as having been given by Congress no legitimate function other than to serve the unemployed. Misunderstanding was further compounded by the role given the employment service with the passage of unemployment compensation laws.

In order to correct the misunderstanding that many people have concerning the legislative authority under which the Federal-State employment service is operating, it is important that Congress now provide a comprehensive and unmistakably clear statement of the major role it expects the service to fill in the Nation's urgent effort to deal with manpower problems. The need for such a statement was well expressed in testimony before the subcommittee by Prof. E. Wight Bakke, of Yale University, who has held since the early 1930's a reputation as one of the Nation's foremost analysts of labor market and employment problems:

The basic issue is what kind of operational field, unlimited or merely gap-filling, is required if the Employment Service is to play an effective role as a key element in a total positive manpower and public policy program * * *.

In my judgment * * * the Employment Service should receive a congressional mandate to develop its organization and operation in all the ways necessary to play a positive role in * * * a national manpower and employment policy * * *. This mandate should remove all possibility of insisting that its sole and limited clientele are the hard-to-place unemployed. It should remove any doubt that the operational field of the Employment Service is unlimited as to occupational, industrial, or geographical factors.

Finally, in order for the appropriations committees of the Congress, and others, to be able to appraise the effectiveness of the employment service, it is necessary that Congress first establish firm and clear guidelines as to the role, and the range of functions, which it expects from the service. Given these, Congress can then turn to the questions concerning the tools and resources the service needs in order to perform its assigned role. While the Wagner-Peyser Act does not constrict the employment service's present activities, neither does it provide the explicit guidelines that are needed to delineate the role Congress intends the service to have.

III. THE FEDERAL-STATE EMPLOYMENT SERVICE: A BRIEF DESCRIPTION

The Federal-State employment service system is operated by the employment security agencies of the 50 States, under the guidance and leadership of the U.S. Bureau of Employment Security.¹ The Bureau is a branch of the Manpower Administration, which, in turn, is one of the major divisions of the U.S. Department of Labor.²

Within the overall Federal-State employment security system, activities can be divided into essentially two categories: those involving the employment service, and those involving the unemployment insurance program. These are quite distinct. Indeed, there is no compelling reason why they should be carried on within the same organizational structure. The principal duties of those who administer the unemployment insurance program are to interview workers who are filing claims for unemployment compensation benefits, determine their eligibility for such benefits and the amount and duration of benefit payments to which they are entitled, hear and decide appeals from both workers and employers who may protest decisions qualifying or disqualifying individual workers for benefits, make payments of benefits, maintain elaborate sets of accounts for individual employers against whom benefit payments are to be charged, and determine the payroll tax rates applicable to individual employers under experience-rating provisions of State unemployment insurance laws. The duties of employment service personnel are of an entirely different nature, and involve a wide range of functions directed toward conserving, improving, and utilizing our manpower resources. The direct link between the unemployment insurance program and the employment service is the requirement that unemployed workers register with the employment service and demonstrate to the service that they remain continuously available for employment during the period in which they are receiving unemployment compensation benefits.

Although the unemployment insurance program and the employment service could logically be maintained by two entirely distinct, separate organizations, they have, for most of the years since the late 1930's been combined in one Federal-State employment security system. Among the 50 State employment security agencies, the organizational structure is not uniform, but each agency has responsibility for administering both the unemployment insurance and employment service programs. In the vast majority of the Nation's approximately 2,000 local public employment offices, unemployment insurance func-

¹ Employment security offices also exist in the District of Columbia, and in certain Federal territories, such as Puerto Rico, Virgin Islands, and Guam. To simplify the discussion, however, this report will refer to the public employment service system as consisting of the 50 State agencies and the Federal agency.

² The Manpower Administration is made up of three subdivisions whose functions are interrelated: the Bureau of Employment Security, the Office of Manpower, Automation, and Training, and the Bureau of Apprenticeship and Training. The Manpower Administration was created on Feb. 19, 1963, as a response to the increasing concern over the Nation's manpower problems that has been shown by the Kennedy-Johnson administration.

tions and employment service functions are carried on under the same roof. This intimate relationship has created obvious problems for the employment service, which will be discussed later in this report.

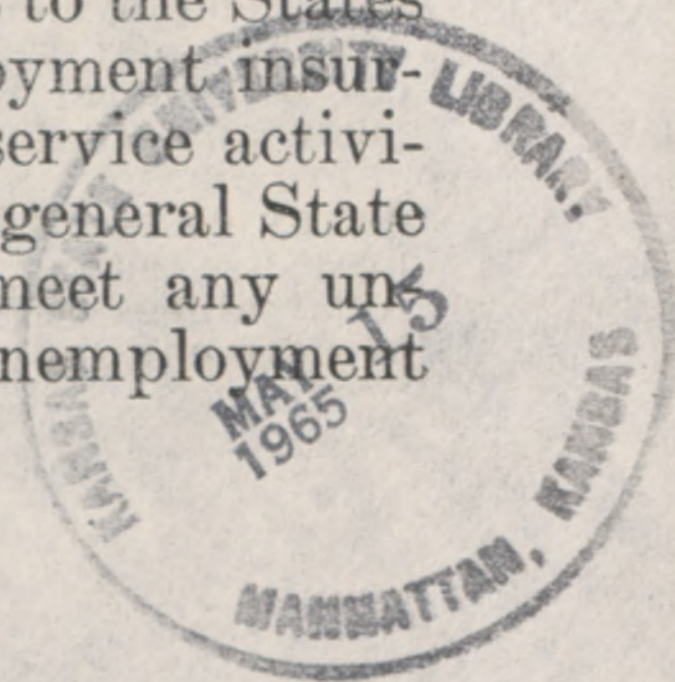
The Federal component of the system, the U.S. Bureau of Employment Security, has within it separate programs for unemployment insurance and employment service activities. A division of the Bureau, the U.S. Employment Service, has the responsibility for providing leadership and technical guidance, conducting operations research, evaluating performance, and coordinating the employment service activities of the Federal-State system.

The expenses for the administration of the overall Federal-State employment security system are provided by annual congressional appropriations. The funds appropriated are from the employment security administration account in the unemployment trust fund. The receipts of this account within the unemployment trust fund presently come from a 0.4 percent Federal payroll tax on the first \$3,000 of wages paid annually to each employee of those employers subject to the Federal Unemployment Tax Act. This 0.4 percent payroll tax is paid entirely by the employer; there is no tax upon the employee. For the 1965 fiscal year, receipts from the Federal unemployment tax were expected to be slightly over \$500 million.

Through fiscal 1965, the receipts from the Federal unemployment tax will be sufficient to meet the expenses budgeted for the Federal-State employment security system. Beginning with fiscal 1966, however, projected increases in State civil service salary scales, office space rentals, and other costs will make it impossible to finance even the present level of employment security agency operations out of the revenues expected from a 0.4 percent tax on the first \$3,000 of each covered employee's wages. The problem of financing the employment security system is one that will urgently require consideration by the Congress during 1965. But proposals for change in the Federal Unemployment Tax Act are not within the jurisdiction of the Select Subcommittee on Labor. This report will not discuss such proposals.

Of the Federal funds appropriated annually to administer the employment security system, only a very small proportion is spent directly by Federal authorities. For the 1965 fiscal year, the estimated budget of the Bureau of Employment Security itself is approximately \$13.5 million. By contrast, the estimated total requirement for operating the State employment security agencies is approximately \$455 million for fiscal 1965. Thus, of a total estimated cost of about \$469 million for the Federal-State employment security system in fiscal 1965, more than 96 percent represented expenditures to be made directly by the State employment security agencies, out of funds granted to them by the Congress.

The costs of maintaining the unemployment insurance program substantially exceed the costs of the employment service at the level of State employment security agency operations. For fiscal 1965, the approximately \$455 million in funds requested as grants to the States were to be divided as follows: \$237 million for unemployment insurance program activities; \$181 million for employment service activities; and the remainder, approximately \$37 million, for general State agency administration and the contingency fund to meet any unplanned extra costs. The allocation of larger funds to unemployment



insurance than to employment service activities reflects the heavy volume of unemployment compensation benefit claims processed, reviewed, and paid in the local employment offices of the State agencies.

At the Federal level, in contrast, by far the largest share of funds goes to employment service activities. The Bureau of Employment Security's fiscal 1965 budget estimate of about \$13.5 million was made up of approximately \$9 million requested for the U.S. Employment Service, covering farm and nonfarm programs, \$3.5 million for the unemployment insurance service, and \$1 million for general BES administration. The U.S. Employment Service is the major division within the Bureau of Employment Security, as measured by funds allocated and number of personnel.

In summary, the total estimated expenditures of the Federal-State employment security system for fiscal 1965 were to be allocated in the form of approximately \$241 million for unemployment insurance operations, \$190 million for the Employment Service, and \$38 million for general administrative and contingency expenses not separately assignable to the two programs.³

In the States, the number of personnel involved in the unemployment insurance program, as distinct from the employment service, is not precisely measurable—in part because some members on the staffs of most local employment offices are shifted back and forth between employment service and unemployment insurance duties, in response to seasonal fluctuations in the workloads of these two programs. Reasonably precise estimates are made, however. In accordance with the allocation of funds, the majority of State personnel are regularly assigned to unemployment insurance activities. The total number of budgeted positions on the staffs of the State employment security agencies in 1964 was approximately 56,300. Of this number, 23,600 positions were specifically designated for farm and nonfarm State and local offices employment service activities. The remainder were allotted to the unemployment insurance program and to general administration.

The Federal agency, the Bureau of Employment Security, had an authorized staff of approximately 1,140 in 1964. Of this total, about 750 positions were assigned to the U.S. Employment Service, farm and nonfarm activities. The assignment of the majority of BES personnel to the Employment Service reflects the fact that the Federal agency has much scope for providing leadership, research, occupational analysis and test development, and other technical assistance, for innovating policies and programs, and for playing a creative role generally in the evolving area of manpower development and utilization. The contribution it can make to the administration by the States of the unemployment insurance program is more limited, because State laws govern the operations of that program, within the broad framework of requirements of Federal law.

³ These figures are drawn from the estimated fiscal 1965 budget for regular Federal-State employment security operations. It should be noted that a relatively small amount of additional Federal financing is now being provided to the employment service system out of general revenues—chiefly from funds appropriated under the Manpower Development and Training Act. For fiscal 1964, State employment security agencies received approximately \$7.8 million in Manpower Development and Training Act funds to help defray costs of determining occupations for which training is needed, developing training projects, testing, selection, referral, and followup of Manpower Development and Training Act trainees. The U.S. Employment Service received nearly \$1 million for costs incurred in national and regional administration of the Manpower Development and Training Act program.

IV. PROBLEMS OF THE EMPLOYMENT SERVICE

During July and August of 1964, the Select Subcommittee on Labor held 13 days of hearings in Washington, and 1 day of hearings in Detroit, on the public employment service. The subcommittee also invited and received numerous written statements from State employment security officials, academic scholars, business executives, and others qualified to provide insights into employment service activities and offer recommendations concerning the proper role of the employment service. The testimony and written statements received, along with additional material developed by the subcommittee staff, serve as the basis for the following part of this report, which discusses the major problem areas identified in the subcommittee's study.

1. COUNSELING

Of all the functions performed by the public employment service, none has received more increased scrutiny in recent years than the function of counseling. The growing recognition that the employment service is the appropriate institution to act as a "manpower agency" for the Nation has inevitably brought into the center of the stage those activities of the service which are designed to improve the use of our manpower resources. The counseling that is provided job-seekers in local employment offices across the country is an especially critical activity. If provided in adequate quantity—and quality—it can contribute greatly toward giving workers a better understanding of their occupational abilities and interests, and their capacities to be trained and retrained for specific occupations. It can give workers better insights into the personal and other problems which may have handicapped their efforts to find satisfactory employment, and can offer them guidance in coping with these problems. It can provide workers with sound information, based on a nationwide program of labor market research, concerning the occupations, industries, and geographical areas in which there will be increasing need for qualified people. It can encourage workers who face current or imminent unemployment, by virtue of having been attached to industries, occupations, and labor market areas with shrinking demand for labor, to take realistic steps to reestablish themselves in secure employment. In all these ways, counseling can reduce the human and economic losses incurred through poor utilization of American manpower.

Recent legislation has underlined the importance of the counseling function in the area of manpower, broadly defined. The National Defense Education Act of 1958, with its amendments, has provided unprecedented Federal financial aid for the purpose of training, upgrading, and expanding the supply of counselors in the Nation's schools. The activities of school counselors—identifying students' academic aptitudes and interests, encouraging them to remain in school, advising them on the academic programs most suitable for

them, assisting them with individual academic and personal problems that interfere with their progress in school—are closely allied to the subsequent activities of employment counselors, whose services are rendered to youth as they leave school and enter the job market, as well as to adult workers. The concern of Congress over the quantity and quality of school counseling has been clearly and forcefully demonstrated in the National Defense Education Act. As yet, Congress has not shown concern so explicitly, or to the same degree, over the intimately related function of employment counseling. But reliance upon the testing and counseling facilities of the Employment Service has been a key feature of legislation enacted since the advent of the Kennedy-Johnson administration. The Area Redevelopment Act of 1961 and the Manpower Development and Training Act of 1962 have placed upon Employment Service testing and counseling personnel the duty of identifying those to be trained and guiding them into the available training programs for which they are best suited. The Economic Opportunity Act of 1964 will call upon Employment Service personnel to interview and counsel youth in larger numbers than before, in the process of selecting young people for the variety of work-training programs being developed. Counselors will have the chief role in the service to be provided through the Youth Opportunity Centers that are to be established by the Employment Service. Counseling is also one of the most important single functions involved in the Employment Service's part of the program, instituted by order of President Johnson in early 1964, which calls for prompt examination by the Selective Service of 18-year-old boys not attending school. Under this program, those unable to meet the "mental" standards for induction into the Armed Forces will be identified soon after they reach draft age, and will be referred to their local employment service offices for further testing and for counseling designed to help them return to school, enter Manpower Development and Training Act or other training programs, or find employment.⁴

In the future, far more than in the past, the trained counselor will have to perform a major function in the Federal-State employment service. The service will be unable to measure up fully to its role of a "manpower agency," unless it can be staffed with an adequate number of men and women who have the intelligence, sensitivity, education, and training required for high-caliber counseling of workers in our complex, modern economy. People with these qualities are not readily available in large numbers. The following brief discussion of the characteristics to be desired in employment counselors suggests the challenge involved in building up an adequate counseling staff.

A qualified employment counselor is properly to be classified as a professional worker.⁵ His counseling speciality is not so well-known

⁴The "mental" draft rejectees who are referred for employment service counseling under this program are not necessarily individuals of low inherent intelligence. Failure to meet the "mental" standards for service in the Armed Forces may be the result of limited or inadequate education, a culturally deprived background, or other environmental factors.

⁵A brief description of the employment counselor is provided in the statement to the committee of Prof. C. Gilbert Wrenn, Chairman of the Panel on Counseling and Selection, of the National Manpower Advisory Committee. An employment counselor, Professor Wrenn points out, is "a professionally qualified person who is aware of the client's possible motivations and feelings as well as his job experience and his test scores, is aware of how the client sees the occupational world as well as aware of the complex and changing nature of the occupational structure itself."

Professor Wrenn underlines the distinction that should be drawn between "vocational counseling, which involves a person and his motivations in relation to occupational life," and "placement advising, which centers on job opportunities, with far more focus on the job than on the person."

or understood as that of the school counselor, but the qualifications for its proper performance are no less demanding. Like the school counselor, he should have an academic education emphasizing the study of counseling and guidance, combined with a period of practice counseling under supervision. He should be knowledgeable about the theory and construction of occupational interest and aptitude tests. He should be able to prescribe the appropriate tests for the worker being counseled, and to evaluate wisely the results of the tests taken. Though not trained to serve as a clinical psychologist, the employment counselor should possess an understanding of the more common personality disorders and emotional problems which may reduce an individual's employability, and have skill in recognizing these problems when they appear in workers being counseled. He should have the ability to establish rapport with people from a wide variety of educational and cultural backgrounds, and should have a sympathetic understanding of the environmental situations which have handicapped many of those who encounter particular difficulty in our labor markets—for example, nonwhites and migrants to our cities from isolated rural areas. As he interviews an individual worker, the employment counselor should have the trained intuition to read between the lines of the words being spoken—to understand what the worker is trying to say, or may be too inhibited or inarticulate to say, as well as what he is explicitly saying. He should have those attributes of personality which will help gain the counselee's confidence and trust, in order to give counselees realistic guidance toward understanding of the limitations they may face in the job market, and also to infuse them with encouragement to cultivate fully the opportunities they may have for acquiring new skills and upgrading their employability.

The qualities just outlined as desirable for the employment counselor are, for the most part, those that should be possessed by any professional counselor, whatever his specialty. In addition, the employment counselor has his own area of expertise. His particular task is to help people to recognize those aspects of their personalities, intellects, and experience which make them presently—or potentially—suitable for specific types of work, and to advise them on the steps they should take to place themselves in employment which will not only fully use their abilities but will also hold promise of being in demand over the long run.⁶ To perform this task, the employment counselor should be master of a wealth of information about current and longer-term trends in demand for workers in specific occupations—both in the local labor market and nationally. He should have extensive, detailed knowledge of the occupational content of a great variety of jobs, and the aptitudes required for their successful performance. As one of his most important abilities, he should be trained to think in terms of groups of jobs which call for similar basic aptitudes or trained skills—so that he can identify for a worker the full variety of jobs, including some seemingly unrelated to his previous job, for which the worker may now be qualified or may become qualified with

⁶ Prof. Arnold Weber, one of the subcommittee's witnesses, illustrates this point with a dramatic example, in his statement that employment counselors "must keep in mind the latest manpower report from the Office of Manpower, Automation, and Training which states that in 5 years the development of optical character recognition is going to displace something like 80 percent of all key punch operators." (From Professor Weber's address to the 1963 Interstate Conference of Employment Security Agencies.)

additional training. The employment counselor should, of course, be thoroughly familiar with the entire range of facilities available for developing workers' occupational skills. He should keep in close contact with the local educational authorities, particularly those in charge of vocational education programs. And, as already noted, he bears special responsibilities which may determine the success of the Manpower Development and Training Act and other federally authorized worker training programs.

The individual who met completely the requirements for the ideal employment counselor would be rare indeed. Neither the Nation's school system, the Veterans' Administration, the Federal-State employment service, or the other principal users of professional counselors will be able to build up large counseling staffs of uniformly optimal quality. Nevertheless, it is important that the counseling services provided to Americans through schools, employment offices, and other public institutions be of professional caliber—of sufficiently high quality so that the individual being counseled is likely to gain substantial benefit from the experience.

The information developed by this subcommittee on the important counseling function of the public employment service leaves no room for congressional complacency—if Members of the Congress are deeply interested in the development and efficient utilization of American manpower resources. It is quite clear that both careful long-range planning and additional financial resources will be necessary, in order to strengthen employment service counseling. Otherwise, the service will fall far short of meeting the standards of achievement expected of it, in its role as a "manpower agency."

In recent years, the Bureau of Employment Security has taken on the difficult task of trying to upgrade the educational qualifications for employment counselors—in the face of an increasingly recognized national shortage of trained counseling personnel of all major specialties. A brief account of the changes in the Bureau's standards for counseling follows.

The Bureau first placed explicit emphasis on formal, university-level education for counselors in 1949, when it issued to the State employment security agencies a set of "Recommended Educational and Experience Requirements for an Employment Counselor." The 1949 recommendation proposed a master's degree in vocational guidance, personnel administration, education, psychology, or social work as the eventual standard for full-fledged counselors—but at the same time it backed away from this ambitious educational standard by suggesting that work experience in counseling and guidance be substitutable for formal education, on a 1-year for 1-year basis. An individual, therefore, who had not progressed educationally beyond high school but who had managed to acquire 6 years of work experience in counseling would apparently have been considered to have qualifications equivalent to those of the individual with 1 year's work experience who had earned a master's degree in psychology or some other field related to counseling. In 1949, of course, work experience was inevitably the chief or only qualification of many counselors. The counseling staffs of the local employment offices were heavily weighted with former placement interviewers, with little or no formal post-high-school edu-

cation, who had demonstrated superior ability to work effectively with job applicants.

In 1958, the Bureau of Employment Security sought to improve on the 1949 recommendations. It urged the States to try to meet an educational standard which called for every employment counselor to have a master's degree, if without previous work experience—or, alternatively, to have a bachelor's degree, plus at least 15 semester hours of university course credits in counseling and guidance subjects, plus at least 1 year's work experience. The 1958 recommendations, it should be noted, did not allow work experience to be substituted for formal education below the bachelor's degree level. These recommendations reflected the view that employment service counselors were not likely to be granted general recognition as professional workers unless they did possess university degrees.

In 1964, the Bureau of Employment Security again raised its sights, with respect to the educational requirements for professional counselors.⁷ Its current recommendations to the State employment security agencies call for the adoption of these job classifications: Counselor intern, counselor (or "journeyman counselor"), and master counselor. Counselor interns would be drawn primarily from recent college graduates. The minimum requirement for this position would be a bachelor's degree, including 15 semester hours of undergraduate or graduate study in specified counseling-related courses. Most newly employed counselor interns would be expected to qualify as master counselors in 4 or 5 years' time, through continuing their formal education in university counseling and guidance courses, and earning a master's degree. The assumption is that most counselor interns would find it possible to attend, on a part-time basis, universities with appropriate curriculums.

The Bureau's plan is based also on the assumption that funds will be made available to assist most counselor interns to meet the tuition costs of continuing their formal education.

The position of full-fledged counselor, or "journeyman counselor," will require a master's degree in the guidance and counseling area, or at least 30 hours of university-level graduate study in specified counseling-related courses. The Bureau has set a target date of July 1968, for the States to make this the uniform formal educational standard for personnel in the job classification of counselor. If this standard were met by 1968, all journeymen counselors in State employment service offices would then have completed 30 or more hours of graduate study, and most would presumably hold the master's degree.

The final job classification, master counselor, will require a master's degree, plus 3 years of work experience in counseling, of which 1 year must be as an employment service counselor. Master counselors would not necessarily have supervisory duties, but would be available to guide the training of counselor interns and to take on the more difficult and complex counseling cases.

⁷ This recent decision by the Bureau to seek higher educational standards for employment counselors has been strongly endorsed by the Panel on Counseling and Testing, of the National Manpower Advisory Committee. This Committee was established under the Manpower Development and Training Act. Its Panel on Counseling and Testing is composed of outstanding professionals in the fields of counseling, guidance, and education, and is chaired by Prof. C. Gilbert Wrenn, of Arizona State University, who testified before this subcommittee in August.

There is no doubt that the Bureau's presently recommended standards, which it calls upon the States to meet by mid-1968, are both commendable and ambitious. There seems also to be little doubt that these standards will not be met by the target date, if the Congress does not take specific action to expand the supply of qualified employment counselors.

The size and the qualifications of the present counseling staff of the public employment service are indicated by data furnished to the subcommittee. This data shows that a large gap exists between current educational standards of counselors and those which the Bureau is calling for. In early 1964, approximately 3,000 people on employment service staffs performed some counseling duties, and of these about 1,700 were spending at least half of their worktime in counseling activity. With more than 1,900 local offices in the employment service system, then, the ratio of counselors to offices was less than 1 to 1—if only those spending half their time in counseling are recognized as "counselors."^{7a} Of these 1,700 counselors, approximately two-thirds did hold college degrees. Only about 55 percent, however, had passed 15 semester-hours of university-level work in guidance and counseling-related courses. And only about 12 percent had earned master's degrees. In about a fourth of the States, there were no persons spending 50 percent or more of their time on counseling who held a master's degree.

This information received by the subcommittee, therefore, reveals that almost 90 percent of the present counselors (half time or more) do not presently have the educational qualifications that the Bureau of Employment Security wishes all journeymen counselors to attain within less than 4 years from now. Moreover, it reveals that counseling must not be receiving full recognition as professional work in many States or in many local employment offices, since approximately 3,000 Employment Service personnel are now doing counseling work, but only about 1,000 are actually assigned full time to counseling. Indeed, the subcommittee was informed that in some local employment offices, persons with counseling assignments are frequently taken away from counseling work at seasonal peaks of unemployment, and assigned to the relatively routinized task of handling claims for unemployment compensation benefits. Obviously, the Employment Service will have difficulty in retaining truly qualified professional personnel, if such personnel find themselves required to neglect their professional work in order to perform lower level duties.

In addition to the tremendous challenge the Employment Service faces in trying to bring its present counselors up to the standards the Bureau of Employment Security has set for 1968, the service also must attempt to expand greatly the size of its counseling staff. And it must attempt this expansion at the same time that other major employers of professional counseling personnel are trying to build up their own staffs. Information given to the subcommittee generally supports the estimates in the 1964 Manpower Report of the President that by 1967—that is, within 3 years—the total number of qualified counselors in the United States should be increased by approximately 32,000. Since, in early 1964, the number of full-time and part-time

^{7a} The ratio of full-time counselors to local offices is even less. In early 1964, there were nearly 1,000 full-time counselors in the employment service.

counseling personnel on the staffs of the schools, the employment service, rehabilitation, and other public agencies was somewhat less than 50,000, the expansion being called for within only 3 years will be extraordinarily difficult to achieve. One of the subcommittee's witnesses, in fact, flatly stated that it will prove impossible to train adequately that large a number of new counselors in such a short span of time.⁸

The Bureau of Employment Security's estimate, in early 1964, was that the number of employment service counselors required expansion by about 3,500 by mid-1969, in order to meet the needs for improved regular employment service activities plus the responsibilities placed upon the service by the Manpower Development and Training Act and other job training programs. However, this figure of 3,500 does not make allowance for the further increase in counseling which the employment service will be expected to provide as a result of two major developments affecting American youth in 1964: First, President Johnson's directive to the Selective Service authorities to arrange for physical and mental examinations of young men soon after they reach the age of 18, and to encourage those who fail the Armed Forces qualifying test for "mental" reasons to go to their local employment service offices for counseling; second, the decision to establish a large number of Youth Opportunity Centers across the Nation, as part of the public employment service system, which will become the focal points in their communities for efforts to deal with the employment problems of youth of the age range 16 to 21.⁹ These two developments will generate a need for 2,000 to 3,000 more counselors on employment service staffs within the next 2 years, over and above the 3,500 increase in counseling staff previously called for by mid-1969.

The estimates available to the subcommittee thus present a picture of the employment service's attempting to add, on net balance, at least 6,000 competent people to its staff of full-time counselors in the next 5 years—when the total number of Employment Service "counselors" is now approximately 3,000, and the number of full-time counselors (in early 1964) only about 1,000. Even with substantial support from the Congress, the Employment Service would have great difficulty in achieving such a large relative expansion of counseling staff in such a short period of time. To date, however, Congress has not considered taking action to deal with the shortage of Employment Service counselors that it has made more acute by its own recent legislation. As Professor Wrenn pointed out to this subcommittee:

It is ironic, indeed, to consider the number of new responsibilities recently given the Employment Service, the execution of which requires additional counseling, with no specific provision made for the augmentation of staff. If the legislation required additional physicians, or nurses, or medical technologists, or teachers, or computer programmers, it is likely that attention would have been given to supplying specific funds for new staff. Not so with counselors.

⁸ Prof. C. Gilbert Wrenn.

⁹ Counseling of those youth who are in need of additional services—at a more intensive level, and over a longer period of time than is typical of counseling usually rendered by employment service offices to individual jobseekers—will be a major function of these centers.

The shortage of counselors, as seen from the perspective of an individual State, was brought home to the subcommittee by the testimony of Mr. Paul Little, of the California State Employment Service. In 1963 approximately 1,450 people were employed in the local offices of the California agency—a smaller number, incidentally, than in 1948. Few of these were counselors. The budget allowed for only 98 counseling positions—less than 100 employment service counselors to meet the demands of the labor force in the largest State of the Union. Yet in 1963, Mr. Little told the subcommittee, the President's Committee on Youth Employment recommended a goal of 1 employment service counselor for each 3,000 secondary school students. This goal would call for the California Employment Service to have 350 counselors, just to give adequate assistance to young workers, aside from the counseling needs of the rest of the State's labor force.

Though the problem of eliminating the shortage of qualified employment counselors is a formidable one, there are grounds for believing that much progress can be made in a relatively short period of time. Within 4 years after the passage of the National Defense Education Act of 1958, which authorized Federal grants to the States for expanding school counseling facilities, the number of full-time equivalent counselors in the country's public secondary schools grew from about 12,000 to about 27,000. This represented an increase of more than 120 percent, in 4 years. Such an achievement is very encouraging to those who call for a rapid buildup in the number of employment service counselors. It should be noted, nevertheless, that educational authorities have recommended a ratio of 1 school counselor to 300 secondary school students—a ratio which would require the further addition of at least 28,000 counselors in America's public secondary schools, if it were somehow to be reached within 2 years. Attempts to increase the number of school counselors will, of course, compete with attempts to enlarge employment service counseling staffs. Both the schools and the employment service seek to attract people of basically similar aptitudes and interests, and both must rely heavily upon the same limited supply of university training facilities to produce professional counselors.

Encouragement can also be drawn from the recent experience during this year, 1964, with a "crash program" to give basic training to a large number of potential counselors. In anticipation of the need for staffing the Youth Opportunity Centers which were being planned, the Bureau of Employment Security developed, in cooperation with 27 universities, a program of intensive training to be carried out at these universities during the summer of 1964. This training program, it should be noted, was financed with funds authorized under the Manpower Development and Training Act—not from the regular employment service budget—and those selected for the program were classified as MDTA trainees. The program was given the name of "Project CAUSE," signifying "counselor-adviser university summer education." Those selected were designated as trainees for either the position of "counselor aide" or the position of "youth adviser"—the essential formal distinction between the two categories being simply that only college graduates were eligible for the "counselor aide" designation. The response to the Bureau of Employment Security's call for trainees was unexpectedly strong. More than 20,000 persons took the screening examination, administered at offices throughout the

country, designed to identify those with abilities, interests, and backgrounds suitable for counseling work. From these, the Bureau selected the approximate number of trainees for whom the program had been planned, about 2,000. Of those selected, approximately 1,700 completed the rigorous summer training program, conducted by the cooperating universities, with a demonstrated level of performance satisfactory to the Bureau. By late December 1964 about 1,000 of the "graduates" of "Project CAUSE" were employed by the various State employment services, or were making arrangements to accept positions offered by the services. The large majority are expected to be assigned to Youth Opportunity Centers, as these centers come into operation.

The Project CAUSE experience is encouraging in that it demonstrated the existence of a large supply of people, particularly among recent college graduates, who are interested in counseling work, and who are potentially trainable as qualified counselors. But it should not be assumed that this summer, 1964, program indicates that the public employment service found a simple way to add a thousand or more well-trained counselors a year to its staff. The graduates of this temporary "crash program" are not full-fledged counselors. They have received an intensive, but brief, exposure to training, hurriedly devised as a partial response to an emergency situation. Most of those who are joining the employment service, it may be hoped, will eventually attain the qualifications established for professional counselors, but only after a substantial period of further inservice and outservice education at the level of university course work. In summary, there is no shortcut to be taken in reaching the goal of a greatly expanded staff of competent, professional employment counselors.

Beyond the problems posed by the existing shortage of counselors and the inevitable timelag in training enough people to eliminate this shortage, there is the serious problem of providing adequate incentive for capable individuals to take counseling positions with the employment service and remain in them on a long-term career basis. Two interrelated factors create this problem: inadequate prestige, and inadequate salaries. In counseling, as in other occupations, the prestige attached to a position is a partial function of the position's salary, but it is also a reflection of nonmonetary aspects of the position. Testimony and statements given to the subcommittee emphatically make the point that the specialty of employment service counselor is regarded as having low status among the members of the counseling profession. This, in turn, is partly the result of a lower average level of formal education and training of employment service counselors. As Dr. Arthur Hitchcock, representing the American Personnel & Guidance Association, told the subcommittee:

It is an unpleasant condition to be in a profession by title but outside of it because of limited training * * *. Employment service counselors must work with other counselors in schools and colleges and in other agencies. They are in the untenable position of being recognized by well-trained counselors as outside of the professional fold.

Low status also derives from the fact that many employment service counselors may be required, from time to time, to do work of a clerical or other nonprofessional nature, as workloads of local employment offices fluctuate over the year or over the course of a

business cycle. Another source of harm to the status of the employment counselor lies in the absence of a well-defined picture of the duties of this counseling specialty. Young people interested in a career of professional counseling are likely to be familiar with the role of the secondary school or college counselor, but not with that of the employment counselor. "The image of employment service counseling," Dr. Hitchcock stated, "is that of job advisement and short-term job placement." This is not an accurate image, but it is, unfortunately, in the minds of many who might be potential recruits for employment service counseling staff.

Finally, a feature of employment service counseling that not only lowers its professional status but also may reduce its effectiveness has been well described by Dr. Hitchcock. "Employment service counselors work in an environment that militates against counseling," Dr. Hitchcock told the subcommittee:

If a person goes to an employment service office * * * it is rarely assumed that he is doing something constructive about employment other than possibly asking if a job is available. "Counseling" does not enter people's minds. Counseling is not identified with the employment service. If he wants counseling, he is simply one among many who are there for other purposes. The multipurpose employment service office is, by its very nature, a poor climate for counseling. A few employment services * * * have separated counseling, physically, from other parts of the local offices. But only a very few. Most employment service offices * * * harm the climate still further by failing to provide privacy for counseling.

As this statement indicates, professional counselors are not easily recruited and retained, if they must work in crowded offices where most of the staff may be processing unemployment insurance claims, and if they cannot discuss problems with their counselees under the conditions of calm and privacy which are likely to make the counseling interview most beneficial.

Turning now to the issue of salaries, the subcommittee's study shows that present salary levels for employment service counselors are a major obstacle to the service's attempts to strengthen its counseling staff. Low entry salaries reduce the service's capacity to recruit counselors, but, more importantly, low maximum salaries often make it impossible for the service to retain some of its best qualified counselors. "It is a truism," Dr. Hitchcock said, "that when an employment service counselor becomes well trained, he goes to a counseling position outside of the employment service simply because his salary is inadequate for a professionally trained person."

In his testimony, Prof. C. Gilbert Wrenn pointed out to the subcommittee the striking difference between the rates of expansion of the aptitude testing and the counseling functions of the employment service in the postwar period, and noted the role played by low salaries in impeding the growth of counseling. Professor Wrenn stated:

It is much easier to develop improved aptitude tests at a national level * * * and get the improved tools into the field than it is to put improved people (counselors) into the local

offices. Partly as a consequence of this, the number of individuals tested in all offices has increased 1,450 percent from 1947 to 1963 while the number of counseling interviews has increased 50 percent. The USES has just published a vastly improved Employment Security Manual in which the sections on counseling, testing, and relations with schools are as professionally sound as could be found anywhere. But there are not enough counselors prepared to use them. The Washington staff * * * has established some sound standards for the professional preparation and selection of new counselors, but not many will be hired who have even these minimal educational qualifications because State and local systems do not pay enough to attract such men.

Estimates given to the subcommittee indicate that the differential between average annual salaries paid to counselors by the employment service and those paid by the schools—the chief source of competition to the employment service in hiring qualified counselors—is about \$1,000. Moreover, the employment service counselor's salary is for a full work year, while the school counselor receives much vacation time during each 12-month period. In order to make employment service salaries competitive with the schools, the subcommittee was told, the minimum increase now required would average at least \$1,000 per counselor in each State, and the maximum salary available to long-service counselors would have to be increased substantially more than \$1,000.

Data on counselor salaries presented to the subcommittee substantiate the statements that experienced professional workers are not likely to be easily retained by the employment service. A May 1964 survey by the Bureau of Employment Security of salaries being paid to about 1,700 State employment service personnel performing counseling duties 50 percent or more of their worktime showed the average (arithmetic mean) salary to be \$6,095. Of the 50 States, the lowest average salary reported was \$5,054 in Maryland. The State reporting the highest average salary, with the exception of Alaska, was Utah, at \$7,410.¹⁰ Only four States—Alaska, Utah, California, and Arizona—paid an average salary of more than \$7,000. For the 50 States as a whole, the range of salaries actually being paid to individual counselors (half time or more) in May 1964 ran from \$3,819 (the lowest salary paid in New Hampshire) to \$9,550 (the highest salary paid in Utah). Nineteen States reported a salary of less than \$5,000 for their lowest paid counselors. Only 22 States reported a salary of more than \$7,000 for their highest paid counselors. No State, other than Utah, reported any counselor in its employment service with a salary above \$9,000, and only seven reported a salary of above \$8,000 for their best paid counselors.¹¹

¹⁰ The average salary in Alaska was \$8,490. All salaries in this State, however, both public and private, are well above continental U.S. levels—as is the cost of living.

¹¹ The average salaries actually being paid to counselors (half time or more) in the States in May 1964 do not fall into any apparent consistent pattern, with the exception of a noticeably higher average level in the Mountain and Pacific States. Some States with relatively high per capita incomes have counselor salaries below the national average; e.g., Connecticut, \$5,750; Ohio, \$5,475; Maryland, \$5,054. Southern States, with their relatively low per capita incomes, did not report counselor salaries falling greatly below the national average; e.g., Mississippi, \$6,358 (above average); Arkansas, \$5,854; South Carolina, \$5,765; Georgia, \$5,986. These salaries, of course, are paid entirely from Federal funds granted to the States. However, they are set by State civil service authorities, and might be expected to reflect the general level of State salaries paid out of State tax revenue.

The semiannual surveys conducted by the U.S. Department of Health, Education, and Welfare of salary scales in State employment security, public welfare, and other agencies present a comparable picture. As of July 1, 1964, only 17 States had established a maximum base salary of more than \$7,000 for the job classification of "employment counselor," although in some of the other States it was possible for automatic pay increments for long service to push an individual counselor's salary above \$7,000 eventually. In only two States was the maximum base salary more than \$8,000.

Anyone who thinks seriously about the implications of this salary data must recognize that the public employment service has very little chance of developing a highly professional counseling staff, composed chiefly of individuals with master's degrees in vocational guidance and related subjects, so long as employment counselors in most States can look forward, at best, to working their way up to maximum salaries of not much over \$7,000. Even if the employment service attempts—as the Nation's school systems have done—to draw primarily upon women as a source of capable personnel who may be induced to work at low salaries, it is improbable that the service can reach its goal of a master's degree, or its virtual equivalent in university graduate work, as the uniform standard for journeyman counselors in the 50 States.

There has been some improvement in the salary position of counselors, partly as a result of leadership from the Bureau of Employment Security. Of the 50 States, 46 now have established separate, higher salaried classifications for counselors, as opposed to job placement interviewers. But a weighty barrier to the institution of professional salary scales exists in the general reluctance of State civil service authorities to allow employment counselors salaries that may match, or even exceed, those of local employment office managers. As of July 1, 1964, the average maximum base salary for office managers in the 50 State agencies was approximately \$7,600.¹² With the local office manager's salary scale as the ceiling for counselor salaries in virtually all States, and with the salaries for these managers at their present low level, salaries are not generally adequate to hold excellent professional personnel.

The problem of inadequate salaries is basic and serious and not easily attacked. Some of those who have presented their views to the subcommittee state flatly that no satisfactory solution to this problem will be reached unless uniform, Federal salary scales are established for the employment service personnel of the 50 States. Those who take this position argue that the 100 percent Federal financing of the State employment security agencies should justify Federal determination of their salary levels. The Social Security Act, title III, as amended, presently forbids such Federal action, however. Though strong arguments can be advanced for federalization of the salary structure of these federally financed State agencies, there are two obvious counterconsiderations. First, this proposal runs head on into all the political forces that have erected and maintained this coun-

¹² The maximum salaries actually paid in most States would have exceeded the maximum base salary specified by the State civil service, since salary increments for long service are usually added to the base.

try's elaborate Federal-State system. Secondly, there are objections to a policy which would elevate, through Federal standards, the salaries of one selected class of State employees—those in employment security agencies—while salaries of State and local government personnel in equally important occupations (e.g., public school teaching) are neglected.

Although the Federal Government has no power to prescribe salary scales for the State employment service, the Secretary of Labor is required, under the Wagner-Peyser Act, "to ascertain whether the system of public employment offices maintained in each State is conducted in accordance with the rules and regulations and the standards of efficiency prescribed by the Secretary." Each State must submit a detailed plan, to the Secretary, describing the organization, policies, and procedures of its employment service. These plans are to be approved by the Secretary, if he finds them to be "reasonably appropriate and adequate" to carry out the purposes of the Wagner-Peyser Act. This authority of the Secretary of Labor, described in broad and general language in the act, does provide a basis for active Federal leadership directed toward raising the quality level of State employment service personnel. In view of the increased emphasis that is now being placed on the vital role of the professional employment counselor, the Secretary of Labor may properly question whether a State employment service is carrying out the purposes of the Federal legislation in a reasonably appropriate and adequate manner, if it does not have a counseling staff of sufficient size and of a proper level of professional training. The Secretary can then take steps to stimulate the State agency to provide itself with employment counselors who meet the prescribed standards. These steps may include giving encouragement to the State agency to offer salaries—financed by Federal funds—that will attract and retain professional counselors.

The general shortage of counselors of all specialties, the low prestige within the counseling profession of the employment service counselor, and the clearly inadequate salary scales for counselors in the State employment services are the outstanding problems that came to the subcommittee's attention. But several other issues with respect to the counseling function also require comment in this report.

A number of presentations to the subcommittee called attention to the hurried and limited nature of the counseling service commonly provided to individual counselees in local employment offices. In a counseling interview, the counselor should attempt to explore in some depth the special employment problems of the person whom he is serving. Superficial, routinized discussions are likely to be of limited value. Proper counseling, therefore, takes time. During an 8-hour day, an average of six counseling interviews has been suggested to the subcommittee as a maximum for employment service counselors, if reasonably adequate time is to be given to each counselee. Yet, in some local employment offices, counselors may be expected to conduct as many as 12 or 13 interviews per day. Such an excessive number places the counseling function on an assembly line basis, which is contradictory to the very purpose of counseling.

Related to the brevity of many counseling interviews is the limited number of interviews available to individuals, particularly those with complex employment problems. Mr. Louis Levine, Director of the

U.S. Employment Service, told the subcommittee that during fiscal 1964 somewhat more than 2 million counseling interviews were given in employment service offices, to approximately 1.2 million different individuals. This is an average of about 1.7 interviews to each person counseled—a number which Mr. Levine stated was insufficient, especially in view of the large number of school dropouts, older workers displaced by new technology, racial minority members, and other disadvantaged workers who are encouraged to turn to the employment service for assistance. A series of counseling interviews, over an extended period, and, in some cases, continuing for a time after the worker has been placed in a job, may be extremely helpful for individuals with severe employment difficulties. There are undoubtedly many people for whom the marginal return from additional counseling is quite high—individuals who may gain virtually no benefit from only one counseling interview, but who may respond favorably to repeated sessions with a professional employment counselor.¹³

No rule-of-thumb, no simple guide, can be specified for establishing the average number of interviews per person counseled which would be optimal. But the subcommittee received ample testimony from professionals in the field of counseling to support Mr. Levine's view that the present average of about 1.7 is not satisfactory.

There was general agreement in the statements to the subcommittee that counseling had been relatively neglected in the past, partly as a result of the employment service's excessive preoccupation with measuring its achievements by the number of job placements made.¹⁴ The subcommittee was urged to recognize that the counseling function has a longer time perspective than the job placement function. The counseling services rendered to an individual in a local employment office may not lead promptly to his job placement by that office. There may be no visible, immediate payoff from the counseling, to which the local office can point. Yet the person counseled may have gained a better understanding of his abilities and the opportunities for their employment, and this understanding may have helped him to find work through his own efforts, or even to embark upon additional training for an occupation which counseling indicated to be appropriate for him. The counseling received at one point in time may be helpful to the individual for years ahead, even though he may never again have occasion to turn to an employment service office for job placement. In summary, the benefits of counseling cannot be tangibly demonstrated, measured, and statistically reported. Accordingly, these benefits will inevitably be undervalued in any analysis of employment

¹³ For example, Mr. Thomas Roumell, director of the Michigan Employment Security Commission, told the subcommittee that the commission's recently conducted pilot project dealing with the hard-core unemployed in the Detroit area indicated that at least 4 to 5 hours of counseling interviews were required for each person in this hard-core group, for the counseling to show any effectiveness. A single counseling interview was of no real help.

¹⁴ This overemphasis on sheer quantity of job placements was, in turn, the product of other factors. Among these were the former process of determining the allocation of Federal funds to the State services by a formula which gave much weight to the State's number of placements, and the frequent criticisms voiced by opponents of the employment service, which led the service into a defensive reliance upon its more easily measurable, tangible accomplishments.

service activities which concentrates attention upon the volume of current job placements.¹⁵

The proper training of employment service counselors was a subject upon which the subcommittee received the views of a number of well qualified observers. There is a consensus that the specialty of employment counselor has its own unique training requirements. At the same time, the subcommittee was advised that the formal education of these counselors should preferably be given in university graduate programs established for the preparation of counselors of all specialties. This will insure that employment service counselors will study a common core of subject matter with school and other counselors, and will develop during their period of graduate study a sense of being an integral part of the broad counseling profession. The Panel on Counseling and Testing, of the National Manpower Advisory Committee, has called for much closer contact between school and employment service counselors. It has been recommended that the graduate schools now engaged in education of professional counselors develop a "broadly gaged interdisciplinary training program for counselors in all levels and settings, including schools and colleges, as well as nonschool agencies and the employment service." In similar vein, Arthur Brayfield, of the American Psychological Association, told the subcommittee that:

A training support program for employment counselors should leave considerable initiative and flexibility to the cooperating universities * * *. I would be inclined to avoid designating such a program as exclusively for employment counselors, but would stress that its objective is to produce qualified vocational counselors.

Recommendations have been made that employment service, school, and vocational rehabilitation counselors be brought into closer and more frequent professional contact with one another through short-term institutes and conferences on counseling problems of mutual interest, and through such programs as the hiring of school counselors to work in employment service offices during summer months. Continuous programs of "in-service" training for employment service counselors, conducted by the State employment security agencies and the Bureau of Employment Security, are also supported in statements to the subcommittee. The chief emphasis, however, is upon "out-service" training—upon study in regular graduate school courses, where the employment service counselor can profit from association in class with counselors from other settings. Short-term training institutes, conducted by the employment service exclusively for its

¹⁵ A forceful statement on this point was made to the subcommittee by Mr. Edward T. Chase: "The service has suffered in the past and perhaps still suffers from its anxiety to prove itself * * * by showing an impressive mechanical production * * *. It has used a so-called performance budget. This derived originally from the effort to justify the amount of staff handling unemployment insurance claims. This kind of work is relatively easy to quantify the way accountants like * * *. The employment service adoption of this kind of performance budgeting has been bad because it militates against the very services that have become most important and are hardest to quantify; namely, counseling, interviewing, and the more complex personal contacts needed."

As Mr. Chase goes on to point out, the Bureau of Employment Security has now developed a "so-called program budget, which is less satisfactory perhaps to accountants but which is more realistic since it establishes staff and goals for budgeting on the basis of what services must be rendered on the criteria of quality and of human priorities."

own personnel, are seen as useful but not adequate in themselves to bring counselors up to the professional level now required.

In summary, the statements received by the subcommittee point toward programs which will provide long-term university graduate training for employment service counselors through both full- and part-time study. Full-time study can be made available to presently employed counselors, whom the State agencies may grant leaves of absence for educational purposes, and also to selected individuals with aptitudes and previous educations making them suitable for training as counselors, who indicate their intention to take positions with the employment service upon completion of their studies. Such programs can contribute greatly to developing a corps of professional counselors in the Federal-State employment service system. Much precedent exists for such programs. The training of school counselors under the National Defense Education Act has been the largest scale, most conspicuous program in which Federal funds have been used to help reduce a critical shortage of counseling personnel. But substantial numbers of vocational rehabilitation counselors have now received university-level training under Federal grants administered by the Vocational Rehabilitation Administration, of the Department of Health, Education, and Welfare. Likewise, the Veterans' Administration has for years financed the graduate training of clinical psychologists and others in order to build up the supply of professional workers demanded to meet the needs of veterans. The subcommittee's study strongly indicates that comparable programs for support of the training of professional employment service counselors are now urgently called for.

2. LABOR MARKET INFORMATION AND ANALYSIS

A major duty of the Federal-State employment service system is that of developing and maintaining information about current conditions and prospective trends in labor markets. At the Federal level, this duty is shared primarily between two branches of the Department of Labor—the Bureau of Labor Statistics, and the Manpower Administration. Within the Manpower Administration, the Bureau of Employment Security is chiefly responsible for the work of collecting, analyzing, and publishing current labor market data. In particular, the Bureau performs the important task of directing the preparation of estimates of the unemployment levels in local labor markets throughout the country, on the basis of reports from the State employment security agencies.¹⁶

It issues, each month, the publication *Area Labor Market Trends*, which currently classifies 150 major labor market areas into six categories, ranging from group A (estimated as having less than 1.5 percent of its labor force unemployed) to group F (estimated as having 12 percent or more unemployed).¹⁷ This monthly publication

¹⁶ Though the jurisdictions of the Bureau of Employment Security and the Bureau of Labor Statistics cannot be described in a brief statement, one point of distinction is that the BES is generally responsible for the compilation of State and local data while the BLS is the chief source of national labor market data. The BLS prepares the *Monthly Report on the Labor Force*, giving estimates of the nationwide unemployment rate, and publishes from time to time *Special Labor Force Reports*, describing the employment situation of certain segments of the labor force (e.g., youth), for the Nation as a whole.

¹⁷ In September 1964 there were no major labor market areas in the "A" category, nor had there been for years. In group B, defined as having estimated unemployment of between 1.5 and 3 percent, there were 27 labor market areas.

also reports regularly upon those smaller labor market areas which are estimated to be areas of substantial unemployment (defined as an unemployment rate of 6 percent or higher). The classifications which the Bureau assigns to labor areas have legal as well as economic significance since areas of substantial unemployment may be eligible for preference in Federal procurement under Defense Manpower Policy No. 4 and under the Buy American Act, low-interest Small Business Administration loans, and grants and loans under the Public Works Acceleration Act. Those which have persistently high unemployment are designated as redevelopment areas under the Area Redevelopment Act. Many other Federal agencies, including the Housing and Home Finance agency, the Bureau of Public Roads, interagency water resources commissions, the President's Commission on Appalachia, and the President's Community Reemployment Action Committee utilize these data for program planning and development. Data on area employment and unemployment conditions are utilized by the Council of Economic Advisers as important economic indicators for broad policy decisions relating to the Employment Act of 1946.

At the State level, the responsibility for gathering and reporting labor market information is largely confined to the State employment security agencies, although some States (e.g., California) have established separate bureaus of labor statistics. One important and very current indicator of employment conditions in local labor markets is provided by the State employment security agencies in their role as processors of unemployment compensation benefit claims, since they report weekly to the Bureau of Employment Security on the numbers of claimants drawing benefits and the number of new claims filed during the week.

To illustrate what is involved in the provision and analysis of labor market information, this report will describe some of the activities that are commonly undertaken. As mentioned already, estimates of current unemployment in local labor market areas are made on the basis of information from the unemployment insurance program and information gathered from other sources: e.g., business firms, trade associations, chambers of commerce, unions, public welfare agencies, job applicant files in employment service offices, and special surveys. Likewise, estimates are made of total employment in an area, using the latest information from unemployment insurance tax records and the Federal censuses—the Census of Population, Census of Manufacturing, Census of Business—as benchmarks, and building upon these with information from chambers of commerce, trade associations, individual business firms, and other sources. Attempts are made not only to estimate the total employment figure for an area, but also to break it down into industrial and occupational classifications in order to give a more detailed picture of the changes in employment by various categories of workers.

The current and prospective supply of labor in a local area may also be analyzed. State employment security agencies make "area skill surveys," designed to estimate the present inventory of workers in an area who possess designated skills, as well as requirements for such skills over the next few years, both from new demand and for the replacement of those retiring from the labor force. This estimate, com-

bined with information on the numbers enrolled in apprenticeship, vocational education and other training programs to develop specific skills, allows estimates to be made of the probable future supply of such skilled workers in the local area. The supply estimates, in turn, can be compared with estimates of likely future demand for labor of specific occupations in the area. For these projections of anticipated demand, the labor market analysts on the staffs of employment security agencies examine past trends in the economic growth of the local area and develop information from industry and other sources on the expected rates of expansion of different sectors of the local economy. These projections require local labor market analysts, of course, to be familiar with broader economic trends in the Nation as a whole, including trends in national demand for the chief products of the local area's industries and developments in technology which may affect the labor requirements of individual industries.

A variety of special studies and research projects may also be undertaken at the local labor market area level, in addition to large-scale "area skill surveys." Surveys are made to determine what occupations, locally, have sufficient prospective job openings to warrant establishment of training programs under the Area Redevelopment and Manpower Development and Training Acts.¹⁸ Labor market analysts make studies of the capacity of the local area to supply the labor requirements of individual business firms contemplating a move into the area. They gather and supply data to chambers of commerce and community economic development agencies which are seeking to attract new industry to their local areas. They conduct wage surveys for selected occupations in the local labor market—thereby providing data which is of particular interest to employers, since it allows them to compare their own wage scales with the prevailing area patterns. Labor market analysts also carry out research projects designed to provide insight into many local labor market problems—for example, methods of creating jobs for the handicapped, placement problems of older workers or workers from racial minority groups. A recent illustration of such special research is the October 1964 report of the Michigan Employment Security Commission on the "Detroit High School Leaver Project"—a study of the employment experience of about 1,200 youth who graduated or dropped out of high schools in low-income areas of Detroit during 1962.

At the national level, the Bureau of Employment Security provides guidance in labor market analysis techniques to the State agencies—for example, in its 1960 Handbook on Estimating Unemployment—and collects and analyzes data reported by the State agencies and other sources. Its labor market research activities are characterized by such publications as the Bureau's Current Labor Market Conditions in Engineering, Scientific, and Technical Occupations (issued semiannually) and its series of Industry Manpower Surveys, issued at irregular intervals and describing labor market developments in specific industries. In addition to its periodical reports, the Bureau prepares and publishes

¹⁸ The passage of this legislation has, of course, placed substantial additional burdens upon the labor market analysis staffs of the employment service, as it has upon their counseling staffs. Much local labor market research must be carried out before decisions to set up Area Redevelopment Act and Manpower Development and Training Act training programs are made.

the results of extensive labor market surveys. An illustration is the Area Manpower Guide Book, published in 1957 with the cooperation of the State agencies, and providing information on labor supply, employment trends, and industrial characteristics of about 175 metropolitan labor market areas. One of the Bureau's major research publications, which is in constant use in both local employment offices and in private industry across the country, is the Dictionary of Occupational Titles. This was first issued in 1939, and its latest revision is planned for publication in 1965. The dictionary is the product of detailed occupational analysis, in the field, of the characteristics and requirements of thousands of jobs.¹⁹

Recommendations were offered repeatedly, in the subcommittee's hearings, that local employment service offices should be the logical choice for conversion into the "community manpower center" of their respective areas. Such a "manpower center" would be a community repository of occupational and labor market information, developed both locally and nationally, and would have the function of distributing this information to those in need of it. The work of occupational and labor market analysts is obviously essential as a basis for decisions by many users of the data and reports these analysts produce. Job interviewers and counselors in employment service offices require current information on labor market conditions both in the local area and elsewhere. Counselors in the schools, as well as in employment offices, need well-prepared projections of the future demand for workers and the probable changes in job content for specific occupations. The same information, in more detail, is called for by those responsible for vocational education programs in the community. Pamphlets and other publications giving detailed, but readable, portrayals of skills required, training facilities, and trend of demand for a wide variety of occupations should be available for examination by individual workers visiting their "community manpower centers." And there is no need to elaborate upon the labor market informational needs of business firms, trade associations, and other organizations active in the local economy.

In the testimony and statements received by the subcommittee, a good deal of stress was placed on the need for expansion and improvement of the labor market and occupational information and analysis work of the Federal-State employment service. Less emphasis was given to the necessity of enlarging the service's supply of professional labor market and occupational analysts than to its urgent needs for more counselors. The quantitative dimensions of the problem are less imposing, certainly, than in the case of the counselor shortage. The counseling function of the employment service involves millions of face-to-face interviews annually, and requires a large corps of trained counselors. Labor market research and occupational analysis demands fewer personnel. But the occupations of labor

¹⁹ The role of the Dictionary of Occupational Titles was emphasized to the subcommittee in the statement by Samuel Bernstein, administrator of the Illinois Bureau of Employment Security. Mr. Bernstein stated: "When the Wagner-Peyser Act was passed in 1933 there was no standard terminology for the many tens of thousands of jobs in our complex economy. Trying to fill job orders without a common language for the jobs in question was difficult then and would be virtually impossible today, with some 45,000 different occupations required to operate our economy * * *. This dictionary has not only been an essential tool in the placement activities of the Employment Service, but it has provided a classification system which has greatly enhanced our ability to study and understand the operation of our labor markets * * * an essential cornerstone for the development of a positive manpower policy."

market and occupational analysis are also critical for the employment service, and shortages of qualified people are likely to persist, unless action is taken.

Professional labor market research cannot be conducted by individuals who are not well trained in statistics, economics, survey methods and sampling techniques. University study at the graduate level should be the uniform educational standard for this position. In this occupation also, however, State employment service salary scales are not sufficiently attractive to highly educated, professional personnel.²⁰ The State salary situation is perhaps less troublesome than with respect to counselors, since relatively more of the professional labor market research and analysis function of the Federal-State employment service system can be performed—if Congress should consider this to be desirable—by the Federal partner. Regional offices of the Bureau of Employment Security, for example, could be supplied with additional qualified personnel to assist the State agencies in meeting the growing demand for detailed local labor market information.

Whatever the relative shares of the Federal and State agencies in providing professional labor market and occupational analysis, the study undertaken by this subcommittee finds strong support for a marked enlargement of these employment service functions. The new emphasis since the late 1950's on education and training of our manpower resources requires more extensive, continuous, and sophisticated labor market and occupational research than in the past to identify those occupations for which training should be expanded and to assist the proper reshaping of vocational education and other training programs.

The collection and analysis of job vacancy information—a new, important area of statistical reporting into which the Department of Labor is now moving—will call upon the abilities of labor market and occupational analysts in the employment service system. The efficiency of employment counseling, which has been stressed so heavily in this report, is greatly dependent upon the quality of labor market and occupational analysis available to the counselor. These, and all the other needs for better information and analysis which have been previously discussed, make the role of these analysts vital to a modern employment service.

3. THE "IMAGE" OF THE EMPLOYMENT SERVICE

A major problem, which witnesses called to the subcommittee's attention time and time again, is the unfavorable—and unfair—picture of the public employment service which is still embedded in the minds of many employers and workers. As usually stated, the employment service is described as having an unfortunate "image"—an image which must be changed if the service is to fill the role it should fill in

²⁰ Information from the Department of Health, Education, and Welfare's semiannual salary survey indicates that as of July 1, 1964, the position of "labor market analyst" typically carried a higher salary in the State employment security agencies than did that of "counselor," although the differential was not large. Maximum base salaries for this classification ranged from \$5,106 in New Hampshire to \$9,480 in California. The minimum starting salary ranged from \$4,212 in Vermont to \$7,800 in California. For the 50 States as a whole, the average maximum was \$7,060, and the average minimum \$5,581.

These last two figures can be compared with the corresponding figures for the classification of "employment counselor": \$6,727 and \$5,346.

the area of manpower development and utilization. The problem can be briefly summed up by saying that the local employment office, to many employers and workers, is known as the "unemployment office." It is, first and foremost, the place to which the worker out of a job comes to draw his unemployment insurance check and to demonstrate that he is available for work. Only incidentally is it an office where the worker expects to find access to promising job opportunities. All too often, the worker views the public employment office as having on file chiefly the most unattractive, lowest paid, hardest-to-fill jobs in the community—while the employer too frequently assumes that job-seekers registered with the office are drawn overwhelmingly from the least skilled, least reliable portion of the local labor force. The results of such an unfavorable image are obvious. Skilled, ambitious workers may bypass the employment service in their search for better jobs. Employers may turn to the service primarily to help fill jobs calling for the sort of casual, low-skilled labor which the employer thinks the service is only capable of providing. After the fact, the behavior of each party in the hiring process appears to have been justified by the behavior of the other. Each, of course, has acted on the basis of a misunderstanding of what the employment service is doing, should do, and is prepared to do. Nevertheless, the service has been bypassed, and this in itself then confirms and reinforces the unattractive picture of the service which led these employers and workers to avoid it initially. A classic case of the "vicious circle" has been created—and "vicious circles," by their nature, are extremely difficult to break into.

This problem is particularly harmful to the immediate job placement function of the employment service. But it also hinders the performance of the two functions previously discussed in this report—counseling and labor market analysis—even though, in theory, these functions could be carried on independently of job placement activity.

The labor market analysts on the employment service staff can do their work more easily and efficiently if their own employment offices are receiving a large flow of job orders and worker registrations which represent a good cross-section of the entire range of jobs and job-seekers in the community. If the employment service is primarily active in only a limited sector of occupations and industries, then its records do not give the analyst a useful picture of the overall labor demand and supply situation, and he must rely more heavily upon other, less easily accessible sources of information.

Employment counseling services could be provided to workers who would then rely upon other channels for finding jobs, rather than the placement facilities of the public employment office. Indeed, this report has already emphasized the view that the counseling function should be evaluated in terms of the help it gives workers over the long-run in making their way in the labor market—not in narrow terms of the immediate record of a local office in placing those who have been recently counseled. Nevertheless, many workers know little about the occupational aptitude testing and counseling facilities available at the employment office. If they come to the employment office, they come in hope of getting a job. Only after registering with the office, and their need is identified, are they likely to be referred to testing and counseling services. The conclusion of this analysis is simply that many workers who could benefit from testing and counseling probably

fail to receive this help, because their unfavorable "image" of the local employment office discourages them from coming there. They assume the office cannot place them in suitable employment, and they fail to realize that placement is not the only service the office can render to them. Counselors, too, are hurt by this "image." In order to develop a broad range of experience and a more comprehensive understanding of both jobs and workers, the employment counselor should have opportunities to counsel workers of many occupational groups, and of many skill and educational levels. If the counselor is confined to dealing with a nonrepresentative segment of the labor force, because the better-educated and more highly skilled workers shun the employment service, his professional skills will not be satisfactorily strengthened by his day-to-day experience.

There is no way of measuring the "image" of the employment service, and, accordingly, there is no way of estimating precisely to what extent, if any, the "image" has been improving in recent years. Nor do any techniques exist for calculating the increase in the number of job openings that would be listed by employers with the employment service if the unfavorable aspects of this "image" were wiped out.²¹ Presumably, however, the increase would be substantial in relation to the number presently being listed.

The material presented to the subcommittee from various sources seems to warrant the interpretation that the public employment service has been gaining status in the eyes of employers and workers, during recent years—particularly in view of the increased effort that has been undertaken since early 1961 to strengthen the service. Nevertheless, the placement record shows that the service has far to go before it reaches the stage of having the different categories of employers and workers, in roughly the same proportions that they represent in the labor market, make use of its facilities.

In the first place, the picture of the "unemployment office" is given some substance by the fact that an estimated 97 to 98 percent of the placements in nonagricultural jobs made by the employment service are of workers who are unemployed at the time of placement.²² Al-

²¹ There are probably a few employers who would not use the employment service for ideological reasons, no matter what its capacity for providing them with capable workers. These would be employers who object, on principle, to job placement being rendered as a tax-supported, public service. Those witnesses before the subcommittee who commented on this issue, however, were of the opinion that the great majority of employers would be willing to list job openings with public employment offices, if they believed this would be their most rapid, efficient way of finding desirable employees.

²² This discussion will be confined to the role of the public employment service in the nonagricultural sector of the labor market. Placement of farm labor, primarily in response to seasonal demands, is a specialized activity that is not closely related to the regular, year-round programs of urban public employment offices. This subcommittee has no jurisdiction in the area of farm labor, and its study focuses upon the employment service's capacities for assisting nonagricultural workers, who make up the great majority of the American labor force.

It should be noted, for this record, however, that the farm labor program of the Federal-State public employment service system is still a very substantial one. Any observer who estimated the service's activity on the basis of placement data alone would gain the impression that the placement of farm workers was the service's largest function. In every year from 1953 through 1963, the total number of farm placements has exceeded that of nonagricultural placements. During these last 11 years, the annual figure for nonagricultural placements has ranged from a low of 5.1 million in the recession year of 1958 to a high of 6.7 million in 1962. Farm placements averaged about 9 million per year during 1953-60. They reached a peak of almost 9.7 million in 1959, and have since fallen off sharply to a low of 7.2 million in 1963. The decline in the annual number of farm placements reflects the increasing mechanization of farmwork in the United States.

During 1963, the number of farm placements exceeded the number of nonagricultural placements by about 10 percent—7.2 to 6.6 million. The gap between the two has nar-

though no hard and precise figures are available, estimates from Bureau of the Census survey data indicate that probably around 60 percent of the people hired and rehired in this country each year, in the millions of hiring transactions that take place, are currently employed at the time they change jobs. Even if the actual figure were a good deal lower than 60 percent, the public employment service is clearly not involved in a representative cross section of "new hires" in the American economy, when only 2 to 3 percent of those it places are moving directly from one job to another without an intervening spell of unemployment.

The very nature of the role the employment service plays in our society, of course, dictates that it would never be expected to place in new jobs as high a proportion of currently employed workers as find new jobs through other channels. The employment service—quite properly—should always have the duty of giving particular attention to the problems of those workers who are relatively handicapped in searching for jobs. After all allowances are made, however, it remains a disturbing fact that the service still has such a small part in assisting the movement of currently employed workers from one job to another. The placement data would seem to indicate that the worker who has a job, but is seeking a better one, is not very likely to think of the local employment office as a source of help to him.

It should be stated emphatically, at this point, that the public employment service need never apologize for its role in aiding presently employed workers to find more satisfactory jobs. Critics of the service have thrown at it, in recent years, the fanciful charge that it is "turning its back on the unemployed" in order to concentrate on placing the better educated, more highly skilled worker. In defending themselves against this absurd attack, spokesmen for the service have repeatedly stressed the record showing that 97 percent or more of placements are of the currently unemployed. This defense, unfortunately, may create the impression that this record is a desirable one. On the contrary, it shows that far too many employers and workers still have an unfavorable estimate of the employment service's capacity for facilitating the hiring process. If the employment service were provided the resources to meet fully the responsibilities that are imposed upon it by the Nation's need for efficient manpower utilization, the proportion of currently employed workers whom it places in jobs would be significantly greater than the present 2 to 3 percent. This could be achieved without in any way reducing services to unemployed workers.

Unqualified support should be given to the freedom of every American worker to search, if he wishes, for a better job than he now has. This Nation has a free labor market. An essential aspect of that freedom is the unrestricted right of the worker to move from one

rowed greatly in the past few years, and the number of nonagricultural placements should move into the lead in the near future.

The raw data on total placements, of course, give an inflated picture of the relative importance of farm labor placement in the overall operations of the public employment service. These are predominantly seasonal, short-term placements of low-skilled, low-paid workers. They are commonly dispatched in fair-sized groups to employers of farm labor, with a minimum of screening by employment service personnel. Much more time of employment service staff—including testing and counseling time and finding job seekers who meet employers' specific requirements—is required, on the average, for the individualized placement of a nonagricultural worker, than for the placement of a seasonal farm laborer.

employer to another—and of the employer to recruit the best workers he can find.²³

From the standpoint of the society as a whole, moreover, the efficiency of the economy is improved when workers employed in jobs that underutilize their abilities are helped to move into more productive employment. Today, any employed worker is free to turn to his public employment service in search of more satisfactory work. If the service is able to place him in a better job, it has not merely acted in conformance with its duties under the Wagner-Peyser Act. It has also contributed to the freedom of the American labor market and to the productivity of our economy.

Another major indicator of the service's unfavorable "image" is found in the high proportion of placements that are of short-term, casual labor. The employment service designates as "short term," or "short time," any placement in a job which is to last less than 4 days. The most typical short-term placement, perhaps, is that of a domestic worker sent out to do cleaning, on a daily basis, in private homes. The short-term placement activity of the employment service is a valuable function. It helps greatly to organize and rationalize a casual labor market that would otherwise be chaotically inefficient. It frees women needed in shortage fields as nursing and teaching to work full time when they are assisted in finding domestic service workers for short-time jobs in the home. It helps meet employer needs for temporary sales work, peak clerical loads, or seasonal needs as in food processing. It is also understandable that a relatively large number of short-term job openings would be registered with the employment service, as compared to permanent jobs, since employers are less willing to invest in newspaper advertising or incur other recruitment costs to fill a temporary job. Nevertheless, there is general agreement that short-term placements loom larger in the total employment service placement picture than they would if the service were adequately equipped to fulfill its proper role in the economy.

During the latest calendar year, 1963, the total number of non-agricultural job placements by the public employment service was 6.58 million. Of these, 2.08 million were short term—jobs scheduled to last less than 4 days. About 31.6 percent of the placements, therefore, were short term. This represents almost a third of the total. And, of course, not all of the 68.4 percent of placements remaining were "permanent" placements, if "permanent" is used to describe a job with no fixed termination date. Some of the 4.5 million placements in jobs that were scheduled to last for 4 days or more were temporary placements—in seasonal jobs, as replacements for regular employees on vacation, and so forth.

Job placements in private households—of domestic servants, on a daily, part- or full-time basis—also represent a large share of the total. Of the 6.58 million nonagricultural placements in 1963, 1.4 million were in private households. The proportion of private household placements was approximately 21.3 percent of the total.

²³ Ironically enough, some employers who are among the most vocal supporters of individual competition under the private enterprise system appear less enthusiastic about a freely competitive labor market, when their employees are occasionally hired away by others. They seem to display a sense of proprietary right over their employees which is more in the spirit of a totalitarian than a democratic society. Such employers have angrily criticized the employment service, when it has assisted some of their employees to find more satisfactory jobs.

During the years 1952-63, the total number of nonagricultural job placements—excluding short-term placements, but including private household placements in jobs of 4 days or more—has ranged from a low of 3.51 million in the recession year of 1958 to a high of 4.86 million in 1952, during the period of tight labor markets created by the Korean war. The 1963 figure was 4.5 million—up sharply from the 1958 low, but only about 4 percent above the total of 4.31 in 1955, a post-Korean-war year of relatively full employment.

Over the last dozen years, there has been some upward drift in the proportion of nonagricultural placements accounted for by short-term jobs. During 1952-55 somewhat less than 28 percent of total placements were short term. For the period 1960-63, the proportion has averaged slightly over 31 percent. The shift has not been great, but it has also been in the wrong direction. It is probably due, however, to the fact that the American labor force has become more heavily weighted with part-time and temporary workers since the early 1950's. The placement data presumably reflect this change in the composition of the labor force, and in the composition of the job openings available in the economy, rather than any significant tendency for employers to rely less upon the service to fill longer term jobs.

The proportion of private household placements to the total has risen very slightly in the last decade. For the years 1952-55, the proportion averaged a little over 20 percent. In 1960-63 the average was somewhat above 21 percent.

The service has not yet managed to make a real breakthrough toward the goal of participating in a fairly representative cross section of the Nation's hiring transactions. However, some data of a more encouraging nature can be presented. It is clear that the employment service's placement activity is less heavily concentrated than in the past on the blue-collar, manual worker segment of the labor force. In this respect, the service has been gradually developing a less unrepresentative clientele.

An examination of placements in the occupational categories classified by the service as "professional and managerial" shows a record of continuous growth over the period 1952-63, unbroken even by the recession years. The service reported 83,000 such placements in 1952; by 1963, it was able to report 252,000. The "professional and managerial" placements are still a small fraction of the nonagricultural total, but the fraction has grown from approximately 1.3 percent in 1952 to about 3.8 percent in 1963.²⁴

Placements in the other category of predominantly white-collar jobs—the "clerical and sales" classification—also show a record of growth, though not one so continuous or relatively rapid as that of professional and managerial placements. Over the 1952-63 period, the number of clerical and sales placements rose from 749,000 to 1,020,000. Year-by-year data show that the number fell to a low of 677,000 in the recession year of 1954, rose to 848,000 in 1956, fell back to 766,000 in the recession of 1958, and then rose rapidly to a peak of 1,090,000 in

²⁴ Lest there be any misunderstanding, it should be explained here that the "professional and managerial" placements of the employment service are rarely of high-priced business executives, corporation lawyers, nuclear physicists, or others in the top stratum of the salaried elite. The great majority of these placements are in such occupations as laboratory technician, librarian, schoolteacher, office manager, dietician, nurse, and chain supermarket manager. The employment service is a party to only a miniscule fraction of all hiring transactions involving annual salaries of, say, more than \$10,000.

1962. As a percentage of total nonagricultural placements, the clerical and sales placements have risen, with some up and down fluctuations, from 11.5 percent in 1952 to 15.5 percent in 1963.

Combined figures for these two major white-collar job categories indicate that professional-managerial, clerical-sales placements were 19.3 percent of the nonagricultural total in 1963, by comparison with a proportion of only 12.8 percent in 1952. This must be interpreted as a record of substantial relative growth over the period—one that demonstrates the employment service to be making some promising headway in changing the image of itself as a placement agency for casual, manual labor.

This relative growth data should not be viewed with complacency, however. The professional-managerial, clerical-sales placements combined still make up a smaller proportion of the total than do the private household placements. Moreover, some relative growth in white-collar placements was to be expected, since the composition of the demand for labor in this country has been shifting steadily over the postwar years. The number of professional, clerical, and other white-collar jobs has been growing rapidly year after year, relative to the number of manual, blue-collar jobs. Indeed, if the employment service had not managed to build up its placements in the "professional-managerial, clerical-sales" categories, its record would be viewed as gravely deficient. As the ratio of white-collar to blue-collar jobs in our economy continues to shift toward the white-collar side, the employment service's job placement activity must shift with it—or else the service will find itself an increasingly unrepresentative placement agency tied to the least dynamic segments of the labor force.

This discussion of the absolute numbers, and the relative proportions by occupational category, of job placements, should not be taken as indicating an intention to evaluate the employment service essentially on the basis of its placement data. On the contrary, the subcommittee heard persuasive arguments from a number of witnesses, pointing out that the employment service has suffered too long from a tendency to present its record in terms of sheer numerical quantity: in terms of the number of job applications processed; the number of referrals of workers to employers; and, above all, the number of job placements. The witnesses reminded the subcommittee that our public employment service is not merely a labor exchange, but is in the process of becoming a manpower agency, with a broader range of functions than job placement alone. In deciding upon the funds to be allocated to the service, and in judging its performance, the Congress must consider not only the volume of its placement activity but, also, its other major functions of aptitude testing and counseling, labor market analysis, development of Manpower Development and Training Act training programs, and provision of special services to various disadvantaged groups within the labor force. The quality of performance of these functions must also be considered, in addition to whatever quantity measures can be provided by statistical data. Certainly, this report emphasizes the importance of looking at the employment service in terms of all the activities it carries out, rather than focusing mechanically upon a scorecard of the number of job placements.

Placement is, of course, the employment service's most prominent function, and the one which absorbs more man-hours of personnel time than any other. Any obstacle to the performance of this function should be of serious concern to the Congress. Accordingly, the question of the steps to be taken to improve the employment service's image received considerable attention in the subcommittee's hearings.

It became quite clear, as would be expected, that the unattractive features of the image in the minds of many potential users of the employment service cannot be erased overnight. The image will brighten gradually, as more and more employers and workers, increasingly well distributed throughout the industrial and occupational range of the labor market, find public employment offices of real assistance to them.²⁵

The single major organizational step that so far has been taken to develop a more favorable "image" of the employment service is the separation of employment service and unemployment insurance activities in a number of cities. This policy, which had long been advocated by analysts of the service's activities, began to be carried out in the fiscal year 1962, as part of the Kennedy-Johnson administration's more positive approach to manpower problems. The physical separation of the 2 major employment security agency functions was scheduled for the 55 largest metropolitan areas of the country, which together contain over half the Nation's nonagricultural wage and salary earners.²⁶ This separation has now been generally accomplished in about 50 of the 55 areas, either by actually placing employment service and unemployment insurance activities in different locations, or by using separate entrances, internal partitions, or separate floors to insulate one activity from the other at a common location.

From the standpoint of the employment service's "image" problem, the chief purpose of the separation policy is to get rid of the "unemployment office"—to have both jobseekers and employers come to offices which are specifically established for job placement purposes. The atmosphere in such offices will engender, in those who visit them, more confidence that they are receiving specialized, high quality placement services, than will the atmosphere in offices that are filled with lines of unemployment compensation claimants waiting to receive their weekly checks. Separate employment service offices will help relieve employers of the common, though unjustified, suspicion that some unemployed workers are being referred to them simply in order to "test"

²⁵ During this process, the speed at which the service's reputation is built up may accelerate, but the speed at which the process continues, once it has begun, is much less of a problem than that of developing enough momentum at the outset. One obvious difficulty is that a local employment office which has been newly provided with a sufficient quantity and quality of facilities to enable it eventually to attract a broad clientele is still likely to bear for sometime its previous reputation. It may, therefore, initially appear to be overfinanced, since the volume of job orders, worker registrations, and placements will not automatically and immediately leap up in proportion to the increase in staff and other facilities. In the sphere of private industry, businessmen accept without question the policy of providing a new establishment, from its beginning, enough staff and resources to attract and service an adequate volume of business, even though this volume will require time to develop. A Government agency, however, may be castigated if it engages in similar anticipatory staffing. Yet if an agency such as the employment service is not allowed to have the resources which, only after a timelag, can be justified by the increased demand they will create, it may encounter extreme difficulty in breaking away from its present level of limited activity.

²⁶ Slightly less than half of the nonagricultural job placements were made in these 55 metropolitan areas during 1963. However, these areas accounted for about 70 percent of the "professional" and "managerial" placements, since there is greater relative demand for higher level skills in large urban complexes.

the worker's willingness to take a job and thus demonstrate his ability to continue receiving unemployment compensation. They will also attract more of the currently employed workers who are seeking better jobs, since some of these have been reluctant to turn for help to offices that appeared to be jammed with unemployed people.

Separation of functions is not merely a technique for sprucing up an "image," however. It can also be strongly supported on the grounds that it improves the efficiency of employment service operations. With separate physical locations, employment service interviewers cannot be dragged away sporadically to double as interviewers of unemployment insurance claimants, when the claimant load rises.²⁷ They can, therefore, develop more expertise in their work, since they are not distracted from it by other duties. Employment service offices will be less noisy, crowded, and confusing to the visitor, when relieved of the congestion from the flow of unemployment compensation claimants. Counseling can be carried out in a more congenial setting, which is psychologically more beneficial to the counselee. Local office managers can become specialists in the day-to-day operating problems of an employment service, and can use their ingenuity to develop ways of dealing with these problems more efficiently.²⁸ With separate offices, the employment service can carefully choose locations within metropolitan areas which will be accessible and attractive to jobseekers in many occupations. At present, the subcommittee was told, the location of many local employment offices seems to have been influenced largely by the intention of making them readily available to those groups of workers most likely to be drawing unemployment compensation benefits, and those in search of short-term, unskilled jobs.

Objections, of course, can be raised to a policy of maintaining physically separate offices for the handling of employment service and unemployment insurance functions. Separation of offices will generally involve some additional costs, for staff and office space. But the question to be asked, of course, is not whether the policy will be more costly, but whether the additional costs will be justified by more widespread employer and worker acceptance of the employment service, thereby enabling it to play a more useful role in the labor market. Separation will also create some inconvenience and minor expense for unemployment benefit claimants, who must visit two offices, instead of one, in order to receive benefit checks and search for work. Again, the question to be asked is whether the slight additional burden placed upon these claimants outweighs the benefits that may be gained, for them and for other jobseekers, if separate offices en-

²⁷ The subcommittee received, in several statements, encouraging information concerning steps that have been taken in some local employment offices to build up a reservoir of competent individuals—housewives, retired people, and others—who can be drawn upon for temporary and part-time help with seasonal and cyclical increases in the number of benefit claims. Much of the work involved in interviewing claimants and processing benefit claims is routinized, and can be performed by reasonably intelligent people with little experience. The use of such temporary employees for claims processing allows employment service interviewers to concentrate on their own work, which constantly requires the exercise of informed judgment, and which cannot be performed satisfactorily by inexperienced individuals.

²⁸ The difficulties created by inability of managers to give their full attention to employment service, as opposed to unemployment insurance, activities have apparently not been confined to local employment offices which combine both functions. A recent study of the employment service indicates that there is a tendency for unemployment insurance problems to preempt the attention of higher level administrators (Cf. William Haber and Daniel Kruger, "The Role of the United States Employment Service in a Changing Economy" (1964), p. 72.)

courage more employers to look upon the employment service as a good place to turn for qualified workers.

Some witnesses before the subcommittee cautioned against any tendency to look upon the physical separation of employment service and unemployment insurance functions as a marvelous panacea for the service's "image" problem. Separation will make only a minor contribution to an improved "image," if it is not followed up by continuous demonstration that the staffs of local employment offices are able to give valuable assistance to employers and workers. Given this warning against overoptimism, however, there was general support among the witnesses for the policy of physical separation of functions. One of the strongest supporting statements was made by Prof. C. Gilbert Wrenn, who was particularly interested in the psychological and attitudinal gains that both employment service staff and jobseekers visiting employment offices might receive:

This division has been made in some of the larger cities but it should be done universally, *with any new legislation providing that the Employment Service should be in quarters devoted specifically to employment and placement functions* * * * The benefits that would accrue to the attitudes of workers seeking *employment*, workers of all classifications, workers now in jobs but looking for more stable jobs or even different vocations, would be worthy of the effort. (Professor Wrenn's emphasis.)

Another employment service policy, for which more resources have been available since 1961, is helping to alleviate the "image" problem. This is the policy of establishing separate employment offices—again, in the larger metropolitan areas—to serve different industrial and occupational categories within the labor force. In Detroit, for example, the employment service organizational structure was reshaped in 1962, and four separate offices were set up: professional, clerical and sales, manufacturing, and trade and service (including domestic service). Separation along these or similar lines has been carried out in a number of other large cities.

Establishment of separate offices to serve professional, clerical, or other categories of workers has a number of obvious advantages. These advantages do not accrue at zero additional cost, but the cost, as always, must be measured against the benefits. More highly educated, white-collar workers, who had previously been unwilling to register for jobs at an office serving mainly a clientele of blue-collar workers, may have a much different attitude toward a specialized professional or clerical placement office.²⁹ Employment interviewers in these specialized offices can develop increased experience and skill in serving one sector of the labor market, with its own particular characteristics. They can become more intimately familiar with the needs of individual employers and acquire a firmer understanding of the labor demand and supply situation within the industrial-occupational categories they are handling. Specialized placement offices can

²⁹ One can deplore the feelings implied on the part of white-collar workers who do not wish to mingle in the same employment office with low-skilled, manual laborers—but these feelings are an aspect of the reality of the American labor market. Private employment agencies have generally recognized them, since relatively few of these agencies attempt to serve a white-collar and a blue-collar clientele in the same office.

also be put in locations more convenient to the employers and workers who will make most use of them. Clearly, a large metropolitan area office located most effectively for the purpose of facilitating the placement of blue-collar workers in the area's manufacturing plants will probably not also have an optimal location for serving employers who seek clerical workers for downtown offices.

The fact that the employment service is now following a policy of establishing more specialized placement offices for white-collar occupations is, of course, a major reason for the recent step-up in the campaign mounted by spokesmen for private employment agencies against the service. Many private agency operators, whose placement work is primarily in the white-collar sector, are worried that the new specialized offices of the employment service will attract a growing volume of jobseekers.

One aspect of the employment service's "image" problem, which was not stressed in the subcommittee's hearings but which deserves mention, is the physical condition of local employment offices. If these offices are in antiquated buildings, if they have battered furniture and equipment, if the noise level is uncomfortably high, if they are starved for space and are consequently jammed from wall to wall with desks, counters, staff personnel, jobseekers, and unemployment insurance claimants—then they are not going to be particularly appealing places for either workers or employers to come in search of help in the job placement process. Such offices may economize on the expenditure of funds for the employment service, but only at the cost of cutting down the service's potentiality for becoming a highly effective agency in the area of manpower development and utilization. One of the desirable side effects of the separation of employment service from unemployment insurance offices, and the establishment of specialized industrial-occupational placement offices, is that these policies will generally enable the service to carry on its work in less crowded, more physically satisfactory quarters.

During the subcommittee's hearings, conflicting testimony was received concerning one major proposal related to the need for improving the employment service's "image." This proposal would require employers to list all job vacancies with the employment service. This listing requirement, it must be strongly emphasized, would be that and nothing more—employers would list their openings with the service, but would be under no compulsion of any sort to hire workers referred to them by the service. From the individual employer's standpoint, this proposal would not interfere in the slightest with his freedom to hire the best qualified workers he can find.

The case on behalf of job listing was presented most forcefully to the subcommittee by Mr. Edward T. Chase, who urged that employers be given a financial incentive—a slight reduction in the Federal unemployment insurance payroll tax rate they otherwise pay—in return for notifying the employment service of their job openings. Mr. Chase's argument stressed the necessity, as he saw it, for strong positive action to break abruptly into the "vicious circle" that causes some jobseekers to shun the employment service because some employers shun it—and vice versa:

Only if the business system uses the service will it improve (i.e., job openings would be listed; workers would patronize it more regularly), but without some new kinds of induce-

ments or leverages the service is not likely to be used until it is deemed a better service * * *. Listing openings * * * would act to upgrade the attractiveness of the service to the work force * * *. This, in turn, would enable the service to perform more effectively for business generally, and in this manner the whole operation becomes enhanced. As it is, if the service is felt to only know about second-rate jobs and to handle only second-rate people, the whole system is ignored, obviously.

At this point, it should be noted that interest in developing a financial incentive to induce employers to list job openings with the service has also been indicated by the Subcommittee on Employment and Manpower of the U.S. Senate Committee on Labor and Public Welfare. In its excellent, exceptionally wide ranging report issued in April 1964, entitled "Toward Full Employment: Proposals for a Comprehensive Employment and Manpower Policy in the United States," the subcommittee states:

Experience rating provisions governing unemployment insurance rates could be adjusted to encourage voluntary listing. Experience ratings were designed to encourage stable employment patterns and reduce drains on unemployment insurance funds. Full listing of all vacancies would likely lead to even greater savings.

In discussing related issues, Mr. William A. Smith, an executive with the Statler-Hilton hotel organization, told the subcommittee:

It seems ironic to me that the employer comments about his inability to acquire qualified help via a State employment agency—perhaps if he were to honestly list his available positions with the State employment agencies they, in turn, would attract a greater reservoir of qualified applicants—who in turn would be referred to the employer—saving time and money for all parties involved.

Undoubtedly, a strong case can be made for legislative proposals which would bring employers to list their available job openings with the employment service, with or without a financial inducement in the form of a lower payroll tax rate.³⁰ However, the subcommittee's hear-

³⁰ The chief argument, as pointed out by the witnesses appearing before the subcommittee, is that such listing would bring large numbers of workers, representing a better cross-section, to register with the employment service—because they would now know that the service had broad access to job opportunities. This would then enable the service to refer more, and often better qualified, workers to employers—thereby making employers more willing to list openings with the service voluntarily. In addition, these arguments have been offered:

1. If not all employers, then at least employers doing work under Government contract should be required to list job openings, since workers seeking jobs financed by public funds should have free access to such jobs through public employment offices.

2. In some States, workers drawing unemployment compensation benefits are required to demonstrate their availability for work not only by registering with the employment service, but also by presenting evidence, from time to time, that they are continuing to apply for jobs by personal visits to employer establishments. This requirement is a substantial burden on many of the unemployed. If all employers in the community listed their openings with the local employment offices, then it could be assumed that any unemployed person registered would be adequately exposed to the full range of job opportunities.

3. Comprehensive and up-to-date notification of job vacancies would provide Government agencies, through the employment service, with a continuous flow of valuable data needed for public policy decisions with respect not only to manpower but also to many other economic problems.

ings did not uncover general support for such proposals, at least at the present time. In particular, none of the representatives from the U.S. Department of Labor or from individual State employment security agencies who appeared before the subcommittee endorsed the required listing of job vacancies. The subcommittee found, indeed, a degree of concern that some employers required to list jobs might develop feelings of antagonism toward the employment service. Those concerned over this possibility see good relations between local employment offices and employers as a *sine qua non* for an effective service, and believe that such relations can only be strengthened gradually, as competent placement work on the part of the employment service persuades more and more employers to turn to it voluntarily.

A cautious approach to the proposals for job listing was recommended to the subcommittee by Prof. Felician Foltman, of Cornell University:

Questions relating to image, penetration of the market, and to use of the public employment services lead to what is perhaps the most significant issue for the public manpower planners today, that relating to employer listing of job vacancies. If employers supply data to the Government on unfilled job orders, then applicants and employers can get better service, unemployment will be reduced, and production increased. Job vacancy data are of obvious usefulness to persons in many public agencies. At the present time pilot surveys are being conducted by State employment services and by private researchers to determine the feasibility of collecting such obviously useful information. There are technical and other difficulties that have prevented this potential improvement to the service from becoming reality, however. For many reasons employers are reluctant to supply such data * * *. According to some, the need for job vacancy data is so great that employers should be given some special tax advantage or otherwise financially rewarded for providing such data.

At the present time such a step would be premature. Instead it would seem more appropriate to continue research to determine under what specific conditions and circumstances employers will provide the desired information.

In summary, the "image" of the employment service is still marred, as it has been since the late 1930's by the common misconception of its local offices as "unemployment offices." At the same time, progress is being made toward developing job placement activity which will be more broadly representative of the hiring transactions taking place in the American economy. The subcommittee received general endorsement of the principle of separating employment service operations from those of the unemployment insurance program, and of the program for establishing specialized placement offices to serve separate occupational and industrial segments of metropolitan area labor markets. Given these organizational policies and given the financial resources necessary to enable the Federal-State employment service system to attract and retrain competent counselors, labor market analysts, job placement interviewers, and other personnel—the "image" of the employment service should steadily improve.

As a concluding comment on this issue, this report will note the recent statement by Prof. Curtis Aller, in an address in October 1964, to the 28th Annual Meeting of the Interstate Conference of Employment Security Agencies:

Let me suggest that if * * * we can develop for the employment service a truly significant role to play in our economy and undertake to provide you with the tools you need to play this role, then I wouldn't be too worried about your image. I'm old fashioned enough to believe the image one has reflects the underlying realities. Therefore I would go after the significant jobs which this admirable and paradoxical economy of the sixties needs the employment service to do. The public image will then take care of itself.

4. SPECIAL SERVICES TO "DISADVANTAGED" GROUPS WITHIN THE LABOR FORCE

One of the problems upon which the subcommittee received considerable testimony was that of finding the optimal relationship between what may be described as the "mainstream" placement function of the employment service and its function of giving special assistance to certain categories of workers who are unusually difficult to place. Particularly at the local office operational level, the service does not find it a simple matter to coordinate and harmonize these functions.

What are the main identifiable groups of workers to whom the employment service needs to give special assistance? Primarily these:

(1) Youth: Young people, with little or no experience, particularly those who have dropped out of high school before graduation, and who face an increasing relative shortage of low-level entry jobs in our labor market.

(2) Older workers: Generally those who are 45 or older, and who have special employment difficulties that stem from such sources as limited education, possession of obsolescent skills no longer in demand, displacement from long-held jobs by technological change or plant shutdowns, and employer prejudice against hiring older workers.

(3) Members of racial minorities: Predominantly Negroes, but also Puerto Ricans, Mexican-Americans, Indians, and others, who are commonly limited by a combination of inadequate education and employer prejudice.

(4) Handicapped workers: Those with physical, mental, and emotional handicaps, who are disadvantaged not only by the handicap itself, but also by exaggerated employer apprehensions concerning the difficulty of fitting handicapped workers into productive employment.

(5) Workers with limited education and low-skill levels: Those most vulnerable to technological displacement and long-term unemployment in a labor market where demand continues to shift away from those able to offer an employer little more than their physical strength.

(6) Technologically displaced workers: Those whose skills are relatively obsolete, who generally have had no recent job search experience, and who need training before employers are likely to consider them for new job opportunities.

These categories of workers with special employment difficulties are, of course, not mutually exclusive. Many workers, unfortunately, will fit into several of these categories simultaneously—with disastrous results for their employability. Unemployment, for example, among Negro youths, who have dropped out of school, and who have acquired no work skills through vocational training or on-the-job experience, is notoriously high.

The obligation of the public employment service to aid these groups has brought with it several difficulties. One of these stems from the fact that too often the service appears to have been ordered, on short notice, to give special attention to first one group and then another. Witnesses before the subcommittee expressed their concern over the disruption of regular activities and consequent loss of efficiency that can occur in local employment offices when they are issued instructions to increase immediately their efforts to help youth, or older workers, or veterans, or some other group—while, at the same time, receiving little or no additional resources with which to meet these preremptory demands upon them. Counselors, job placement interviewers, and other personnel may be pulled away from their usual duties and thrown, with inadequate preparation or planning, into a “crash program” to assist a special group. As desirable as the purposes of these programs are, they may force employment office personnel to cut back service to the jobseekers and employers who make up the main body of the office’s clientele. As a result, another obstacle may be placed in the path of the employment service’s efforts to make itself broadly acceptable to workers and employers.

Another difficulty is found in the damage that may be done to the employment service’s “image” by the widespread knowledge that the service is required to take a special interest in the very groups of workers whom employers are generally least anxious to hire. The committee’s record contains a number of statements calling attention to this problem. Prof. C. Gilbert Wrenn, for example, notes:

You cannot take an “average” of * * * prison parolees, juvenile delinquents, selective service rejectees, nonwhites, long-term unemployed, etc., and make their clientele look like the American labor force. In fact the employer cannot help but feel that the employment service is a special pleader for various kinds of disadvantaged citizens, but not a placement agency for the kinds of workers he needs in some quantity * * *.

It is hard for the employment service to consider itself as an across-the-board employment agency because of the large number of special groups to which it must give attention. I have talked with man after man who said to me, “We could do a better job for people generally if we didn’t have so many special programs” * * *.

Mr. Edward T. Chase makes a similar comment:

The well-advertised concern of USES for parolees, Indians, disabled vets, school dropouts, and others at the bottom of the labor market has helped reinforce its reputation as a kind of welfare service for the unfortunate.

At the operating level, in the local employment office, another difficulty may arise from an unfortunate feeling of competition that can

develop between job placement interviewers who are trying to place regular, "mainstream" job applicants in the job openings available, and those who have particular responsibility for placing the physically handicapped, inexperienced youth, or other relatively "disadvantaged" individuals. When the number of listed job openings is small, compared to the number of workers registered with the employment office, it is all too understandable that the vigorous efforts of the office's "older worker specialist" or "youth specialist" to find places for his special charges may not receive complete sympathy from other placement interviewers who themselves have large backlogs of competent, experienced, "undisadvantaged" job applicants for whom no jobs are presently available. To those serving the "mainstream" clientele, nothing may appear to have been gained if a "disadvantaged" worker is placed in a job, but only at the cost of continued unemployment for another, more generally acceptable worker who might otherwise have been given the job.³¹

One more difficulty, at the local employment office level, arises from the continued tendency of many placement interviewers to assume that their competence will be measured primarily by the total number of workers they manage to place in a week's or month's time. Officials of the Bureau of Employment Security are attempting to deemphasize the use of gross quantitative measures, such as the number of workers counseled or placed, as tools for mechanically evaluating the effectiveness of local employment office operations. Nevertheless, the individual interviewer, at his desk in a local office, may remain reluctant to invest a substantial amount of time in efforts to place a "disadvantaged" worker, when the same efforts on behalf of more acceptable workers may bring a higher payoff in the form of a superficially more impressive statistical record of "successful" placement. This tendency for placement interviewers to overemphasize the importance of the number of placements they make is, of course, one reason for the development of special programs to assist the various groups of "disadvantaged" workers registered with the employment service. Without such programs, these workers might otherwise receive too little assistance from interviewers overly concerned with their own placement records.

On the basis of the material presented to the subcommittee, a number of conclusions appear warranted with respect to the public employment service's role in assisting those groups who are competitively handicapped in the search for jobs. First, and most important, this role needs to be expanded. The Nation's goal of achieving full manpower utilization, along with the administration's "war on poverty," call for further enlargement and development of programs to find employment for those who are the hardest to place. Demographic trends, meanwhile, indicate increasing need for these programs. The proportion of Negroes, and of some other racial minority groups, is

³¹ In fact, a strong case can be made in favor of special efforts to place "disadvantaged" workers in jobs. The case rests on the simple proposition that, over the long run, the burden of any given amount of unemployment in a society will bring with it less severe damage to individual human beings, if that burden is spread more evenly over the entire labor force. An unbroken year of unemployment for a physically handicapped worker is likely to have more serious consequences for himself and his family, and ultimately for our society, than will the combined effect of a 1-month spell of unemployment for each of 12 unhandicapped workers. It is long-term unemployment, month after month, that severely injures its victims. No apology need be made for special public employment service programs designed to help relieve the physically handicapped, the Negro, the older workers, and others from continuing to shoulder a disproportionately large share of long-term unemployment.

slowly rising within the urban labor force. The number of "older workers", in the age range 45 to 64, will be growing at a more rapid pace through the 1960's than ever before. A sharp rise in the rate of entry of young workers into the labor market is now occurring. At the beginning of the 1960's, the number of new young entrants per year was about 2 million; by 1970, the number is expected to have reached 3 million. The employment problems of these and other groups must continue to be of special concern to the employment service.

In carrying out its special responsibility to aid "disadvantaged" workers, the employment service should not operate on the assumption that these workers will necessarily come, on their own volition, to seek the aid of the service. On the contrary, the employment service should have trained personnel assigned to the duties of actively searching out those members of the labor force who have employment handicaps, as well as those who have dropped out of the labor force in too deep discouragement to continue the search for work. The employment service will not be adequately filling its role as a manpower agency unless it follows vigorously a policy of bringing its facilities to the attention of those in particular need of help. Among the poorly educated, the physically and mentally handicapped, the members of racial minority groups, the dwellers in urban slums, there are far too many who are likely to be totally unaware of the assistance the public employment office stands ready to give them. Unless the employment service joins with other community organizations in an aggressive effort to maintain contact with these people, it will be foregoing the opportunity to help reclaim a part of our manpower resources.

Whatever damage may be done to the employment service's "image" by its activities on behalf of "disadvantaged" workers can certainly be remedied, over the long run, by the establishment of a high level of competence of employment service personnel generally, and by the application of intelligence and imagination in the development of programs for these special groups. While making special efforts to place the "disadvantaged," employment service personnel have no choice but to recognize that the large majority of employers who list job openings with the service do so in the expectation that placement interviewers will then refer to them those who seem best qualified for these openings. The service cannot afford to have these employers suspect that placement interviewers may be deliberately refraining from sending them the most promising workers available, in order to find positions instead for the hard to place. Such suspicions will cause employers to shy away from using the service—which, in turn, will injure the service's ability to place "disadvantaged" workers. Witnesses with expert knowledge of the activities on behalf of these workers emphasized to the subcommittee their conviction that the service's record in placing the older worker, the school dropout, or the physically handicapped would be greatly improved if the service could develop a more adequate inflow of job orders from employers. The more acceptance the service wins from employers through competent placement work in the "mainstream," the more job openings the service will receive into which "disadvantaged" workers may be fitted, and the better reception the service's representatives will get, when they approach employers with proposals for hiring the "disadvantaged." The employment service, in short, will be able to do more for the hard-to-place worker if its own "image" is improved in the

eyes of American employers, if its own prestige is raised—but it will not raise its prestige by a policy of concentrating on the problems of the hard to place, at the expense of neglecting its regular placement activities for the majority of job applicants.

The implications of this discussion seem obvious. Employment service representatives need to work—in close cooperation with representatives of public-spirited business, labor, and other organizations—to break down unjustifiable employer prejudices concerning various categories of workers. They must work to persuade employers to abandon racially discriminatory hiring policies. They must convince employers that the large majority of older workers, and many of the physically handicapped, will prove quite capable of performing in a host of jobs for which employers are often reluctant to hire them. They must counteract the all too common view that jobseekers without high school diplomas are to be rejected automatically. They must help employers to avoid overestimating the actual costs involved, for most types of work, in hiring young workers and bringing them up, on the job, to a level of reasonable productivity. At the same time, they must work with representatives of other groups at the difficult process of job creation—of making contact with employers who may be persuaded to tailor certain jobs for the physically handicapped or to develop special “entry” jobs for untrained young workers.

While these efforts are underway, the employment service must at the same time be attempting to improve the employability of disadvantaged workers—by intensive counseling of those with special employment problems, and by referrals to appropriate training programs of those with learning potential. At this point, the employment service's role under the Manpower Development and Training Act, the Economic Opportunity Act, and other recent legislation becomes particularly important. When counseling and training can eliminate a “disadvantaged” worker's handicaps in the search for a job, he can then be turned back into the “mainstream” placement activities of the employment service to compete with other jobseekers.

The employment service, then, will attack the problems of “disadvantaged” workers by attempting, through counseling and retraining, to shrink the supply of those who are genuinely handicapped, and by simultaneously attempting to generate more demand for these workers. It will continue, however, to honor its obligation to refer the most qualified workers it has available to those employers who list job openings with the service and who have not entered into definite agreements with the service to consider hiring the physically handicapped, school dropouts, or others in the hard-to-place categories.³² It can be

³² It is understandable that those who have special responsibilities for assisting the physically handicapped and other hard-to-place workers may have some difficulty in appreciating the fact that job placement interviewers will not continue to receive listings from most employers, unless they can refer promising job applicants to those employers. Mr. E. B. Whitten, in his statement to the subcommittee on behalf of the National Rehabilitation Association, impliedly criticizes these interviewers when he says: “It has been our feeling that the public employment services are more zealous in their efforts to serve employers than they are to serve the best interests of job applicants * * *. Great zeal may be displayed in trying to find enough workers to fill an employer's order, but frequently there is not equal zeal in studying the specific needs of individual job applicants and in developing job opportunities which are commensurate with their abilities.” The fact, unfortunate though it may be, is that the regular placement interviewer can lose more opportunities to put workers in jobs by failing to give zealous service to employers than he can possibly hope to gain by zealous efforts to develop jobs for the hard to place. Again the conclusion implied is that these workers need special programs carried out by employment service personnel who have been trained for that purpose.

hoped, of course, that an increasing number of employers will be persuaded to hire workers in these categories.

Finally, there is no way of escaping the conclusion that additional financial resources must be provided to the employment service if it is to maintain special programs, at a reasonably adequate level, for those groups of workers with difficult employment problems. Routine placement service is obviously not sufficient for these workers. And nonroutine services are inevitably costly—particularly counseling, which is a heavy requirement in programs for the hard-to-place worker. As Mr. Thomas Roumell, director of the Michigan Employment Security Commission, pointed out to the subcommittee:

Counseling is * * * an important weapon, perhaps the best that we have, against long-term unemployment. It is a technique for restoring dignity and self-confidence to an individual who has come to feel that he is unable to be a useful member of society * * *.

In a very real sense, the counselor is undertaking nothing less in a great many cases than the complete rehabilitation of the individual * * *. This process may require a number of counseling interviews. In cases where the individual is referred to training, or retraining, or to other community agencies for rehabilitation * * * the counseling relationship ought not to end at this point * * *. (It) should be maintained and the counselor should play an active and supporting role, until the counselee has been placed in a job and has managed to perform satisfactorily * * * for a sufficient period of time to indicate that he no longer needs the special services of the counselor * * *.

All this means that * * * the number of counselors must be greatly increased, not only because the number of cases in which counseling is indicated is much greater * * * but because the number of man-hours devoted to each case must be increased if the counseling is to be effective.

Counseling of "disadvantaged" workers, to the degree that Mr. Roumell is calling for, cannot be carried out within present employment service budget limitations. Other statements presented to the subcommittee also emphasize the necessity of acknowledging that programs for special groups of workers will be costly. A joint statement by Professors William Haber and Joseph Becker and Dr. Sar Levitan emphasizes that:

The public employment office should continue its special services to disadvantaged workers. This is not only a proper but a necessary function of the public service, for profit-seeking agencies cannot be expected to assume responsibility for such workers. Congress and the Bureau of the Budget must recognize that these special services are unusually costly and must provide adequate funds; otherwise the performance of the special functions will lead to the starvation of the service's regular functions.

Prof. Irvin Sobel, who gave the subcommittee an illuminating report on the employment service's activities on behalf of older workers, stated his conclusion that:

Not only must staff size be expanded, but a higher level of professional competence is necessary * * * for the special service approach for the hard-to-place elements of the labor force. To successfully place these will require not only much higher proportions of trained and more costly psychologists, vocational guidance, and even medical personnel, but much larger numbers of supervisors, coordinators, and managers as well. A continuous study of the results of attempted placement through the service is necessary in order to indicate the margins in which society gains from effective utilization of these comparatively costly placement resources.

In summary, the subcommittee's study underscores the necessity of the employment service's continuing to be deeply involved, as a major public agency, in a coordinated attack upon the employment problems of special groups within the labor force—while, at the same time, strengthening its regular "mainstream" placement activity for the majority of workers. It also points up the urgent requirement for additional financing, if the service is to carry on both its "special" and its "mainstream" programs at the levels called for by our present goals in the area of manpower utilization.

5. THE FEDERAL-STATE RELATIONSHIP

In undertaking this study of the public employment service system, the subcommittee did not plan to focus its attention heavily upon the problems that may arise from the system's being federally financed and coordinated, but operated by the 50 individual States. Members of the subcommittee are, of course, well aware that ever since the passage of the Wagner-Peyser Act of 1933, there has been no dearth of statements deploring the fact that Congress did not create a single national employment service, administered and staffed entirely by Federal personnel. For 30 years Congress has been repeatedly urged, particularly by university scholars and by spokesmen for organized labor, to eliminate the present complex Federal-State system, and replace it with a wholly federalized employment service.

Strong arguments have been, and will continued to be, advanced in favor of establishing an entirely Federal service. Nevertheless, the present Federal-State system has been in existence for 30 years, it is firmly institutionalized, and it has developed strong support for its continuation. Moreover, federalizing the service would not prove to be a panacea for all the problems confronting it. These problems, unfortunately, cannot be swept away by simply reorganizing the structure of the public employment service system.

Certain employment service problems that stem, at least in part, from the existence of a Federal-State system, have come before the subcommittee. One of these is the possibility of disagreements between individual State employment security agencies and the U.S. Bureau of Employment Security over the amount of funds, out of the total made available by Congress, allotted to each State agency by the

Bureau. Such disagreements would seem to be inevitable, from time to time—and are not necessarily undesirable, since they may demonstrate a healthy desire on the part of energetic State administrators to get more adequate financing with which to improve employment service operations in their States. No evidence was presented to the subcommittee that there is now any widespread dissatisfaction with the Bureau's allocations to the 50 separate States, from the annual sum appropriated by Congress for the entire system. The subcommittee did, however, receive a statement from Mr. Willard P. Dudley, administrator of the Ohio Bureau of Unemployment Compensation, objecting to the fact that the funds allocated for employment security agency activities in Ohio have been substantially less than the sums collected from Ohio employers under the Federal Unemployment Insurance Tax Act. Mr. Dudley calls for legislation that would assure each State employment security agency of receiving funds equal to at least 80 percent of the Federal Unemployment Insurance Tax paid by employers within that State—that is, the 0.4 percent tax on the first \$3,000 of wages paid each employee per year.

Two comments can be made concerning this proposal. First, the House Committee on Education and Labor does not have jurisdiction over legislation which would modify the Federal Unemployment Insurance Tax Act, or the Social Security Act, or prescribe the method of distributing funds raised under those acts. No recommendations with respect to these acts, therefore, will be discussed in this report.

Second, the financing that will be required to give the employment service system the quantity and quality of resources needed for it to meet its responsibilities of the 1960's will certainly soon call for each State, including Ohio, to receive funds in excess of 80 percent of the amount now being raised in that State from the 0.4 percent tax on the first \$3,000 of wages paid annually to each covered employee. At this point, attention must be called to statements in our record which stress the desirability of planning now to finance a portion of employment service operations from other sources than the payroll tax on employers—particularly since the broadened role of the employment service as a "manpower agency" will require it to place increasing emphasis upon activities not immediately related to placing unemployed workers laid off by the taxed employers. The argument is forcefully presented in a recommendation by Professors Haber and Becker, and Dr. Levitan:

As the scope of the public service broadens to encompass very much more than the job test for unemployment insurance, the propriety of financing the employment service by unemployment insurance taxes inevitably comes into question. Moreover, since a payroll tax is probably the least desirable form of tax from the viewpoint of promoting full employment, it should be used as little as possible. While the use of a payroll tax has offsetting advantages in the case of unemployment insurance, these advantages do not exist in the case of the employment service. It would seem expedient, therefore, to finance the public employment service more from general revenues than from the payroll tax of unemployment insurance.

Another problem that arises in a discussion of the Federal-State nature of the employment service system is that of "clearing" workers and jobs between States. The term "interstate clearance" is used by the service to describe the function of matching jobseekers in one State with job openings in another. In theory, the 50 separate State employment services are linked together into 1 integrated, nationwide system which is capable of efficiently bringing employers and workers together across State lines. In practice, however, as Prof. William Haber remarked to the subcommittee, this picture of a well-integrated national system "* * * is a pretty fantastic, romantic idea." The subcommittee was repeatedly told that the interstate clearance system—and even the process within the same State—still falls very far short of reaching an acceptable level of speed and effectiveness. One instance of difficulty with this system is reported in our record by Mr. Edward Chase:

The 2,000 local offices of USES are financed out of the Federal payroll tax. But they are run by the individual States as neighborhood facilities. This local orientation is peculiarly frustrating at a time when the job market is increasingly regional and national. For instance, I know a conscientious * * * interviewer in a Brooklyn office who was recently confronted with several unemployed welders. There were no known local openings to offer them. Quite by chance, the interviewer had heard that welders were being sought right then in Connecticut. Now to match the applicants with the jobs through official channels would involve a cumbersome mailing process called interstate clearance. Since time is of the essence in getting a job, he urged the welders to go after the Connecticut jobs on their own.

This is not a step a man broke and out of work for many weeks can take; nor is it a satisfactory way for a national public employment service to function.

There is no doubt that the organizational structure of the system, involving 50 individual State agencies, has impeded the development of a satisfactory interstate clearance process. The personnel of each State agency, understandably, have their attention focused upon the employment situation of their particular State, and are not accustomed to working efficiently—via mail, telephone, or other communications networks—in cooperation with the staffs of other State agencies. Whether the employment service system were wholly Federal, or Federal-State, there would still be difficult technical problems to overcome in assuring rapid and comprehensive notification throughout the country of job openings available to workers willing to move across State lines. But these problems are magnified under the present organization.

Interstate clearance seems destined to be a more and more important function of the employment service system. If this function is properly developed, the employment service can contribute significantly to improving labor mobility in our economy—to helping both employers and workers escape from the confines of a local labor market. Interstate clearance, moreover, is a function that only the employment service is likely to be able to carry out adequately. Individual private employment agencies are not tied into a nationwide system ori-

ented toward matching workers and jobs across State and regional boundaries. It is improbable that these competing agencies would, or could be brought together into such a system.

The importance of the interstate clearance function of the employment service cannot be estimated solely by the number of placements made across State lines. These are the placements that help alleviate shortages of labor in critical occupations, by moving workers with needed skills to the areas where they are most in demand. These placements can also be an important part of the attack on the problems of "depressed areas," by assisting unemployed workers to escape from areas where there is no outlet for their labor. And it is these placements which help to create a truly national labor market—rather than an uncoordinated set of local markets—in the American economy.

On the basis of the subcommittee's study, strong consideration should be given to recommending to Congress that the interstate clearance function be made essentially a responsibility of the Federal agency, the U.S. Employment Service. This increasingly vital function is not being adequately performed at the present time, and no more time should be lost than is absolutely necessary in remedying this condition. A rapid and effective build-up of this function is more likely to be achieved through assigning it now to the U.S. Employment Service than by continuing to leave it primarily to 50 State agencies with varying degrees of interest in this function and varying levels of competence in performing it. The operational details involved in raising the interstate clearance process to a high pitch of efficiency can be worked out by the staff of the U.S. Employment Service, which would be directed to make use of the most recent technical advances in the fields of communication systems, electronic data processing, and information retrieval. But it is important that high priority be given to developing the interstate clearance function, that responsibility for this function be clearly assigned, and that those charged with this responsibility be instructed by Congress to take prompt action.

The division of the personnel of the employment service system among 50 separate State agencies poses another problem for which the subcommittee should consider remedial legislation. No process has been worked out whereby a competent individual, who has had years of work with the employment service of one State, can move to a position in the employment service of another State and receive the seniority, rank, and salary appropriate to his experience. Even though he is thoroughly experienced, and has demonstrated his ability, he may be required to accept the entry level salary in the State service to which he moves, and may be assigned to work involving less skill and responsibility than in his previous position.

No justification can be offered for barriers which block the interchange of experienced personnel between one State employment security agency and another. The Federal-State employment service system, as a whole, loses when an individual with experience in one State agency who, for one reason or another, moves to another State cannot afford to enter the employment service in that State on the terms offered to a new recruit.³³ This problem, of course, is

³³ Women make up a substantial proportion of skilled placement interviewers and counselors in employment service offices, and many of these may be required to move from one State to another, as their husbands are transferred by their employers or change jobs. Particularly in view of the strong need for those with interviewing and counseling skills, it is unfortunate that these women may be, in effect, discouraged from continuing in employment service work.

not unique to the employment service. It is also found, for example, in the teaching profession, where inexcusable regulations concerning salaries and seniority status still restrict the ability of many local school boards to hire competent teachers who gained their experience in other State systems. There is, in general, entirely too much compartmentalization of one State from another in what should be a reasonably well integrated national labor market for the occupational groups most commonly hired by the various State agencies.

Within the limits of this subcommittee's jurisdiction, it has the opportunity to make a valuable contribution toward freeing the interchange and flow of competent, experienced employees among the States. It can recommend to the Congress legislation which would prescribe a system permitting the transfer of personnel among State employment security agencies, and between an individual State agency and the U.S. Employment Service, without loss of the transferred employee's rank, position on the seniority ladder, or accumulated pension and other benefits. The establishment of such a system poses technical problems, but none of these are insurmountable. And it is particularly appropriate that a system of interstate transfer be developed for the public employment service—with the hope that comparable systems will eventually be established for other categories of State employees—since the financing of the employment service is entirely through Federal funds. Those employed in this service should ideally be as freely transferable, from one part of the country to another, as are Federal civil servants.

A final problem—the most serious of all—which is partly the creation of our present Federal-State system, is that of the general inadequacy of employment service salaries in many States. This report would give an overly optimistic presentation of the prospects for rapid improvement in the public employment service if it ignored the very grave difficulties presented by the failure of individual States to offer salaries that will attract and retain sufficient numbers of talented employees. An employment service office cannot be properly staffed by people who are unable to do more than carry out routine clerical tasks, prescribed for them by a manual. If it were possible to match listed job openings and jobseekers by mechanically following a specified set of procedures, then the task could eventually be programmed for an electronic computer. But it is not possible.³⁴

Imagination, intelligence, and judgment need to be exercised by employment service personnel. This report has already stressed the necessity for these qualities in employment counselors. For other key occupations, also, they are essential. Local employment office staffs should include representatives assigned to keep in close contact with the employers of the community—not only in order to develop listings of job openings, but also to build a thorough comprehension of current conditions and trends in the local labor market. Employment offices need representatives capable of working creatively, on a host of community problems, in cooperation with business, labor, educational, and other local organizations. If the employment service is represented, in its contacts with businessmen and other groups, by

³⁴ As Prof. E. Wight Bakke stated to the subcommittee: "Nearly every member of the staff, aside from typists and file clerks, functions as an individually responsible analyst of some aspect of one of the most complicated relationships in the world—the employment relationship * * *. Such people are not obtained at bargain prices off the street."

staff members of limited intelligence and ability, the service will be unable to gain the community acceptance it has to have in order to fill the broad role of a manpower agency. The job placement interviewer, who works from a local employment office desk, must also be a person of substantially more than routine abilities. He must be able to absorb a large volume of detailed knowledge about the local labor market, the needs and hiring policies of many employers, and the specific duties of many jobs. He must have the ability to assess the qualifications of jobseekers, on the basis of past work experience, aptitude test records, and personal interviews. He must constantly exercise tact in dealing with employers and workers, and judgment in deciding which job applicants to refer to employers. A job placement interviewer is an asset to his employment office, if he is able to build up the confidence of local employers in his ability to select workers who will meet their needs. Conversely, he can seriously harm the office's efforts to play an effective part in the local labor market, if he antagonizes and drives away employers by referring to them a stream of obviously unsuitable job applicants.

However willing and conscientious they may be, individuals of modest intelligence, with low learning potential, or handicapped by poor education, are simply not going to be able to perform competently the work involved in such key employment service tasks as counseling, labor market analysis, placement interviewing, and representing the service in outside contacts with the community. Even those with the basic talent for such work need to acquire substantial experience before they will perform really adequately. Yet, at present salary levels, it will be difficult for many State agencies to hire initially people potentially capable of high-caliber performance, or—if hired—to hold them long enough to bring them up to a satisfactory level of efficiency.

The subcommittee received much evidence of the inadequacy of salaries in many States, and the consequent problems created for the public employment service. Prof. Leonard P. Adams, of Cornell University, for example, stated:

The demand for competent interviewing, counseling, and testing in local offices has increased with the growing complexity of job markets and the rise of unemployment. It is likely that one of the important reasons for the comparative differences in State performances * * * is the unequal quality of the staff of State and local offices * * *. It is * * * necessary, at least in some States such as New York, to raise salaries if the service is to retain at least some of the most able young people it recruits and trains. I have been told * * * that turnover rates in New York City offices average 30 to 40 percent per year and that a great deal of valuable staff time is spent on continuous training of new recruits. Salary scales in some other States are probably much lower than in New York so the problem of staffing may well be even greater elsewhere.

High turnover not only involves exorbitant training costs, but damages the service's ability to hold its employer clientele. The U.S.

Bureau of Employment Security, in a statement issued February 1963, pointed out that:

Since employment service interviewer positions usually require graduation from high school and considerable training and experience * * * or graduation from a college, and since 26 State agencies pay less than \$4,183 for beginning interviewers,³⁵ it becomes clear why many State agencies have difficulty recruiting promising employees * * *. This situation entails costly turnover, and a continuous training problem. Under these circumstances, the employment service has to keep building and rebuilding its relations with employers whose confidence in its services wanes with repeated changes of interviewer personnel.³⁶

The problem of retaining competent staff was also highlighted in the testimony of Prof. William Haber, of the University of Michigan:

It seems to me we have to take a very hard look at the budgeting process. We have to take a sympathetic look, as Congress is beginning to take for Federal payrolls, at salaries.

Those folks are on State payrolls. We have to find some way of attracting people who will look upon this as a profession which has high esteem in the public mind and see that they are paid enough to be attracted and to make them want to stay, not to be picked off at the earliest opportunity by some private employer who would put them in their own interviewing departments, where they are better paid and they have better opportunities for advancement.

One of the strongest statements made to the subcommittee concerning inadequate State salaries in the employment service came from an employer representative, Mr. John R. Hundley, vice president for industrial relations of the Granite City Steel Co., Granite City, Ill. Mr. Hundley, speaking on the basis of many years of close contact with the State employment services of Illinois and Missouri, described the salary situation in Missouri:

The Missouri State merit system provides that the manager of the St. Louis area office of the division of employment security—a man who supervises 350 people, with 25 years of service—will be paid up to \$885 a month * * *. The managers of smaller offices * * * may be paid as little as \$338 per month. A counselor in the St. Louis office is paid from \$369 a month to \$545 * * *.

³⁵ This beginning salary figure, of \$4,183, refers to salaries being paid as of mid-1962. Salaries have been raised since, but not to generally adequate levels.

³⁶ Information on turnover among employment service personnel was supplied to the subcommittee by the Office of the Secretary, Department of Labor, in a letter dated Dec. 3, 1964. Turnover varied extremely widely among the States. The "separation rate" for all regularly appointed employees in State employment security agencies ranged from 4.3 to 40.5 percent for the fiscal year 1963. That is, during the fiscal year the number of people leaving employment security agency positions for all reasons—resignation, discharge, death, retirement—was equal to 4.3 percent of the average number of positions in the agency for the State with lowest turnover, and was equal to 40.5 percent of these positions for the State at the high end of the range. The median "separation rate" for the State agencies was 14.7 percent.

This gross data casts no light upon the question of whether those resigning from positions in such classifications as counselor and interviewer tend to be among the more promising employees who leave for better paying jobs elsewhere. The Department of Labor does point out that one of the highest separation rates in 1963 was in the State of Wisconsin, where "high recruitment standards * * * are not always matched by salaries and it is hard to hold the staff recruited."

As a direct result the employment service is confronted with a high and costly rate of turnover * * *. Here is an example * * * pertaining to the St. Louis area office. The rate of turnover in 1963 was 21.7 percent. This is far too high. The industrial rate for a similar mix of clerical, technical, supervisory, and professional employees would be in the neighborhood of 3 to 4 percent. * * * With that kind of turnover you cannot do an adequate job of training * * *.

I read in the paper here in Washington last night where they were advertising for a legal secretary \$6,500, not much less than the man supervising the activities, and important activities, of 350 people in the State of Missouri.

It is not surprising that the employment service is often drained of talent * * *. Nor is it surprising that more employers do not rely on the employment service. * * * Unless and until you can get qualified people and pay them adequate salaries comparable to private industry * * * you are not going to have a service that is worthwhile from the point of view of employers.

Salary scales for employment security agency personnel in Missouri are among the very lowest in the country. However, salaries in other States are subject to similar criticism. As of July 1964, the average maximum base salary specified for local employment office managers in the States was \$7,580.³⁷ In 16 States, the maximum base salary for this responsible supervisory position was below \$7,000—little above that of the legal secretary referred to by Mr. Hundley in his testimony. For job placement interviewers, a key operating position in the local office, the average maximum base salary was \$5,654.³⁷ In at least 33 States, the maximum was \$6,000 or below, and in 16 of these, it was below \$5,500. Minimum salaries for interviewers were, of course, substantially less than the maximum. Twenty-five States were apparently attempting to employ placement interviewers at minimum salaries of \$4,500 or less, and five of these States had minimum salaries of less than \$4,000.

These salaries, in the typical State, are not now attractive enough to interest many intelligent, talented young people who might otherwise consider a career in the employment service. The salaries provided for job placement interviewers may be adequate for routine clerical workers—but placement is not a routine clerical job. It requires knowledge, experience, and sound judgment. The salaries for local office managers—who may have complex and challenging supervisory responsibilities—do not generally provide much incentive to hold competent personnel in the service, in hope of rising to a managerial position.

The conclusion can be reached, with little difficulty, that salary scales, in the large majority of States, are presently inadequate. However, concrete recommendations for improving the salary situation are not readily available. The difficulty facing Federal authorities, as they contemplate unsatisfactory State salaries, was pointed up in an interchange between Representative George E. Brown, Jr.,

³⁷ In most States, but apparently not all, an individual with long service may earn above the maximum base salary for his position, through the addition to the base of increments based on length of service.

a majority member of the subcommittee, and Mr. John Hundley, following Mr. Hundley's testimony concerning salaries in Missouri:

Mr. BROWN. I certainly agree with you, Mr. Hundley. But let me be more specific. Who sets the salaries for the people in the State of Missouri?

Mr. HUNDLEY. The State of Missouri, the division of personnel, as I understand it.

Mr. BROWN. Are they generally comparable to other State salaries for jobs with similar qualifications?

Mr. HUNDLEY. They are reasonably comparable; yes, sir. There are some higher and some lower.

Mr. BROWN. Then isn't that a basic weakness in the personnel management of the whole State, with the necessity of upgrading of salaries and qualifications for the entire State service?

Mr. HUNDLEY. Yes, sir.

Mr. BROWN. Mr. Hundley, you have put your finger on where the root of this problem lies. It lies with the State of Missouri. Is the Federal Government going to interject itself through spending more money, or by telling the State of Missouri that they have to pay these people a certain amount of money, and throwing the salary levels and personnel requirements of the whole State system out of kilter? This is a very real problem.

The inadequacy of salaries in the State employment services is only one part of a broader problem, therefore, which goes well beyond the jurisdiction of this subcommittee. In teaching, social service, and many other occupations which call for more than mediocre abilities, State and local governments are attempting to recruit and retain large numbers of people—but with salaries that all too often are appropriate only for those of mediocre ability. Though this subcommittee may strongly endorse the principle of better salaries for employment service personnel, and though the Bureau of Employment Security may continue to urge the States to raise these salaries to realistic levels, the problem of attracting capable people to the State employment services seems likely to be a serious one, so long as the general level of salaries for State employees continues to fall well short of private industry standards in many of our States.

Nevertheless, the deficiencies of the salary scales in State employment security agencies must not be accepted as immutable features of the Federal-State employment service system. The difficulties created by inadequate salaries are too serious, and the Nation's need for a capably staffed employment service is too pressing, to justify a discouraged acquiescence in the status quo. Admittedly, the subcommittee's study of the public employment service has not so far produced politically feasible proposals, for solving the salary problem, which can be enthusiastically advanced. Further study is called for, both by this subcommittee and its counterpart, the Senate Subcommittee on Employment and Manpower, in an urgent effort to formulate policies through which Congress can assure the establishment of a satisfactory level of State employment service salaries.

6. THE RELATION OF THE PUBLIC EMPLOYMENT SERVICE TO OTHER CHANNELS OF EMPLOYMENT

The public employment service is, of course, only one of the channels through which workers and jobs are brought together in our economy. And its relative importance in the labor market is not easily estimated. The number of job placements made by the service is regularly reported—but there is no reliable estimate of the total number of hiring transactions that take place in the economy, with which the service's placement activity can be compared. Attempts to assess the relative sizes of the various hiring channels have been made by asking selected samples of workers to describe the means by which they were placed in their present job, and asking samples of employers to describe how they hired their present employees. These studies, of which a limited number have been carried out by Government agencies and private researchers, have produced varying estimates—as would be expected. If a single figure is to be selected, they can be said to indicate that the public employment service seems to be involved in probably about 15 percent of the hiring transactions—outside of agriculture—that occur in the American economy. (The proportion of "permanent" placements made through the employment service is presumably even less, since the service is relatively heavily involved in filling short-term, casual jobs.) The large majority—70 to 80 percent—of all nonagricultural "new hires" in our economy involve workers and employers who have been brought together through the worker's direct application to the employer, word-of-mouth information passed on from friends or relatives, newspaper advertisements, and other "informal" channels. At most, 20 percent to 30 percent of jobs are filled via all the "formal" agencies combined that have been established to facilitate the hiring process—the public employment service, private fee-charging agencies, private nonprofit agencies, union hiring halls, university placement bureaus, and others.

Particularly since 1961, when President Kennedy called upon the employment service to play a more active, positive role in the critical area of manpower development and utilization, the service has been the target of charges that it is seeking a "monopoly" of hiring transactions in our economy.

There is, of course, no basis whatsoever for these charges. Under no imaginable circumstances could the employment service actually participate in every hiring transaction in the economy. Workers and employers in this country will continue to come together, as they always have, primarily through their own "informal" channels—newspaper advertisements, word-of-mouth information about job openings, and direct application to employers. The United States has a free labor market, with many hiring channels available to be used by employers and workers—and it will continue to have a free labor market.

The issue which seems to have given rise to these unwarranted charges of "monopoly" is the issue of competition between the public employment service and private fee-charging agencies. Many private employment agency operators appear to be apprehensive that a more efficient employment service would reduce the volume of placement business now enjoyed by the private agencies.

The basic question involved here can be simply stated: If Members of Congress believe that the Nation would benefit from an improved, strengthened, better financed public employment service, should they nevertheless hold back from taking steps to improve the service, if such steps would perhaps lead to a reduction in the profits of private employment agencies?

In answer to this question, it can be said that the public interest has been generally assumed to take precedence over private profit. Most Americans would not subscribe to an argument that the public should be denied programs of free inoculations against smallpox, polio, and other contagious diseases simply because such programs might reduce the earnings of private physicians. They would not decide against improving or expanding the public school system, out of fear that the result would be financial loss to owners of private schools. They would not call for the abandonment of plans to build a much-needed network of new transcontinental highways, because owners of restaurants, motels, and other business located along existing routes might thereby suffer economic harm.

Accordingly, the issue of the proper size and scope of the public employment service should be resolved by evaluating the benefits our society is likely to receive from improving the service, as against the added cost in public funds that would be required. The incidental impact of employment service operations on the profits of private employment agencies cannot be the decisive factor in this calculation.

This point was strongly emphasized by Prof. William Haber, of the University of Michigan, in his testimony before the subcommittee:

I am here to state as strongly as I can that we should look on the public employment service of the United States, the Federal-State system, as we look on our educational institutions. We don't say private educational institutions interfere with public education. We don't say Harvard, Princeton, and Yale, great private institutions, interfere with the University of Michigan. We say "God bless them," and we do not try to cut back the University of Michigan appropriations because it is encroaching on private enterprise.

I say we ought to get out of our minds that helping people get jobs, helping employers find people, guiding people, providing tests for people, counseling and dealing with them as far as we can on an individual basis, is not a public responsibility.

We should look on the public employment service as we look on a public function for which we do not have to apologize, and its competitive effect on private enterprise should not disturb us.

I think the private employment agencies have a role, a very important role, and they have administered it with considerable success. One has but to look at figures * * * as to their number and staff in 1962 or 1963 compared to 15 years ago.

The issue of "competition" between the employment service and private agencies relates to only one segment of the broad role of the service. Indeed, some of the employment service functions—such as

counseling—which the subcommittee's study indicates to be particularly in need of strengthening are not functions which either are, or should be expected to be, primary responsibilities of private business firms. As a "manpower agency," the employment service is charged with a range of responsibilities well beyond the scope of private agencies. As Prof. Jack Skeels, of Northern Illinois University, pointed out in his testimony before the subcommittee:

Fundamentally, private employment agencies are highly competitive small businessmen who for a profit bring workers and jobs together. Their aim is to attract and refer applicants that the employer will readily accept. It would be inaccurate to think of them in terms of national and community manpower needs for they are simply not geared to meet such needs. It would be inaccurate to think of them as counseling services for the applicant. They do not receive remuneration for giving advice but for completing a placement of an applicant.

With respect to the job placement function—the only function involving "competition" between the employment service and private agencies—all the evidence available to the subcommittee points toward the conclusion that competent private agency operators have no sound basis for believing that a high-quality public employment service will reduce their earnings. It does seem reasonable to assume that the employment service, if it is enabled to improve the quality of its personnel assigned to the functions of placement interviewing and employer contact, would probably increase its number of placements. As employers come to have a higher estimate of the service they are likely to receive from public employment offices, they will presumably list more job orders with them. This obvious statement, however, cannot be interpreted to imply that the employment service, given a more adequate quantity and quality of resources, would take over the clientele of private agencies.

Such estimates—subject to a considerable margin of error—as are available indicate that the public employment service may now be placing about 15 percent of the workers who find nonagricultural jobs (including temporary and part-time jobs) in our economy, while the private employment agencies may be placing around 4 to 6 percent.³⁸

³⁸ The relative importance of the two hiring channels, however, cannot be mechanically measured by the number of placements, since it is probable that the "average" private agency placement involves a higher salary and higher skill level than the "average" placement by the public service.

In fact, very little hard data exists concerning either the number of private agency placements, or their occupational and industrial distribution. A number of statements received by the subcommittee emphasized the difficulties that have been encountered by economists and other researchers in trying to persuade private agencies to give information about their activities. One of these statements came in response to a question which Representative Robert Taft, Jr., a member of the subcommittee, asked of Mr. Louis Levine, Director of the U.S. Employment Service:

"Mr. TAFT. What kind of information do you have available with regard to the operations of private employment agencies in the country? * * * Do you know how many placements are made by them?"

"Mr. LEVINE. I am very sorry to say that this is one of the least known areas of economic activity in the United States. I have known perhaps 4, 6, or maybe 10 university professors who are in the field of labor economics and manpower who thought how nice it would be and how worthwhile it would be if something were known about the activities, the range of activities, placement, people served * * * occupations, revenues, and so on, in private agencies, and I think I am correct in saying in every instance they have come up against a brick wall. They were just not able to get that kind of information—"

"Mr. TAFT. And yet to deal with the area and in trying to do any long-range planning for the employment service, we should know something about it; should we not?"

"Mr. LEVINE. I might say to you that the Bureau of Labor Standards * * * in the Department of Labor has been interested in collecting information on what State regulations and laws exist with regard to employment agencies and it finds a very, very great gap in reporting and finds a considerable lack of information."

The majority of jobs in our economy are filled through the "informal channels" previously described in this report—and will continue to be filled through these channels, even if the employment service should receive the strongest support from Congress that can be visualized. The relative share of the service in the total number of job placements may rise somewhat, but there is no compelling reason to think that such a rise will come at the expense of the share now held by the private agencies. With at least 70 to 80 percent of jobs being filled through the "informal" channels, a relative increase in employment service placements would more likely be gained by drawing placements away from those channels.³⁹

Moreover, the fact that an employer, who has not previously done so, begins to list job openings with the public employment service, does not imply that he will cease listing them with private agencies. It is commonplace for those in search of capable employees to rely simultaneously on many channels—to advertise in newspapers, list the job openings with the employment service, notify friends and relatives of the openings. An improved employment service will attract more listings, but many of these will be of job openings that also are listed with private agencies. Employers do not have to choose between the public and private agencies. They can, and frequently do, call on both at the same time.

The prospects of private employment agencies must also be considered in the context of our expanding economy. Not only do these agencies have the opportunity to increase their volume of business by attracting many of the 70 to 80 percent of placements that are now being made neither by these agencies nor by the public service, but they can also look forward to growing demand for their services as the total number of hiring transactions rises in our economy. The American labor force is expected to grow, on net balance, by more than 1 million workers annually, in the next 10 years. And this growth will be particularly concentrated within the white-collar occupations that make up the major field for private agency operations. With the labor market expanding in the very sectors where private agencies are strongest, it seems safe to conclude that the number of placements, the dollar volume of receipts from placement fees, and the profits of private employment agencies, as a group, will rise in the years ahead.

Certainly, the impressive record of postwar growth of private employment agencies shows that these agencies are not having difficulty surviving in "competition" with the public employment service. On the contrary, the number of people at work in these agencies, and the volume of private agency business, have grown considerably more rapidly than the staff, or placements, of the public service. The 1948 U.S. Census of Business reported approximately 2,200 private employment agency offices in the country, with gross receipts of about \$31

³⁹ Indeed, analysts of the labor market can make a strong case in favor of a larger role for the "formal" channels—including private agencies, as well as the public service—in the hiring process. A great deal of time, energy, and expense could be saved for both employers and jobseekers, if relatively more job openings were listed with labor market intermediaries, private and public. Just as the wholesaler makes the distribution process much less costly, by reducing the great number of small individual transactions that would otherwise have to take place between manufacturers and retailers, so also does the private employment agency or the public employment office make the hiring process more efficient, by enabling employers and jobseekers to register at a central point where they can find broad exposure to the workers and job openings available.

million. The agencies then had slightly less than 4,600 paid employees, in addition to some 2,200 active proprietors, working in these offices. Within 10 years, by 1958, the number of offices had risen to almost 3,900, and gross receipts to about \$101 million. These agencies, in 1958, reported about 16,800 employees and 3,700 proprietors and partners. The 10-year rates of growth, from Census of Business data, were: number of private agency offices, 74 percent; gross receipts, 227 percent; total personnel at work, including employees, proprietors, and partners, 200 percent.

By contrast, in this same 10-year period, 1948-58, the public employment service was actually shrinking. In fiscal year 1948, the number of staff positions budgeted for employment service—not unemployment insurance—activities in local employment offices was about 17,400. By fiscal 1958, the number had fallen to approximately 15,800. Thus, during a period in which the number of people at work in private employment agency offices rose 200 percent, the operating staff of the employment service, in its national network of local offices, fell about 9 percent. This is a striking difference.

In the years since 1958, there has been a substantial growth in employment service personnel, though the growth did not begin until 1961. For the current fiscal year, fiscal 1965, the number of employment service staff positions budgeted for local employment offices is approximately 20,000—up almost 27 percent over fiscal 1958. However, private employment agencies have also continued to grow over this period. The most recent estimates concerning them were presented to the subcommittee by Prof. Jack Skeels, who has done extensive research on these agencies. According to Professor Skeels, as of 1964:

There are about 4,300 private employment agencies in the country, employing about 25,000 people in any one pay period. Their gross annual receipts are about \$145 million. Their receipts would be even higher if those businesses were included that make placements as a subsidiary activity of their main activity, e.g., management consultants.

This set of data provides the basis for an interesting comparison. At present, with approximately 25,000 people at work in private employment agencies, these agencies have a combined staff which is one-fourth again as large as the staff of about 20,000 assigned to employment service activities in local public employment offices.

During the subcommittee hearings, references were made on several occasions to the feasibility of establishing cooperative and complementary relationships, where appropriate, between the public employment service and private agencies. Certainly, when there is ample room in the American labor market for both, it is desirable that the possibilities in this area should be imaginatively explored. Too much attention has been given to the essentially sterile question of "competition" between public and private organizations, and too little to examining the ways and means by which both might jointly serve the interest of achieving more efficient utilization of the Nation's manpower.

One of those who touched upon this issue, in his statement to the subcommittee, was Prof. E. Wight Bakke, of Yale University. Commenting upon the activities of the nonprofit private job placement organizations—for example, union hiring halls, placement offices on college campuses, and placement services maintained by professional societies of engineers, teachers, and other groups—Professor Bakke noted that “the provision of such free private services * * * is uneven both in amount and quality over the country.” However, he stated:

Where existing free private employment and manpower services are available in particular areas, the most efficient allocation of resources, as well as the most progress in fulfilling the central mission of the employment service, makes desirable the establishing of mutually beneficial relations between these and the public service * * *. Cooperative and reciprocally supplementary working relations might well be established between free private and public placement and counseling agencies * * *. In particular * * * the labor market, labor force, and occupational outlook information, as well as coaching in their significance and use, which the employment service can supply, would be advantageous to the free private agencies.

Although Professor Bakke’s statement was made with specific reference to the non-fee-charging agencies, such as college placement offices, there is no obvious reason why, at least to some degree, “cooperative and reciprocally supplementary working relations” might not eventually be created between the employment service and fee-charging private agencies. The establishment of such specific relationships would not appear to be a development likely to be brought about by legislation. But, as it continues in its task of studying national manpower and employment problems, the subcommittee should maintain a sympathetic interest in any proposals directed toward more harmonious relations between the public and private agencies operating in the American labor market.

In summary, the information gathered by the subcommittee shows that private employment agencies have a firmly established position in the labor market, where they perform, along with the public employment service, the useful function of rationalizing the process of matching jobs and workers. There is no evidence that their position is now, or will be, threatened by an effective employment service. They have enjoyed healthy growth in the postwar years, and they can expect to continue growing, along with the American economy, in the years ahead.

7. THE NEED FOR A NEW CONGRESSIONAL MANDATE

This report, in its opening pages, discussed briefly the unmistakable need that now exists for a comprehensive, up-to-date statement by Congress of the role it intends the employment service to fill in the Nation’s attack upon our manpower problems. In this final part of its analysis, the report will consider in additional detail the urgency of a new mandate for the employment service.

First, the employment service must be explicitly recognized for what it is—the operating agency which inevitably has the major responsi-

bility for carrying out, in its network of offices across the country, a positive and active national manpower policy. There can be no doubt that the United States is now committed, to a greater extent than ever before in its history, to such a manpower policy. Thus there is a vital national interest in the public employment service which underlines the importance of Federal direction, priorities, and actions to improve effectiveness. Moreover, the need for positive action to assure the full development and utilization of American manpower will not disappear as soon as the unemployment rate has been reduced to 4 percent or below. Dr. Margaret S. Gordon, a distinguished economist at the University of California, has recently stated the importance of maintaining an active manpower policy on a continuing basis:

We have come a long way in the last few years toward adopting full employment and manpower policies aimed at stimulating economic expansion and reducing unemployment * * *. The one thing of which we can be virtually certain is that structural changes in employment will continue indefinitely into the future and that these changes can be met with less inflationary pressure and less individual hardship if a vigorous manpower program aimed at increasing occupational and geographical mobility and strengthening education is continuously pursued. This point of view has been largely accepted throughout Western Europe, where manpower programs * * * are increasingly regarded as a permanent feature of public policy, as valuable in tight labor markets as in periods of unemployment.

If we are to keep pace with the Common Market and the rest of Western Europe in the growth and productivity race that has been underway for some time, we can hardly afford to neglect this area of Government policy.⁴⁰

This increasing emphasis upon a positive manpower policy requires the Federal-State employment service to shoulder responsibilities far beyond those of a mere "labor exchange," which confines itself to matching job openings and jobseekers. Its role must be a broad one. The terms that have been most frequently used to describe this role are: "manpower agency" and "community manpower service center." Whatever term may be chosen, the purpose is to indicate that the employment service should stand at the very heart of a coordinated effort, involving many private and public agencies, both to raise the skill levels of American workers and to assist the movement of individual workers into those jobs which will most thoroughly utilize their abilities and training. As Secretary of Labor Willard Wirtz put it, in a statement made in June 1963, there has developed a "whole new American philosophy toward manpower problems," which, in turn, calls for "a whole new dimension to the traditional Federal-State employment service role. The service, in all its offices, should now function as the focal point for whatever varieties of effort each community directs toward the full and effective use of its labor force."⁴¹

⁴⁰ Margaret S. Gordon, "U.S. Manpower and Employment Policy," *Monthly Labor Review*, November 1964.

⁴¹ From Secretary Wirtz' foreword to the June 1963, issue of the *Employment Security Review*, commemorating the 30th anniversary of the establishment of the Federal-State employment service.

In order to visualize the employment service's role as a "manpower agency" or a "manpower service center," it is essential to avoid the common temptation to think of the service almost exclusively in terms of its direct job placement function. A well-established "manpower service center" will, of course, be active in matching jobseekers and job openings throughout a representative cross-section of the occupations and industries in the labor market area which it serves. But it will do far more than this. Since its other functions have already been discussed in this report, they can be briefly summarized.

First, a "manpower service center" will have adequate facilities for providing professional employment counseling to those who appear likely to benefit from it. Counseling will be available to workers in all categories, but it will be particularly important as a service rendered to those who are at certain critical stages in their careers: students wishing help in choosing their occupational goals; youthful new entrants to the labor market; mature women seeking to reenter the job market after years of keeping house and raising children; older workers displaced by plant shutdowns or technological change, who must somehow find a new occupation; workers who have suffered long illness or severe injury, and who are trying to reestablish themselves in employment. In support of the counseling function—as well as the function of selecting those best qualified for referral to available job openings—a "manpower service center" will maintain a substantial program of occupational aptitude testing and carry out research in the measurement of occupational aptitudes and interests.

A "manpower service center" will be continuously engaged in collecting, analyzing, and distributing labor market information. It will assess probable present and future demands for labor, by occupation and industry, on a local, regional, and national basis. It will bring its estimates and forecasts to the attention of business, labor, educational, and other groups, and will encourage them to make intelligent use of this information in drawing up their plans. It will thus exercise initiative and take an active part in influencing the decisions of those whose activities have important manpower implications—for example, vocational education authorities, or community development organizations seeking to build up local industry. It will not merely stand by passively to provide information when called upon, but will participate with other agencies, private as well as public, in developing comprehensive policies for dealing with manpower and employment problems.

One of the most important functions of a "manpower service center," as this report has previously stressed, will be to assume the chief responsibility for the establishment of well-conceived training programs, under such legislation as the Manpower Development and Training Act, and for the job placement of those trained in these programs. The strong evidence that the content and skill requirements of specific jobs are changing at a faster pace than ever before in our history supports a forecast that retraining programs for experienced workers are likely to be an increasingly important constituent of an active manpower policy in the years immediately ahead.

A "manpower service center" will also have the function of undertaking research—with its own staff, and via contracts with universities and other research-oriented organizations—into a host of labor market

problems. Among these will be such problems as: developing techniques for improving the geographical mobility of labor; reducing the "hard core" of long-term unemployed; eliminating the difficulties which hold down the number of young workers who receive full-fledged apprenticeship training in the skilled crafts; finding methods for "job creation," particularly of jobs that can be filled by workers with special employment problems stemming from physical handicaps, limited intelligence, and inadequate education; counteracting the inhibitions of employers who are reluctant to hire older workers, Negroes, or inexperienced youth. Much study, within the Federal-State employment service, has already been given to these and other labor market problems—but an increase in research and experimentation is clearly desirable.

The activities that a fully functioning "manpower service center" or "manpower agency" would be expected to undertake could be spelled out in more detail. Enough has been presented here, however, to demonstrate again the great difference between such an agency and one that is confined primarily to the job placement function.

Since the Federal-State employment service has, in fact, been assigned responsibilities which require it to act as a "manpower agency," it both needs and deserves to receive from the Congress a firm statement of the role it is to have. Its important status should be explicitly recognized. The major considerations that support the conclusion that a new congressional mandate is now in order have already been presented in the early part of this report. Some additional observations remain to be made, however.

A new congressional mandate for the employment service should in itself, contribute to eliminating the "unemployment office" image which, for so long, has hampered the service's ability to perform its proper tasks. A new mandate, moreover, should help to build up among the personnel of the Federal-State employment service system a stronger and clearer understanding of the important mission they have been assigned by the Congress. Up to now, unfortunately, responsibilities have too often been thrust upon the employment service in an atmosphere of sudden crisis, rather than as integral parts of a carefully planned, broad role for the service.

An especially vigorous statement criticizing the absence of a modern charter for the employment service was made to the subcommittee by Prof. William Haber:

A picture of the employment service is that it is somehow related to welfare, and relief, and public works projects, unemployment insurance, and has no character of its own, as the agency of the National and State community to deal with the organization of the labor market * * *.

That image has kept away from the employment service skilled people and employers' orders and made it almost necessary to concentrate primarily on dealing with special assignments imposed upon the employment service by the Government.

I want to emphasize this, Mr. Chairman: this is not a failure of the employment service. We have never given it a charter to deal with the labor market in times of economic growth and economic change.

We have given it a charter to deal with special emergencies. All you have to do is to look at the various things we have "thrown" at them. I use the word in quotes. We have thrown unemployment insurance at them since the war, veterans' jobs since 1944, the training jobs in the last few years, Area Redevelopment Act and manpower development * * * the job of taking care of minority groups, the job of taking care of youth * * * taking care of the aged, all these assignments have been thrown at them and never with a proportionate increase of funds for staff to deal with what I think is their major job.

Their major job is to have a community center for manpower organization, manpower thinking, manpower guidance, and manpower planning.

Not only is a more explicit mandate needed in order to make unmistakably clear—to employers, workers, the general public, and even the personnel of the employment service itself—that Congress intends the service to act as a "manpower agency." It is also the only means for ending the persistent campaign, which has been pursued especially intensely in recent years, to misinterpret the Wagner-Peyser Act as having given the employment service responsibility only for assisting the unemployed. This misinterpretation is quite indefensible—but the fact that this act was passed in the depression year of 1933, combined with the circumstance that the employment service's operations are financed by the Federal Unemployment Insurance Tax, lends a surface plausibility to the argument that the service's facilities were only intended for use by the employed. An organized effort has, indeed, been underway to persuade Members of Congress that any worker who is currently employed should be prohibited from registering for job placement with the employment service. This effort seems certain to be continued, so long as the general language of the Wagner-Peyser Act remains the only legislative statement by Congress of the responsibility it has assigned to the employment service.

An attempt to deny the employment service the right to serve workers of any occupational or industrial category, whether unemployed or presently employed, is wholly incompatible, of course, with the concept of the service as a key agency bearing responsibility for carrying out the Nation's attack upon its manpower problems. Arbitrary restrictions upon freedom of access to the service's facilities can be supported neither by considerations of equity nor by analysis of the impact such restrictions would have upon the service's capacity to meet its responsibilities. The case was well stated before the subcommittee by Prof. E. Wight Bakke, of Yale University:

The service should not be excluded from concern with workers and employers in any occupation and industry contributing to the economic strength and growth of the economy, whether or not the occupation and industry is served in some places and to some degree by other fee-charging or free facilities * * *.

The restriction of the employment service to occupational and industrial groups not served by fee-charging agencies would eliminate a group of applicants and a group of jobs needed to fulfill the central mission of the employment service.

Moreover * * * there is no basis for discrimination in the provision of a free public service against workers in some occupations merely because these occupations are normally better paid and, therefore, can furnish a clientele for profit-making enterprise.

Professor Bakke, as well as other witnesses, also pointed out to the subcommittee that the employment service's ability to assist the unemployed worker and the hard to place would actually be reduced, rather than increased, if the service were required to restrict its activities only to these groups. In Professor Bakke's words:

There are other consequences which stem from this * * * concept of the employment service's mission as primarily a relief service for the hard to place. There are a number of requirements that it is difficult to meet when that concept limits its operational field.

One of the most important * * * is that the operational field source from which the reservoir of job applications and employers' job offers is supplied shall be unlimited. The point of view that the employment service is out of bounds when it moves from the casual and unskilled labor market to the skilled, professional, or even managerial field, when it makes its services available to the employed as well as to the unemployed, when it makes its services available to prime age workers as well as youth and the aged, the highly employable as well as the near unemployable, will never permit the development of an employment service capable of meeting its responsibilities as a part of a positive manpower and employment program.

Indeed, with such a narrow occupational clientele group, it cannot even do a good job for the disadvantaged, simply because it does not have a wide enough field of operation * * *. Even if you want to limit the service to the disadvantaged, you can't give them good service unless the employment service, itself, has a full occupational range of applications and job orders.

In summary, there are compelling reasons for the Congress to take steps to give the Federal-State employment service a new charter which is fully commensurate with the responsibilities that the service now bears. Such a charter is needed as a positive statement of the central place of the employment service in an active national manpower policy. It is needed also as a final, definitive answer to the unwarranted claims that the employment service has no legitimate function other than assisting the currently unemployed.

V. CONCLUSIONS

The subcommittee's study of the Federal-State employment service system has clearly pointed to the need for legislative action to enable the service to live up to the responsibilities being pressed upon it by the Nation's manpower and employment problems. No other public agency has such a vital, central role to carry out in the essential field of manpower development and utilization. Yet, through most of the postwar period, the employment service was a victim of neglect. And, even though it began to receive encouraging support with the advent of the Kennedy-Johnson administration in 1961, a large gap still remains between the service, as it presently exists, and the employment service that this Nation should have, and can afford.

The following areas, at the least, have been identified as urgently calling for consideration by the Congress of legislative remedies:

(1) The need for a new "mandate" for the employment service. Unless the Congress gives a forceful, comprehensive, and explicit statement of the responsibilities and scope of activities that it is assigning to the employment service, there will continue to exist public misunderstanding about the proper place of the service in our economy, and widespread failure to appreciate the importance of the service as a manpower agency. Moreover, the employment service will remain, as it has been for years, a target for attack by those who have misinterpreted the Wagner-Peyser Act as calling for a service whose functions are drastically restricted to providing job placement for the unemployed. In short, the employment service deserves from Congress a new charter, one which is appropriate to the range of responsibilities which Congress expects the service to meet.

(2) The shortages of qualified employment service personnel, particularly in counseling.

The evidence before the subcommittee points to the need for Congress to consider prompt action to provide for the training of an adequate staff of employment service counselors, both through offering financial support to train talented young people who show interest in joining the employment service as counselors, and through increased support for the further professional training of those who are presently employed on the service's counseling staff, but whose education falls below the high standard that should be maintained for employment counselors. Though it is the counseling staff in which the shortage of qualified people threatens to become most acute, other professional occupations within the employment service—labor market analyst and occupational analyst, particularly—are also shortage areas. These, too, should be embraced within the steps taken by Congress to assure the service a better supply of competent personnel.

(3) In addition to training programs designed to alleviate the shortage of professionally qualified counselors, labor market and occupational analysts, and other categories of critically needed person-

nel, the Congress should give very serious consideration to the question of what other steps should be taken to enable the employment service to recruit and retain competent staffs, particularly at the local office level. The recruiting and retention problem arises, in large part, out of the lack of uniform qualification requirements for similar types of jobs and the relatively low salary scales under the various State merit systems—even though local office personnel, in every State, are paid entirely from Federal funds. Among the steps that Congress should consider is that of maintaining a systematic program whereby the U.S. Bureau of Employment Security would prescribe minimum educational and other qualification standards for all classes of local office personnel above the routine clerical level, accompanied by recommended minimum salary schedules for these classes. It would be appropriate, at the same time, to explore ways of effectively encouraging the State employment security agencies to observe such prescribed standards and salary recommendations.

(4) The “image” of the “unemployment office.”

The unfortunate “image” that still inhibits many employers and workers from turning to public employment offices cannot be wiped out quickly by any action of Congress. It will only fade gradually, as the employment service is enabled to provide increasingly adequate assistance to employers seeking workers, throughout the entire range of occupational categories, and to workers seeking jobs. Nevertheless, the subcommittee’s study indicates that Congress should give its enthusiastic endorsement to the policies of separating employment service from unemployment insurance offices, and of establishing specialized employment service offices, where appropriate, for professional, clerical, and other occupational groups of workers.

(5) The provision of special services for the “disadvantaged” worker in the American labor market.

The responsibility of the employment service for giving particular attention to the employment problems of the physically handicapped, the older worker, the youthful entrant to the labor market, the non-white worker, and others with severe disadvantages in competing for jobs, should be clearly spelled out as part of the new mandate to be received from Congress. In addition, recognition must be given by Congress to the fact that special services to the “disadvantaged,” hard-to-place worker require heavy allocations of personnel time, including especially the time of professional counselors. The Congress should consider very seriously whether these relatively costly services should not be financed out of general tax revenues, rather than from the present unemployment insurance payroll tax. Consideration should also be given to financing other employment service activities, which are not immediately related to the placement of unemployment insurance recipients, at least partially out of general revenues.

(6) The “interstate clearance” process, for matching jobs and workers across the boundaries of the individual States.

The subcommittee’s study found a marked deficiency in the present arrangements for “clearing” workers and jobs, between one local labor market and another in the same State, and, to an even greater degree, between local labor markets in different States. The employment service, as the only interlinked national network for gathering and disseminating information on job openings and jobseekers, has a

unique opportunity to improve the mobility of American labor and break down the uneconomic barriers that confine too many workers and employers within isolated local labor markets. But this opportunity has not yet begun to be realized. Congress, accordingly, should consider the desirability of assigning primary responsibility for the interstate clearance process to the U.S. Employment Service, with explicit instructions to carry out a program designed to make this process as efficient and rapid as possible.

(7) The nontransferability of personnel among the separate State employment services.

There is no justification for the present situation in which qualified people, with experience on the staff of one State employment security agency, cannot be given credit for that experience, and appropriate salary and seniority, when being hired by the employment security agency of another State. Since the agencies are entirely federally financed and since they are designed to be part of a coordinated, national network, action is needed by the Congress to assure freer movement of experienced personnel among the separate State agencies, and between the State agencies and the U.S. Bureau of Employment Security.

This set of problem areas is by no means exhaustive, nor would legislation focused upon these areas remove every difficulty impeding the development of a truly adequate Federal-State employment service system. The areas outlined, however, are those which, at this time, appear to be most appropriate for early congressional consideration of effective legislative remedies.

APPENDIX

This appendix contains the full text of the Wagner-Peyser Act of 1933, as amended, the basic law governing the operations of the Federal-State employment service system.

It also contains selected provisions from a number of other laws which are particularly relevant to the employment service's method of financing, and scope of responsibilities. The laws from which these provisions have been excerpted are:

- The Social Security Act;
- The Federal Unemployment Tax Act;
- The Vocational Rehabilitation Act (its 1954 amendments);
- The Area Redevelopment Act;
- The Manpower Development and Training Act;
- The Economic Opportunity Act;
- The Vocational Education Act of 1963.

This material is reproduced in the appendix as a convenient reference source which gives a general picture of major Federal legislation affecting the employment service. No attempt has been made, however, to include every provision of Federal law which may have some direct or indirect bearing on the employment service.

For full details of the financing of State employment security agencies under the Social Security and Federal Unemployment Tax Acts, these two acts should be consulted. Only the basic, less technical provisions of these acts have been reproduced in this appendix.

THE WAGNER-PEYSER ACT¹

(48 Stat. 113)

- Sec. 1. United States Employment Service; bureau established.
- Sec. 2. Officers and employees.
- Sec. 3. Employment offices.
- Sec. 4. Acceptance by States; creation of State agencies.
- Sec. 5. Appropriations; apportionment among States.
- Sec. 8. State plans.
- Sec. 9. Reports by State agencies.
- Sec. 11. Federal Advisory Council; State advisory councils; notice of strikes and lockouts to applicants.
- Sec. 12. Rules and regulations.
- Sec. 13. Mail franking privileges to employment systems.

UNITED STATES EMPLOYMENT SERVICE; BUREAU ESTABLISHED

SECTION 1. In order to promote the establishment and maintenance of a national system of public employment offices there is hereby created in the Department of Labor a bureau to be known as the United States Employment Service.

¹ This act is administered by the United States Department of Labor. The Wagner-Peyser Act, approved June 6, 1933, appears in secs. 49-49n of Title 29, United States Code, and sec. 338 of Title 39, United States Code.

OFFICERS AND EMPLOYEES

SEC. 2. The Secretary of Labor is authorized, without regard to the civil service laws, to appoint and, without regard to the Classification Act of 1949, to fix the compensation of one or more assistant directors and such other officers, employees, and assistants, and to make such expenditures (including expenditures for personnel services and rent at the seat of government and elsewhere and for law-books, books of reference, and periodicals) as may be necessary to carry out the provisions of this Act. In case of appointments for service in the veterans' employment service provided for in section 3 of this Act, the Secretary shall appoint only veterans of wars of the United States.

EMPLOYMENT OFFICES

SEC. 3. (a) It shall be the province and duty of the bureau to promote and develop a national system of employment offices for men, women, and juniors who are legally qualified to engage in gainful occupations, including employment counseling and placement services for handicapped persons, to maintain a veterans' service to be devoted to securing employment for veterans, to maintain a farm placement service, to maintain a public employment service for the District of Columbia, and, in the manner hereinafter provided, to assist in establishing and maintaining systems of public employment offices in the several States and the political subdivisions thereof in which there shall be located a veterans' employment service. The bureau shall also assist in coordinating the public employment offices throughout the country and in increasing their usefulness by developing and prescribing minimum standards of efficiency, assisting them in meeting problems peculiar to their localities, promoting uniformity in their administrative and statistical procedures, furnishing and publishing information as to opportunities for employment and other information of value in the operation of the system, and maintaining a system for clearing labor between the several States.

(b) Whenever in this Act the word "State" or "States" is used, it shall be understood to include Puerto Rico, Guam, and the Virgin Islands.

ACCEPTANCE BY STATES; CREATION OF STATE AGENCIES

SEC. 4. In order to obtain the benefit of appropriations apportioned under section 5, a State shall, through its legislature, accept the provisions of this Act and designate or authorize the creation of a State agency vested with all powers necessary to cooperate with the United States Employment Service under this Act.

APPROPRIATIONS; APPORTIONMENT AMONG STATES

SEC. 5. (a) There is authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, such amount from time to time as the Congress may deem necessary to carry out the purposes of this Act.

(b) The Secretary shall from time to time certify to the Secretary of the Treasury for payment to each State which (i), except in the case of Guam and the Virgin Islands, has an unemployment compensation law approved by the Secretary under the Federal Unemployment Tax Act and is found to be in compliance with section 303 of the Social Security Act, as amended, and (ii) is found to be in compliance with this Act, such amounts as the Secretary determines to be necessary for the proper and efficient administration of its public employment offices.

STATE PLANS

SEC. 8.² Any State desiring to receive the benefits of this Act shall, by the agency designated to cooperate with the United States Employment Service, submit to the Secretary of Labor detailed plans for carrying out the provisions of this Act within such State. Such plans shall include provision for the promotion and development of employment opportunities for handicapped persons and for job counseling and placement of such persons, and for the designation of at least one person in each State or Federal employment office, whose duties shall include the effectuation of such purposes. In those States where a State board, department, or agency exists which is charged with the administration of State laws for vocational rehabilitation of physically handicapped persons, such plans shall include provision for cooperation between such board, department, or agency and the agency designated to cooperate with the United States Employment Service under this Act. If such plans are in conformity with the provisions of this Act and reasonably appropriate and adequate to carry out its purposes, they shall be approved by the Secretary and due notice of such approval shall be given to the State agency.

REPORTS BY STATE AGENCIES

SEC. 9. Each State agency cooperating with the United States Employment Service under this Act shall make such reports concerning its operations and expenditures as shall be prescribed by the Secretary of Labor. It shall be the duty of the Secretary to ascertain whether the system of public employment offices maintained in each State is conducted in accordance with the rules and regulations and the standards of efficiency prescribed by the Secretary in accordance with the provisions of this Act. The Secretary may revoke any existing certificates or withhold any further certificate provided for in section 7, whenever he shall determine, as to any State, that the cooperating State agency has not properly expended the moneys paid to it or the moneys herein required to be appropriated by such State, in accordance with plans approved under this Act. Before any such certificate shall be revoked or withheld from any State, the Secretary shall give notice in writing to the State agency stating specifically wherein the State has failed to comply with such plans.

² Secs. 6 and 7 were deleted by the act of September 8, 1950, ch. 933, sec. 3, 64 Stat. 823 (Public Law 775, 81st Cong.).

FEDERAL ADVISORY COUNCIL; STATE ADVISORY COUNCILS; NOTICE OF STRIKES
AND LOCKOUTS TO APPLICANTS

SEC. 11.³ (a) The Secretary of Labor shall establish a Federal Advisory Council composed of men and women representing employers and employees in equal numbers and the public for the purpose of formulating policies and discussing problems relating to employment and insuring impartiality, neutrality, and freedom from political influence in the solution of such problems. Members of such council shall be selected from time to time in such manner as the Secretary shall prescribe and shall serve without compensation, but when attending meetings of the council they shall be allowed necessary traveling and subsistence expenses, or per diem allowance in lieu thereof, within the limitations prescribed by law for civilian employees in the executive branch of the Government. The council shall have access to all files and records of the United States Employment Service. The Secretary shall also require the organization of similar State advisory councils composed of men and women representing employers and employees in equal numbers and the public.⁴

(b) In carrying out the provisions of this Act, the Secretary is authorized and directed to provide for the giving of notice of strikes or lock-outs to applicants before they are referred to employment.

RULES AND REGULATIONS

SEC. 12. The Secretary of Labor is authorized to make such rules and regulations as may be necessary to carry out the provisions of this Act.

MAIL FRANKING PRIVILEGES TO EMPLOYMENT SYSTEMS

SEC. 13. The Postmaster General is hereby authorized and directed to extend to the United States Employment Service and to the system of employment offices operated by it in conformity with the provisions of this Act, and to all State employment systems which receive funds appropriated under authority of this Act, the privilege of free transmission of official mail matter.⁵

³ Sec. 10, containing authority, to extend funds in States with inadequate State systems, has been omitted because the temporary period during which such authority was given has ended.

⁴ Sec. 11(a), amended by sec. 3 of the President's Reorganization Plan No. 2 of 1949 (see p. 594) conferred on the Federal Advisory Council the responsibility for advising the Secretary of Labor and the Director of the Bureau of Employment Security with respect to both unemployment insurance and employment service problems.

⁵ In the Federal Security Agency Appropriation Act, 1950 (Title II of the Labor-Federal Security Appropriation Act, 1950, approved June 29, 1949), under the heading "Social Security Administration, Grants to States for unemployment compensation and employment service administration," the following paragraph appears:

"In carrying out the provisions of said Act of June 6, 1933, the provisions of section 303(a)(1) of the Social Security Act, as amended, relating to the establishment and maintenance of personnel standards on a merit basis, shall apply."

Sec. 13 of the Wagner-Peyser Act is codified as sec. 338 of Title 39, United States Code.

SOCIAL SECURITY ACT

**TITLE III—GRANTS TO STATES FOR UNEMPLOYMENT
COMPENSATION ADMINISTRATION⁶**

- Sec. 301. Appropriations.
- Sec. 302. Payments to States.
- Sec. 303. Provisions of State Laws.

APPROPRIATIONS

SECTION 301. The amounts made available pursuant to section 901 (c) (1) (A) for the purpose of assisting the States in the administration of their unemployment compensation laws shall be used as hereinafter provided.⁷

PAYMENTS TO STATES

SEC. 302. (a) The Secretary of Labor shall from time to time certify to the Secretary of the Treasury for payment to each State which has an unemployment compensation law approved by the Secretary of Labor under the Federal Unemployment Tax Act such amounts as the Secretary of Labor determines to be necessary for the proper and efficient administration of such law during the fiscal year for which such payment is to be made. The Secretary of Labor's determination shall be based on (1) the population of the State; (2) an estimate of the number of persons covered by the State law and of the cost of proper and efficient administration of such law; and (3) such other factors as the Secretary of Labor finds relevant. The Secretary of Labor shall not certify for payment under this section in any fiscal year a total amount in excess of the amount appropriated therefore for such fiscal year.

(b) Out of the sums appropriated therefor, the Secretary of the Treasury shall, upon receiving a certification under subsection (a) pay, through the Fiscal Service of the Treasury Department and prior to audit or settlement by the General Accounting Office, to the State agency charged with the administration of such law the amount so certified.

PROVISIONS OF STATE LAWS

SEC. 303. (a) The Secretary of Labor shall make no certification for payment to any State unless he finds that the law of such State, approved by him under the Federal Unemployment Tax Act, includes provision for—

⁶ Sec. 1 of the President's Reorganization Plan No. 2 of 1949 (14 F.R. 5225, 63 Stat. 1065) see p. 594, transferred the Bureau of Employment Security, including the United States Employment Service, from the Federal Security Agency to the Department of Labor, effective August 20, 1949.

Title III of the Social Security Act (49 Stat. 626) is administered by the United States Department of Labor. Title III of the Social Security Act appears in the United States Code as secs. 501-503 of Title 42.

⁷ As amended by P.L. 86-778, approved September 13, 1960, which deleted the appropriation authorization formerly contained in sec. 301.

(1) Such methods of administration (including after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Secretary of Labor shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods) as are found by the Secretary of Labor to be reasonably calculated to insure full payment of unemployment compensation when due; and

(2) Payment of unemployment compensation solely through public employment offices or such other agencies as the Secretary of Labor may approve; and

(3) Opportunity for a fair hearing, before an impartial tribunal, for all individuals whose claims for unemployment compensation are denied; and

(4) The payment of all money received in the unemployment fund of such State (except for refunds of sums erroneously paid into such fund and except for refunds paid in accordance with the provisions of section 3305(b) of the Federal Unemployment Tax Act), immediately upon such receipt, to the Secretary of the Treasury to the credit of the Unemployment Trust Fund established by section 904; and

(5) Expenditure of all money withdrawn from an unemployment fund of such State, in the payment of unemployment compensation, exclusive of expenses of administration, and for refunds of sums erroneously paid into such fund and refunds paid in accordance with the provisions of section 3305(b) of the Federal Unemployment Tax Act: *Provided*, That an amount equal to the amount of employee payments into the unemployment fund of a State may be used in the payment of cash benefits to individuals with respect to their disability, exclusive of expenses of administration: *Provided further*, That the amounts specified by section 903(c) (2) may, subject to the conditions prescribed in such section, be used for expenses incurred by the State for administration of its unemployment compensation law and public employment offices; and

(6) The making of such reports in such form and containing such information, as the Secretary of Labor may from time to time require, and compliance with such provisions as the Secretary of Labor may from time to time find necessary to assure the correctness and verification of such report; and

(7) Making available upon request to any agency of the United States charged with the administration of public works, or assistance through public employment, the name, address, ordinary occupation and employment status of each recipient of unemployment compensation, and a statement of such recipient's rights to further compensation under such law; and

(8) Effective July 1, 1941, the expenditure of all moneys received pursuant to section 302 of this title solely for the purposes and in the amounts found necessary by the Secretary of Labor for the proper and efficient administration of such State law; and

(9) Effective July 1, 1941, the replacement, within a reasonable time, of any moneys received pursuant to section 302 of this title, which, because of any action or contingency, have been lost or

have been expended for purposes other than, or in amounts in excess of, those found necessary by the Secretary of Labor for the proper administration of such State law.

(b) Whenever the Secretary of Labor, after reasonable notice and opportunity for hearing to the State agency charged with the administration of the State law, finds that in the administration of the law there is—

(1) a denial, in a substantial number of cases, of unemployment compensation to individuals entitled thereto under such law; or

(2) a failure to comply substantially with any provision specified in subsection (a);

the Secretary of Labor shall notify such State agency that further payments will not be made to the State until he is satisfied that there is no longer any such denial or failure to comply. Until the Secretary of Labor is so satisfied, he shall make no further certification to the Secretary of the Treasury with respect to such State: *Provided*, That there shall be no finding under clause (1) until the question of entitlement shall have been decided by the highest judicial authority given jurisdiction under such State law: *Provided further*, That any costs may be paid with respect to any claimant by a State and included as costs of administration of its law.

(c) The Secretary of Labor shall make no certification for payment to any State if he finds, after reasonable notice and opportunity for hearing to the State agency charged with the administration of the State law—

(1) That such State does not make its records available to the Railroad Retirement Board, and furnish to the Railroad Retirement Board at the expense of the Railroad Retirement Board such copies thereof as the Railroad Retirement Board deems necessary for its purposes; or

(2) That such State is failing to afford reasonable cooperation with every agency of the United States charged with the administration of any unemployment insurance law.

TITLE IX—MISCELLANEOUS PROVISIONS RELATING TO EMPLOYMENT SECURITY⁸

EMPLOYMENT SECURITY ADMINISTRATION ACCOUNT

ESTABLISHMENT OF ACCOUNT

SECTION 901. (a) There is hereby established in the Unemployment Trust Fund an employment security administration account.

APPROPRIATIONS TO ACCOUNT

(b) (1) There is hereby appropriated to the Unemployment Trust Fund for credit to the employment security administration account, out of any moneys in the Treasury not otherwise appropriated, for the fiscal year ending June 30, 1961, and for each fiscal year thereafter, an amount equal to 100 per centum of the tax (including inter-

⁸ Title IX is administered by the United States Department of Labor. Title IX of the Social Security Act appears in the United States Code as secs. 1101–1105 of Title 42.

est, penalties, and additions to the tax) received during the fiscal year under the Federal Unemployment Tax Act⁹ and covered into the Treasury.

(2) The amount appropriated by paragraph (1) shall be transferred at least monthly from the general fund of the Treasury to the Unemployment Trust Fund and credited to the employment security administration account. Each such transfer shall be based on estimates made by the Secretary of the Treasury of the amounts received in the Treasury. Proper adjustments shall be made in the amounts subsequently transferred, to the extent prior estimates (including estimates for the fiscal year ending June 30, 1960) were in excess of or were less than the amounts required to be transferred.

(3) The Secretary of the Treasury is directed to pay from time to time from the employment security administration account into the Treasury, as repayments to the account for refunding internal revenue collections, amounts equal to all refunds made after June 30, 1960, of amounts received as tax under the Federal Unemployment Tax Act (including interest on such refunds).

ADMINISTRATIVE EXPENDITURES

(c) (1) There are hereby authorized to be made available for expenditure out of the employment security administration account for the fiscal year ending June 30, 1964, and for each fiscal year thereafter—

(A) such amounts (not in excess of the limit provided by paragraph (3)) as the Congress may deem appropriate for the purpose of—

(i) assisting the States in the administration of their unemployment compensation laws as provided in title III (including administration pursuant to agreements under any Federal unemployment compensation law, except the Temporary Unemployment Compensation Act of 1958, as amended),

(ii) the establishment and maintenance of systems of public employment offices in accordance with the Act of June 6, 1933, as amended (29 U.S.C., secs. 49-49n), and

(iii) carrying into effect section 2012 of title 38 of the United States Code:

(B) such amounts as the Congress may deem appropriate for the necessary expenses of the Department of Labor for the performance of its functions under—

(i) this title and titles III and XII of this Act,

(ii) the Federal Unemployment Tax Act,

(iii) the provisions of the Act of June 6, 1933, as amended,

(iv) subchapter II of chapter 41 (except section 2012) of title 38 of the United States Code, and

(v) any Federal unemployment compensation law, except the Temporary Unemployment Compensation Act of 1958, as amended.

The term "necessary expenses" as used in this subparagraph (B) shall include the expense of reimbursing a State for salaries and other

⁹ Chapter 23, Internal Revenue Code of 1954; Title 26 United States Code.

expenses of employees of such State temporarily assigned or detailed to duty with the Department of Labor and of paying such employees for travel expenses, transportation of household goods, and per diem in lieu of subsistence while away from their regular duty stations in the State, at rates authorized by law for civilian employees of the Federal Government.

(2) The Secretary of the Treasury is directed to pay from the employment security administration account into the Treasury as miscellaneous receipts the amount estimated by him which will be expended during a three-month period by the Treasury Department for the performance of its functions under—

(A) this title and titles III and XII of this Act, including the expenses of banks for servicing unemployment benefit payment and clearing accounts which are offset by the maintenance of balances of Treasury funds with such banks,

(B) the Federal Unemployment Tax Act, and

(C) any Federal unemployment compensation law with respect to which responsibility for administration is vested in the Secretary of Labor.

In determining the expenses taken into account under subparagraphs (B) and (C), there shall be excluded any amount attributable to the Temporary Unemployment Compensation Act of 1958, as amended. If it subsequently appears that the estimates under this paragraph in any particular period were too high or too low, appropriate adjustments shall be made by the Secretary of the Treasury in future payments.

(3) For purposes of paragraph (1)(A), the limitation on the amount authorized to be made available for any fiscal year is—

(A) in the case of the fiscal year ending June 30, 1964, an amount equal to 95 percent of the amount estimated by the Secretary of the Treasury as the net receipts during such fiscal year under the Federal Unemployment Tax Act, and

(B) in the case of any fiscal year thereafter, an amount equal to 95 percent of the amount estimated and set forth in the Budget of the United States Government for such fiscal year as the net receipts during such year under the Federal Unemployment Tax Act.

Each estimate of net receipts under this paragraph shall be based on a tax rate of 0.4 percent. The Secretary of the Treasury shall report his estimate under subparagraph (A) to the Congress within 30 days after the date of the enactment of this paragraph. Such report shall be printed as a House document.

* * * * *

REVOLVING FUND

(e)(1) There is hereby established in the Treasury a revolving fund which shall be available to make the advances authorized by this subsection. There are hereby authorized to be appropriated, without fiscal year limitation, to such revolving fund such amounts as may be necessary for the purposes of this section.

(2) The Secretary of the Treasury is directed to advance from time to time from the revolving fund to the employment security admin-

istration account such amounts as may be necessary for the purposes of this section. If the net balance in the employment security administration account as of the beginning of any fiscal year is \$250,000,000, no advance may be made under this subsection during such fiscal year.

* * * * * * *

DETERMINATION OF EXCESS AND AMOUNT TO BE RETAINED IN EMPLOYMENT
SECURITY ADMINISTRATION ACCOUNT

(f) (1) The Secretary of the Treasury shall determine as of the close of each fiscal year (beginning with the fiscal year ending June 30, 1961) the excess in the employment security administration account.

(2) The excess in the employment security administration account as of the close of any fiscal year is the amount by which the net balance in such account as of such time (after the application of section 902(b)) exceeds the net balance in the employment security administration account as of the beginning of that fiscal year (including the fiscal year for which the excess is being computed) for which the net balance was higher than as of the beginning of any other such fiscal year.

(3) If the entire amount of the excess determined under paragraph (1) as of the close of any fiscal year is not transferred to the Federal unemployment account, there shall be retained (as of the beginning of the succeeding fiscal year) in the employment security administration account so much of the remainder as does not increase the net balance in such account (as of the beginning of such succeeding fiscal year) above \$250,000,000.

* * * * * * *

TRANSFERS BETWEEN FEDERAL UNEMPLOYMENT ACCOUNT AND
EMPLOYMENT SECURITY ADMINISTRATION ACCOUNT

TRANSFERS TO FEDERAL UNEMPLOYMENT ACCOUNT

SEC. 902. (a) Whenever the Secretary of the Treasury determines pursuant to section 901(f) that there is an excess in the employment security administration account as of the close of any fiscal year, there shall be transferred (as of the beginning of the succeeding fiscal year) to the Federal unemployment account the total amount of such excess or so much thereof as is required to increase the amount in the Federal unemployment account to whichever of the following is the greater:

(1) \$550,000,000, or

(2) The amount (determined by the Secretary of Labor and certified by him to the Secretary of the Treasury) equal to four-tenths of 1 per centum of the total wages subject to contributions under all State unemployment compensation laws for the calendar year ending during the fiscal year for which the excess is determined.

TRANSFERS TO EMPLOYMENT SECURITY ADMINISTRATION ACCOUNT

(b) The amount, if any, by which the amount in the Federal unemployment account as of the close of any fiscal year exceeds the greater of the amounts specified in paragraphs (1) and (2) of sub-

section (a) shall be transferred to the employment security administration account as of the close of such fiscal year.

* * * * *

UNEMPLOYMENT TRUST FUND

ESTABLISHMENT, ETC.

SEC. 904. (a) There is hereby established in the Treasury of the United States a trust fund to be known as the "Unemployment Trust Fund", hereinafter in this title called the "Fund". The Secretary of the Treasury is authorized and directed to receive and hold in the Fund all moneys deposited therein by a State agency from a State unemployment fund, or by the Railroad Retirement Board to the credit of the railroad unemployment insurance account or the railroad unemployment insurance administration fund, or otherwise deposited in or credited to the Fund or any account therein. Such deposit may be made directly with the Secretary of the Treasury, with any depositary designated by him for such purpose, or with any Federal Reserve Bank.

INVESTMENTS

(b) It shall be the duty of the Secretary of the Treasury to invest such portion of the Fund as is not, in his judgment, required to meet current withdrawals. Such investment may be made only in interest-bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States.

* * * * *

SEPARATE BOOK ACCOUNTS

(e) The Fund shall be invested as a single fund, but the Secretary of the Treasury shall maintain a separate book account for each State agency, the employment security administration account, the Federal unemployment account, the railroad unemployment insurance account, and the railroad unemployment insurance administration fund and shall credit quarterly (on March 31, June 30, September 30, and December 31, of each year) to each account, on the basis of the average daily balance of such account, a proportionate part of the earnings of the Fund for the quarter ending on such date. For the purpose of this subsection the average daily balance shall be computed—

(1) in the case of any State account, by reducing (but not below zero) the amount in the account by the balance of advances made to the State under section 1201, and

(2) in the case of the Federal unemployment account—

(A) by adding to the amount in the account the aggregate of the reductions under paragraph (1), and

(B) by subtracting from the sum so obtained the balance of advances made under section 1203 to the account.

PAYMENTS TO STATE AGENCIES AND RAILROAD RETIREMENT BOARD

(f) The Secretary of the Treasury is authorized and directed to pay out of the Fund of any State agency such amount as it may duly requisition, not exceeding the amount standing to the account of such

State agency at the time of such payment. The Secretary of the Treasury is authorized and directed to make such payments out of the railroad unemployment insurance account for the payment of benefits, and out of the railroad unemployment insurance administration fund for the payment of administrative expenses, as the Railroad Retirement Board may duly certify, not exceeding the amount standing to the credit of such account or such fund, as the case may be, at the time of such payment.

FEDERAL UNEMPLOYMENT TAX ACT

SEC. 3301. RATE OF TAX

There is hereby imposed on every employer (as defined in section 3306 (a)) for the calendar year 1961 and for each calendar year thereafter an excise tax, with respect to having individuals in his employ equal to 3.1 percent of the total wages (as defined in section 3306 (b)) paid by him during the calendar year with respect to employment (as defined in section 3306 (c)) after December 31, 1938. In the case of wages paid during the calendar year 1962 the rate of such tax shall be 3.5 percent in lieu of 3.1 percent. In the case of wages paid during the calendar year 1963, the rate of such tax shall be 3.35 percent in lieu of 3.1 percent.

SEC. 3302. CREDITS AGAINST TAX

(a) **CONTRIBUTIONS TO STATE UNEMPLOYMENT FUNDS.—**

(1) The taxpayer may, to the extent provided in this subsection and subsection (c), credit against the tax imposed by section 3301 the amount of contributions paid by him into an unemployment fund maintained during the taxable year under the unemployment compensation law of a State which is certified for the taxable year as provided in section 3304.

* * * * *

(c) **LIMIT ON TOTAL CREDITS.—**

(1) The total credits allowed to a taxpayer under this section shall not exceed 90 percent of the tax against which such credits are allowable.

* * * * *

(d) **DEFINITIONS AND SPECIAL RULES RELATING TO SUBSECTION (c).—**

(1) **RATE OF TAX DEEMED TO BE 3 PERCENT.—**In applying subsection (c), the tax imposed by section 3301 shall be computed at the rate of 3 percent in lieu of the rate provided by such section.

* * * * *

SEC. 3304. APPROVAL OF STATE LAWS

(a) **REQUIREMENTS.—**The Secretary of Labor shall approve any State law submitted to him, within 30 days of such submission, which he finds provides that—

(1) all compensation is to be paid through public employment offices or such other agencies as the Secretary of Labor may approve;

(2) no compensation shall be payable with respect to any day of unemployment occurring within 2 years after the first day of the first period with respect to which contributions are required;

(3) all money received in the unemployment fund shall (except for refunds of sums erroneously paid into such fund and except for refunds paid in accordance with the provisions of section 3305(b)) immediately upon such receipt be paid over to the Secretary to the credit of the Unemployment Trust Fund established by section 904 of the Social Security Act (49 Stat. 640; 52 Stat. 1104, 1105; 42 U.S.C. 1104);

(4) all money withdrawn from the unemployment fund of the State shall be used solely in the payment of unemployment compensation, exclusive of expenses of administration, and for refunds of sums erroneously paid into such fund and refunds paid in accordance with the provisions of section 3305(b); except that—

(A) an amount equal to the amount of employee payments into the unemployment fund of a State may be used in the payment of cash benefits to individuals with respect to their disability, exclusive of expenses of administration; and

(B) the amounts specified by section 903(c)(2) of the Social Security Act may, subject to the conditions prescribed in such section, be used for expenses incurred by the State for administration of its unemployment compensation law and public employment offices;

(5) compensation shall not be denied in such State to any otherwise eligible individual for refusing to accept new work under any of the following conditions:

(A) if the position offered is vacant due directly to a strike, lockout, or other labor dispute;

(B) if the wages, hours, or other conditions of the work offered are substantially less favorable to the individual than those prevailing for similar work in the locality;

(C) if as a condition of being employed the individual would be required to join a company union or to resign from or refrain from joining any bona fide labor organization;

(6) all the rights, privileges, or immunities conferred by such law or by acts done pursuant thereto shall exist subject to the power of the legislature to amend or repeal such law at any time.

(b) NOTIFICATION.—The Secretary of Labor shall, upon approving such law, notify the governor of the State of his approval.

(c) CERTIFICATION.—On December 31 of each taxable year the Secretary of Labor shall certify to the Secretary of each State whose law he has previously approved, except that he shall not certify any State which, after reasonable notice and opportunity for hearing to the State agency, the Secretary of Labor finds has amended its law so that it no longer contains the provisions specified in subsection (a) or has with respect to such taxable year failed to comply substantially with any such provision and such finding has become effective.

VOCATIONAL REHABILITATION AMENDMENTS OF 1954

(68 Stat. 652)¹⁰

STATE PLANS

SEC. 5. (a) To be approvable under this Act, a State plan for vocational rehabilitation services shall—

* * * * * * *

(10) provide for entering into cooperative arrangements with the system of public employment offices in the State and the maximum utilization of the job placement and employment counseling services and other services and facilities of such office; and

* * * * * * *

PROMOTION OF EMPLOYMENT OPPORTUNITIES

SEC. 8. The Secretary of Labor and the Secretary of Health, Education, and Welfare shall cooperate in developing, and in recommending to the appropriate State agencies, policies and procedures which will facilitate the placement in employment of handicapped individuals who have received rehabilitation services under State vocational rehabilitation programs, and, together with the chairman of the President's Committee on Employment of the Physically Handicapped, shall develop and recommend methods which will assure maximum utilization of services which that committee, and cooperating State and local organizations, are able to render in promoting job opportunities for such individuals.

* * * * * * *

AREA REDEVELOPMENT ACT¹¹

(75 Stat. 47)

DECLARATION OF PURPOSE

SEC. 2. The Congress declares that the maintenance of the national economy at a high level is vital to the best interest of the United States, but that some of our communities are suffering substantial and persistent unemployment and underemployment; that such unemployment and underemployment cause hardship to many individuals and their families and detract from the national welfare by wasting vital human resources; that to overcome this problem the Federal Government, in cooperation with the States, should help areas of substantial and persistent unemployment and underemployment to take effective steps in planning and financing their economic redevelopment; that Federal assistance to communities, industries, enterprises, and individuals in areas needing redevelopment should enable such areas to achieve lasting improvement and enhance the domestic prosperity by the establishment of stable and diversified local economies and improved local

¹⁰ Compiled by the United States Department of Labor. This material also appears in secs. 36 and 38 of Title 29, United States Code.

¹¹ The Area Redevelopment Act (P.L. 87-27) was approved May 1, 1961.

living conditions; and that under the provisions of this Act new employment opportunities should be created by developing and expanding new and existing facilities and resources rather than by merely transferring jobs from one area of the United States to another.

* * * * *

REDEVELOPMENT AREAS

SEC. 5. (a) The Secretary¹² shall designate as "redevelopment areas" those areas within the United States in which he determines, upon the basis of standards generally comparable with those set forth in paragraphs (1) and (2), that there has existed substantial and persistent unemployment for an extended period of time. There shall be included among the areas so designated any area—

(1) where the Secretary of Labor finds that the rate of unemployment, excluding unemployment due primarily to temporary or seasonal factors, is currently 6 per centum or more and has averaged at least 6 per centum for the qualifying time periods specified in paragraph (2); and

(2) where the Secretary of Labor finds that the annual average rate of unemployment has been at least—

(A) 50 per centum above the national average for three of the preceding four calendar years, or

(B) 75 per centum above the national average for two of the preceding three calendar years, or

(C) 100 per centum above the national average for one of the preceding two calendar years.

The Secretary of Labor shall find the facts and provide the data to be used by the Secretary in making the determinations required by this subsection.

(b) The Secretary shall also designate as "redevelopment areas" those areas (including Indian reservations) within the United States which do not meet the requirements set forth in subsection (a) but which he determines are among the highest in numbers and percentages of low-income families, and in which there exists a condition of substantial and persistent unemployment or underemployment. In making the designations under this subsection and before extending any financial assistance as the result of designations under this subsection, the Secretary shall, by regulation, prescribe detailed standards upon which the designations under this subsection shall be based. In the formulation of such standards the Secretary shall consider, among other relevant factors, the number of low-income farm families in the various rural areas of the United States, the proportion that such low-income families are of the total farm families of each of such areas, the relationship of the income levels of the families in each such area to the general levels of income in the United States, the extent to which "rural development" projects have previously been located in any such area under programs administered by the Department of Agriculture, the current and prospective employment opportunities in each such area, the availability of manpower in each such area for supplemental employment, the extent of migration out of

¹² The words "The Secretary" in the Area Redevelopment Act refer to the Secretary of Commerce.

the area, and the proportion of the population of each such area which has been receiving public assistance from the Federal Government or from the State or States in which such area is located or from any municipality therein. In making the designations under this subsection, the Secretary shall endeavor to distribute the projects widely among the several States, so far as is feasible and proper, in order that actual experience with this program may be had in as many States and in as many areas and under as many different circumstances as possible. In making these determinations the Secretary shall be guided, but not conclusively governed, by pertinent studies made, and information and data collected or compiled, by (1) departments, agencies, and instrumentalities of the Federal Government, (2) State and local governments, (3) universities and land-grant colleges, and (4) private organizations.

OCCUPATIONAL TRAINING

SEC. 16. (a) The Secretary of Labor is authorized, upon request and whenever he determines such studies are needed, to undertake, or to provide assistance to others for, studies of the size, characteristics, skills, adaptability, occupational potentialities, and related aspects of the labor force of any redevelopment area.

(b) When a redevelopment area has an approved economic development program as provided in section 6(b)(10), the Secretary of Labor, in consultation with the Secretary and the Secretary of Agriculture, shall determine the occupational training or retraining needs of unemployed and underemployed individuals residing in the redevelopment area. The Secretary of Labor shall notify the Secretary of Health, Education, and Welfare of the occupational training or retraining requirements of the area, and shall provide for the orderly selection and referral of those unemployed or underemployed individuals residing in the area who can reasonably be expected to obtain employment as a result of the skill they will acquire in the training which is to be made available. The Secretary of Labor shall cooperate with the Secretary of Health, Education, and Welfare and with existing State and local agencies and officials in charge of existing programs relating to vocational training and retraining for the purpose of assuring that the facilities and services of such agencies are made fully available to such individuals.

(c) Whenever the Secretary of Labor finds that additional facilities or services are needed in the area to meet the occupational training or retraining needs of such individuals, he shall so advise the Secretary of Health, Education, and Welfare. The Secretary of Health, Education, and Welfare shall provide assistance, including financial assistance when necessary, to the appropriate State vocational educational agency in the provision of such additional facilities or services. If the Secretary of Health, Education, and Welfare finds that the State vocational educational agency is unable to provide the facilities and services needed, he may, after consultation with such agency, provide for the same by agreement or contract with public or private educational institutions.

(d) The Secretary of Labor shall arrange to provide any necessary assistance for setting up apprenticeships, and to promote journeyman and other on-the-job training.

**MANPOWER DEVELOPMENT AND TRAINING ACT OF
1962¹³**

(76 Stat. 23)

**TITLE I—MANPOWER REQUIREMENTS, DEVELOPMENT,
AND UTILIZATION**

STATEMENT OF FINDINGS AND PURPOSE

SEC. 101. The Congress finds that there is critical need for more and better trained personnel in many vital occupational categories, including professional, scientific, technical, and apprenticeable categories; that even in periods of high unemployment, many employment opportunities remain unfilled because of the shortages of qualified personnel; and that it is in the national interest that current and prospective manpower shortages be identified and that persons who can be qualified for these positions through education and training be sought out and trained as quickly as is reasonably possible,¹⁴ in order that the Nation may meet the staffing requirements of the struggle for freedom. The Congress further finds that the skills of many persons have been rendered obsolete by dislocations in the economy arising from automation or other technological developments, foreign competition, relocation of industry, shifts in market demands, and other changes in the structure of the economy; that Government leadership is necessary to insure that the benefits of automation do not become burdens of widespread unemployment; that the problem of assuring sufficient employment opportunities will be compounded by the extraordinarily rapid growth of the labor force in the next decade, particularly by the entrance of young people into the labor force, that improved planning and expanded efforts will be required to assure that men, women, and young people will be trained and available to meet shifting employment needs; that many persons now unemployed or underemployed, in order to become qualified for reemployment or full employment must be assisted in providing themselves with skills which are or will be in demand in the labor market; that the skills of many persons now employed are inadequate to enable them to make their maximum contribution to the Nation's economy; and that it is in the national interest that the opportunity to acquire new skills be afforded to these people with the least delay¹⁵ in order to alleviate the hardships of unemployment, reduce costs of unemployment compensation and public assistance, and to increase the Nation's productivity and its capacity to meet the requirements of the space age. It is therefore the purpose of this Act to require the Federal Government to appraise the manpower requirements and resources of the the Nation, and to develop and apply the information and methods needed to deal with the problems of unemployment resulting from automation and technological changes and other types of persistent unemployment.

¹³ The Manpower Development and Training Act of 1962 was enacted by P.L. 87-415, approved March 15, 1962.

¹⁴ Sec. 1 of P.L. 88-214, approved December 19, 1963, added the words "as quickly as is reasonably possible."

¹⁵ Sec. 1 of P.L. 88-214, approved December 19, 1963, added "with the least delay."

EVALUATION, INFORMATION, AND RESEARCH

SEC. 102. To assist the Nation in accomplishing the objectives of technological progress while avoiding or minimizing individual hardship and widespread unemployment, the Secretary of Labor shall—

(1) evaluate the impact of, and benefits and problems created by automation, technological progress, and other changes in the structure of production and demand on the use of the Nation's human resources; establish techniques and methods for detecting in advance the potential impact of such developments; develop solutions to these problems, and publish findings pertaining thereto;

(2) establish a program of factual studies of practices of employers and unions which tend to impede the mobility of workers or which facilitate mobility, including but not limited to early retirement and vesting provisions and practices under private compensation plans; the extension of health, welfare, and insurance benefits to laid-off workers; the operation of severance pay plans; and the use of extended leave plans for education and training purposes. A report on these studies shall be included as a part of the Secretary's report required under section 104.

(3) appraise the adequacy of the Nation's manpower development efforts to meet foreseeable manpower needs and recommend needed adjustments, including methods for promoting the most effective occupational utilization of and providing useful work experience and training opportunities for untrained and inexperienced youth;

(4) promote, encourage, or directly engage in programs of information and communication concerning manpower requirements, development, and utilization, including prevention and amelioration of undesirable manpower effects from automation and other technological developments and improvement of the mobility of workers; and

(5) arrange for the conduct of such research and investigations as give promise of furthering the objectives of this Act.

SKILL AND TRAINING REQUIREMENTS

SEC. 103. The Secretary of Labor shall develop, compile, and make available, in such manner as he deems appropriate, information regarding skill requirements, occupational outlook, job opportunities, labor supply in various skills, and employment trends on a National, State, area, or other appropriate basis which shall be used in the educational, training, counseling, and placement activities performed under this Act.

MANPOWER REPORT

SEC. 104. The Secretary of Labor shall make such reports and recommendations to the President as he deems appropriate pertaining to manpower requirements, resources, use, and training; and the President shall transmit to the Congress within sixty days after the beginning of each regular session (commencing with the year 1963) a report pertaining to manpower requirements, resources, utilization, and training.

TITLE II—TRAINING AND SKILL DEVELOPMENT PROGRAMS

PART A—DUTIES OF THE SECRETARY OF LABOR

GENERAL RESPONSIBILITY

SEC. 201. In carrying out the purposes of this Act, the Secretary of Labor shall determine the skill requirements of the economy, develop policies for the adequate occupational development and maximum utilization of the skills of the Nation's workers, promote and encourage the development of broad and diversified training programs, including on-the-job training, designed to qualify for employment the many persons who cannot reasonably be expected to secure full-time employment without such training, and to equip the Nation's workers with the new and improved skills that are or will be required.

SELECTION OF TRAINEES

SEC. 202. (a) The Secretary of Labor shall provide a program for testing, counseling, and selecting for occupational training under this Act those unemployed or underemployed persons who cannot reasonably be expected to secure appropriate full-time employment without training.¹⁶ Workers in farm families with less than \$1,200 annual net family income shall be considered unemployed for the purpose of this Act.

(b) Whenever appropriate the Secretary shall provide a special program for the testing, counseling, selection, and referral of youths, sixteen years of age or older * * * who because of inadequate educational background and work preparation are unable to qualify for and obtain employment without such training and schooling.¹⁷

(c) Although priority in referral for training shall be extended to unemployed persons, the Secretary of Labor shall, to the maximum extent possible, also refer other persons qualified for training programs which will enable them to acquire needed skills. Priority in referral for training shall also be extended to persons to be trained for skills needed within, first, the labor market area in which they reside and, second, within the State of their residence.

(d) The Secretary of Labor shall determine the occupational training needs for referred persons, provide for their orderly selection and referral for training under this Act, and provide counseling and placement services to persons who have completed their training, as well as follow-up studies to determine whether the programs provided meet the occupational training needs of the persons referred.

(e) Before selecting a person for training (other than for training under subsection (i)),¹⁸ the Secretary shall determine that there is a

¹⁶ Sec. 2(a) of P.L. 88-214, approved December 19, 1963, deleted the former second sentence of sec. 202(a) which had read as follows: "Whenever appropriate the Secretary shall provide a special program for the testing, counseling, and selection of youths, sixteen years of age or older, for occupational training and further schooling". The substance of the deleted sentence forms the nucleus of new sec. 202(b).

¹⁷ Sec. 2(b) of P.L. 88-214, approved December 19, 1963, redesignated former subsecs. (b) through (g) as (c) through (h), respectively, and added a new subsec. (b).

¹⁸ Sec. 2(c) of P.L. 88-214, approved December 19, 1963, added the parenthetical phrase.

reasonable expectation of employment in the occupation for which the person is to be trained. If such employment is not available in the area in which the person resides, the Secretary shall obtain reasonable assurance of such person's willingness to accept employment outside his area of residence.

(f) The Secretary shall not refer persons for training in an occupation which requires less than two weeks training, unless there are immediate employment opportunities in such occupation.

(g) The duration of any training program to which a person is referred shall be reasonable and consistent with the occupation for which the person is being trained.

(h) Upon certification by the responsible training agency that a person who has been referred for training does not have a satisfactory attendance record or is not making satisfactory progress in such training absent good cause, the Secretary shall forthwith terminate his training and subsistence allowances, and his transportation allowances except such as may be necessary to enable him to return to his regular place of residence after termination of training, and withdraw his referral. Such person shall not be eligible for such allowances for one year thereafter.

(i) Whenever appropriate, the Secretary of Labor may also refer for the attainment of basic education skills those eligible persons who indicate their intention to, and will thereby be able to, pursue courses of occupational training of a type for which there appears to be reasonable expectation of employment. Such referrals shall be considered a referral for training within the meaning of this Act, and such persons shall be eligible for training allowances for not to exceed an additional twenty weeks.¹⁹

* * * * * *

ON-THE-JOB TRAINING

SEC. 204. (a) The Secretary of Labor shall encourage, develop, and secure the adoption of programs for on-the-job training needed to equip persons selected for training with the appropriate skills. The Secretary shall, to the maximum extent possible, secure the adoption by the States and by private and public agencies, employers, trade associations, labor organizations and other industrial and community groups which he determines are qualified to conduct effective training programs under this title of such programs as he approves, and for this purpose he is authorized to enter into appropriate agreements with them.

(b) In adopting or approving any training program under this part, and as a condition to the expenditure of funds for any such program, the Secretary shall make such arrangements as he deems necessary to insure adherence to appropriate training standards, including assurances—

(1) that the training content of the program is adequate, involves reasonable progression, and will result in the qualification of trainees for suitable employment;

(2) that the training period is reasonable and consistent with periods customarily required for comparable training;

¹⁹ Sec. 2(d) of P.L. 88-214, approved December 19, 1963, added subsec. (i) to sec. 202.

(3) that adequate and safe facilities, and adequate personnel and records of attendance and progress are provided; and

(4) that the trainees are compensated by the employer at such rates, including periodic increases, as may be deemed reasonable under regulations hereinafter authorized, considering such factors as industry, geographical region, and trainee proficiency.

(c) Where on-the-job training programs under this part require supplementary classroom instruction, appropriate arrangements for such instruction shall be agreed to by the Secretary of Health, Education, and Welfare and the Secretary of Labor.

* * * * *

OTHER AGENCIES AND DEPARTMENTS

SEC. 303. (a) In the performance of their functions under this Act, the Secretary of Labor and the Secretary of Health, Education, and Welfare, in order to avoid unnecessary expense and duplication of functions among Government agencies, shall use the available services or facilities of other agencies and instrumentalities of the Federal Government, under conditions specified in section 306(a). Each department, agency, or establishment of the United States is authorized and directed to cooperate with the Secretary of Labor and the Secretary of Health, Education, and Welfare and, to the extent permitted by law, to provide such services and facilities as either may request for his assistance in the performance of his functions under this Act.

(b) The Secretary of Labor and the Secretary of Health, Education, and Welfare shall carry out their responsibilities under this Act through the maximum utilization of all possible resources for skill development available in industry, labor, public and private educational and training institutions, State, Federal, and local agencies, and other appropriate public and private organizations and facilities.

ECONOMIC OPPORTUNITY ACT OF 1964

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Economic Opportunity Act of 1964."

* * * * *

FINDINGS AND DECLARATION OF PURPOSE

SEC. 2. Although the economic well-being and prosperity of the United States have progressed to a level surpassing any achieved in world history, and although these benefits are widely shared throughout the Nation, poverty continues to be the lot of a substantial number of our people. The United States can achieve its full economic and social potential as a nation only if every individual has the opportunity to contribute to the full extent of his capabilities and to participate in the workings of our society. It is, therefore, the policy of the United States to eliminate the paradox of poverty in the midst of plenty in this Nation by opening to everyone the opportunity for education and training, the opportunity to work, and the opportunity to live in decency and dignity. It is the purpose of this Act to strengthen, supplement, and coordinate efforts in furtherance of that policy.

TITLE I—YOUTH PROGRAMS

PART A—JOB CORPS

STATEMENT OF PURPOSE

SEC. 101. The purpose of this part is to prepare for the responsibilities of citizenship and to increase the employability of young men and young women aged sixteen through twenty-one by providing them in rural and urban residential centers with education, vocational training, useful work experience, including work directed toward the conservation of natural resources, and other appropriate activities.

ESTABLISHMENT OF JOB CORPS

SEC. 102. In order to carry out the purposes of this part, there is hereby established within the Office of Economic Opportunity (hereinafter referred to as the "Office"), established by title VI, a Job Corps (hereinafter referred to as the "Corps").

JOB CORPS PROGRAM

SEC. 103. The Director of the Office (hereinafter referred to as the "Director") is authorized to—

(a) enter into agreements with any Federal, State, or local agency or private organization for the establishment and operation in rural and urban areas, of conservation camps and training centers and for the provision of such facilities and services as in his judgment are needed to carry out the purposes of this part, including but not limited to agreements with agencies charged with the responsibility of conserving, developing, and managing the public natural resources of the Nation and of developing, managing, and protecting public recreational areas, whereby the enrollees of the Corps may be utilized by such agencies in carrying out, under the immediate supervision of such agencies, programs planned and designed by such agencies to fulfill such responsibility, and including agreements for a botanical survey program involving surveys and maps of existing vegetation and investigations of the plants, soils, and environments of natural and disturbed plant communities;

(b) arrange for the provision of education and vocational training of enrollees in the Corps: *Provided*, That, where practicable, such programs may be provided through local public educational agencies or by private vocational educational institutions or technical institutes where such institutions or institutes can provide substantially equivalent training with reduced Federal expenditures;

(c) provide or arrange for the provision of programs of useful work experience and other appropriate activities for enrollees;

(d) establish standards of safety and health for enrollees, and furnish or arrange for the furnishing of health services; and

(e) prescribe such rules and regulations and make such arrangements as he deems necessary to provide for the selection of enrollees and to govern their conduct after enrollment, including appropriate regulations as to the circumstances under which enrollment may be terminated.

COMPOSITION OF THE CORPS

SEC. 104. (a) The Corps shall be composed of young men and young women who are permanent residents of the United States, who have attained age sixteen but have not attained age twenty-two at the time of enrollment, and who meet the standards for enrollment prescribed by the Director. Participation in the Corps shall not relieve any enrollee of obligations under the Universal Military Training and Service Act (50 U.S.C. App. 451 et seq.).

* * * * *

(c) The total enrollment of any individual in the Corps shall not exceed two years except as the Director may determine in special cases.

* * * * *

STATE-OPERATED YOUTH CAMPS

SEC. 108. The Director is authorized to enter into agreements with States to assist in the operation or administration of State-operated programs which carry out the purpose of this part. The Director may, pursuant to such regulations as he may adopt, pay part or all of the operative or administrative costs of such programs.

REQUIREMENTS FOR STATE APPROVAL OF CONSERVATION CAMPS AND TRAINING CENTERS

SEC. 109. In carrying out the provisions of part A of this title no conservation camp, training center or other similar facility designed to carry out the purposes of this Act, shall be established within a State unless a plan setting forth such proposed establishment has been submitted to the Governor of the State and such plan has not been disapproved by him within thirty days of such submission.

SEC. 110. Within the Job Corps there is authorized a Youth Conservation Corps in which at any one time no less than 40 per centum of the enrollees under this part shall be assigned to camps where their work activity is directed primarily toward conserving, developing, and managing the public natural resources of the Nation, and developing, managing, and protecting public recreational areas. Such work activity shall be performed under the direction of members of agencies charged with the responsibility of conserving, developing, and managing the public natural resources and of developing, managing, and protecting public recreational areas.

PART B—WORK-TRAINING PROGRAMS

STATEMENT OF PURPOSE

SEC. 111. The purpose of this part is to provide useful work experience opportunities for unemployed young men and young women, through participation in State and community work-training programs, so that their employability may be increased or their education resumed or continued and so that public agencies and private nonprofit organizations (other than political parties) will be enabled to carry out programs which will permit or contribute to an undertaking or

service in the public interest that would not otherwise be provided, or will contribute to the conservation and development of natural resources and recreational areas.

DEVELOPMENT OF PROGRAMS

SEC. 112. In order to carry out the purposes of this part, the Director shall assist and cooperate with State and local agencies and private nonprofit organizations (other than political parties) in developing programs for the employment of young people in State and community activities hereinafter authorized, which, whenever appropriate, shall be coordinated with programs of training and education provided by local public educational agencies.

FINANCIAL ASSISTANCE

SEC. 113. (a) The Director is authorized to enter into agreements providing for the payment by him of part or all of the costs of a State or local program submitted hereunder if he determines, in accordance with such regulations as he may prescribe, that—

(1) enrollees in the program will be employed either (A) on publicly owned and operated facilities or projects, or (B) on local projects sponsored by private nonprofit organizations (other than political parties), other than projects involving the construction, operation, or maintenance of so much of any facility used or to be used for sectarian instruction or as a place for religious worship;

(2) the program will increase the employability of the enrollees by providing work experience and training in occupational skills or pursuits in classifications in which the Director finds there is a reasonable expectation of employment, or will enable student enrollees to resume or to maintain school attendance;

(3) the program will permit or contribute to an undertaking or service in the public interest that would not otherwise be provided, or will contribute to the conservation, development, or management of the natural resources of the State or community or to the development, management, or protection of State or community recreational areas;

(4) the program will not result in the displacement of employed workers or impair existing contracts for services;

(5) the rates of pay and other conditions of employment will be appropriate and reasonable in the light of such factors as the type of work performed, geographical region, and proficiency of the employee;

(6) to the maximum extent feasible, the program will be coordinated with vocational training and educational services adapted to the special needs of enrollees in such program and sponsored by State or local public educational agencies: *Provided, however,* That where such services are inadequate or unavailable, the program may make provision for the enlargement, improvement, development, and coordination of such services with the cooperation of, or where appropriate pursuant to agreement with, the Secretary of Health, Education, and Welfare; and

(7) the program includes standards and procedures for the selection of applicants, including provisions assuring full coordination and cooperation with local and other authorities to encourage students to resume or maintain school attendance.

(b) In approving projects under this part, the Director shall give priority to projects with high training potential.

ENROLLEES IN PROGRAM

SEC. 114. (a) Participation in programs under this part shall be limited to young men and women who are permanent residents of the United States, who have attained age sixteen but have not attained age twenty-two, and whose participation in such programs will be consistent with the purposes of this part.

(b) Enrollees shall be deemed not to be Federal employees and shall not be subject to the provisions of laws relating to Federal employment, including those relating to hours of work, rates of compensation, leave, unemployment compensation, and Federal employee benefits.

(c) Where appropriate to carry out the purposes of this Act, the Director may provide for testing, counseling, job development, and referral services to youths through public agencies or private non-profit organizations.

* * * * *

ECONOMIC OPPORTUNITY COUNCIL

SEC. 604. (a) There is hereby established an Economic Opportunity Council, which shall consult with and advise the Director in carrying out his functions, including the coordination of antipoverty efforts by all segments of the Federal Government.

(b) The Council shall include the Director, who shall be Chairman, the Secretary of Defense, the Attorney General, the Secretaries of the Interior, Agriculture, Commerce, Labor, and Health, Education, and Welfare, the Housing and Home Finance Administrator, the Administrator of the Small Business Administration, the Chairman of the Council of Economic Advisers, the Director of Selective Service, and such other agency heads as the President may designate or delegates thereof.

* * * * *

PART B—COORDINATION OF ANTIPOVERTY PROGRAMS

COORDINATION

SEC. 611. (a) In order to insure that all Federal programs related to the purposes of this Act are carried out in a coordinated manner—

(1) the Director is authorized to call upon other Federal agencies to supply such statistical data, program reports, and other materials as he deems necessary to discharge his responsibilities under this Act, and to assist the President in coordinating the antipoverty efforts of all Federal agencies;

(2) Federal agencies which are engaged in administering programs related to the purposes of this Act, or which otherwise perform functions relating thereto, shall—

(A) cooperate with the Director in carrying out his duties and responsibilities under this Act; and

(B) carry out their programs and exercise their functions in such manner as well, to the maximum extent permitted by other applicable law, assist in carrying out the purposes of this Act; and

(3) the President may direct that particular programs and functions, including the expenditure of funds, of the Federal agencies referred to in paragraph (2) shall be carried out, to the extent not inconsistent with other applicable law, in conjunction with or in support of programs authorized under this Act.

(b) In order to insure that all existing Federal agencies are utilized to the maximum extent possible in carrying out the purposes of this Act, no funds appropriated to carry out this Act shall be used to establish any new department or office when the intended function is being performed by an existing department or office.

VOCATIONAL EDUCATION ACT OF 1963 (PUBLIC LAW 88-210)

DECLARATION OF PURPOSE

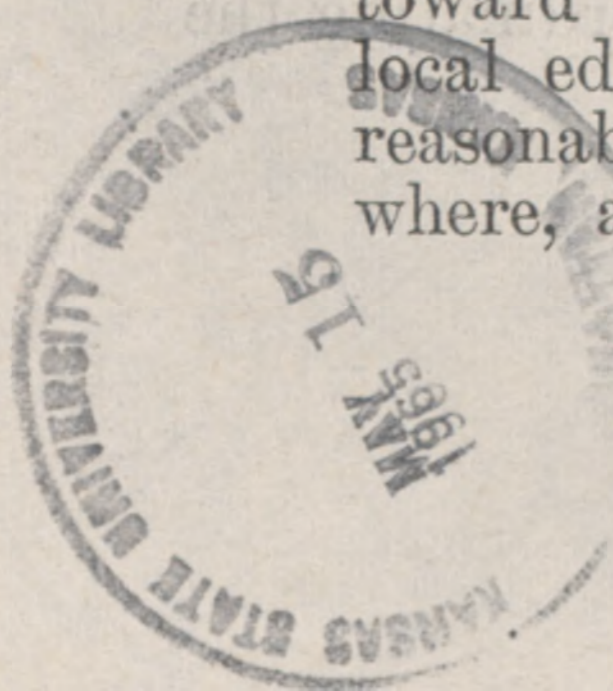
SECTION 1. It is the purpose of this part to authorize Federal grants to States to assist them to maintain, extend, and improve existing programs of vocational education, to develop new programs of vocational education, and to provide part-time employment for youths who need the earnings from such employment to continue their vocational training on a full-time basis, so that persons of all ages in all communities of the State—those in high school, those who have completed or discontinued their formal education and are preparing to enter the labor market, those who have already entered the labor market but need to upgrade their skills or learn new ones, and those with special educational handicaps—will have ready access to vocational training or retraining which is of high quality, which is realistic in the light of actual or anticipated opportunities for gainful employment, and which is suited to their needs, interests, and ability to benefit from such training.

STATE PLANS

SEC. 5. (a) A State which desires to receive its allotments of Federal funds under this part shall submit through its State board to the Commissioner a State plan, in such detail as the Commissioner deems necessary, which—

* * * * *

(4) provides for entering into cooperative arrangements with the system of public employment offices in the State, approved by the State board and by the State head of such system, looking toward such offices making available to the State board and local educational agencies occupational information regarding reasonable prospects of employment in the community and elsewhere, and toward consideration of such information by such



board and agencies in providing vocational guidance and counseling to students and prospective students and in determining the occupations for which persons are to be trained; and looking toward guidance and counseling personnel of the State board and local educational agencies making available to public employment offices information regarding the occupational qualifications of persons leaving or completing vocational education courses or schools, and toward consideration of such information by such offices in the occupational guidance and placement of such persons.

○

board and agencies in providing vocational guidance and counseling to job seekers and prospective employers. In determining the effectiveness of the service, the Federal-State Employment Service is concerned with the following factors: (1) the extent to which the service is known to the public; (2) the extent to which the service is used; (3) the extent to which the service is effective in helping job seekers find employment; (4) the extent to which the service is effective in helping employers find the personnel they need; (5) the extent to which the service is effective in helping job seekers and employers to negotiate the terms and conditions of employment; (6) the extent to which the service is effective in helping job seekers and employers to resolve employment problems; (7) the extent to which the service is effective in helping job seekers and employers to understand the requirements of the labor market; (8) the extent to which the service is effective in helping job seekers and employers to understand the requirements of the economy; (9) the extent to which the service is effective in helping job seekers and employers to understand the requirements of the society; (10) the extent to which the service is effective in helping job seekers and employers to understand the requirements of the world.

