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*REPORT TO THE CHAIRMAN
COMMITTEE ON VETERANS' AFFAIRS
UNITED STATES SENATE*

Employment Services For
Vietnam—Era Veterans
Could Be Improved B-178741

Department of Labor

*BY THE COMPTROLLER GENERAL
OF THE UNITED STATES*

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NOV. 29, 1974



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

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The Honorable Vance Hartke, Chairman
Committee on Veterans' Affairs
United States Senate

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Dear Mr. Chairman:

This is our report on employment services for Vietnam-era veterans made pursuant to your request of May 9, 1973. The report contains the details supportive of testimony given at hearings on this subject before your Subcommittee on Readjustment, Education, and Employment on April 30, 1974.

Officials of the Department of Labor, the Veterans Administration, and the employment security agencies of the States included in the review have been given an opportunity to review and comment on this report. Their views have been incorporated, where appropriate.

Copies of the report are being sent to the Secretary of Labor, the Administrator of Veterans Affairs, the heads of State agencies reviewed, other congressional committees, Members of Congress, and other interested parties.

Sincerely yours,

Comptroller General
of the United States

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ABBREVIATIONS

ESARS	Employment Security Automated Reporting System
GAO	General Accounting Office
VA	Veterans Administration
VES	Veterans Employment Service

COMPTROLLER GENERAL'S
REPORT TO THE CHAIRMAN
COMMITTEE ON
VETERANS' AFFAIRS
UNITED STATES SENATE

EMPLOYMENT SERVICES FOR
VIETNAM-ERA VETERANS
COULD BE IMPROVED
Department of Labor 9
B-178741

D I G E S T

WHY THE REVIEW WAS MADE

Because of continued concern about high unemployment among Vietnam-era veterans, GAO was asked to review expanded Federal efforts to provide veterans with employment assistance and preference. The program is administered by Labor's Employment Service generally through State employment service agencies.

Primary concerns of the Committee on Veterans' Affairs involved

- staffing arrangements for veterans employment representatives,
- mandatory listing of job openings by Federal contractors,
- data on employment services given to veterans, and
- actions taken for veterans drawing unemployment compensation.

GAO made assessments in eight cities in Arizona, Colorado, Florida, Georgia, Indiana, New

Mexico, and Pennsylvania. Views of Federal and State officials have been incorporated in the report, where appropriate.

FINDINGS AND CONCLUSIONS

Both Executive Order No. 11598 of June 16, 1971, and the Vietnam Era Veterans' Readjustment Assistance Act of 1972, approved October 24, 1972, required the Secretary of Labor to provide special employment services to veterans. Both were directed at improving job opportunities for Vietnam-era veterans.

In 1973 unemployment rates for veterans and nonveterans were 4.9 percent for the 20- to 34-year-old age group. But for the 20- to 24-year-old group, the rate for veterans was 8.8 percent and for nonveterans was 6.8 percent.

During the first half of 1974 the unemployment rates for both veterans and nonveterans increased to 5.1 percent and 5.5 percent, respectively. Although the overall rate for veterans was lower, in the 20- to 24-year-old group the veterans rate remained higher: 9.9 percent versus 7.8 percent. (See pp. 1 to 4.)

Veterans employment representatives

The 1972 act required 68 additional Federal positions for assistant veterans employment representatives. The additional positions were meant to provide better services to veterans by allowing frequent and comprehensive monitoring of employment activities. Six of the seven States reviewed did not have the required number of assistants.

In September 1973, the Department began to fill the required assistant positions; by April 30, 1974, all additional assistants had been selected or hired. The assistant positions should have been filled more promptly to comply with congressional intent. (See pp. 6 to 8.)

The act required that a local veterans employment representative be assigned in each local office to work full time assisting veterans unless the Secretary of Labor determined that a full-time position was not needed. In some local offices GAO visited, the requirement was not being followed.

GAO's analysis of reports for some States showed that, on the basis of Labor's criteria, many local offices did not have the required

full-time representative. The required staffing configurations are needed to provide full preferential services to veterans. This would help alleviate the following types of problems. (See pp. 8 and 9.)

Mandatory listing of jobs

Mandatory job-listing requirements generally provide that

--contracting agencies insert in contracts of \$2,500 or more a clause requiring the listing of job openings,

--contractors and first-tier subcontractors list job openings with the State employment service and notify the service of multiple locations in the State,

--firms with contracts of \$10,000 or more report quarterly to the State employment service on the number of disabled and Vietnam-era veterans hired and total hires during the quarter, and

--Federal agencies list with the State employment service all openings for which they have direct hire authority. (See pp. 12 to 14.)

Statistics show that the number of job openings listed and the number of placements increased after the requirements took effect, but it is difficult to determine what might have happened without the requirements. The requirements' full potential, however, was not realized because of problems involving

activities of contracting agencies, contractors, and employment service offices. (See pp. 11 and 21 to 23.)

Federal contracting agencies were including the job-listing clause in contracts as required by regulations, but they did not always notify Labor of contract awards promptly and, in some cases, not at all.

This hampered efforts of employment service offices to effectively monitor contractors who should be listing openings. Efforts of contracting agencies to enforce requirements appeared minimal. (See pp. 11, 14, and 15.)

Generally contractors which GAO found were not listing any job openings appeared to have valid reasons, such as having no openings or hiring under union agreements. The more prevalent problem was that contractors were not listing all openings. Also many contractors did not file quarterly reports of hires. Some contractors claimed they were not aware of requirements. (See pp. 15 to 18.)

Employment service offices did not have complete listings of contractors subject to requirements, but listings now being provided by a Labor contractor should improve this situation.

For contractors known to be subject to the listing requirement, employment service offices at various locations did not

--check to see if required reports were submitted,

--compare job orders submitted to the number of reported openings filled by employers, and

--take action when firms were not submitting required reports. (See pp. 18 to 20.)

Federal agencies are generally allowed to fill jobs directly when the number of candidates on a Civil Service Commission register of qualified applicants is insufficient. In locations visited, when such authority was granted, agencies were generally listing openings with the employment service. (See pp. 20 and 21.)

Extent of compliance with listing and reporting requirements is not known, but management improvements can be made. Implementation requires effective action by virtually all Federal contracting agencies, all Federal contractors, and all employment service offices. The Employment Service should be the focal point to make improvements.

Contractors should be better informed of these requirements and contracting agencies should be asked to actively encourage compliance. Contracting agencies should insure that contractors and first-tier subcontractors are fully aware of requirements.

Employment service offices must rely on contractors for job orders and placements but also must report contractors which violate the requirements to contracting agencies for compliance action. Active communication by employment service representatives with employers should help alleviate this problem. The labor market also determines whether the requirements will have a significant effect. (See pp. 23 and 24.)

Employment services for veterans

Many veterans have received services through the Federal-State Employment Service and those who obtained jobs averaged higher wages than did nonveterans. Improvements are needed, however, to provide prompt services and to afford preference to veterans in accordance with Department policy.

The main thrust of employment service efforts has been job placement. Normally, attempts are made to refer to jobs all job-ready veterans, as well as other job-ready applicants, on the day they apply for services.

Applicants in the waiting rooms are referred first. If veterans are there, they get preference.

But veterans having applications in the file are generally not given preference over nonveterans in the waiting rooms.

According to employment service officials, a number of factors work against veterans preference:

--Most employers want the job filled promptly and an applicant in the waiting room can be referred more quickly than someone whose application is on file.

--A primary measure of employment service performance has been job placement, which results in the most readily available, qualified applicants being referred to fill jobs before the employer does so from another source.

The poor condition of files at some offices would militate against effective and prompt file searching. The formula used by the Department to allocate fiscal year 1975 funds to State agencies should result in more emphasis on timely services to veterans. (See pp. 25 to 34.)

Reporting system

The Employment Security Automated Reporting System contains much information on the characteristics of, and services rendered to, veterans and nonveterans.

The Department should improve the accuracy of important data elements and reduce the number of system changes.

State and local officials made little use of the wealth of information for management purposes because they did not have confidence in the system. Use of the system should be encouraged. (See pp. 35 to 41.)

Veterans receiving unemployment compensation

In 1971 the President directed the Secretary of Labor to insure that Vietnam-era veterans drawing unemployment compensation benefits for 3 months or more be referred by unemployment insurance offices to the employment service and VA for special counseling and placement in jobs or training.

Department procedures for identifying and referring such veterans were not being followed in all cases, and some veterans were not referred promptly.

Local employment service offices did not always try to contact veterans referred to them, but VA offices generally did so. Some veterans appeared to have received services because of these contacts. Had the process been ade-

quately carried out, it is likely more veterans would have benefited. (See pp. 42 to 48.)

RECOMMENDATIONS

GAO recommends that the Secretary of Labor:

- Insure that all needed local veterans employment representative positions are filled on a full-time basis. (See p. 10.)
- Reemphasize to contracting agencies the need to fully inform contractors and subcontractors of the mandatory job-listing requirements. (See p. 24.)
- Insure that State and local employment service officials concentrate more efforts on monitoring and encouraging contractors to submit complete job lists and file quarterly reports of hires. (See p. 24.)
- Insure that the Department's policy of providing prompt, preferential services to veterans is fully implemented by all local employment service offices. (See p. 33.)
- Require that action be taken regarding the reporting system to (1) improve accuracy of the data, (2) reduce the number of changes required in the system, and (3) encourage State and local employment service officials to use the system for management purposes. (See p. 41.)

--Require local unemployment insurance offices to improve procedures to promptly identify and refer to the employment service and VA all veterans reaching their 13th week of unemployment benefits and insure that local employment service offices try to contact all referred veterans to offer them appropriate

services. (See p. 47.)

AGENCY ACTIONS

The Department of Labor said action was being taken or planned on these recommendations. (See app. II.) GAO's evaluation of Labor's comments is included at the end of each chapter, where appropriate.

CHAPTER 1

INTRODUCTION

Executive Order No. 11598 initiated a program to provide special employment assistance to Vietnam-era veterans on June 16, 1971, which in part directed the Secretary of Labor to:

- Issue rules and regulations requiring each executive agency and department to list suitable job openings with the appropriate office of the Federal-State employment service.
- Issue rules and regulations requiring Government contracts to contain assurances that contractors and first-tier subcontractors list all suitable job openings, when feasible, with the appropriate State employment service office except for openings to be filled from within the employer's organization.
- Gather information on the program's effectiveness and the extent to which the employment service system is fulfilling veterans' employment needs.

The rules and regulations to implement the first section were to be developed jointly with the Civil Service Commission. Also, departments and agencies, after consulting with the Secretary of Labor, were to issue appropriate changes to procurement regulations to carry out the order.

On September 14, 1971, the Secretary of Labor published in the Federal Register additions to the Code of Federal Regulations which required the mandatory listing of job openings by Federal agencies and contractors.

Because of concern about continued high unemployment among Vietnam-era veterans (generally those who served more than 180 days on active duty, were discharged on or after August 5, 1964, and received other than a dishonorable discharge), the Senate Committee on Veterans' Affairs held hearings during 1971 and 1972 and established a need for improved employment opportunities for veterans. As a result, the Vietnam Era Veterans' Readjustment Assistance Act of 1972 (38 U. S. C. 1502) was approved on October 24, 1972.

Title V of that act provides for (1) improved and expanded Federal efforts in veteran employment assistance and preference and (2) the assignment to each State by the Secretary of Labor of a veterans employment representative from the Department's Veterans Employment Service and of one assistant representative for every 250,000 veterans to carry out counseling and placement policies. In addition, the administrative head

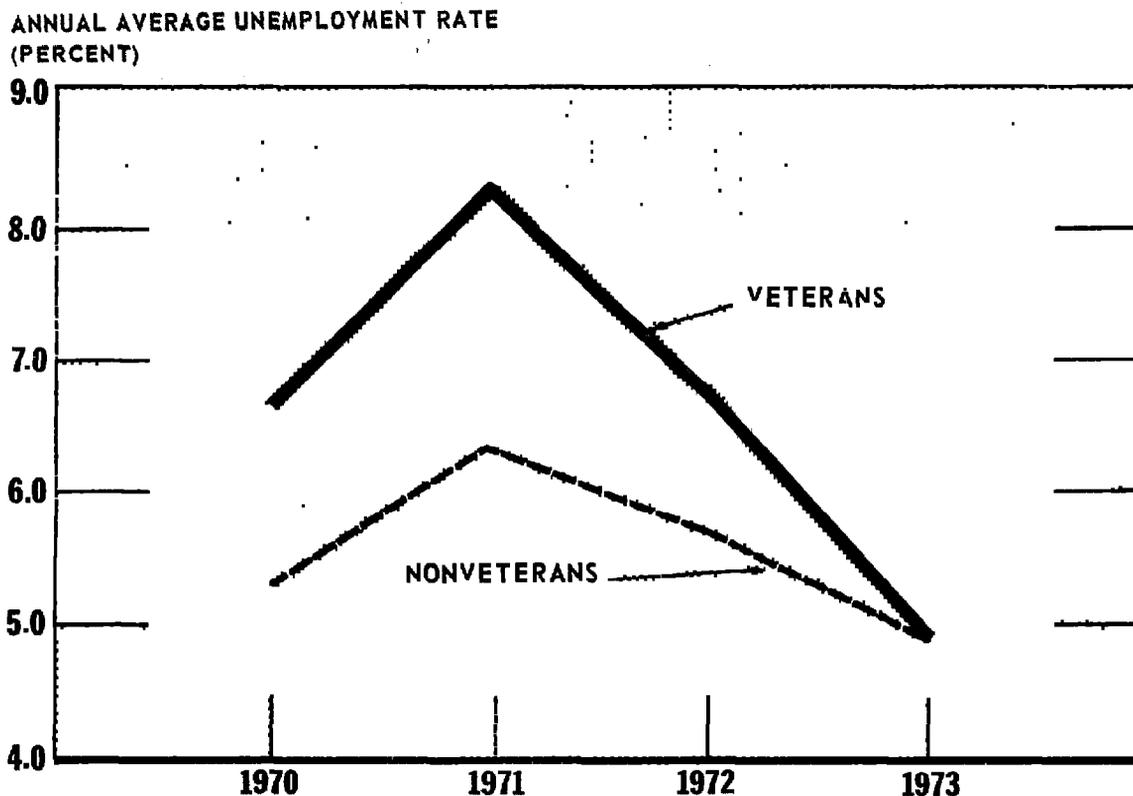
of each State employment service must assign one or more of its employees at each local office to devote full time in carrying out representatives' duties, unless the Secretary determines such services are not needed.

Title V also provides that all Federal contracts contain a clause which would require (1) the mandatory listing of suitable job openings by Federal contractors and first-tier subcontractors and (2) that special emphasis be placed on hiring qualified disabled veterans and Vietnam-era veterans in carrying out the contracts. Executive Order 11701, issued on January 24, 1973, authorized the Secretary of Labor to promulgate regulations to implement these provisions. The Secretary published revised regulations in the Federal Register on January 31, 1973.

Under the Comprehensive Employment and Training Act of 1973 (87 Stat. 845), approved December 28, 1973, provisions for enforcing the mandatory job listing and special emphasis requirements of the 1972 act must be included in a State's comprehensive manpower plan.

In 1973 the average unemployment rate for 20- to 34-year-old male veterans was the same as the rate for comparable nonveterans. This differs with the pattern of the 3 preceding years, during which the veterans' rate was higher than the nonveterans' rate, as shown in the following graph.

UNEMPLOYMENT RATE FOR 20- TO 34-YEAR-OLD MALES



Even though the average annual rates for 20- to 34-year-old veterans and nonveterans were equal during 1973, differences remained between veterans and nonveterans in other age groups, as shown below.

<u>Age group</u>	<u>1973 unemployment rates</u>	
	<u>Veterans</u>	<u>Nonveterans</u>
	(percent)	
20 to 34	4.9	4.9
20 to 24	8.8	6.8
25 to 29	3.7	4.3
30 to 34	2.6	2.4

Source: U. S. Bureau of Labor Statistics.

There were also variations in 1973 overall unemployment rates by race and region. The rate for black and other nonwhite veterans (8.4 percent) was almost twice the rate for white veterans (4.6 percent). This was similar to the overall national ratio of unemployment by race. Rates for veterans in the South (3.2 percent) and North Central (4.7 percent) regions were below those for the Northeast (5.7 percent) and West (7.2 percent).

During the first half of 1974 the unemployment rates for both veterans and nonveterans in the 20- to 34-year-old group increased to 5.1 percent and 5.5 percent, respectively. Although the overall rate for veterans was lower than for nonveterans, the veterans rate remained higher (9.9 percent versus 7.8 percent) in the 20- to 24-year-old group.

During 1970 through 1973, the unemployment rates for 20- to 34-year-old veterans and nonveterans continued to change because of the overall labor market. The gap between veterans and nonveterans age 25 and over was eliminated by 1973, partly because Vietnam-era veterans who had been out of the service for several years had more time to find jobs. This pattern is shown below.

<u>Months out of service</u>	<u>Proportion of veterans not yet holding first postmilitary job</u>	
	<u>Louis Harris data (note a)</u>	<u>Kirschner data (note b)</u>
	(percent)	
1	39	59
2	22	36
4	11	13
6	7	7
12	2	1

a/Source: Survey of veterans in 1971 by Louis Harris and Associates.

b/Source: Survey of nondisabled veterans separated in 1971 and 1972 by Kirschner Associates, Inc.

We were advised that the number of separations from the military has decreased each fiscal year since 1970. Thus, the number of veterans who had recently been released from service and may not have found their first postmilitary jobs decreased each year.

In fiscal year 1973, the Federal Government provided about \$421 million to State employment service agencies for administration. The seven States reviewed received about \$57.5 million. For fiscal year 1974, the allocated amounts were about \$434 million and about \$63 million, respectively.

CHAPTER 2

EMPLOYMENT ORGANIZATIONS SERVING VETERANS

The Vietnam Era Veterans' Readjustment Assistance Act of 1972 (38 U. S. C. 2003) is the most recent of a series of congressional enactments specifically designed to aid veterans in their transition from military to civilian life by providing educational and job-related assistance. Earlier laws were the Servicemen's Readjustment Act of 1944 and the Veterans Readjustment Assistance Act of 1952.

Federal efforts to aid veterans through job placement date from the years after World War I. In 1918 several hundred veterans employment bureaus were set up. In 1928 the Congress established separate veterans employment offices in some metropolitan areas of the United States. Employment services for veterans were reorganized and revitalized as a result of the Wagner-Peyser Act of 1933, which created a Federal-State system of employment services and a Veterans Employment Service (VES).

VETERANS EMPLOYMENT SERVICE

After several reorganizations before, during, and after World War II, VES and the rest of the U. S. Employment Service became part of the Department of Labor by Reorganization Plan No. 2 of 1949. VES remains as one component of the U. S. Employment Service of Labor's Manpower Administration.

Working in cooperation with State employment service agencies, VES is responsible for supervising services of State employment offices by (1) visiting and evaluating local offices, (2) obtaining current information on job availability in the public and private sectors, (3) promoting the hiring of veterans, (4) maintaining contact with employers and veterans organizations to advise employers of veteran availability and to advise veterans of job opportunities, and (5) advancing veterans' employment and improving their working conditions.

VES has been very active in recent years, especially since June 1971 when the President promulgated a six-point veterans' program and issued Executive Order No. 11598. The demands were stepped up when the Congress passed the Vietnam Era Veterans' Readjustment Assistance Act of 1972 and the President issued Executive Order No. 11701 in January 1973.

VES operates through a national staff in Washington, D. C., and field staffs. In Washington, VES had 15 authorized positions for fiscal years 1969-73. To fulfill the added duties under the President's Veterans Program begun in June 1971, the Manpower Administration increased the VES national office staff to 28 during fiscal years 1972 and

1973 by borrowing personnel from elsewhere within the Manpower Administration. We were advised that, by the latter part of fiscal year 1974, retirements and attrition had cut the VES national office staff back to 13 employees--8 professional and 5 clerical.

In the field VES has had a position for a veterans employment representative in each State since 1933. A representative is attached to the staff of each State employment service, who is administratively responsible for carrying out Labor's policy on employment services for veterans. His duties include guidance and technical assistance, but not actual administration, because he has no "line" authority. In accordance with the 1972 act, Labor's headquarters emphasized representatives' responsibility for review and evaluation of State and local office operations.

By fiscal year 1969 several States had assistant representatives. This field staff remained constant for fiscal years 1969-73--52 representatives (one for each State, the District of Columbia, and Puerto Rico), 25 assistants, and 52 secretaries--despite the increased number of veterans from the Vietnam war.

VES funding increased from \$2 million in fiscal year 1969 to \$2.6 million in fiscal year 1973. The estimate for fiscal year 1974 was about \$2.7 million and for fiscal year 1975, about \$4.7 million.

ASSISTANT VETERANS EMPLOYMENT REPRESENTATIVES

The Vietnam Era Veterans' Readjustment Assistance Act of 1972, approved October 24, 1972, requires the Secretary of Labor to assign to each State one assistant representative for every 250,000 veterans.

The effect of this requirement, according to Labor's calculation, was to increase the number of assistants from 25 to 93. The following table shows data on the number of positions for assistants before and after the 1972 act for the United States and the seven States included in our review.

	Veteran population (estimate as of <u>Dec. 1971</u>)	Positions existing <u>before 1972 act</u>	<u>After 1972 act</u>	
			<u>Positions added</u>	<u>Total positions</u>
	(000 omitted)			
U. S. total	28,373	25	68	93
Arizona	246	-	1	1
Colorado	302	-	1	1
Florida	1,016	1	3	4
Georgia	494	1	1	2
Indiana	729	1	1	2
New Mexico	142	-	-	-
Pennsylvania	1,836	2	5	7

We understand that in late 1972 Labor's request to the Office of Management and Budget for supplemental funds to hire additional assistants was denied, with the advice that the requirement would have to be met within existing resources.

In September 1973 Labor announced its policy for filling vacancies in the VES field staff. Vacancies for representatives (GS-13s) and their assistants (GS-12s) were to be filled, whenever possible, by lateral reassignment rather than by promotion or external recruitment. The new assistant positions were to be filled in the same manner, but at entry-level grades GS-7 and GS-9. The policy was explained in terms of the Manpower Administration's "employment ceiling and average grade problems in both the national and regional offices."

Labor did not add any positions for clerical staff to support the 68 new assistants. State employment service agencies were to arrange for clerical support and for office space and furnishings with existing resources.

The first of the new assistant positions was filled in October 1973. By April 30, 1974, all 68 of the additional assistants had been selected or hired: 3 at the GS-5 level beginning at \$8,055 per annum, 8 at GS-7 beginning at \$9,969, 45 at GS-9 beginning at \$12,167, 11 at GS-12 beginning at \$17,497, and 1 at GS-13 beginning at \$20,677.

Because the VES national office staff declined while the field staff was enlarged, the ratio of field to national staff increased from about 7 to 1 (129 to 18) in early fiscal year 1974 to about 15 to 1 (197 to 13) toward the end of fiscal year 1974.

Need for assistants

It appeared that additional assistants could have been effectively used and therefore these positions should have been filled more promptly. In Arizona the representative was incapacitated by a long-term illness and retired during our review. Because no assistant had been appointed for the State, even though it qualified for one, the representative's duties were not being carried out until a successor was appointed a few months later.

In Colorado, which had no assistant although it qualified for one, the representative told us he needed an assistant because he was unable to evaluate the efforts of local employment service offices. He planned to evaluate services to veterans in 5 of the State's 28 employment service offices during fiscal year 1974. He believed that, with an assistant, more thorough coverage of the State could be provided.

Florida had one assistant although it met the criteria for four, and the representative said the additional ones were needed. Florida has 41 local employment service offices.

Georgia had one assistant although it qualified for two. The representative stated the additional assistant was needed. Georgia has 34 local offices.

Indiana had one assistant but qualified for two. The representative said with another assistant the number of local office evaluations could be increased and the larger of the State's 33 offices could be evaluated more than once a year.

Pennsylvania had two assistants although Labor calculated that it met the requirement for seven. The representative said the five additional assistants were necessary to enable the State's 118 local offices to be evaluated at least once a year and to increase personal contacts with employers and civic groups to promote hiring veterans.

New Mexico had no assistant and did not meet the criteria for one.

LOCAL VETERANS EMPLOYMENT REPRESENTATIVES

The act also requires that each State employment service administrator assign a local veterans employment representative to work full time assisting veterans unless the Secretary of Labor determines that a full-time position is not needed. Labor issued criteria for a full-time representative at a local office having 1,200 veteran applicants during the 12 months preceding the date of determination of need or having 6,000 veterans residing in the administrative area served by a local office.

In Orlando, not only the representative but his two assistants served veterans full time. In Philadelphia, the 10 full-functioning offices had 9 full-time representatives. At the time of our review, five of eight offices in Phoenix met the criteria, but only one had a full-time representative; however, after we discussed this matter with employment service officials, representatives in three of the other four offices were directed to serve veterans full time. In Gary the representative was full time, but in Hammond the representative spent only 80 percent of his time serving veterans.

At one office in Atlanta the representative spent 90 percent of his time serving veterans, but in another office the representative spent only 65 percent. However, both representatives said other personnel also served veterans and that veterans received all the required and necessary services. In Albuquerque, only one of two offices meeting the criteria had a full-time representative; according to employment service officials, this situation was due to a staffing shortage and lack of funds. In Denver, the representative and his assistant spent full time serving veterans.

In June 1973 the VES national office asked each of its representatives to survey his State's local offices regarding assignment of full-time local representatives. For each office they were to determine whether

the criteria for a full-time position were met (1,200 veteran applicants or a veteran population of 6,000), how many offices had a demonstrated lack of need for a full-time position as stated in writing by the head of the State employment service agency, and how many offices complied with the requirement.

Many local offices did not comply with Labor's guidelines. In March 1974 Labor reported that 71 out of about 2,400 offices nationwide did not comply with the requirement. According to VES officials these figures were generally based on telephone contacts with representatives after written reports were submitted. However, when VES asked the representatives to update their reports in April 1974, several of the six we randomly selected contained apparent errors.

Offsetting the lack of full-time local representatives to some extent was the use of staffing arrangements which concentrated on serving veterans. For example, Phoenix had a veterans' job-search center where several staff members served veterans. The center, in the same building as the Job Bank where employers filed lists of job openings, obtained such job orders within a few minutes of receipt and used them in referring veterans before the orders were distributed to other employment service offices. Atlanta had a special 11-man unit which worked with the full-time representative.

State and local employment service officials told us the primary reason for the lack of full-time local representatives was a lack of sufficient funds. Tight budgets meant State employment service officials funded those positions providing some services to all applicants, including veterans, to carry out all duties to some extent. The lack of full-time local representatives and shortages of other staff members, we believe, in part led to veterans' not receiving preference in referrals to jobs and other services. (See ch. 4.)

CONCLUSIONS

Labor did not promptly appoint all the assistant representatives required by the 1972 act. The additional positions were meant to provide better employment services to veterans by allowing more frequent and comprehensive monitoring of employment service activities. The additional assistants could have been effectively used. These positions should have been filled more promptly to comply with congressional intent.

Some local offices did not comply with the requirement for a full-time local representative. The reports for selected States showed that more local offices should have had full-time representatives, on the basis of Labor's criteria. State employment service offices' compliance with staffing requirements would better insure the provision of preferential services to veterans.

RECOMMENDATION TO THE
SECRETARY OF LABOR

We recommend that the Secretary of Labor insure that all needed local full-time representative positions are filled.

AGENCY COMMENTS

In commenting on our recommendation (see app. II), Labor said that full-time local veterans employment representative criteria were made applicable to fiscal year 1975 State employment service Plans of Service and Budget Request and that Federal employment representatives were instructed to withhold plan of service approval when the States had not met the criteria. Labor stated that every effort would be made to insure that all local employment service offices comply with the staffing requirements of the act before final plan approval.

CHAPTER 3

MANDATORY LISTING OF JOBS

Statistics show that the number of job openings listed with the employment service and the number of placements increased after the mandatory job-listing requirements took effect in September 1971, but it is difficult to determine what might have happened without the requirements. For fiscal years 1971-74, listed nonagricultural job openings increased from 6 million to 8 million. During the same period, job placements increased from 3.3 million to 4.9 million. However, the requirements' full potential was not realized because of problems among Federal contracting agencies, Federal contractors, and employment service offices.

Federal contracting agencies were including a mandatory job-listing clause in contracts of \$10,000 or more. However, contracting offices did not always notify Labor of contract awards on time and, in some cases, not at all. This prevented local offices from effectively monitoring contractors that are supposed to list job openings. Also, contracting offices' efforts to enforce the requirements appeared to be minimal.

Other problems included contractors' not (1) listing all their openings, (2) notifying the employment service of all their employment locations in the State, and (3) filing quarterly reports of hires. In general, contractors gave us what appeared to be valid reasons for not listing job openings, such as having no openings or hiring under union agreements. In many cases, contractors claimed they were not aware of the reporting requirements. A limited examination of subcontractor activities showed that not all job openings were listed although the subcontracts contained this requirement.

For known contractors, employment service officials at various locations in our review did not (1) check to see if required reports were submitted, (2) compare job orders submitted with the number of reported openings filled, or (3) take action where firms were not submitting required reports. The offices did not have complete listings of contractors which were required to list jobs and file reports on hires, but Labor has hired a contractor to provide such listings.

Employment service personnel are charged with monitoring and encouraging employers' compliance with job-listing requirements and reporting violators to contracting agencies, yet they must depend on these same employers for submitting job orders and hiring referrals.

Our limited examination of Federal agencies' job-listing activities showed that most had little direct-hire authority but that those agencies with such authority generally listed openings with the local office.

MANDATORY JOB-LISTING REQUIREMENTS

In accordance with Executive Order No. 11598, the Secretary of Labor published additions to the Code of Federal Regulations, effective September 24, 1971, which required executive departments and agencies to list all employment openings for which they have direct-hire authority or which are in the noncompetitive service with the appropriate office of the Federal-State employment service. Moreover, all Federal contracts, with certain exceptions, were required to contain a clause which provided in part that:

"* * * the contractor agrees that all employment openings * * * shall, to the maximum extent feasible, be offered for listing at an appropriate local office of the State employment service system wherein the opening occurs* * *."

The clause was not required in contracts of less than \$10,000 or those which would generate fewer than 400 man-days of employment.

The requirement did not include listing openings which (1) a contractor proposed to fill from within its own organization or pursuant to a customary and traditional employer-union hiring arrangement, (2) were compensated on a salary basis of \$18,000 or more per year, or (3) would be infeasible to list; for example, if such listing would be contrary to national security.

The requirement pertained not only to all employment openings which existed at the time of the contract, but also to those which occurred during its performance, including those not directly related to the contract. It also covered the contractor's establishments in locations other than the one wherein the contract itself was being performed. The contractor was required to place these provisions in any subcontract directly under the subject contract.

Finally, contractors and subcontractors were required to file reports at least quarterly on the number of hires who were Vietnam-era veterans. These reports were to be made to the appropriate local employment service office or, where the contractor had more than one office in a State, to the central office of the State employment service.

Appropriate additions to the Federal Procurement Regulations, which generally govern civilian agencies' procurement, were published on February 5, 1972. Appropriate additions to the Armed Services Procurement Regulation were effected by Defense Procurement Circular No. 95, November 29, 1971, and incorporated in the regulations by Revision 11 of April 28, 1972.

Labor issued a program letter to all State employment security agencies in August 1971 with guidelines on implementing employment

service responsibilities relating to mandatory job listings. Staffs were directed to identify job orders resulting from the mandatory job-listing requirement. Labor's guidelines emphasized that the employment service staff should "scrupulously" avoid enforcing the requirement because compliance is the primary responsibility of the contracting agency. State employment service personnel were advised to report any situation in which an employer refused to list job orders or file quarterly reports to the Manpower Administration national office, which would forward the information to the contracting agency for appropriate enforcement action.

On the basis of requirements of the Vietnam Era Veterans' Readjustment Assistance Act of 1972, the Secretary of Labor revised the Code of Federal Regulations, effective January 24, 1973, to include the following.

- The minimum contract to which the requirement applied was reduced from \$10,000 to \$2,500; however, subject contractors with contracts between \$2,500 and \$10,000 and State or local governments with contracts were not required to file quarterly reports of hires or notify the State employment service of all their establishments in the State.
- The quarterly reporting requirement for other contracts was changed to specify the number of (1) individuals hired during the reporting period, (2) disabled veterans hired, and (3) Vietnam-era nondisabled veterans hired.
- Contractors were required to submit these reports within 30 days after the end of each reporting period.

Procuring agencies were allowed to use existing Federal Procurement and Armed Services Procurement Regulations until these regulations were revised to conform with the Code of Federal Regulations.

The revised Code of Federal Regulations also described in more detail a contractor's responsibility for listing jobs and an opinion of the Deputy Associate Solicitor for Manpower that a contractor which "complies in good faith with the listing of his bona fide job openings * * * has satisfied the special emphasis requirements * * *." Thus, the revised regulations required that mandatory job listings be made at least concurrently with the use of any other recruitment service or effort and involve the normal obligations attached to the placing of a bona fide job order, including the acceptance of referrals of veterans and nonveterans. However, the regulations stated that such listing "does not require the hiring of any particular job applicant or from any particular group of job applicants* * *" and that the regulations were not intended to supersede any requirements on nondiscrimination in employment.

Appropriate changes to the Federal Procurement Regulations were published on April 17, 1973, to be effective May 30. The Armed Services Procurement Regulation was changed in September 1973 by Defense Procurement Circular No. 115.

CONTRACTING AGENCY ACTIVITIES

We reviewed contracting offices' compliance with mandatory job-listing responsibilities. In some instances we visited civil agencies (5 offices in total) but concentrated on defense agencies (15 offices in total) because they account for the bulk of Federal procurement.

Clause in contracts

Defense contracting agencies generally included a mandatory job-listing clause in contracts when required. However, because the Armed Services Procurement Regulation was not changed until September 1973, defense agencies were using the clause only in contracts of \$10,000 or more.

Civil agencies were generally inserting the clause when required, in contracts of \$2,500 or more.

The way contracting agencies treated the job-listing requirement varied from simply including it by reference to the appropriate section of the regulations to including the text in the contract itself. In some cases, they reemphasized the requirement at a preaward conference with the contractor and in a letter which outlined the contractor's obligations.

In a few instances contracting agency personnel were not including the requirement in contracts because of uncertainty about its applicability. For example, one civil agency in Arizona omitted the clause from utility and lease contracts. An agency in Georgia omitted the clause from supply contracts for "off-the-shelf" or available stock items because it could not determine if these items required 400 man-days of employment. The amounts involved were over \$10,000.

Notification of contract awards

Defense forwards a semiannual consolidated computer printout of its contracts of \$10,000 or more to Labor based on awards reported by defense contracting agencies on DD Form 350 (Individual Procurement Action Report). These agencies are required to report awards of service contracts of \$2,500 to \$10,000 to Labor by Standard Form 99 (Notice of Award of Contract); civil agencies are generally required to report to Labor each contract awarded by Standard Form 99.

Defense contracting offices had various ways of notifying Labor of contract awards. For example, one of three defense offices we visited in Colorado was forwarding Standard Form 99 on all its contracts; an official of one thought the notification was sent by higher headquarters, and an official of the third office was unaware of the form's existence or use. In Atlanta, the two defense offices visited forwarded Standard Form 99 to Labor only on service contracts. In Albuquerque, the defense office visited forwarded Standard Form 99 to another defense office location and was unaware of whether Labor ever received notification. In Philadelphia, none of the three defense offices visited were aware of Standard Form 99 or any other notification being forwarded to Labor.

Also, the semiannual listing of defense contracts is of limited usefulness. First, its information is dated. For example, a contract awarded in July may be completed before being included in the December run; many contracts are likely to be completed before the list is sent to Labor and then distributed by Labor to regional, State, and finally local offices. Second, certain important items of information are omitted, such as contract award and completion dates.

Some of the civil offices had not forwarded Standard Forms 99 on awarded contracts. In addition, according to a Labor official, there was typically a long timespan between receipt of a Standard Form 99 at the national level, its funneling through regional and State offices, and eventual arrival at the appropriate local employment service office.

Some State and local offices visited had received Standard Forms 99, but many were received after the completion dates of the contracts.

Enforcement activity

One defense and one civil contracting office we visited sent letters to firms with Federal contracts, asking them if they complied with the job-listing requirement. None of the other contracting offices we visited took active steps to monitor compliance or enforce job listing. Officials of several offices said they had not received complaints from the employment service about noncompliance and thus had no cause to take action.

CONTRACTOR ACTIVITIES

We visited or contacted from 4 to 11 prime defense contractors in each city to see if they were complying with job-listing requirements. Our selections included firms known to be listing some jobs under the requirements and others which were not listing openings but were subject to the requirements as of June 1973.

Listing job orders

On the basis of our discussions with contractor officials and employment service representatives, the majority of firms which apparently were not listing any job orders seemed to have some valid reasons. For example, of 11 such firms in Denver, 7 had few employees and essentially no job openings. In general, the other firms were not submitting job listings because they hired union workers only or they thought they had a standing job order with the employment service.

Of six firms in Philadelphia which had not listed any jobs in the 6 months before our visit, officials of three stated that their employment was stable but that they do list openings that occur; two were hiring only from recall lists of employees laid off or to be laid off and one hired from a union hall. Additionally, of seven firms visited in Orlando, eight in Albuquerque, nine in Atlanta, and eight in Gary, only one firm in each city, for similar reasons, had not listed any job openings.

More prevalent than firms which listed no openings were firms which listed only some openings. In Orlando, where only 1 of 7 prime contractors listed no jobs, the other 6 firms listed only 13 openings out of 239 hires made. The reasons contractor officials gave were (1) they were not fully aware of the job-listing requirement, (2) they did not know that the employment service was able to refer applicants to professional jobs, and (3) in the past they had not been referred willing and qualified applicants by the employment service.

In Atlanta, where only one of nine firms listed no openings, five firms listed less than half of their jobs, generally because of lack of response to previous job listings and, in one case, because officials of the firm were unaware that affiliated companies were subject to the requirement. Two listed more than half but not all because for one firm the unlisted openings were for females, and officials of the other firm thought they had an open-end job order. Another firm had an open-end job order under which types of positions, instead of specific openings, were identified.

Of five firms in Philadelphia which we identified as submitting some listings, officials of two said they did not list certain jobs, such as administrative and professional jobs, which they believed the employment service could not fill and which could be filled faster elsewhere. Officials of the remaining three firms said they listed the few available job openings.

In Gary, contractor officials gave the following reasons for listing some but not all openings. They (1) listed only hard-to-fill openings, (2) had open-end job orders, (3) recruited primarily from their

application files because of urgency to fill openings, and (4) listed only openings for male workers (work force was about 80 percent female).

We visited 4 firms in Denver which listed only 275 openings while making 2,579 hires during fiscal year 1973. The primary reason given for not listing jobs was that the firms hired "walk-in" applicants and/or persons who had previously applied for positions and had applications on file with the companies.

In other cases, the ways in which employers listed their openings limited the employment service's opportunity to refer applicants. A local employment service official in Denver told us that, when he contacted one firm to find out why no listings had been submitted, company officials told him company policy precluded hiring from sources other than its own applicant file. After the official's visit, the firm began to send listings but with the notation "no referrals needed."

A firm in Gary mailed a list of current openings each Friday to the employment service. However, because many jobs were filled up to a week before each list was mailed, only 10 of 57 openings during the first 6 months of 1973 were listed. After our visit, the contractor agreed to call in job orders, thus giving the employment service a better chance to refer applicants.

Notification of contractor locations

Not all employment service offices we visited were able to furnish statistics on the number of contractors which had identified all their employment locations in the State. According to available data, however, a number of contractors may not be doing so.

A State official in Colorado said 43 of 859 firms subject to the job-listing requirement had notified the employment service of their locations. He estimated that another 45 firms should have also notified the service. In Orlando three of the eight firms we visited had not notified the employment service at the time of our review.

Quarterly reporting of hires

Many employers were not submitting quarterly reports of hires, though required; some of them stated they were unaware of the requirement. Some firms filing reports were not using the most current reporting form which specifies reporting the numbers of disabled veterans and Vietnam-era veterans separately from other hires.

In Phoenix, where 926 firms were listing jobs under the mandatory job-listing program, only 351 reports were received for the quarter ended June 30, 1973. The employment service manager began sending out notices to remind contractors and received well over 400 reports for the next quarter. In Denver, 71 of 451 mandatory job-listing employers did not report for the quarter ended June 30, 1973.

Of eight firms we visited in Orlando, three had submitted reports, one firm official said he thought a report had been submitted, and four said they were not aware of the requirement. Of nine firms we visited in Atlanta, five had submitted reports regularly for several quarters, two had filed reports infrequently, and two said they did not know of the requirement.

Subcontractor activities

We reviewed a few subcontracts to determine whether they included the mandatory job-listing clause and visited the subcontractors to check on compliance with the job-listing and quarterly reporting requirements.

The subcontracts generally included the required clause. However, we did note one exception. A Federal contractor in Denver had written agreements which did not include the job-listing clause. We noted that the agreements were labeled "purchase orders" rather than "subcontracts," and an official of the prime contractor stated that the firms involved were "suppliers" rather than "subcontractors."

First-tier subcontractors were generally not listing all jobs with the employment service. One firm had listed fewer than half of its openings through August 1973. Another firm had previously cut back its use of the service because it believed that service applicants were not qualified; officials said they usually needed to fill openings quickly and therefore used their own applicant file. However, the firm planned to list job openings with the service in the future. A third firm had submitted no listings through June 1973 but said it would begin doing so. Even though these firms were not listing all jobs, they were generally submitting the required quarterly reports.

EMPLOYMENT SERVICE ACTIVITIES

State and local employment service personnel did not have complete lists of Federal prime contractors and first-tier subcontractors which were required to list their job openings and file quarterly reports. Therefore, they were generally not able to identify all firms which were not properly listing jobs and filing reports.

In some cases employment service officials did not effectively monitor job listing by firms that were required to submit listings. Two States had no control list of contractors subject to, or those which were complying with, the requirements. Some firms which were listing jobs and reporting hires were not, according to the employment service information, subject to the requirements.

Officials at various locations did not (1) check to see whether mandatory job-listing firms were submitting quarterly reports, (2) compare the number of job orders submitted by an employer with the number of openings he filled during a quarter, and (3) take action against firms not submitting reports as required. A notable exception was in Phoenix, where the local employment service compared contractors' reported hires with the number of jobs listed and, when a discrepancy was noted, visited the firm.

The extent to which local employment service staffs encouraged mandatory job-listing employers to participate varied widely. For example, during fiscal year 1973 the Phoenix staff made over 9,000 onsite visits and over 8,000 telephone contacts with contractors and subcontractors to solicit job orders and resolve manpower concerns. Employment service statistics showed a positive relationship between the number of these contacts and an increase in the number of orders submitted. However, in Gary, there was very little followup contact with contractors to insure that all job openings were being listed.

Employment service officials in other States had also visited certain contractors. In Denver an official distributed blank quarterly reporting forms. In Atlanta an official had contacted six of the nine firms we visited; in Orlando, an official had contacted six of the eight firms we visited.

Employment service personnel told us they are in an anomalous position. They depend on employers to place job orders and hire referrals but, at the same time, are supposed to encourage employers' compliance with requirements and report those who are not complying. State officials described themselves as being in the middle of Federal regulations and the employers and said that local officials preferred not to "rock the boat" by reporting contractors for non-compliance. Thus, although local officials can work effectively with employers, they may be reluctant to jeopardize this relationship by insisting on complete compliance.

Because Labor had noted many of these problems, it awarded a contract to Dun & Bradstreet, Inc., effective June 1, 1973, to provide monthly listings of all employers with Federal contracts to each region. Dun & Bradstreet's list of over 3 million employment locations is claimed to be the most complete available, with information

on subsidiary and related firms. Thus, after a firm in one State has been awarded a contract, all its locations in the country should be listed, including award and completion dates of current contracts, amounts of contracts, name and address of firm, and name of a responsible official.

The Dun & Bradstreet official responsible for the contract told us on April 25, 1974, that information from the Standard Forms 99 and the Commerce Business Daily is incorporated into the monthly listing, with the volume of input from each source being about equal. He said there is a volume of about 3,500 to 4,500 contract entries input for listing each month.

According to a Labor official, this arrangement has increased coverage of Federal contractors from about 30 percent to 80 percent. State employment service personnel welcomed the advent of these printouts and expected to be able to increase their files of contractors subject to requirements, thus giving them the opportunity to more effectively monitor job listing and quarterly reporting.

Mandatory listing coordinators

Labor made funds available to State agencies in 1972 for filling the full-time position of mandatory listing coordinator. His duties are to insure that the mandatory listing program operates properly and to improve the effectiveness of preferential services provided to veterans.

In at least three States the mandatory listing coordinator was assigned additional unrelated duties. Some State officials said all personnel were assigned additional duties because of tight operating budgets. As a result of our discussions in one State, mandatory listing coordinators were relieved of other duties to concentrate on improving the mandatory job-listing program. They visited local offices to determine the number of known firms subject to the requirements and consolidate information at the State level from the quarterly reports of hires received by State and local employment service offices.

FEDERAL AGENCY DIRECT HIRES

Those Federal agencies authorized to hire applicants directly were generally listing job openings with a local employment service office, but few Vietnam-era veterans were placed in such jobs.

Federal agencies are generally allowed to fill jobs directly when the number of candidates on a Civil Service Commission register of qualified applicants is insufficient. A Civil Service Commission official told us that, because the registers are usually adequate, he believed few direct hires have been made.

In Albuquerque, 9 agencies were authorized to fill 47 positions. We contacted 3 agencies which accounted for 30 positions, and agency officials said they had listed these openings. In Philadelphia, 13 agencies were granted some direct hire authority; three of the agencies we selected were listing the openings. In Denver, no agency had authority to make permanent direct hires, but 8 agencies were authorized to fill 45 temporary vacancies. Twenty-four of these openings were listed. Of the 21 that were not listed, 13 were filled through transfers from other agencies or from within the agencies; three were filled from the Veterans Readjustment Appointment register; two were filled from the Civil Service register; two were canceled; and one was filled through the Concentrated Employment Program.

The results of listing such openings with the employment service were mixed. In Denver, the 24 vacancies listed resulted in 31 referrals (including 23 for Vietnam-era veterans) and 13 hires (including 10 Vietnam-era veterans). In Albuquerque, 18 of the 30 positions reviewed were filled but only one by a referral.

It did not appear that the positions Federal agencies listed under direct hire authority were enough to affect the job market for veterans, nor did the few veteran placements affect the number looking for work.

EFFECT OF MANDATORY
JOB-LISTING REQUIREMENT

The number of openings and total placements in nonagricultural industries increased after the mandatory job-listing requirement in fiscal year 1972, according to Labor statistics.

<u>Fiscal year</u>	<u>Openings</u>	<u>Placements</u>
	(millions)	
1966	9.1	6.6
1967	8.6	6.1
1968	8.1	5.8
1969	7.9	5.5
1970	6.8	4.6
1971	6.0	3.3
1972	6.7	3.6
1973	8.1	4.5
1974 (estimated)	8.0	4.9

In fiscal year 1973, listings identified as mandatory accounted for about 9 percent of these openings and resulted in about 7 percent of these placements. For fiscal year 1974, Labor estimated the percentages increased to 12 and 9 percent, respectively.

It is difficult to measure the net effect of the requirement. In addition to the overall problems of the Employment Service's statistics gathering system (see ch. 5), the reported numbers of mandatory openings and placements are uncertain. These numbers may have been understated during the period of our review, because local offices did not have complete listings of all mandatory job-listing contractors and subcontractors nor, in many cases, had they inquired whether firms listing openings were subject to the requirement.

On the other hand, many firms that had Federal contracts or first-tier subcontracts and whose openings were identified as mandatory might have listed these jobs anyway; some of them had submitted job orders even before the requirement.

Finally, the period following the initiation of the requirement was characterized by other factors which might have increased job orders and placements. In recent years employment service operations have shifted from intensive services for the disadvantaged to job placements for all labor market groups. This reordering of priorities is shown in the formula which Labor uses, in part, to determine State agency funding allocations and thus has created an incentive to increase placements.

This same period was also generally one of strong demand for labor. Manufacturing firms increased their number of new hires from an annual average of 2.5 per 100 employees in 1971 to 3.9 in 1973. The total number of persons employed rose from 79.1 million in 1971 to 84.4 million in 1973.

A number of factors must be considered in judging the requirement's full effect. For example, the requirement applies only to listing of job openings, but these openings are meaningful only when they lead to referrals and placements.

In the one Gary office we visited, the staff handled several employment programs' referrals and placements for jobs. Thus, monitoring of mandatory job listing was limited, with little followup to try to increase the number of contractors listing jobs and to insure that all job openings were being listed. In the Phoenix metropolitan area, a 16-man staff handled employer services, with 6 specifically assigned to mandatory job listing.

In Gary, from October 1971 through May 1973, 19 firms had listed a total of about 1,600 openings. All but one firm had been submitting job orders before the employment service identified them as subject to the program. The requirement may have induced these employers to list a higher proportion of their jobs, but only one of them began to list job openings.

In Phoenix from January 1972 (the earliest date for which reliable information was available) through June 1973, 926 firms had listed a total of about 14,000 openings. Local data showed that, as the number of contacts with employers increased, the number of firms submitting job orders and the number of openings listed also increased.

In Gary during fiscal year 1973, veterans got a much higher percentage of referrals (37 percent) and placements (38 percent) in mandatory-listing than in nonmandatory-listing jobs (18 percent for referrals and 17 percent for placements). Although the overall percentage of veterans being referred to all jobs did not change after the requirement was initiated (24 percent before and after), veteran placements in relation to all placements increased from 18 percent to 23 percent.

In Phoenix, veteran referrals (36 percent) and placements (32 percent) in mandatory-listing jobs were somewhat higher than in nonmandatory-listing jobs (28 percent for referrals and 29 percent for placements) during fiscal year 1973. Reliable data on veterans was not available to permit an examination of referrals and placements before the requirement's implementation. But veterans received about the same percentage of mandatory listed jobs during January through June 1972 as during fiscal year 1973.

The effect of the requirement also depended on local economic conditions. For example in Atlanta, which had an unemployment rate of 3.1 percent during 1973, some local officials said they did not push employers to submit mandatory listings because the employment service did not have enough applicants to fill them. These officials said that compliance would have been counterproductive; requiring employers to list job orders which the service knew it could not fill might risk employers' good will at another time when the service might want their listings.

CONCLUSIONS

The extent of compliance with mandatory job-listing requirements is not known, but improvements can be made in management which should help realize their full potential effect. Virtually all Federal contracting agencies, Federal contractors, and employment service offices are responsible for effectively implementing the requirements. With so many organizations involved, implementation appears cumbersome, but the employment service should be the focal point for improvements.

First, service offices must know which contractors are required to comply with requirements. The contracting agencies' system of notifying Labor of contract awards does not appear to be the answer. The Dun & Bradstreet lists should help.

Second, service offices need to better inform contractors of their reporting requirements. Procurement officers should also insure that contractors and first-tier subcontractors are fully aware of their reporting requirements. Once contractors submit complete job lists, service offices can refer qualified veterans.

The other problems may be difficult to solve. Service offices must rely on contractors for job orders and placements but must also report contractors which violate requirements to contracting agencies for compliance action. However, service representatives' communication with employers should help alleviate this problem.

Finally, the labor market determines whether the requirements will affect the number of veterans referred and placed through the employment service. If jobs are available, veterans should be able to find reasonable employment whether or not mandatory-listing job orders are submitted.

RECOMMENDATIONS TO THE SECRETARY OF LABOR

We recommend that the Secretary of Labor

- reemphasize to Federal contracting agencies the need to fully inform Federal contractors and first-tier subcontractors of mandatory job-listing requirements, and
- insure that State and local employment service officials concentrate more efforts on monitoring and encouraging Federal contractors to submit complete job lists and file quarterly reports of hires.

AGENCY COMMENTS AND GAO EVALUATION

Labor said that action such as disseminating information and regularizing employer contacts by State employment service agencies is resulting in more contractors' listing more job openings. Also, Labor indicated that a handbook on mandatory job listing is to be developed, and training is to be provided on model State programs, which should improve the potential for further improvement in program operations. Labor is also requiring increased monitoring at the regional and State levels as well as a more active role by VES in contacting employers to encourage compliance.

Labor did not directly address our first recommendation above. We believe an essential step in improving program operations is to emphasize to Federal contracting agencies the need to fully inform contractors of the job-listing requirements because these agencies are responsible for administering the contracts.

CHAPTER 4

EMPLOYMENT SERVICES FOR VETERANS

Although many veterans have benefited from using the Employment Service, improvements are needed in providing prompt services and in giving preference to veterans. Veterans who obtained jobs through the Employment Service in fiscal year 1973 averaged higher wages than did non-veterans in the States visited. Veterans we contacted generally seemed satisfied with the services provided.

VETERANS SERVICES

The following table shows nationwide statistics Labor developed over a recent 2-1/2-year period.

	<u>FY 1972</u>	<u>FY 1973</u>	<u>First half FY 1974</u>
	----- (percent) -----		
Veterans as a proportion of employment service applicants	22	19	20
Veterans as a proportion of applicants who were:			
Counseled	20	19	19
Tested	14	13	12
Referred for health, welfare, or other service	30	32	34
Enrolled in training	16	17	14
Referred to job	26	22	19
Placed in job	24	21	18
Inactivated with no service	23	17	16

These statistics indicate that veterans generally received less testing and training, about equal counseling, and more referrals for other services in proportion to their numbers. The proportions of job referrals and placements declined during the period covered. Information was not available to indicate whether veterans needed selected services to the same extent as nonveteran applicants, but veterans generally had a higher level of education, which might indicate a lesser need for some services.

We examined job referrals at each local employment service office visited by randomly selecting samples of 50 applications of veterans who had registered with the office during January through March 1973. Local officials stated that normally they attempt to refer all job-ready veterans to jobs, as well as other job-ready applicants, on the day they apply for services. Our samples were taken from the active file,

which included those applications on which the employment service considered appropriate action, such as referral to a job or training, was still being taken or contemplated. Our universe for selection ranged from 378 applications in Hammond to 2,094 in Denver. The active files for all applicants were arranged by occupational code, with veterans' cards at the front of each category.

Our tests of the last two referrals showed that veterans' cards did not have enough information to show the result of about 36 percent of the referrals. Of those referrals for which adequate information was available, about 28 percent were successful.

--In 21 percent of the cases the veteran was hired and reported for work.

--In 7 percent of the cases the veteran took a job other than the one he was referred to.

About 72 percent were not successful.

--In 32 percent of the cases the veteran failed to report to the employer for an interview, refused the job, or was hired and failed to report for work.

--In 9 percent the veteran was not qualified.

--In 9 percent the job was already filled.

--In 22 percent the veteran was not hired for another reason.

The lack of sufficient information largely resulted from the local office personnel not noting the result of the job referral on the application, though required by Labor's instructions.

We randomly selected, from the inactive file, samples of 50 applications of veterans who had registered during the same period at the same office. These included applications on which the employment service considered appropriate action had been taken. We could not estimate the number of inactive veteran applications at most offices because they were intermingled with nonveteran applications in alphabetical order.

Our tests showed that about

--30 percent were employed through referral after receiving an average of two referrals,

--22 percent were employed through their own efforts after receiving an average of one referral,

--2 percent were enrolled in training,

--5 percent were not recorded as enrolled or employed, and

--the status of 41 percent could not readily be determined due to a lack of information.

We were able to contact less than half the veterans in both samples to determine or verify their status, particularly those whose applications were incomplete. Others had no telephone or current local address or did not bother to return calls. From those reached, we obtained the following information.

--Many of them were not referred because, in their opinions, no suitable openings were available.

--Some returned to former employers and others returned to school.

--Others turned down job referrals because of insufficient pay or inadequate transportation to the job, among other reasons.

Most of those veterans whose applications had been adequately completed said their status was properly shown.

We also asked veterans their opinions on the helpfulness, knowledge, and services of local employment service office personnel. Most said the employment service was helpful and its people knowledgeable, and generally the veterans were satisfied with the services.

A few of the veterans in Phoenix said the employment service had a valuable service of providing the unemployed with temporary employment until they could find satisfactory permanent jobs on their own. They believed employers tended to characterize service referrals as those who could not find jobs on their own and therefore did not hold these referrals in high regard.

In July 1973 the Phoenix employment service surveyed 101 area employers, some of whom commented that referrals did not always show up for interviews or work and that they had a high turnover once hired. Two employers of the four we contacted in Phoenix believed the employment service was not effective in making referrals to relatively high skilled jobs. An employment service official acknowledged the difficulty in attracting certain highly qualified applicants and commented that the service publicly advertised that it had many good jobs available.

State employment service officials we visited said a number of Labor-sponsored manpower training programs were available with veterans preference in enrollment. However, Labor enrollment goals for veterans in fiscal year 1973 were generally not met. For example, Labor set a national goal for veteran participation in the Manpower Development and Training Act programs at 40 percent. Of the States in our review, statistics showed that only Colorado, Georgia, and

Pennsylvania met or exceeded this rate of enrollment in institutional programs for fiscal year 1973. The lowest proportions in the other States were 10 percent in New Mexico and 28 percent in Indiana. State officials said this was due in part to a Labor-imposed freeze on training project enrollments in January and February 1973 and a program budget cut. They stated that it was also due to many of the projects' being directed toward disadvantaged and/or female applicants.

Our tests of inactive veterans' applications and discussions with local officials showed that veteran referrals to any training program were generally limited because of a lack of interest (Atlanta and Orlando), a city-operated program with no local referrals (Gary), and female-oriented projects (Hammond and Orlando). Local officials also referred to the enrollment freeze and program budget reduction as problems.

VA officials in Phoenix advised us that veterans rely more heavily on VA than on the employment service for on-the-job training and other vocational or educational services. They believed that VA testing and training services were so extensive that similar services by the employment service were not needed.

TIMELINESS OF SERVICES

Labor's instructions suggest that (1) local offices should insure that no veteran application remains in the file for more than 10 working days without some positive action being taken and (2) veteran applications be reviewed daily for referral to new openings or to training and for assessing needs for other services.

In providing services to veterans, the local offices we visited usually exceeded the time limit. For the offices tested, the average timespan between positive actions ranged from 20 days in Hammond to 42 days in Denver. Local officials generally stated that existing personnel were fully occupied in dealing with applicants in the waiting room and could not review veteran applications on a daily or 10-day basis; some officials also said their offices were short in personnel. As a result, veterans who appeared at employment service offices frequently received more job referrals than those who made no appearance after filing an application. This generally applied to referrals for counseling and other services, also.

According to Labor, applications are not to be routinely inactivated without either positive evidence from a veteran responding to an employment service inquiry that services are no longer required or his failure to respond to the inquiry. Available statistics for local offices we visited showed that during fiscal year 1973, from about 2 percent of veteran applications in Gary to more than 50 percent in Philadelphia were transferred from active to inactive status after only an initial interview during which the application was

prepared. The proportion of applications transferred from active to inactive with no service was between 25 percent and 50 percent in the majority of the offices we visited.

We also obtained data on services received by Vietnam-era veterans whose applications were inactivated during fiscal year 1973. No service was provided to 42 percent of all Vietnam-era veterans inactivated nationwide; the proportion for the States we visited ranged from less than 30 percent in Florida and Indiana to about 50 percent in Colorado and New Mexico. The proportion of these veterans inactivated who were placed in a job or enrolled in training was 24 percent nationwide; the proportion for the States we visited ranged from just under 20 percent in New Mexico to over 50 percent in Indiana.

During the first half of fiscal year 1974 the national rates improved somewhat, with those inactivated with no service declining from 42 percent to 38 percent and those placed or enrolled rising from 24 percent to 26 percent. The rates for Arizona and New Mexico showed marked improvement while the rate for Indiana declined.

Employment service officials said part of this inactivation resulted because veterans did not contact the service about their status and need for services, and in a few cases the veteran requested the change. They could not explain the remaining actions other than that they did not have enough personnel to provide service before the date files are to be inactivated (generally 90 days after the date of the application).

At most of the offices, a daily file search to find veterans needing service is difficult because of the regular workload during office hours and because of the large number of veteran applications on file.

However, it also appears that the 10-day positive service criterion could reasonably be met and the number of veteran applications inactivated without service reduced if a specialized file search were performed daily either during or outside normal working hours. For example, a daily file search might be limited to one or more occupational titles, depending on the number of applications on file. Attempts could then be made to contact the veterans to ascertain their need for services. Those in need of service could then be scheduled to obtain it.

VETERANS PREFERENCE

The Federal-State employment service system gives preference to veterans in providing job referrals and other services at the local level. The order of priority in referring applicants to jobs was: (1) disabled veterans, (2) all other veterans, and (3) nonveterans. This order was not affected by the Vietnam Era Veterans' Readjustment Assistance Act of 1972 for those job openings listed by firms not covered by the mandatory listing requirement.

However, for job openings listed pursuant to the mandatory listing provisions of the act, Labor provided a new order of priority: (1) disabled veterans, those who had at least a 30-percent disability, as determined by the Veterans Administration, (2) Vietnam-era veterans, (3) other handicapped veterans, generally those with at least 10-percent but less than 30-percent disability, (4) all other veterans, and (5) nonveterans. The act gave disabled and Vietnam-era veterans specific preference for referrals to mandatory listed jobs.

A veteran in the waiting room would get preference over a non-veteran in referral to a job opening, but if no veteran was present, a nonveteran who was present would be referred before a qualified veteran having an application on file.

Employment service officials explained that most employers want a job opening filled the day it is listed or early the next day. A veteran outside the office must get an interview referral slip from the office before visiting the employer. By the time the veteran makes his appearance, the job would likely be filled by a walk-in at the employer's office. Since employment service performance is measured in part by the number of job placements made, service personnel in Gary and Philadelphia, for example, said they will generally make job referrals to people in the waiting room who would have a better chance at getting the jobs than would people who are not immediately available.

Some offices visited were trying to give job referral preference to veterans whose applications were on file. Phoenix uses a mechanical system to match applicants and job openings, but the system accounted for only 2 percent of all local placements during fiscal year 1973, partly because of the failure to purge incomplete applications and inactive job orders. After we discussed this problem with local officials, they began purging the files and the system began to account for more veteran placements.

Labor suggested assigning staff to work hours other than those during which the local office was open but few local offices adopted the suggestion. In Phoenix and Denver, some local staff worked beyond normal office hours primarily to telephone applicants who could not be reached during the day about their need for services. In Albuquerque, one staff member came in before normal office hours to search applicant files for veterans who were qualified for unfilled job openings. In addition, Atlanta and Denver had special staffs specifically to assist veterans in finding jobs.

Some file search to match veteran applications with job openings was carried out, but, in Gary and Hammond, many veteran applications were not filed properly and this limited the usefulness of the search.

In Denver we reviewed 45 job orders which were subject to referral during the week ended July 20, 1973, and to which both Vietnam-era

veterans and others had been referred. Only 48 out of 111 referrals made were veterans, even though 133 additional veteran applications with the same occupational specialties were in the file. In Gary we reviewed 10 job orders open for referral during the week ended March 30, 1973; 30 of 56 referrals were veterans, but 6 additional veteran applications were on file. In Hammond we reviewed 27 job orders open for referral during the week ended March 30, 1973; although 40 of 117 referrals were veterans, 16 additional veteran applications with the same occupational specialties were in the files.

Statistics on job placements for fiscal year 1973 showed that in Colorado, Florida, Georgia, and Indiana, the proportion of veteran applicants who were placed was higher than the proportion of nonveteran applicants placed. In New Mexico and Pennsylvania, the proportions were about equal. In Arizona, veteran applicants were not placed as frequently as nonveterans.

Employment service officials told us that veteran job placement goals for fiscal year 1973 had been developed nationwide on the basis of an estimated number of veterans needing placement and allocated to each region. Regional officials assigned goals to each State in their region. The States and local offices included in our review generally did not meet their goals for veteran job placements.

Most State and local officials said Labor used all placements, not merely veteran, primarily to measure employment service effectiveness and as one basis for allocating operating funds to the States. They stated that lower placements meant less money, with little incentive to emphasize services to veterans. This situation has led to their making job referrals primarily to applicants in the waiting room rather than through file search to provide some opportunity to fill a job before an employer hired an applicant from another source. Additionally, a State representative said requirements relating to the Affirmative Action Program, hiring migrant workers, and serving other disadvantaged persons have limited employment service flexibility in dealing with applicants and employers so that no applicant group gets prompt, preferential services.

Labor continued to emphasize placements in allocating fiscal year 1975 funds to State agencies and assigned weights to various applicant groups. Veterans were assigned the highest weight.

JOBS OBTAINED BY VETERANS

In two States the following data--for jobs obtained by both veterans and nonveterans--was taken from statistics based on information provided to the employment service by employers.

Days of expected duration of job
3 or less 4 to 150 Over 150

Indiana:			
Veteran	6.6%	6.7%	86.7%
Nonveteran	6.7	10.7	82.6
Pennsylvania:			
Veteran	4.7	10.6	84.7
Nonveteran	8.9	16.5	74.6

As shown, larger proportions of veterans than nonveterans were placed in jobs which employers expected to last more than 150 days.

Other factors should be considered in evaluating this data. In Indiana, State officials told us that some employers overestimated the expected duration of jobs. Also, these statistics are based on placement transactions and not individuals placed in jobs listed with the employment service. (Some individuals may have been placed more than once, thus each placement would represent a separate transaction.)

In Phoenix our test of 100 veteran applicants who had registered for service from January through March 1973 showed that 43 had been placed in jobs expected to last 150 days or more before April 1973. By June 30, 1973, 32 of the 43 veterans had returned to the employment service for another job referral. They averaged 70 days between first placement and the subsequent job referral. Of the 16 veterans we were able to contact, 12 generally believed that referrals were to jobs of poor quality (low wages, few fringe benefits, little future) even though the employment service provided courteous service.

Male veterans who obtained jobs through the employment service in fiscal year 1973 averaged higher hourly wages than did male nonveterans, for the Nation as a whole and for the seven States we visited, as shown in the following table:

	<u>Average hourly wages</u>	
	<u>Male veterans</u>	<u>Male nonveterans</u>
U. S. total	\$2.63	\$2.27
Arizona	2.45	2.20
Colorado	2.52	2.24
Florida	2.66	2.37
Georgia	2.44	2.14
Indiana	2.75	2.21
New Mexico	2.17	1.87
Pennsylvania	2.77	2.43

Vietnam-era veterans averaged slightly higher wages than did other veterans. Female veterans accounted for only 2.2 percent of all veterans placed through the service in fiscal year 1973.

Male veterans continued in the first half of fiscal year 1974 to average higher hourly wages than male nonveterans (\$2.72 versus \$2.31). Some of this difference may be associated with veterans' greater employability, as measured by such standard determinants as education (veterans are more likely to have at least a high school education), race (more likely to be white), and age (less likely to be under 22).

In two cities visited, veterans who obtained jobs on their own received higher average wages than veterans who obtained jobs through the service. For example, of the 16 veterans we were able to contact in Phoenix, those who found their own jobs received an average of \$4.08 an hour whereas those who obtained jobs through referral received an average of \$3.19 an hour.

CONCLUSIONS

The employment service has helped many veterans obtain jobs. But action is needed to better implement Labor's policy of providing prompt, preferential services. Certain practical problems will be difficult to solve in trying to fulfill this goal.

The main thrust of service efforts in recent years has been job placement. To fill many jobs, available applicants in the waiting rooms are referred first. Veterans get preference only if they are present. Because of the volume of work and the condition of the files at some offices, it may not always be feasible to adequately search files to identify veterans, contact them, and refer them to employers promptly. Labor's formula in allocating fiscal year 1975 funds to State agencies should result in emphasizing services to veterans.

RECOMMENDATION TO THE SECRETARY OF LABOR

We recommend that the Secretary of Labor insure that the Department's policy of providing prompt, preferential employment services to veterans is fully implemented by all local employment service offices. The Secretary should consider whether sufficient staff is available to adequately handle veterans and whether streamlining of applicant files is needed at local offices to facilitate file search.

AGENCY COMMENTS AND GAO EVALUATION

Labor agreed with our findings on the lack of prompt, preferential services provided to veterans by local employment service offices. Labor attributed the problem to a wide variation in effectiveness and conformance among State agencies, due partly to differences in employment opportunities among States and localities.

We agree that the availability of job openings is an important factor in whether a veteran is placed in a job. But our review was made in various locations having both high and low unemployment rates. Though we didn't attempt to make a labor market analysis, our review showed many problems, such as the poor condition of files and heavy walk-in workload, which militate against giving veterans timely services and preference when jobs are available. Action is needed to insure that the Department's policy is effectively implemented. Labor's comments pointed out several measures to accomplish this, which are underway or are planned for the immediate future.

CHAPTER 5

EMPLOYMENT SECURITY AUTOMATED REPORTING SYSTEM

The Employment Security Automated Reporting System (ESARS) is the Labor-prescribed statistics-gathering system of the U. S. Employment Service. This system has information on characteristics of, and services rendered to, veterans and nonveterans. Since statistics on veterans are only part of the reporting requirements under ESARS, we examined selected aspects of the entire system.

In the States visited

- information on services provided to veterans was available by local employment service offices, by State, and by standard metropolitan statistical area;
- data on services provided was less accurate than data on applicant characteristics and improvement was needed to reduce the error rate of each type of data; and
- the many changes to ESARS caused operational problems in employment service offices.

In addition, though some representatives used data on veterans, State and local officials made little use of the information for managing operations because they did not have confidence in the system.

ESARS DEVELOPMENT

As part of a management information system to cover employment service activities, Labor initiated ESARS in 1968. This computer-based system was implemented in the seven States reviewed by the end of 1970.

According to the 1970 Manpower Report of the President, prepared by the Department of Labor, ESARS was initiated to provide a reporting system based on the characteristics of individuals served by the employment service and the services provided to them as a basis for developing a comprehensive management information system. To collect the great detail needed, sophisticated methods were required, including use of computer technology.

Labor provided programs to fit existing State computers. Tables are generated for numerous combinations of applicant characteristics and services. They are provided for various time periods and various geographic areas. Beginning in fiscal year 1974, data for more than one State is combined by the national office for entire standard metropolitan statistical areas. Certain data is then cumulated into nationwide totals.

All statistics on services to veterans presented in this report were taken from ESARS.

To facilitate the transition to ESARS reporting, Labor required States to report selected manually compiled information on applicant characteristics and services beginning in January 1970. Although Labor did not require this information after December 1971, during our review local offices in several cities were still maintaining these records, which duplicated ESARS information. Local officials said the manually compiled statistics were more accurate than ESARS.

ESARS ERRORS

So that States can check on the accuracy of the computer programs used to process the input data, Labor has made available test decks, which use simulated data and predetermined totals. A Labor study in Denver showed the test deck procedure had been used and the computer programs were functioning properly. According to Orlando, however, the test decks did not identify all problems.

In other locations the test decks were used seldom or not at all. In Atlanta and Albuquerque, officials said they used their own data to test the computer programs. Officials said a test deck had never been used in Gary or Hammond and only once in Phoenix because it would not fully test all program functions.

In addition to these tests Labor and State employment service agencies perform validation studies of the data items input into ESARS. Although overall error rates may be approaching reasonable tolerances in some cases, the accuracy of some important data items should be improved.

Labor's guidelines for conducting a validation study define an error as any difference between a manual entry on a local office document and the corresponding entry in ESARS. The total of these "errors" for each data item is to be divided by the number of times the data element was and should have been reported in ESARS, resulting in an error rate for that data item.

Certain aspects of the data ESARS reported appeared to be more error-prone than others. The information collected by ESARS can be divided into two broad categories: (1) applicant characteristics and (2) services rendered.

The several validation studies reviewed showed a high number of applicant characteristics appearing because such items as ethnic group and year of birth should have been recorded for all applicants. Moreover, characteristics were likely to be reported correctly. But because not all applicants received services, such as referral to training or placement,

the item frequency was lower. In addition, services were less likely to be reported correctly. In the computation of overall error rates, the higher frequency and accuracy of reports of characteristics outweighed the fewer and less accurate reports of services.

The results of a validation study Labor performed in Denver and completed in June 1973 demonstrate this point.

	Data item		
	<u>Frequency</u>	<u>Errors</u>	<u>Error rate</u> (percent)
Characteristics:			
Handicapped	131	48	36.6
Welfare recipient	343	119	34.7
Food stamp recipient	176	40	22.7
Poor	573	109	19.0
Unemployment benefits claimant	160	28	17.5
New application	847	81	9.6
Spanish surname	167	15	9.0
Veteran	204	17	8.3
Renewal of application	133	11	8.3
Employability development services needed	111	9	8.1
Labor force status	1,084	65	6.0
Highest school grade completed	1,084	30	2.8
Ethnic group	1,084	25	2.3
Entry level occupational code	67	1	1.5
Year of birth	1,084	11	1.0
Sex	1,084	5	0.5
Total for characteristics	<u>8,332</u>	<u>614</u>	<u>7.4</u>
Services:			
Referral to training	14	7	50.0
Placement	188	90	47.9
Enrollment in training	14	6	42.9
Call-in for service	197	68	34.5
Counseling interview	346	104	30.1
Referral to job	607	178	29.3
Followup contact made	174	51	29.3
Inactivation of application	580	153	26.4
Testing	40	10	25.0
Job development contact made for applicant	25	6	24.0
Referral for health, welfare, or other service	28	4	14.3
Total for services	<u>2,213</u>	<u>677</u>	<u>30.6</u>
Overall total	<u>10,545</u>	<u>1,291</u>	<u>12.2</u>

In analyzing this validation study, we categorized the data elements by characteristics and services and calculated the total error rates for both categories. The data elements without categorization, overall totals, and overall error rate were those Labor presented in the study. As shown in the table, the overall reported error rate of 12.2 percent may be misleading when high error rates were found for such vital data elements as placements (47.9 percent), referrals to a job (29.3 percent), and whether an applicant is handicapped (36.6 percent).

A difference in the accuracy of reporting characteristics as opposed to services was also evident from the results of a validation survey performed at three local offices in Georgia in October 1972, one of which we visited. The error rate for characteristics was 4.0 percent and for services, 12.4 percent, with an overall rate of 5.2 percent.

Although the absolute error rates were not as high in the Georgia survey as were the rates in the Denver study, the tendency is evident that relatively accurately reported characteristics may obscure less accurately reported services in computing the overall error rate.

CHANGES TO ESARS

Employment service officials cited the many modifications to ESARS as a major cause of inaccuracies in the system. According to a Department official, some of these changes, such as those related to the food stamp program and the work incentive program, were designed to meet reporting requirements established by the Congress. He said Executive Order No. 11598 and the Vietnam Era Veterans' Readjustment Assistance Act of 1972 also required some changes, including identifying Vietnam-era and other veterans. Also he said some States introduced modifications of their own which were inconsistent with the basic system.

Labor issued 10 major policy changes to the ESARS system to be effective during fiscal year 1973. These included provisions for new definitions and revised requirements on report preparation and retention of computer tapes. It issued 45 operating changes to ESARS computer programs to be effective during the same period, and another 50 changes were to be effective during the first 6 months of fiscal year 1974. These included adding new data elements and correcting errors in previous programs. Some of the operating changes represented only one modification which then affected more than one computer program.

To illustrate the ramifications of one such change, a Georgia employment service official explained that effective July 1, 1973, Labor classified Vietnam-era veterans to include only those released from active duty on or after August 5, 1964, who initially registered with the employment service within 48 months of the date they were released from active duty. This required a complete review of all active veteran files at each local office and changes in the ESARS computer program. By the time

this change had been implemented, another change was issued in August 1973 which eliminated the 48-month requirement and required a series of counter corrections. The stated purpose of the August change was to maintain continuity in measuring the accomplishments of the President's Veterans Program.

Labor's lack of timeliness in documenting changes in relation to their effective dates also caused difficulties. For example, in Florida certain changes to ESARS on eliminating, revising, and adding output tables were to be effective July 1, 1973. But documentation detailing how the changes were to be programmed was not received until October 9, 1973, and delayed processing data for the first quarter of fiscal year 1974 for several months.

MANAGEMENT USE OF ESARS DATA

ESARS produces a large amount of data each month. This data is used by some representatives in their reports on services to veterans by State and local offices and by Labor in preparing nationwide statistics on the results of service activities. However, little use was made of ESARS data by State and local service officials for operations management purposes. Several factors limited the use of ESARS data to service management.

The sheer volume of detail itself posed one problem. For example, the Chief of the State employment service automatic data processing section for New Mexico estimated that two-thirds of the ESARS tables would not be produced in the absence of Labor's requirements. In Indiana, a service official said the reports appeared to be designed for research and not for management. A Labor regional official stated that ESARS merely provided data from which other reports could be prepared.

In addition, no summary ESARS reports were prepared in Indiana and comparative employment service activity statistics on the State's 33 local offices had to be extracted manually from each local office ESARS report. In Phoenix, local officials were denied their request for a daily recapitulation of local office activity.

Local office personnel were often hostile to ESARS mainly because it reported fewer job placements--a primary performance assessment criterion--than were reported by the manual system. However, it appeared that this result was attributable in many cases to faulty input and the failure to correct errors. For example, in Denver (see p. 37), of the 90 errors in reporting placements, 77 showed placements on application cards but not in ESARS records and 13 errors showed placements in ESARS records but not on the application cards.

A comparison by the Indiana State employment service agency showed the total number of nonagricultural placements ESARS reported

for the State as a whole was 4.9 percent less than that reported manually. The difference was 4.6 percent for the Gary local office we visited and 5.6 percent lower for the Hammond local office.

It also appeared that local service supervisors in Colorado, accustomed to the manual system, had been reluctant to accept ESARS. They felt that locally produced manual counts were more accurate than ESARS printouts.

Similarly, State and local officials in Indiana maintained a manual reporting system and relied on it to manage their operations. The time spent on the duplicative manual system was estimated at about two-thirds of one person's time each month for one local office in Gary and about one-half of one person's time each month for the Hammond local office.

Labor officials said that manually compiled statistics used by some States are not necessarily accurate and have not been validated since ESARS was initiated. When the manual system used before ESARS was validated, it tended to overreport placement activity.

Two points are made in this chapter regarding manual systems. First, local officials claim that manually compiled statistics are more accurate than ESARS. Second, keeping manually compiled information duplicates ESARS. We did not test the manually compiled statistics for accuracy, and all employment service statistics used in the report on services to veterans were taken from ESARS.

CONCLUSIONS

Since ESARS has been in operation for over 3 years, efforts should be expended to improve the accuracy of the data to have more accurate and meaningful reports for managing the employment services' operations and for evaluating their performance. Although many changes may be necessary in a relatively new system, efforts should be made to reduce the number of changes.

Labor should encourage State and local officials to use ESARS for management purposes. If officials still seem reluctant, then the problems should be examined further with full consideration given as to whether a major redesign is required to make ESARS usable for management purposes. State and local officials are the key operators of service activities and it does not make sense to collect the voluminous data required by ESARS and then not fully use it.

RECOMMENDATIONS TO THE SECRETARY OF LABOR

We recommend that the Secretary of Labor require that action be taken regarding ESARS to

- improve the accuracy of the data,
- reduce the number of changes required in the system, and
- encourage State and local officials to use the system for management purposes.

AGENCY COMMENTS AND GAO EVALUATION

In commenting on our recommendation to improve the accuracy of the data, Labor said it is (1) increasing emphasis on conducting validation surveys of ESARS data, (2) planning to improve automatic deactivation of files of applicants not needing service, and (3) planning to use new processing forms to improve quality and relieve local office staff for other duties. When validation surveys are conducted, we believe Labor should also stress to the States the need to promptly carry out ESARS error correction procedures to improve the quality of the data.

Labor stated that past changes to the system have been made mainly to meet legal and other requirements, but also to eliminate data elements more properly subject to special reporting than for inclusion in regular reports; the policy is to make changes at the beginning of a fiscal year if possible.

We believe future changes to ESARS should be adequately developed so that their ramifications are adequately considered to eliminate time-consuming actions which are later nullified. For example, in Georgia, an extensive change was rescinded after being implemented. Also, the details for implementing changes should be made available to the States preferably before, or at least at the same time as, the date the changes are made effective rather than some later date. For example, in Florida, implementing details followed the change by 3 months. We believe that better planning by Labor for implementing changes could change the attitudes of many employment service officials and thus increase the accuracy and management use of ESARS.

Labor also said management use of ESARS by State and local officials is being encouraged by (1) allocating operating funds to States on the basis of their performance as shown by ESARS data, (2) expanding quarterly national summaries of State employment service activity to include man-year productivity and State rankings along with suggestions for improvement, and (3) proposing to find out from States using ESARS data extensively for management purposes which data is used and how and making appropriate suggestions to other States with less advanced data application systems. These actions should help make more extensive the use of ESARS for management purposes.

CHAPTER 6

VETERANS RECEIVING UNEMPLOYMENT COMPENSATION BENEFITS

In a letter of June 11, 1971, the President directed the Secretary of Labor to insure that Vietnam-era veterans who have been drawing unemployment compensation for 3 months or longer:

"* * * be referred immediately to the U. S. Employment Service, to the Veterans Administration, and, where serious employment handicaps are indicated, to State vocational rehabilitation agencies for special counselling and placement in jobs or training."

To examine into the referrals and resulting actions, we reviewed activities of local unemployment insurance and employment service offices of the Federal-State employment service in eight cities and of VA regional offices.

Our review showed that procedures Labor suggested to identify and refer such veterans were not being followed in all cases and some veterans were not being referred promptly. Local offices did not always try to contact veterans referred to them. VA offices generally did so. Some veterans appeared to have received services because of these contacts. Had the process been adequately carried out, it is likely more veterans would have benefited.

UNEMPLOYMENT COMPENSATION FOR EX-SERVICEMEN

The Unemployment Compensation for Ex-Servicemen program provides unemployment compensation benefits to veterans who generally (1) have other than dishonorable or bad conduct discharges, (2) have served at least 90 days, and (3) are able to, and available for, work. Although Federal funds pay the entire cost of these benefits, the States administer the program, with conditions of eligibility and duration and amount of benefits determined by State law.

The following table shows selected program data obtained from Labor for fiscal year 1973 for the States reviewed and the United States.

	<u>Average weekly number of beneficiaries</u>	<u>Average weeks of compensation paid</u>	<u>Average weekly benefit amount (note a)</u>
U. S. total	73,609	15.5	\$61.56
Arizona	607	12.8	59.21
Colorado	568	11.8	70.31
Florida	1,227	11.7	59.18
Georgia	1,286	15.7	53.63
Indiana	773	12.1	46.06
New Mexico	714	17.6	58.75
Pennsylvania	5,715	18.0	67.81

a/ State law provides for dependents' allowances in Indiana and Pennsylvania. All seven States provide lower benefits for partial unemployment.

ACTIONS BY LOCAL UNEMPLOYMENT INSURANCE OFFICES

In September 1971, Labor issued a directive listing steps to be followed by local unemployment insurance claims offices so that appropriate veterans would be referred in accordance with the President's letter. Included were (1) a method for identifying veterans who had reached their 13th compensable week of unemployment compensation for ex-servicemen benefits and (2) a format for reporting such veterans to the appropriate State office, the appropriate local office, and VA.

To determine whether veterans who had reached their 13th week of benefits were referred to the appropriate local and VA offices, we tested most locations visited. Our samples were selected randomly, generally for veterans who had reached their 13th week in early 1973.

The likelihood of referral varied widely. For example, of the 50 veterans sampled in Atlanta, 23 were referred to both VA and the employment service and 22 more to VA only. Forty-four of the 48 veterans sampled in Denver were referred to VA. However, only 12 of 22 in Gary were referred to the employment service and none of 10 in Hammond. In Albuquerque a referral form to VA was initiated on only 14 of 25.

In some cases the referrals were not prompt. In Denver, for example, an average of 11 days elapsed between a veteran's 13th payment and identification by the local unemployment insurance office and 11 more days passed before the veteran was reported to VA. In Atlanta, about 3 weeks passed, on the average, between the date of a veteran's 13th unemployment insurance payment and the date on which VA and the service received the referral. In Orlando, 32 of the 49 veterans we sampled were reported within 1 week of the end of their 13th week of

benefits, 11 more were reported within 2 weeks, 5 others within 3 weeks, and 1 took 11 weeks.

The failure of some local unemployment insurance offices to refer certain veterans, and their lack of timeliness in other cases, was due to a variety of reasons. One was the failure to mark all active unemployment compensation for ex-servicemen claim cards with a red line under the 13th benefit week as suggested by Labor. This problem was noted in Denver and Philadelphia. The procedure was being followed at the Gary office but not at the office serving Hammond. A similar procedure used in Orlando was not fully effective.

The manager of the Albuquerque unemployment insurance claims office stated that, because of a personnel shortage, veteran reporting did not have a high priority.

In two locations methods were used other than the one Labor suggested. In Phoenix recipients were automatically identified and referred by computer when their 13th check was printed. Atlanta developed a procedure, initiated after our review, whereby claimant status notification forms were to be completed for veterans when they registered for benefits and placed in a tickler file under a date 13 weeks after the registration date. At the end of this period, the notifications were to be checked against the file of active claimants. If the veteran was still receiving benefits, his notification form was to be sent to the VA regional office and to the local employment service office where he was registered.

The unemployment insurance office's use of direct channels for notifying VA and the employment service may have resulted in more prompt referrals of veterans. In Philadelphia the local unemployment insurance office directly notified both the VA regional office and the local employment service office where the veteran was registered. Direct channels were also used in Orlando and in Phoenix, with the computerized system.

Indirect channels were used elsewhere and may have caused delays in notification to VA and the employment service. In Colorado the local unemployment insurance office notified the State veterans coordinating unit, which grouped the reports from all local offices in the State and forwarded the summary to VA. In Indiana, the local unemployment insurance office notified the local employment service office where the veteran was registered, which in turn notified the State employment service. The State employment service grouped all the local office reports and sent them to the Indianapolis VA office, which forwarded names of veterans in Gary and Hammond to the Chicago VA office, which is responsible for serving these veterans.

In New Mexico, notifications went from the local unemployment insurance office to the State office, which forwarded them to VA and to the appropriate local employment service office.

ACTIONS BY LOCAL EMPLOYMENT SERVICE OFFICES

In August 1971 Labor headquarters instructed all State employment service agencies that veterans who had received unemployment compensation for ex-servicemen for 13 weeks or more were to be second only to disabled veterans in receiving "intensive employability services."

Local offices did not always try to contact veterans who had reached their 13th week of benefits to provide these services. Some veterans appeared to have begun receiving services after being contacted. The fact that more veterans did not receive services may be due in part to the lack of aggressiveness by the employment service staff and, in part, to the lack of interest by veterans.

After receiving the list of 13-week claimants from the local unemployment insurance office, the local employment service office often called or wrote each veteran. In Denver a second attempt was made if the veteran did not respond to the first; in Philadelphia a letter was sent not only after the 13th week but also after the 26th week. Veterans' responses to these attempts ranged from negligible in Phoenix to about 70 percent in Denver.

The level of services local offices provided varied considerably. In Denver, for example, the staff tried to find the veteran a suitable job even before making the initial contact. In cases when a job possibility was located, the veteran would be receiving a tangible service immediately, rather than a general offer of assistance, which may account in part for the relatively high veteran response rate in Denver.

In Atlanta, on the other hand, less attention was apparently devoted to serving these veterans after notification, although services were generally provided during the 13-week period. At one local office, no action was taken for three of the seven veterans for whom a referral form was received. At another local office, an official stated he made no effort to contact veterans referred by the local unemployment insurance office. However, officials of both local offices said they would begin offering services to such veterans.

Similarly, in Gary, services were few. Of 14 veterans reported to the Gary office by the unemployment insurance office (2 by error), no action was taken in 5 cases.

It appears that some veterans received services after being contacted. Of 50 veterans sampled in Albuquerque, 17 were receiving services before

reaching their 13th week of benefits, and 10 others began receiving services after reaching their 13th week. Of 50 veterans sampled in Philadelphia, 26 were receiving services before reaching their 13th benefit week and 10 others began receiving services after reaching their 13th week.

Officials in two locations said veterans recently out of the service did not seem to be interested in jobs. These officials said that some veterans apparently preferred to collect benefits until they returned to school, obtained a job with a former employer, or readapted to civilian life.

This behavior may be attributable, in part, to the attractiveness of unemployment benefits relative to the earning abilities of some veterans. Because wages are taxable but benefits are not, a veteran must earn considerably more in gross wages than his benefit check to net the same amount of money.

The following examples are based on benefit levels paid at the time of our review to persons without dependents. We computed the amount of hourly earnings a veteran would generally have needed in fiscal year 1973 to net, after Federal and State income taxes and Social Security withholding, as much take-home pay as his tax-free unemployment benefit check.

To equal unemployment benefits in Arizona and New Mexico of \$60 and \$64 weekly, respectively, a veteran would have had to earn about \$81.00 and \$84.00 a week, respectively. These wages exceeded those earned by about 60 percent of Vietnam-era veterans placed in Arizona and 52 percent in New Mexico.

A veteran would have had to earn \$2.67 an hour to equal Colorado's relatively high weekly benefit of \$86. About 53 percent of the Vietnam-era veterans in Colorado were placed in jobs paying less.

Conversely, in Indiana, which had the lowest benefits of the States visited, if a veteran earned \$1.50 an hour, he could do better than his \$45 weekly benefit check. Fewer than 2 percent of the Vietnam-era veterans in Indiana were placed in jobs paying less than \$1.50 an hour.

Thus, for some veterans, income from unemployment compensation for ex-servicemen may exceed their earning ability. To the extent that these veterans would incur work expenses if they had a job, unemployment benefits are even more attractive. But even for those who could earn as much as their benefit check, unemployment compensation for ex-servicemen is generally available (after a 1-week waiting period) for up to 26 weeks in five of the seven States and for up to 30 weeks in New Mexico and Pennsylvania. Increases in the amount of benefits would also increase the hourly wage needed to equal them, thus reinforcing the possible work disincentive.

ACTIONS BY VA REGIONAL OFFICES

On October 14, 1971, VA issued guidance to its regional offices on actions they should take on behalf of veterans referred by the employment service. Each veteran was to be contacted--preferably by phone, otherwise by letter--and informed of his rights to education or training under the GI bill and of other services available from VA.

VA representatives were required to report only the number of names Labor supplied and the number contacted, by method. No records were required to be kept to correlate contacts with beneficiaries and services provided to those who responded.

VA officials were generally following these guidelines and would try to contact veterans promptly. In five of the seven States we visited, VA officials tried to contact veterans by phone before mailing information to them. However, in some areas VA contacts apparently attracted relatively few veterans who had not already applied for VA services.

The effectiveness of these contacts was mixed. In Phoenix, for example, we took a sample of 51 recipients from lists sent to VA; 18 had received or were receiving VA education or training services, but 17 of them were already receiving services before receiving the letter. Thus, only one veteran may have applied for services as a result of the letter. Of 50 veterans sampled in Albuquerque, 12 were receiving services even before being contacted by VA, but 12 others began receiving services after their names were forwarded to VA. In Gary and Hammond, of the 14 veterans whose names were referred to VA after reaching the 13th week of benefits, only one applied for services.

CONCLUSIONS

Though the notification procedure was operating more effectively in some locations than in others, there was room for improvement. The main problem appeared to be that some local unemployment insurance offices did not fully implement Labor's suggestions or some other effective method. Similarly, in certain cases local employment service officials were not adequately contacting all veterans referred. Had the process been fully carried out, more veterans may have benefited.

RECOMMENDATIONS TO THE SECRETARY OF LABOR

We recommend that the Secretary of Labor

--require local unemployment insurance offices to improve procedures to promptly identify and refer to the employment service and VA all veterans reaching their 13th week of unemployment benefits and

--insure that local employment service offices try to contact all referred veterans to offer them appropriate services.

AGENCY COMMENTS

Labor said it will monitor state implementation of the September 1971 directive for identifying and referring for services veterans reaching their 13th week of unemployment benefits and, where not implemented, will seek corrective action.

Labor's written comments did not address our second recommendation. However, a Labor official told us the Department plans to re-emphasize to the States the need to contact referred veterans and provide needed services.

CHAPTER 7

SCOPE OF REVIEW

We performed our review primarily at the VES in Washington, D. C., and at employment service offices in Albuquerque, New Mexico; Atlanta, Georgia; Denver, Colorado; Gary and Hammond, Indiana; Orlando, Florida; Philadelphia, Pennsylvania; and Phoenix, Arizona.

The eight cities in our review present a wide range of geographic traits. Many regions of the Nation are represented from Philadelphia in the Mid-Atlantic to Atlanta and Orlando in the Southeast, Gary and Hammond in the Midwest, Denver in the West, and Albuquerque and Phoenix in the Southwest. They vary in size from Philadelphia, with about 4.8 million persons, to Orlando and Albuquerque, with less than half a million each. Gary, Hammond, and Philadelphia grew slowly (about 10 percent each) during the 1960s; Denver, Orlando, Atlanta, and Phoenix each grew in population by more than 30 percent. Albuquerque, Denver, and Phoenix had only about 5 percent nonwhites among the metropolitan population whereas each of the other cities had 15 percent or more nonwhites. In addition, all the States (except Georgia and Indiana) in which these cities are located have many Spanish-speaking residents.

The median population age also varies. For example the median age in Albuquerque (25.2) and Gary and Hammond (26.5 years) is considerably lower than that in Orlando (30.1) and Philadelphia (31.4 years).

The eight cities differed economically, too. Atlanta's and Denver's average unemployment rate during 1973 was about 3 percent, whereas the rate for Albuquerque and Philadelphia was over 5 percent. Wages in Denver and Philadelphia (average weekly earnings of manufacturing workers in May 1973 were \$170 or more) were higher than in Albuquerque and Orlando (both under \$140).

The composition of nonagricultural employment in May 1973 also varied. Manufacturing accounted for about 47 percent of the employment in Gary and Hammond, whereas services and trade accounted for about 28 percent; in Albuquerque and Orlando, manufacturing accounted for less than 13 percent, whereas trade and services accounted for over 45 percent. Government employment ranged from about 12 percent in Gary and Hammond to about 20 percent in Denver and Albuquerque.

Work was also performed at unemployment insurance offices and Veterans Administration (VA) regional offices. We did our fieldwork in 1973.

We reviewed records and interviewed officials of these offices and veterans employment representatives, selected contractors, and officials of Federal agencies. We also interviewed selected veterans registered

with the employment service. Contractors were selected from among those who had active contracts with an agency of the Department of Defense during fiscal year 1973. Federal agencies contacted included those who had initiated, and were responsible for monitoring, Federal contracts and those that were subject to the mandatory job-listing requirements regarding direct hires.

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United States Senate

COMMITTEE ON VETERANS' AFFAIRS

WASHINGTON, D.C. 20510

May 9, 1973

Honorable Elmer B. Staats
 Comptroller General
 of the United States
 Washington, D. C. 20548

Dear Mr. Staats:

The Committee on Veterans' Affairs has been and continues to be quite concerned about high unemployment among Vietnam-Era veterans. Hearings before the Committee in the fall of 1971 and during 1972 concerning these problems established that there were inadequate efforts in this area which ultimately led to the enactment of the "Vietnam-Era Veterans' Readjustment Assistance Act of 1972" (P.L. 92-540). Title V of that act provides for greatly improved and expanded federal efforts in providing veteran employment assistance and preference. The act charges the Veterans' Employment Service within the Department of Labor with promulgating and administering policies to provide veterans with the maximum of employment and training opportunities.

To assist this Committee in fulfilling its legislative review function, I would appreciate the General Accounting Office taking immediate steps to review various aspects of this program with particular emphasis on the activities of the Veterans' Employment Service and the extent to which the provisions of title V have been implemented and are being complied with.

The Committee staff has previously discussed this request with members of your staff and has agreed that you will concentrate on obtaining information in four main areas of concern.

The first area concerns the requirement that all federal agencies and contractors funded by the Federal government list all job openings with the U.S. Employment Service with employment preference for veterans. In this connection the Committee is concerned with the extent to which there has been actual compliance and listing of jobs both under Section 2012 of Title 38, U.S.C. and previously under Executive Order 11598. Finally, in this connection the Committee is also interested in learning to what extent there has been prior referral of veterans by local employment service offices to those jobs which have been listed by government contractors.

APPENDIX I

As a second area of concern the Committee is interested in receiving information on aid given to the veteran as revealed by the Employment Service Automated Reporting System (ESARS) similar to the information developed in hearings by the Committee in September 1971. Incidental to your development of this information, the Committee is also interested in such observations as you may feel are warranted as to the accuracy of ESARS' data and the ability of the system in general to provide regular veteran statistics on a continuing basis and in particular, to deliver veteran information specifically by standard metropolitan statistical area.

The Committee's third area of concern is the requirement that the Department of Labor provide a listing to the Veterans' Administration for further action of all veterans who have been drawing unemployment compensation for more than three months. In this connection we are interested in learning the extent to which this provision is being complied with and within your project capabilities the extent and type of service, if any, provided by the Veterans' Administration upon receipt of this information.

Finally, the Committee is interested in learning the degree of compliance with the provisions of Section 2004 of Chapter 41, Title 38, U.S.C. which requires each local employment service office to have a veterans' employment representative working full-time to aid veterans unless that office has been specifically exempted by the Secretary of Labor based on his findings of a demonstrated lack of need for such services.

In addition to these major areas of concern the Committee would be interested in any other areas you might be able to develop during your review concerning whether veterans get the best jobs available and the type and availability of training for veterans.

We would appreciate your expediting your work so that we may have the benefit of at least preliminary results from five field locations around the nation by September 1, 1973. Subsequent to this we would hope you will prepare a full report.

Thanking you for your cooperation in this matter, I remain

Sincerely,


Vance Hartke
Chairman

U.S. DEPARTMENT OF LABOR
OFFICE OF THE ASSISTANT SECRETARY
WASHINGTON

SEP 09 1974

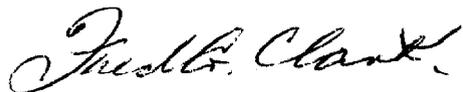
Mr. Gregory J. Ahart
Director
Manpower and Welfare Division
United States General Accounting
Office
Washington, D. C. 20548

Dear Mr. Ahart:

This is in response to your letter of June 13, 1974, which transmitted copies of a proposed report to the Chairman, Committee on Veterans' Affairs, United States Senate, on employment services for veterans for review and comment by the Department of Labor.

The responses to the recommendations made in the proposed report to the Secretary of Labor are enclosed. Please notify me concerning any further developments relative to this report.

Sincerely,



FRED G. CLARK
Assistant Secretary for
Administration and Management

Enclosures

Department of Labor Responses to GAO Proposed Report
to the Chairman, Committee on Veterans' Affairs,
United States Senate, on Employment Services
for Veterans

July 15, 1974

No. 1. - Recommendation that the Secretary of Labor should "insure that all needed local veterans employment representative positions are filled on a full-time basis."

Response: Employment Service Program Letter No. 2791 issued March 15, 1973, established the criteria for determining the need for full-time Local Veterans Employment Representatives (LVER's) in conformance with the requirements of Section 2004, P.L. 92-540.

By means of a survey completed immediately prior to April 30, 1974, it was determined that of the approximately 2,400 local employment service offices nationwide, 1,266 meet the criteria defined by the Secretary of Labor for the assignment of a full-time local office veterans employment representative: One hundred and twenty six which met the criteria have demonstrated a lack of need for a full-time LVER; and only 71 of the offices which met the criteria have not assigned a full-time LVER. This represents only 5.6 percent of the subject offices. The Manpower Administration is now taking positive steps to assure that all State agencies will be in full compliance with this section of the Act as soon as possible. As of August 1, 1974, we have been informed that fifty-nine (59) local offices were still not in compliance, but action is being taken by the seven (7) State ES agencies involved to be in full compliance in the near future.

To insure that State ES agencies are in compliance with TESPL 2791, the LVER criteria were included in the guidelines of the Plans of Service and Budget Request for Fiscal Year 1975. Regional offices and State Veterans Employment Representatives, who have review authority over Plans of Service, were instructed to withhold approval of State ES Agency Plans which were not in compliance with the LVER appointment requirement. The Associate Manpower Administrator for Field Direction and Management issued the following telegram to all Manpower Administration regional offices on June 6, 1974:

To: ALL ASSISTANT REGIONAL DIRECTORS FOR MANPOWER

WOULD YOU PLEASE REITERATE TO EACH STATE ES AGENCY WITHIN YOUR REGION THE NECESSITY OF ADHERING TO THE POLICY (SEE TESPL 2791, MARCH 15, 1973) OF DESIGNATING AT LEAST ONE FULL-TIME LVER IN ANY LOCAL OFFICE WHERE THERE IS AN ANNUAL VETERAN APPLICANT LOAD OF 1,200 OR MORE, OR WHERE THE TOTAL VETERAN POPULATION IN THE LOCAL OFFICE ADMINISTRATIVE AREA IS 6,000 OR MORE. AT PRESENT ABOUT HALF THE LOCAL EMPLOYMENT SERVICE OFFICES MEET THE CRITERIA REQUIRED TO HAVE A FULL-TIME LVER. IN ALL LOCAL OFFICES IN WHICH THERE IS NOT ASSIGNED A FULL-TIME LVER, A PROFESSIONAL STAFF MEMBER IS TO BE DESIGNATED AS AN LVER ON A LESS THAN FULL-TIME BASIS. THESE DESIGNATED LVERs, WILL ALLOCATE THEIR TIME TO VETERAN AFFAIRS AS THEIR PRIME DUTY IN PROPORTION TO THE NUMBER OF VETERANS WHO SEEK ASSISTANCE FROM THE PARTICULAR OFFICE. YOU SHOULD TAKE STEPS TO INSURE THAT ALL OFFICES COVERED BY THIS POLICY ARE PRESENTLY IN COMPLIANCE.

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The FY 1975 Plans of Service and Budget Requests are still in the process of preparation and negotiation prior to final approval and every effort will be made to insure that all local ES offices are in compliance with the provisions of Section 2004 of Title 38, USC as amended by P.L. 92-540.

No. 2 and 3. - Recommendation that the Secretary of Labor should "reemphasize to contracting agencies the need to fully inform contractors and subcontractors of the mandatory job listing requirements" and "insure that State and local employment service officials concentrate more efforts in monitoring and encouraging contractors to submit complete job listings and file quarterly reports of hires."

Response: The GAO finding that better information should be provided to contractors seems to be a valid finding and identifies which corrective steps are currently being taken. As to those veteran applications on file that are not now being given preference over nonveterans in waiting rooms, this reflects the difficulties of the current staffing situation and the manual file search system we are operating under, a condition which will be corrected when an adequate applicant retrieval system becomes available through improved procedures and further computerization improvements.

GAO's finding that contractors are listing only some of their Mandatory Job Listings (MJL) is still true but not nearly as true as a year or two ago. Progress is being made on the problem and intensified attention at all lines of DOL to the mandatory listing program should continue to accelerate the improvement. While contractors in some cases also claim lack of knowledge, this, too, is improving as States and local offices intensify dissemination of information and regularize contacts with employers as they become more familiar with the overall MJL structure and workable solutions to the identified concerns.

ES is currently moving to strengthen the MJL reports and has already provided DOL printouts on the universe of prime contractors. With the development and training on model State programs and provision of a MJL handbook, the potential for further improvement will be much improved. More regional and State monitoring is required and is being stressed in the current MJL seminars.

VES field staff, e.g., State VER's and their assistants, are being given guidance to assume a more active role in contacting employers to encourage compliance and in obtaining employer cooperation in accepting ES referrals. Such efforts must, however, be coordinated with local office staff responsible for planning employer service activity.

Similarly, the National Office staff is expected to assume a more active role in contacting employers, especially multi-state firms, and a more aggressive role in cooperation with the regions in evaluation of State performance. VES/VER assistance is planned in our "Fortune 500" employer program. An example of the value is the success achieved with American Telephone and Telegraph Company wherein placements have increased.

Such State and local VER duties would be consistent with the duties described in Title IV, Public Law 346 and Sections 2003 and 2004 of Chapter 41, Title 38, U.S. Code, as amended by P.L. 92-540.

More emphasis is to be given to responsibilities of regional offices which include monitoring State agencies in relation to veterans preference and promotion of mandatory listing compliance. The July 1974 seminar on MJL, first of a series of three to cover the Nation, has further identified the need for an aggressive regional role.

No. 4. - Recommendation that the Secretary of Labor should "take steps to insure that the Department's policy of providing timely services to veterans on a preferential basis is fully implemented by all local employment service offices."

Response: Since the passage of the Wagner-Peyser Act in 1933 and through each succeeding legal mandate, including the Vietnam-era Veterans' Readjustment Assistance Act of 1972, the Department of Labor has promulgated the policy of veteran priority and preferential treatment of disabled veterans in all manpower services. The Department of Labor has made numerous and continuous efforts to insure that these policies are implemented by the local offices of the State employment service agencies.

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Steps which have been taken over the years to insure effective priority of services and maximum employment and training opportunities for veterans have included:

1. Numerous official directives such as USES Manual, Field Memoranda, Program Letters, Plan of Service Guidelines, Handbooks and training material have completely transmitted official DOL policy.
2. Establishment of placement standards and formulas as requirements and achievement incentives.
3. Establishment of placement and other services goals by State and local offices to stimulate achievement.
4. Promotional stimulation of local office efforts through special programs such as the President's Veterans Program (PVP), Jobs for Veterans (JFV), special veteran goals for the National Alliance of Businessmen (NAB).
5. Continuous monitoring by the Veterans Employment Service including recommendations and technical assistance to secure necessary and corrective action for providing priority services for veterans.
6. Allocation of 835 extra staff positions since October 1970 to be used exclusively for serving veterans. This was prior to increasing the time spent by LVERs, as required by P.L. 92-540.

The Department of Labor is in agreement with the findings of the GAO teams in this matter. The mechanism, authority, and direction for insuring veterans preference have all been and will continue to be provided. However, there is a wide variation in effectiveness and conformance among State agencies due in part to differences in employment opportunities among States and areas.

The Department of Labor intends to continue to intensify its efforts to secure effective priority manpower services for veterans and thereby more fully carry out the intent of Congress.

Measures to accomplish this objective which are already under way or planned for the immediate future include:

1. Increased monitoring of veteran services by enlarged field staff of the Veterans Employment Service (VES).
2. Improved coordination and support of VES monitoring through the Manpower Administration regional offices.
3. Issuance of additional controls to carry out requirements of Section 2007, P.L. 92-540.
4. Increased employment opportunities for veterans through improved regulations and administration of the Mandatory Listing program by Federal Contractors (Section 2012, Chapter 42, P.L. 92-540).
5. Measures to insure veteran priority by local offices in providing referral services to prime sponsors under Title I and II of the new Comprehensive Employment and Training Act (CETA).

No. 5. - Recommendation that the Secretary of Labor should "require that action be taken regarding the reporting system (1) to improve the accuracy of the data (2) to reduce the number of changes required in the system, and (3) to encourage State and local employment service officials to use the system for management purposes."

Response: We have reviewed the ESARS Section of the GAO Report and would like to point out several misconceptions in the report before commenting on the recommendations.

The statement of the purpose of ESARS missed the major reason for its development, which was to provide information on individuals provided service. The previous information system only provided data on transactions; e.g., on how many placements were made but not on how many individuals were placed. ESARS provides data on how many individuals are placed and the number who have been provided other types of ES services. Since there was program emphasis on serving veterans, disadvantaged, older workers, youth and members of minority groups,

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ESARS was valuable in providing data on the number of individuals in these target groups that were provided service.

[See GAO note.]

Manual counts of activity used by States are not necessarily accurate and have not been subject to validation surveys since ESARS was introduced. When validation surveys were instituted of the manual reporting system used prior to ESARS, there was a tendency to overreport such placement activity.

As an example, reporting for Denver, Colorado, was unsatisfactory. Referral and placement transactions were not being properly transmitted from the Job Bank to ESARS in many instances, and the errors causing this problem were not satisfactorily corrected.

[See GAO note.]

GAO note: Material deleted pertains to matters contained in the draft report which were revised in the final report.

With respect to the recommendations to the Secretary, we have the following comments:

- (1) Increase the accuracy of the data.
 - (a) Increased emphasis is being placed on the conduct of validation surveys.
 - (b) Plans for improvement in automatic deactivation to ensure that local offices are aware of application cards in the active file upon which action is no longer indicated. This will not only improve the efficiency of file search but will also improve reporting of active file counts and of other statistics which are dependent upon these counts.
 - (c) Plans to use precoded carbon copy application cards and job order forms for keypunching to improve quality of characteristics and job order data as well as relieve local office staff for other duties.
 - (d) Encourage the use of data by ES officials at all levels to make the necessity for accuracy obvious.
- (2) Reduce the number of changes required in the system.
 - (a) It is the policy to make changes as of July 1 each year as far as possible.
 - (b) Most changes to date other than deletions have been made to fulfill Presidential orders or to meet legal requirements. It is difficult to see what can be done about these except to keep such changes as simple as possible.
 - (c) Other kinds of changes have been principally to reduce the number of data elements in ESARS through elimination of items which could more properly be obtained through special studies rather than on a regular report. After nearly 4 years of ESARS experience, many of these have been eliminated. Care will be taken to void entrance of such data elements into the system in future years.

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- (3) Encourage State and local ES officials to use the system for management purposes.
 - (a) Since the allocation of resources to State agencies is now based on ESARS data, by means of the Balanced Placement Formula, it can be expected that State and local ES officials will make greater use of ESARS data for management purposes.
 - (b) Quarterly national summary tabulations by State and region sent to the field are being expanded to include man-year data and State rankings. These will be accompanied by statements giving suggestions for positive action.
 - (c) Some States have much more sophisticated systems for data use than others. We propose to work with both operating and reports and analysis personnel in these States to effect better understanding of reported data for management uses. Formulation of ideas in such workshops should result in suggestions for management information uses which will be useful to the States with less advanced data application systems.

No. 6.- Recommendation that the Secretary of Labor should "require local unemployment insurance offices to improve procedures so as to timely identify and promptly refer to the employment service and the Veterans Administration all veterans reaching their 13th week of unemployment benefits and insure that local employment offices attempt to contact all veterans so referred in order to offer them appropriate services."

Response: A directive issued September 20, 1971, (UIPL 1142) to the States provided instructions for identifying veterans who have received or claimed 13 or more weeks of UCX benefits in order that they may be served under the President's Veterans Program. These instructions, when properly followed by the States will ensure that veteran UCX claimants are timely identified and promptly referred to the local employment office and the Veterans Administration for appropriate services. During field appraisals by national and regional office staff of the UCX program in the

States, this requirement is explored and, if not being properly observed, is brought to the attention of State agency officials for corrective action. Manpower Administration regional office staff will be requested to review these instructions in visits to the States to ensure they are currently being followed.

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