

Chapter 2

Wagner-Peyser Act

Title IIIA of the Workforce Investment Act

Potential as a source of workforce training:

- Supports a range of activities to support job-seekers—including job placement, career counseling, and job-readiness workshops—but does not fund training services.
- Does not fund skills training and education but can refer job-seekers to WIA-funded services and other employment-related support services.

Challenges to be addressed:

- Increase the number of Wagner-Peyser participants referred to needed services, including WIA training services.
- Improve coordination between WIA and Wagner-Peyser programs.
- Tighten registration procedures for Internet-based users to ensure accuracy of program performance data.

The Workforce Investment Act (WIA) of 1988 required Wagner-Peyser funded services to become part of the one-stop system (see Chapter I on WIA services for adults, dislocated workers, and youth). However, funding streams, administration, and performance reporting were to remain separate.

The Wagner-Peyser statute also authorizes the development and operation of a nationwide employment statistics system. In addition, as part of its role under the law, ETA has developed and disseminated electronic job search tools, such as America’s Job Bank and the CareerOneStop portal.

WAGNER-PEYSER AT-A-GLANCE

Statute: Wagner-Peyser Act, as amended by Title IIIA, Workforce Investment Act of 1998.

Administered by: U.S. Department of Labor, Employment and Training Administration.

Due for reauthorization: Reauthorization is not required, although may be affected by reauthorization of WIA.

Federal funding: \$715.9 million in formula grants to states, plus \$33.4 million in national activities funding in FY06.

Type of program: Formula grant to states.

State agency with jurisdiction: State employment security agency.

Institutions funded: More than 1,800 local offices of state employment security agencies.

Population served: About 13.3 million job-seekers in PY05.

Background

The Wagner-Peyser Act of 1933, created as part of President Franklin Roosevelt’s “New Deal” in the depths of the Depression, established a nationwide system of public employment offices known as the Employment Service (ES). The basic goal of the law is to assist job-seekers in finding jobs and to assist employers in finding qualified workers.

Administered by the U.S. Department of Labor’s (DOL) Employment and Training Administration (ETA), the Wagner-Peyser Act funds ES offices to provide employment-related labor exchange services. These services include job search assistance, job referral, and placement assistance for job-seekers; re-employment services for Unemployment Insurance (UI) claimants; and recruitment services for employers with job openings. Staff in ES offices have the responsibility of certifying eligibility for the Work Opportunity Tax Credit (WOTC) and doing outreach to migrant and seasonal farmworkers, including ensuring that job information is conspicuous and available to them in all local offices.

Current Legislative Status

The Wagner-Peyser Act does not require reauthorization. It is, however, likely to be affected by the pending reauthorization of WIA.

Funded Activities

Activities funded under Wagner-Peyser include:

- Job search and placement assistance for job-seekers, including counseling, testing, occupational and labor market information, assessment, and referral to employers.
- Recruitment services and special technical services for employers, including assistance in analyzing hard-to-fill job orders, assisting with job restructuring, and assistance in dealing with layoffs.
- Re-employment services for UI claimants.
- Labor exchange services for workers who have received notice of permanent or impending layoff.
- Development and provision of labor market and occupational information.
- Administration of the work test site for the state unemployment compensation system.

States can also use Wagner-Peyser funds to support the evaluation and development of linkages with related services provided under other federal or state legislation. Funded activities may be provided through self-service, facilitated self-help services, or staff-assisted services. Assessment of skills levels, career guidance, job search workshops, and referral to training may also be provided.

In Program Year (PY) 2005, of the about 13.3 million job-seekers served:¹

- 78.8 percent of received staff-assisted services, typically through local one-stops or the local ES office.
- 14.5 percent received career guidance.
- 34.1 percent conducted job search activities.
- 40.7 percent were referred to employment.
- 2.7 percent were referred to WIA services.

Funding for Wagner-Peyser Activities

Federal Funding Trends

The Wagner-Peyser program is funded through the Federal Unemployment Tax Act (FUTA), which imposes a payroll tax on employers.

Appropriations for the Wagner-Peyser program have been declining over the last several years. The allocations to states decreased from \$796.7 million in FY02 to \$715.9 million in FY06, a decline of 10.1 percent (not adjusted for inflation).

Before funding is distributed to the states:

- An estimated amount is set aside for postage.
- 3 percent is set aside as a reserve for the Secretary of Labor. It is used to ensure that each state has a total allotment sufficient to provide staff and other resources necessary to carry out Wagner-Peyser activities and related administrative and support functions on a statewide basis.
- Funding for the territories of Guam and the Virgin Islands are set aside in amounts equal to 100 percent of their allotment the previous year.

Allocation of Funds to States

After the set-asides are subtracted, the remaining funding is distributed to states according to a formula. Two-thirds of the allocation is based on the size of the state's civilian labor force (compared to all states), and one-third is based on state unemployment (compared to all states).

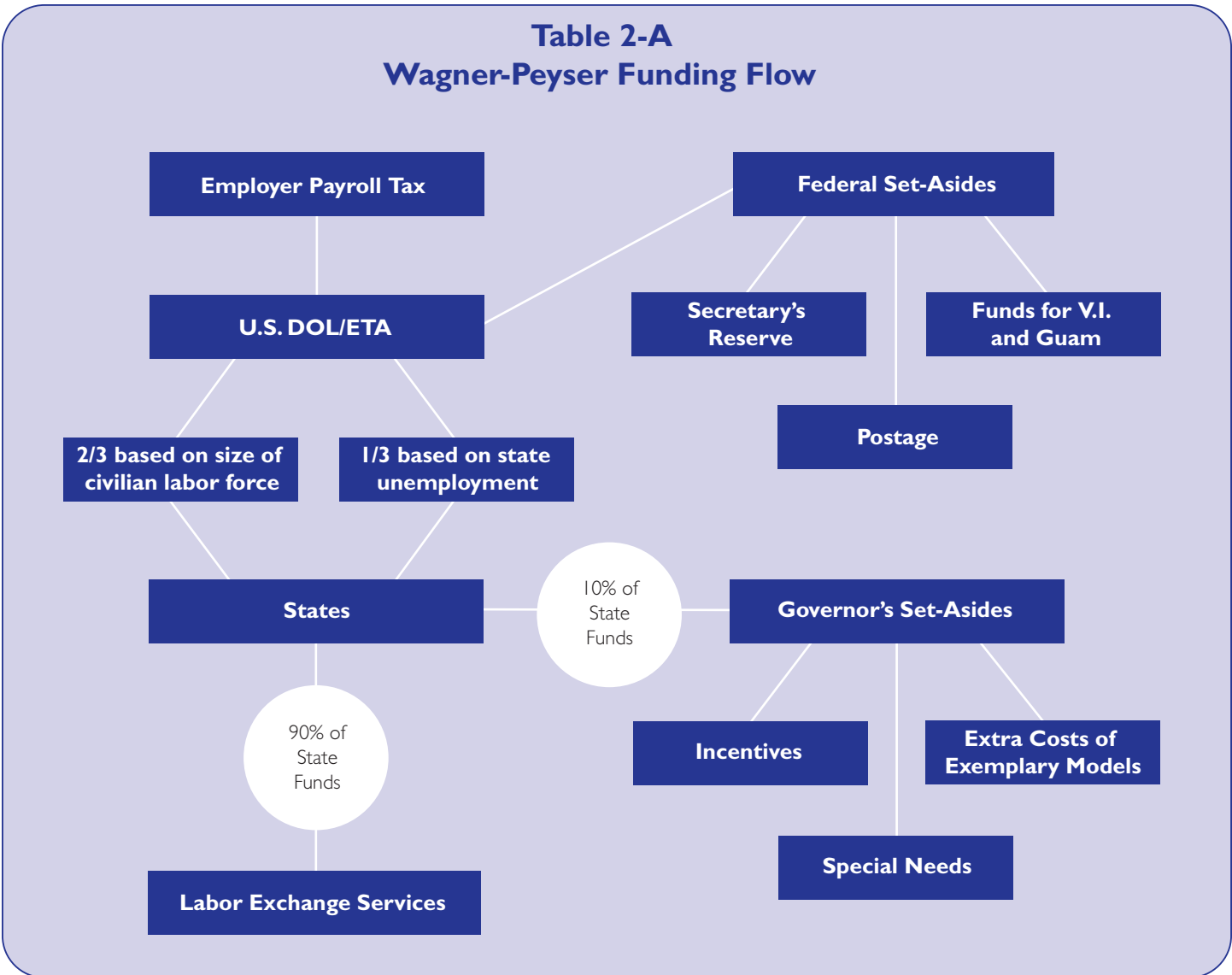
To receive an allocation, the state must have an approved plan for how it intends to use the Wagner-Peyser funds. In PY06, state allocations ranged from a low of \$1.95 million in Delaware to a high of \$80.5 million in California.² States meeting certain criteria can receive additional funding through the 3-percent reserve.

Most of the funds—90 percent—support labor exchange services for job-seekers and employers (see the section above on

1 U.S. Department of Labor, *National Wagner-Peyser Report, Program Year 2005*, www.doleta.gov/Performance/results/State_by_State_PY2005_performance.xls.

2 U.S. Department of Labor, *State Statutory Formula Funding*, [www.doleta.gov/budget/06esf\\$.pdf](http://www.doleta.gov/budget/06esf$.pdf).

**Table 2-A
Wagner-Peyser Funding Flow**



“Funded Activities”). Governors control the other 10 percent of Wagner-Peyser funds and may use them for performance incentives, services to groups with special needs, and the extra costs of exemplary models for delivering services.

Re-Employment Services Funding

Between FY01 and FY05, Congress appropriated additional funding—about \$35 million each year—for Re-Employment Services Grants to help states provide direct services to UI claimants. Congress did not provide these additional funds in FY06.

³ See TEGL 5-04, issued September 24, 2004, for more information.

⁴ Florida, Idaho, Minnesota, Mississippi, Montana, Texas, and West Virginia.

These funds, which were in addition to Wagner-Peyser state allotments, were earmarked for increasing the quantity and quality of services to UI claimants through the one-stop system. Funds were distributed based on each state’s share of UI first payments, with every state receiving a minimum of \$215,000.

Beginning in FY05, several states used some of these funds to support the Bush Administration’s Personal Reemployment Account (PRA) initiative.³ The seven states participating in the initiative used their RES allocation as a special demonstration grant to provide PRAs of up to \$3,000 to a state-determined subset of UI claimants.⁴ DOL provided matching funds through its appropriation for pilots and demonstrations.

Eligibility for Services

All employers seeking workers and all individuals legally authorized to work in the United States and seeking work for any reason (regardless of whether they are currently employed) are eligible for services. Veterans receive priority, with disabled veterans given preference over other veterans.⁵ States may also provide specialized assistance to youth, women, older workers, people with disabilities, rural residents, and the economically disadvantaged.

Populations Served Through Wagner-Peyser

In PY02, the program served over 14 million job-seekers.⁶ Among job-seekers served:

- Most (69%) were between the ages of 19 and 44.
- About one-quarter (24.5%) were aged 45 and older.
- More than half (54%) were men.
- More than half (56%) were white, while about one-fifth (21%) were African-American, and 15 percent were Latino.
- Almost all (87%) were unemployed.

Institutions Providing Services

More than 1,800 local offices of state employment security agencies are involved in providing Wagner-Peyser funded services.⁷ Within these agencies, services must be provided by state merit-staff employees, who are employed through the state civil service system.

Relationship to Other Programs

The Wagner-Peyser Act is one of the mandated partners under Title I of WIA. This means that the state agency with jurisdiction over the Wagner-Peyser Act must:

- Be represented on the state Workforce Investment Board (WIB).

- Be represented on local WIBs.
- Enter into Memoranda of Understanding (MOU) with local WIBs that describe services to be provided, how Wagner-Peyser will contribute to the operating costs of the one-stop system (in a proportional manner), and how the Wagner-Peyser program will refer clients to the one-stop system.

WIA regulations generally prohibit local ES offices from existing outside of the one-stop delivery system. Under certain circumstances, however, Wagner-Peyser services may be offered at affiliated sites or through electronically or technologically linked access points as part of the system.⁸

In their WIA state plans, states are required to describe how they will ensure coordination and avoid duplication between WIA Title I and Wagner-Peyser activities. In addition, a state's Wagner-Peyser plans are a required component of its WIA plans.

States may use Wagner-Peyser funds to supplement funding of any workforce activity carried out under WIA, as long as these conditions are met:⁹

- The activity meets the requirements of the Wagner-Peyser Act.
- The activity serves the same individuals as those served under the Wagner-Peyser Act.
- The activity provides services that are coordinated with services under the Wagner-Peyser Act.
- The funds supplement, rather than supplant, funds provided from non-federal sources.

The Wagner-Peyser program also has a relationship to the UI program: UI claimants who file for unemployment benefits may be directed to register with ES for assistance in finding work. In PY04, 40 percent of registered job-seekers under the Wagner-Peyser program were UI claimants.¹⁰

5 This priority was enhanced under the "Jobs for Veterans Act" of 2002, Public Law 107-288.

6 Unless otherwise noted, all data in this section from: U.S. Department of Labor, *Annual Report for Wagner-Peyser Act Funded Activities Program 2002* (Washington), www.doleta.gov/Performance/results/ES-Program-Year-2002-Annual-Report.pdf.

7 United States Department of Labor Program Highlights, www.doleta.gov/uses/proghigh.cfm.

8 §652.202 of final WIA regulations. At 65 *Federal Register* 49462 (August 11, 2000).

9 §652.205 of final WIA regulations at 65 *Federal Register* 49463 (August 11, 2000).

10 U.S. Department of Labor, *State by State PY 2004 Performance Table*, www.doleta.gov/Performance/results/wagner-peyser_act.cfm.

Performance Accountability

The Wagner-Peyser law gives the Secretary of Labor broad authority for measuring the performance of the program. It does not proscribe any specific measures.

DOL began implementing a new performance measurement system for Wagner-Peyser labor exchange activities in PY02.¹¹ The performance measures, modeled after those used in the WIA Title I system, were:

- Entered employment rate.
- Employment retention rate at six months.
- Job-seeker customer satisfaction.
- Employer customer satisfaction.

Beginning in PY04, states were required to negotiate their expected performance levels for the first two measures with DOL regional offices,¹² similar to the process followed under Title I of WIA.

In PY05, Wagner-Peyser began to be required to participate in DOL's "common measures" policy to standardize outcome measures across multiple federal job training and education programs. Under the new policy, states are to report on three performance measures—entered employment, employment retention, and average earnings—for participants in the Wagner-Peyser program.¹³

States were not required, however, to establish performance levels for the Wagner-Peyser program in PY05, which DOL considered a baseline year to aid in setting performance targets in future program years. For PY06, states were required to set levels of performance (through negotiation with DOL) for the program using the common measures by June 30, 2006.¹⁴

11 66 *Federal Register* 29648 (May 31, 2001).

12 TEGL 22-03, issued June 3, 2004.

13 TEGL 18-04 issued February 28, 2005.

14 TEGL 29-05, issued May 12, 2006.

15 U.S. Department of Labor, *Annual Report for Wagner-Peyser Act Funded Programs*, p. 8.

16 *Ibid.*, p. 3.

17 Randall W. Eberts and Harry J. Holzer, "Overview of Labor Exchange Policies and Services," in *Labor Exchange Policy in the United States*, edited by David E. Balducchi, Randall W. Eberts, and Christopher J. O'Leary (The Upjohn Institute, Kalamazoo, Mich., 2004), p. 15.

18 U.S. Department of Labor, *State by State PY 2004 Performance Table*, www.doleta.gov/Performance/results/wagner-peyser_act.cfm.

19 Government Accountability Office, *Workforce Investment Act: Implementation Status and Integration of TANF Services* (Washington, 2000), p. 9.

20 Section 301(b) of S. 1021, "The Workforce Investment Act Amendments of 2005."

Policy Challenges Moving Forward

Several key policy challenges face the Wagner-Peyser program:

Challenge: Increase the number of Wagner-Peyser participants referred to needed services, including WIA training services.

In PY02, nearly one-fifth (16%) of Wagner-Peyser participants did not have a high school diploma.¹⁵ Yet only 2 percent of participants were referred to WIA services.¹⁶ Wagner-Peyser job-seekers often face other barriers to success, as well. For example, many Wagner-Peyser participants are members of families with incomes of less than \$15,000.¹⁷ Yet only a small number—5.6 percent—of Wagner-Peyser participants were referred to support services in PY04.¹⁸

Improved access to WIA-funded training and to support services could have distinct benefits for Wagner-Peyser participants, particularly because training cannot be supported by Wagner-Peyser funds. Giving Wagner-Peyser clients better access to WIA services could increase their educational attainment and skills, increase their access to better jobs, improve job retention and advancement, and lead to higher incomes.

Challenge: Improve coordination between WIA and Wagner-Peyser programs.

While WIA regulations generally prohibit Wagner-Peyser services from being provided outside of the one-stop delivery system, coordination could undoubtedly be improved. The U.S. Government Accountability Office found—albeit earlier in WIA implementation—that 11 states reported that Wagner-Peyser services were not available on site in the majority of their one-stop centers.¹⁹

Better coordination between WIA and Wagner-Peyser Act programs is a goal envisioned in the WIA reauthorization legislation enacted by the Senate in the 109th Congress. The bill would have required WIA and Wagner-Peyser Services to be co-located.²⁰

Challenge: Tighten registration procedures for Internet-based users to ensure accuracy of program performance data.

In many areas, clients can electronically access Wagner-Peyser services, such as online job listings, through the Internet. State and local policies vary regarding whether Internet users of services must register with the program; some areas require little or no registration.

Registration policies could have a significant effect on data from the program—and in public perception of need for the program. For example, measured participation decreased from 19 million in PY01 to 14 million in PY04. A number of factors could have caused the decrease. Or, it may reflect a shift to unregistered use over the Internet by a subgroup of users. The decrease could mistakenly lead policy makers to conclude that the need for the program has declined and they should reduce its funding accordingly.

Additional Reading

The Law and Guidance

The Workforce Investment Act of 1998 (Public Law 105-220) (beginning on page 125)
www.doleta.gov/regs/statutes/wialaw.pdf

The law as amended by WIA, http://www.uses.doleta.gov/w-pact_amended98.cfm

Regulations

Final regulations, www.doleta.gov/usworkforce/wia/finalrule.pdf, (beginning on page 49461)

Government Summaries and Analyses

Government Accountability Office, *Workforce Investment Act: Implementation Status and the Integration of TANF Services* (Washington, 2000).

Government Accountability Office, *Workforce Investment Act: One-Stop Centers Implemented Strategies to Strengthen Services and Partnerships, but More Research and Information Sharing Is Needed* (Washington, 2003).

U.S. Department of Labor, *Annual Report for Wagner-Peyser Act Funded Activities Program 2002* (Washington).

Other Summaries and Analyses

Balducchi, David E., Randall W. Eberts, and Christopher J. O'Leary, eds., *Labor Exchange Policy in the United States* (The Upjohn Institute, Kalamazoo, Mich., 2004).

Working for America Institute, *Action Brief: Wagner-Peyser Funded Activities Under WIA* (Washington, 2001).