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**Employment and Training Administration (ETA)**

**The Employment Service in Rural North Carolina:  
Insights from the “Great Recession”**

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## Executive Summary

Established in 1935, the North Carolina State Employment Service (ES) provides publicly-funded labor exchange services to all interested workers—both those with and without jobs—and to all interested firms in North Carolina.<sup>1</sup> Services are delivered remotely and through a network of 90 local offices. Besides providing labor exchange services, the ES, a division of the Employment Security Commission of North Carolina (ESC),<sup>2</sup> manages unemployment insurance claims at the local level, administers the “work test” required of insurance claimants, and serves as a mandated partner in the state’s network of JobLink Career Centers, 63 percent of which are housed in ES offices.<sup>3</sup>

Early in the 2000s, several factors strained North Carolina’s ability to maintain a local office network. First, declines in the inflation-adjusted value of the state’s annual Wagner-Peyser Act (WP) allotment—a Federal funding stream intended to support state ES operations—reduced available resources at the same time North Carolina’s civilian labor force was expanding. Second, the move to administer unemployment insurance (UI) claims via telephone and over the Internet altered the traditional close relationship between the ES and UI programs. Third, the implementation of the One-Stop model of service delivery called into question the long-term relevance of public labor exchange services. Finally, the layoffs associated with the 2001 recession created significant service needs, particularly in rural communities struggling with the loss of traditional industries like textile manufacturing.

When the reductions in WP funding threatened the ability of the ES to maintain its local office network, the North Carolina General Assembly provided supplemental funding for the operation of local offices. Funds first came from the state’s Worker Training Trust Fund and, after that fund was exhausted, from the Special Employment Security Administration Fund. Between Program Year (PY) 2001 and 2010, the State of North Carolina provided the ES with almost \$100 million (in 2005 dollars) in supplemental funding for operations. With those

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<sup>1</sup> Public employment services include the provision of labor exchange services (e.g. the matching of job seekers to openings), the administration of the unemployment insurance system, the coordination of selected workforce assistance programs (e.g., Trade Adjustment Assistance), and the dissemination of labor market information. Many of these programs receive funding from a mix of Federal and state sources.

<sup>2</sup> On November 1, 2011, the ESC became part of the North Carolina Department of Commerce and changed its name to the Division of Employment Security. Because this project occurred prior to the merger and focuses on events prior to that time, the ESC name is used throughout the report.

<sup>3</sup> In North Carolina, One-Stop Career Centers are called JobLinks. Of the state’s 90 ES offices, 68 host JobLinks.

resources, the ES managed to maintain all but three local offices, though the agency was forced to reduce staffing in local offices by 21.8 percent between PY 2004 and 2008.

### Research Questions

Public leaders—both agency administrators and elected officials—have argued that investments in local ES offices are needed to ensure equal access to workforce services in rural counties. More specifically, a review of budget appropriations and ES-related legislation enacted between 1999 and 2010, interviews with participants in the relevant policy discussions, and a scan of media stories that appeared in North Carolina’s largest daily newspapers indicated that the argument in favor of preserving a local office network involves six distinct hypotheses:

- Rural residents, particularly the rural unemployed, are a “hard-to-serve” population.
- Most individuals establish ties to the public workforce investment system through the ES.
- Compared to their urban counterparts, rural residents prefer in-person services.
- Because rural residents prefer in-person services, the existence of local offices boosts enrollment rates in related public workforce programs relative to those in metro areas.
- Rural residents who use local ES offices develop deeper ties to the public workforce investment system.
- Local ES offices compensate for the “thin” workforce networks in many communities.

Despite providing a seemingly logical rationale for state funding, claims about the importance of local ES offices in rural places have never undergone independent examination. The “Great Recession,” however, has provided an opportunity to test arguments in favor of operating a local office network against actual usage patterns. North Carolina’s experience during the period spanning 2007 through 2010 is interesting for another reason. That recession is the first to occur following the full implementation of the One-Stop service delivery model mandated by the Workforce Investment Act of 1998 (WIA). Many states responded to the legislation by deemphasizing labor exchange services, devolving them to the local level, and weakening the ties between ES and UI; but North Carolina maintained a traditional, state-led ES structure connected to UI.



## Research Methodology

To analyze the six research hypotheses of interest, the study employs a mixed methods research design. A mixed methods approach was considered appropriate because it appeared that neither a strictly quantitative, nor a solely qualitative study would be able to illuminate fully the research questions. Quantitative research alone would provide objective information about service usage, yet offer few insights into local conditions or the thinking that drove programmatic and policy choices. Qualitative techniques alone, in contrast, would open a window into the thinking of policymakers and local staff without providing a way to check those perspectives against objective measures.

The quantitative strand involved two components: a descriptive analysis of administrative data for the period spanning 2007 through 2010—referred to as the “Great Recession”—and a multivariate regression analysis.<sup>4</sup> Individual ES registrants were grouped by their county of residence, and the resulting data sets were used to construct various measures of program reach, or the average number of ES registrants in a county expressed as a share of the county’s annual average labor force. While measures of program reach indicate the degree to which ES services are being used, they do not tease out the factors that drive changes in service usage. To untangle those factors, a multivariate regression analysis was conducted. The analysis examined the relationship between a county’s annual average share of ES registrants as a share of the annual average labor force and a set of explanatory factors linked to workforce characteristics, ES office presence, alternative service availability, economic conditions, and geographic traits.

A distinctive aspect of the quantitative research was the sub-state analysis of administrative data, which moved beyond simple rural-urban dichotomies and instead employed two more sophisticated spatial classification systems. First, North Carolina’s 100 counties were divided into three categories: metropolitan, micropolitan, and non-metropolitan; for the purposes of this study, micropolitan and non-metro counties are termed “rural.” The classifications came from the definitions of core-based statistical areas developed by the Office of Management and Budget. Second, counties were grouped according to the Rural-Urban Continuum Codes (RUCC) assigned by the Economic Research Service of the U.S. Department of Agriculture.

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<sup>4</sup> Detailed definitions of three key concepts used in this study—program reach, Great Recession, and rural North Carolina—are found on pp. 30-35.

That nine-category classification scheme differentiates counties by their degree of urbanization and adjacency to metro areas, thereby revealing differences among non-metro places.

The qualitative research strand, meanwhile, involved a series of eight semi-structured interviews.<sup>5</sup> Interviews occurred in late 2010 and early 2011 with subjects drawn from three stakeholder groups: policymakers and ES leaders (three interviews), ES officials based in rural communities (three interviews), and partners from other parts of the public workforce investment system (two interviews). Respondents were selected to provide geographic balance and a diversity of perspectives and were asked a series of questions related to service strategies, system development, client preferences, service usage, and community impact.

### Key Findings

The analysis of administrative data found that residents of rural counties—regardless of the definition used—were more likely to register with the ES than their urban peers. Between 2007 and 2010, North Carolina’s ES served an annual average of 619,609 registrants, or 13.7 percent of the state’s labor force. Viewed through either spatial classification system mentioned previously, the ES served a much higher share of the rural labor force. For instance, 17.6 percent of the labor force residing outside of metro or micropolitan areas was registered with the ES, compared to 12.4 percent of the metro labor force. Similarly, the RUCC framework revealed that the reach of the ES generally rose as counties became less populous and less metropolitan.

While measures of program reach indicate the degree to which ES services are being used, they do not separate out the underlying factors that may drive changes in service usage. For example, a higher share of the rural workforce might register with the ES because the ES network is well represented in rural places. At the statewide level, North Carolina operates one local ES offices for every 100,000 members of the labor force, but in non-metro North Carolina, the ratio is 1.8; the comparable metro figure is 0.6. Similarly, a review of administrative data suggests that the composition of the ES registration pool differs in rural North Carolina. UI claimants accounted for a much smaller share of micropolitan and non-metro registrants (16.5 and 13.2 percent, respectively) than is the case in metro areas (18.7 percent). Because UI

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<sup>5</sup> The relatively small number of interviews is the result of administrative procedures in effect for the 2010 ETA Research Papers Program. Readers should bear that limitation in mind. Nevertheless, the interviews help illuminate the thinking behind important policy and management decisions reached by the ESC during the period of interest and capture the views of key actors and stakeholders—views that can only be obtained through qualitative research.

claimants are required to register with the ES, this may suggest that many rural residents are more apt than their urban peers to turn voluntarily to the ES. At the same time, this choice may be attributable to other factors, like a lack of alternative service providers.

To untangle those factors, a simple multivariate regression analysis was constructed. The analysis examined the relationship between a county's program reach and a set of explanatory factors including workforce characteristics, ES office presence, alternative service availability, economic conditions, and geographic traits. When a county's annual average number of ES registrants as a share of the average annual labor force was regressed onto the 11 explanatory variables, three variables proved significant at the 0.05 level: the average unemployment rate, the share of the adult workforce without a postsecondary degree, and status as an urban county not adjacent to a metro area. Put differently, program reach was significantly greater in a group of seven counties (all in eastern North Carolina) that possess an urbanized community yet are not adjacent to a metro area than in metro counties. The share of the workforce registered with the ES rose as the unemployment rate and share of the population without a postsecondary degree increased. No other variable in the model proved significant at the 0.05 or 0.10 levels.

The analysis of administrative data and the regression results buttress many of the perspectives gleaned through the qualitative interviews. Interviewed stakeholders, especially those who worked for the ES or ESC, spoke uniformly about the popularity of ES services in rural communities and how rural rates of service utilization were higher than those in metropolitan areas. They also noted how rural offices serve registrants who face more difficult job searches due to individual factors like limited levels of formal education and structural ones like limited employment opportunities. Also, every respondent mentioned that local ES offices have the potential to serve as a doorway into the larger public workforce investment system and function as a kind of labor market intermediary. Stakeholders drawn from outside the ES and ESC, however, were unsure if the ES was realizing that potential—a perspective that finds some support in the small share of the rural workforce referred to education and training. Additionally, interview respondents drawn from inside the ES tended to speak about rural areas in a fairly uniform way, while those interview respondents drawn from outside the ES tended to stress the variations among rural communities and the need for service strategies tailored to local needs.

Altogether, this research documents the existence of a clear service model within North Carolina's ES. The qualitative research shows that the agency and its parent, the ESC, made a clear choice in the early 2000s to maintain a traditional, state-led ES structure that works closely with the UI program and emphasizes labor exchange services. Furthermore, a conscious decision was made to preserve a network of local offices due to their perceived benefits in rural communities. A review of administrative data for the period spanning 2007 and 2010, meanwhile, reveals usage trends consistent with that model, yet the high levels of program reach in rural communities do not necessarily appear to be caused by the existence of a local office network. While local offices are reaching many workers who are coping with employment difficulties and who might not otherwise have access to either publicly-funded or privately-funded workforce services, questions exist as to the degree to which the ES is integrated with other components of the public workforce investment system.

### Program Recommendations

Based on the quantitative and qualitative analyses, this report offers four program recommendations addressed to the ES; to its parent agency, the ESC; to the North Carolina Commission on Workforce Development (the state Workforce Investment Board); and to the U.S. Department of Labor Employment and Training Administration (ETA). Implementing such steps would benefit rural places, enhance the organizational effectiveness of the ES, and strengthen the larger public workforce investment system.

While many of the recommendations are targeted at the ES, it is important that the ES not act in isolation from other parts of the workforce investment system. On a practical level, the ES cannot act alone as it is so intertwined with other workforce systems, especially the state's network of JobLink Career Centers. On another level, acting in isolation will not alter the fuzzy perceptions of the ES possessed by workforce partners, nor will it help the statewide workforce investment system address the challenges and problems raised during the recession.

The four recommendations are the following:

- The ES and ESC should study the current arrangement of the local office network and consider whether it currently is over-represented in rural areas.

- The ES and ESC should favor a regional approach to rural service delivery over a “one-size-fits-all” rural service strategy.
- The ES and ESC should better and more consistently tap the potential of local offices to function as “labor market intermediaries.”
- In conjunction with workforce partners, the ES should work to improve links between rural offices and education and training programs, and to raise placement rates.

### Avenues for Future Inquiry

Although this research focused exclusively on North Carolina, the methodology is replicable. Other states, particularly those with sizable rural populations, may benefit from viewing their rural regions through a similar lens. The research also raises avenues for future national research that ETA might wish to pursue. Finally, the study identified two areas that, while not directly applicable to the central research questions, are worthy of consideration on the part of North Carolina’s ES and its larger public workforce investment system.

For other states, replication of the kind of analysis found in this study may help improve service provision and systems change. In terms of service provision, such an analysis should enable states to develop a better appreciation of the reach of their public labor exchange services and the degree to which they interact with other components of state workforce investment systems. Furthermore, given that labor markets are apt to remain weak for the foreseeable future, a nuanced understanding of actual usage patterns in rural communities may enable states to respond in a more sophisticated manner to the ongoing employment problems stemming from the Great Recession. An awareness of actual service usage patterns should help states select where to place any funding they may elect to provide as supplements to Federal funding streams.

This study also suggests several potential avenues of inquiry for ETA. At a minimum, the North Carolina experience suggests that well-managed labor exchange services can reach a sizable share of the workforce, particularly in areas with weak labor markets. After all, the ES is the part of North Carolina’s workforce investment system that interacts with the greatest number of individuals. More detailed study of the exact relationship between labor exchange and WIA services, for instance, could yield insights into effective ways of aligning more closely the two services within a One-Stop framework. ETA also could explore how registrants with state employment services move through the public workforce investment system and consider the

degree to which state labor exchanges actually function as labor market intermediaries in order to help states better tap that potential.

In North Carolina, meanwhile, the public workforce investment system should consider two issues that were raised during the course of the study yet were not related directly to the central research questions. First, a recurring theme in the semi-structured interviews conducted for this project was uncertainty about the actual role being played by local ES offices. Raising awareness of the role of the ES would create a stronger, more rational basis for programmatic choices. Second, North Carolina needs to define clearly the role of the ES and labor exchange services within the larger public workforce investment system and establish expectations about the desired relationships among different aspects of the public workforce investment system.

## Chapter 1: Introduction

Established in 1935, the North Carolina State Employment Service (ES) provides publicly-funded publicly funded labor exchange services on a universal basis to workers and to firms across North Carolina.<sup>6</sup> Services are delivered remotely and through a network of 90 local offices.<sup>7</sup> Besides providing labor exchange services, the ES, a division of the Employment Security Commission of North Carolina (ESC), manages unemployment insurance claims at the local level, administers the “work test” required of insurance claimants, and serves as a partner in the state’s network of JobLink Career Centers, 63 percent of which are housed in ES offices.<sup>8</sup>

Early in the 2000s, a variety of factors strained North Carolina’s ability to maintain a local office network. In response, the North Carolina General Assembly stepped forward and provided the ES with supplemental funding earmarked for the operation of local offices. Between Program Year (PY) 2001 and 2010, the State of North Carolina provided the ES with almost \$100 million (in 2005 dollars) in supplemental funding.<sup>9</sup> Those resources enabled the ES to maintain all but three local offices.<sup>10</sup>

Public leaders—both administrators and elected officials—justified the investment in the local office network on the grounds that local ES offices were needed to ensure equal access to workforce services in rural counties. More specifically, the argument about the importance of local ES offices in rural communities appears to encompass six distinct hypotheses:

- Rural residents, particularly the rural unemployed, are a “hard-to-serve” population.
- Most individuals establish ties to the public workforce investment system through the ES.
- Compared to their urban counterparts, rural residents prefer in-person services.

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<sup>6</sup> Campbell, Silas. 1947. *History of Employment Security Program in NC State*. Raleigh, NC: Employment Security Commission of North Carolina. Retrieved on February 1, 2011. <http://www.ncesc1.com/pmi/aboutesc/history.asp>.

<sup>7</sup> Employment Security Commission of North Carolina. *ESC Monthly Activity Report: December 2010*. Retrieved on January 15, 2011. [http://www.ncesc1.com/pmi/activityRpts/reports/Dec10FS\\_HL.pdf](http://www.ncesc1.com/pmi/activityRpts/reports/Dec10FS_HL.pdf).

<sup>8</sup> Author’s analysis of data from Employment Security Commission of North Carolina. *ESC Monthly Activity Report: December 2010*.

<sup>9</sup> Author’s analysis of enacted budget appropriations, North Carolina General Assembly, State Fiscal Years 2001-2002 through 2010-2011. Note that North Carolina’s fiscal year runs from July 1 through June 30.

<sup>10</sup> Author’s e-mail correspondence with the Employment Security Commission of North Carolina, January 2011.

- Because rural residents prefer in-person services, the existence of local offices boosts enrollment rates in related public workforce programs relative to those in metro areas.
- Rural residents who use local ES offices develop deeper ties to the public workforce investment system.
- Local ES offices compensate for the “thin” workforce networks in many communities.

Despite providing a seemingly logical rationale for supplemental state funding, claims about the importance of local ES offices in rural places have never received external scrutiny. The “Great Recession,” however, has provided an opportunity to test arguments in favor of supporting an ES office network against actual usage patterns during a time of pronounced need.

To analyze the six research hypotheses of interest, the study employed a mixed methods research design. The quantitative strand involved two components: a descriptive analysis of administrative data for the period spanning 2007 through 2010 and a multivariate regression analysis. The qualitative strand, meanwhile, involved a series of eight semi-structured interviews with policymakers and ES system leaders, ES managers in rural communities, and workforce investment system partners.

A distinctive aspect of the quantitative research was the sub-state analysis, which moved beyond simple rural-urban classification schemes and instead employed two more sophisticated spatial classification systems. First, North Carolina’s 100 counties were divided into three categories—metropolitan, micropolitan, and non-metropolitan—consistent with the definitions of core-based statistical areas developed by the Office of Management and Budget.<sup>11</sup> Second, counties were grouped according to the Rural-Urban Continuum Codes (RUCC) assigned to every county by the Economic Research Service of the U.S. Department of Agriculture.<sup>12</sup>

This report presents the results of the study. The second chapter provides background material about the ES and the challenges it faced between PY 2001 and 2010. The third chapter describes the research questions and methodologies. Chapter 4 explains the findings of the quantitative and qualitative analyses. Chapter 5 then offers a set of programmatic recommendations, while Chapter 6 sketches several avenues for future inquiry.

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<sup>11</sup>U.S. Census Bureau. *Metropolitan and Micropolitan Statistical Areas and Definitions: Current Definitions, 2009*. Retrieved on December 15, 2010. <http://www.census.gov/population/www/metroareas/metrodef.html>.

<sup>12</sup>U.S. Department of Agriculture. *2003 Rural-Urban Continuum Codes*. Retrieved on December 15, 2010. <http://www.ers.usda.gov/Data/RuralUrbanContinuumCodes/>.



## Chapter 2: The North Carolina Employment Service: Background

The North Carolina State Employment Service is the oldest, continuously operating part of the state's public workforce investment system. While the service's roots date back to 1919, the ES assumed its modern form in 1935, when the North Carolina General Assembly accepted the provisions of the Wagner-Peyser Act, which provided "federal funding to states to operate a nationwide network of public employment offices."<sup>13</sup> The mission of the ES is to provide labor exchange services—the matching of job seekers and job openings—to all "employers and job seekers without charges and conditions."<sup>14</sup>

The ES is a division of the Employment Security Commission of North Carolina.<sup>15</sup> Besides administering the ES, the ESC operates the state's Unemployment Insurance (UI) system, Labor Market Information program, and specialized reemployment programs. Services are provided through telephone call centers, the Internet and 90 ESC Local Offices.

Early in the 2000s, the ES encountered four developments—reductions in Federal funding, changes in the relationship between the ES and UI programs, the implementation of WIA, and difficulties in the labor market—that taxed its ability to maintain its local office network. Those factors gave rise to the arguments about the importance of rural local offices that this research project examines. Before addressing those questions, it is necessary to consider briefly the evolution of the ES, the current structure of the ES, the challenges that confronted the ES during the 2000s, and the existing research related to the ES.

### The Evolution of the ES

As a response to the unemployment of the Great Depression, the Wagner-Peyser (WP) Act of 1933 established the U.S. Employment Service (USES), "a federal-directed, state-run system of public employment offices."<sup>16</sup> The legislation provided Federal funding to support the

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<sup>13</sup> Eberts, Randall and Harry Holzer. 2004. "Overview of Labor Exchange Policies and Services." In *Labor Exchange Policy in the United States*, David Balducchi, Randall Eberts, and Christopher O'Leary, eds. Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, pp. 1-32 (1-2).

<sup>14</sup> Eberts and Holzer, p. 2.

<sup>15</sup> On November 1, 2011, the ESC became a division within the North Carolina Department of Commerce.

<sup>16</sup> Balducchi, David and Alison Pasternak. 2004. "Federal-State Relations in Labor-Exchange Policy" In *Labor Exchange Policy in the United States*, David Balducchi, Randall Eberts, and Christopher O'Leary, eds. Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, pp. 33-72 (35).

administration of local public employment offices in states that agreed to establish a state employment service, develop a management plan, and employ staff selected and rewarded on the basis of merit.<sup>17</sup> Those offices assumed additional responsibilities in 1935 when Congress created the UI program as part of the Social Security Act. The legislation required that benefits be paid at local employment offices affiliated with the USES and that those offices assist claimants with their job searches and monitor compliance with work search requirements.

The public provision of labor exchange services improves the efficiency of local labor markets and enhances social equity. On one level, labor exchange services eliminate inefficiencies in the employment process that hinder job seekers and employers from finding each other or that otherwise raise job search costs. On another level, the public provision of labor exchange services advances social equity by reducing barriers—such as limited social networks—that prevent specific population groups from accessing a range of job opportunities.<sup>18</sup>

The North Carolina General Assembly accepted the WP Act in 1935 and created the ES.<sup>19</sup> The service originally fell under the State Department of Labor and provided services at 31 local offices that employed a staff of 128 individuals. Initial funding came from the Federal government, the state, and local governments.<sup>20</sup> The new ES acquired additional responsibilities in 1936, when North Carolina established a UI program. The authorizing legislation required that unemployment compensation be paid through local ES offices responsible for determining eligibility, monitoring compliance with job search requirements, and assisting with job searches. To streamline the delivery of UI and ES benefits, the legislature transferred the ES to the new Unemployment Compensation Commission, which became the ESC in 1947.

As has happened nationally, the responsibilities assigned to the ES have evolved over the decades.<sup>21</sup> Following the Second World War, local offices were instructed to direct services to returning veterans and civilians displaced by demobilization. Then, in the 1960s, the Federal

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<sup>17</sup> Balducchi and Pasternak, pp. 43-45.

<sup>18</sup> Eberts and Holzer, p. 4.

<sup>19</sup> The historical summary is drawn from Campbell, *History of Employment Security Program in NC State*.

<sup>20</sup> Author's calculation using Consumer Price Index for All Urban Consumers.

<sup>21</sup> The historical summary of the U.S. Employment Service is drawn from Eberts and Holzer (2004) and O'Leary, Christopher and Randall Eberts. 2008. *The Wagner-Peyser Act and U.S. Employment Service: Seventy-Five Years of Matching Job Seekers and Employers*. Washington, DC: National Association of State Workforce Agencies. Retrieved on January 15, 2011. <http://www.workforceatm.org/sections/pdf/2009/WagnerPeyserOE2009a.pdf>.

government assigned employment offices affiliated with the USES two new functions: the provision of training programs in depressed areas and the collection of labor market information.

Starting in 1973, the USES and its state affiliates entered a period of uncertainty caused by conflicting legislative mandates, funding reductions, administrative decentralization, and the prioritization of targeted workforce training over universal labor exchange services. The quantity and quality of labor exchange services consequently declined. In response, the Workforce Investment Act of 1998 (WIA), which aimed to integrate and coordinate an array of employment and training services, designated the public employment service a mandatory partner in the new One-Stop Career Centers. In some ways, the sequential, three-part service delivery model (core, intensive, and training) established in 1998 restored the USES to its 1930s role as a universal provider of labor exchange services.

North Carolina responded to these stresses by attempting to preserve a more traditional model of labor exchange services—a model built on close linkages between the ES and UI programs, the operation of a local office network, and the provision of labor exchange services to job seekers and employers. A reason why the labor exchange function kept a prominent role in North Carolina is because the ES, not a separate division, administers all local ESC services.

North Carolina began its transition to a One-Stop service delivery model in 1995, several years before the passage of WIA. The shift created tensions with other workforce agencies, notably the North Carolina Department of Commerce, which oversees WIA, and the North Carolina Community College System, the main provider of WIA-funded training. Disagreements originated in differences in organizational structures, cultures, and mission.

The ES eventually emerged as the main host of local JobLink Career Centers, as One-Stop Career Centers are known in North Carolina. As of December 2010, local ES offices hosted 63 of the state's 99 JobLink Centers; most of the remaining sites were on the campuses of two-year colleges.<sup>22</sup> Nevertheless, the division of responsibility within the public workforce investment services remains a recurring point of discussion within state government. As part of her budget proposal for State Fiscal Year 2012, Gov. Beverley Perdue called for folding the ESC into the Department of Commerce to “give the State a more focused strategy for developing a

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<sup>22</sup>Employment Security Commission of North Carolina. *ESC Monthly Activity Report: December 2010*.

skilled workforce.”<sup>23</sup> The legislature concurred, and on November 1, 2011, the ESC became part of the Department of Commerce and changed its name to the Division of Employment Security.

### The Structure of the ES

Since its establishment in 1935, the ES has grown in size, scope, reach, and sophistication, yet it has maintained responsibility for providing free labor exchange services to employers and job seekers on a universal basis. Services are funded by a mix of Federal and state dollars and are delivered remotely and through a network of local offices staffed by state merit personnel.

#### *ES Services in North Carolina*

The ES provides employers with numerous free labor exchange services, with job matching perhaps being the most important one. Employers may use the ES to identify and screen suitable candidates for job openings. Matching services range in intensity from the posting of job openings to the screening and referral of candidates to the organization of job fairs and similar events. Additionally, ES offices provide employers with detailed labor market information and assistance in designing and managing human resource functions.

Employers are free to choose the level of intensity with which they engage the ES. In recent years, more employers have taken advantage of self-service options available thanks to advances in information technology. In Program Year (PY) 2006, the last one before the onset of the recession, the ES received 287,272 job orders—a total equal to 6.4 percent of the state’s labor force.<sup>24,25</sup> In that same year, the ES filled<sup>26</sup> 35.2 percent of the orders received from employers.<sup>26</sup>

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<sup>23</sup>Office of the North Carolina Governor. 2011. *Governor’s Recommended Budget 2011-2013*. Raleigh, NC: Office of State Budget and Management, p. 215. Retrieved on February 20, 2011. [http://www.osbm.state.nc.us/files/pdf\\_files/budget2011-13\\_web\\_corrected.pdf](http://www.osbm.state.nc.us/files/pdf_files/budget2011-13_web_corrected.pdf).

<sup>24</sup> A Program Year spans July 1 through June 30, so PY 2006 refers to July 1, 2006, through June 31, 2007.

<sup>25</sup> Author’s calculation of Program Year 2006 data provided by the Employment Service and 2007 labor force data from the Local Area Unemployment Statistics program.

<sup>26</sup>Author’s calculation of data in Employment Security Commission of North Carolina. *Employment Service and Unemployment Insurance Operations: Monthly Summary for June 2007*. Raleigh, NC: Author., p. 4. Retrieved on February 5, 2011. [http://www.ncesc1.com/lmi/Publications/Trends/Jun07\\_Trends\\_INTERNET.pdf](http://www.ncesc1.com/lmi/Publications/Trends/Jun07_Trends_INTERNET.pdf).

Job seekers—both those with and without jobs—may use ES services. Any job seeker, for instance, may search for positions listed in the North Carolina JobConnector, a Web-based job matching system maintained by the ES, or use the resource rooms available at local offices.<sup>27</sup> To receive intensive or job search assistance services like staff-assisted job matching, counseling interviews, and skill assessments, an individual must register with the ES, as must all UI claimants. Local offices can also refer registrants to other components of the public workforce investment system like WIA-funded training. Furthermore, certain populations, such as veterans, individuals with disabilities, and migrant and seasonal farmworkers, are eligible for special services, as are UI claimants identified through the Worker Profiling and Reemployment Services system

#### *Access to ES Services*

Job seekers and employers access ES services in a variety of ways. Some services, like the JobConnector, are delivered via the Internet or through telephone call centers. Remote services are especially important for UI claimants applying for benefits or filing weekly certifications. The importance of automated services has grown in recent years. In the early 2000s, the ESC began to implement telephonic and Internet-based systems for processing UI claims. In the first 11 months of 2010, those automated systems had processed 48.2 percent of all the weeks of UI benefits claimed in North Carolina and 45.1 percent of all initial claims.<sup>28</sup>

Services also are available at ES local offices. In the first 11 months of 2010, the offices had handled 51.8 percent of all the weeks of UI payments claimed in North Carolina and 54.9 percent of all initial claims.<sup>29</sup> During PY 2009, the ES registered caseload totaled 733,338

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<sup>27</sup> The North Carolina JobConnector is available at <https://www.ncjobconnector.com/Forms/JCHome.aspx>.

<sup>28</sup> Author's calculation of data in Employment Security Commission of North Carolina. *Employment Service and Unemployment Insurance Operations: Monthly Summary for November 2010*. Raleigh, NC: Author, p. 4. Retrieved on February 5, 2011. [https://www.ncesc1.com/LMI/publications/Trends/November10\\_Trends\\_Internet.pdf](https://www.ncesc1.com/LMI/publications/Trends/November10_Trends_Internet.pdf). Note this report only covers the first 11 months of 2010.

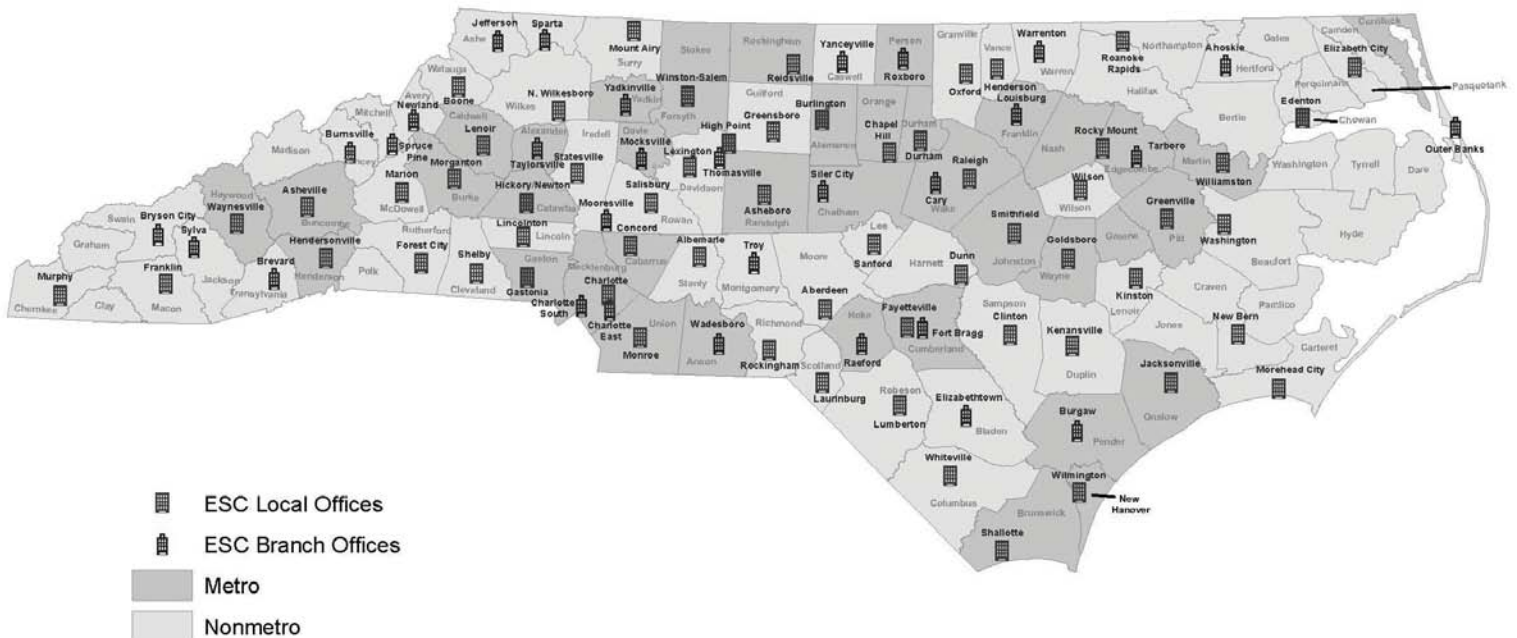
<sup>29</sup> Author's calculation of data in Employment Security Commission of North Carolina, *Employment Service and Unemployment Insurance Operations: Monthly Summary for November 2010*. Note that usage data for 2010 likely are influenced by the Emergency Unemployment Compensation Program enacted as part of the American Recovery and Reinvestment Act.

individuals, of whom 40.9 percent were UI claimants. Put differently, 16.2 percent of the state’s civilian labor force registered with the ES during PY 2009.<sup>30</sup>

The ES operates two kinds of local offices: local and branch. A local office provides all ES services (including JobLink services, if applicable) and normally is open five days each week during regular business hours. Branch offices fall under the management of a local office and provide services at another site within a region, though often on a more limited schedule. ES services also are available at non-ES hosted JobLink Centers. Figure 2-1 shows the locations of ES branch and local offices by county and metropolitan status.

Figure 2-1

## North Carolina Employment Security Commission Local and Branch Offices Metro and Nonmetro Counties



### *Funding ES Services*

Funding for ES services comes from two major sources: annual WP allocations and supplemental state support.

Federal funding for labor exchange services comes from revenues generated by the Federal Unemployment Tax Act, an employer-paid payroll tax levied on the first \$7,000 in wages paid to an employee in a year.<sup>31</sup> Congress appropriates a portion of the tax proceeds for the operation of state labor exchanges. Funds are distributed to states based on a formula.<sup>32</sup>

Between PY 2001 and 2010, North Carolina's annual WP allocation averaged \$19.5 million (in 2005 dollars) and ranged between \$17.4 and \$22 million (table 2-1).<sup>33</sup> The American Recovery and Reinvestment Act (ARRA) provided the state with an additional \$5 million in annual operational funding for PY 2009 and 2010.

State appropriations are the other major source of funding for ES operations. In recent years, state funding has assumed two forms. Between State Fiscal Year (SFY) 1989 and 2005, the North Carolina General Assembly provided the ES with slightly more than half of the annual distribution from the state's Worker Training Trust Fund (WTTF), an account financed by the interest earned by the UI program's State Reserve Account and intended to support activities that would "enhance the employability of workers."<sup>34</sup> Over that period, the WTTF spent an annual average of \$13.5 million (in 2005 dollars) on workforce development activities, of which 51.1 percent (\$6.9 million) went for ES operations.<sup>35</sup> Because the financing of the WTTF depends on the health of the UI system, new contributions stopped when the UI system encountered solvency problems after the 2001 recession. By SFY 2004, the WTTF was essentially empty.

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<sup>31</sup>U.S. Department of Labor. *Unemployment Insurance Tax Topics*. Retrieved on April 25, 2011. <http://workforcesecurity.doleta.gov/unemploy/uitaxtopic.asp>.

<sup>32</sup>Rubinstein, Gwen and Andrea Mayo. 2007. *Training Policy in Brief: An Overview of Federal Workforce Development Policies*. Washington, DC: National Skills Coalition, p. 22.

<sup>33</sup>Author's calculation of data from U.S. Department of Labor. (various years). *State Statutory Formula Funding: Employment Service Program*. Retrieved on January 12, 2011. <http://www.doleta.gov/budget/statfund.cfm>.

<sup>34</sup> The State Fiscal Year spans July 1 through June 30, so SFY 2010 refers to July 1, 2009 through June 30, 2010. A SFY covers the same period as a PY (see note 18).

<sup>35</sup> Quintero, John. 2006. *Rebuilding North Carolina's Worker Training Trust Fund*. Raleigh, NC: North Carolina Budget and Tax Center.



To replace WTTF resources, the legislature began in SFY 2005 to provide the ES with operational funding taken from the Special Employment Security Administration Fund, which receives the interest and penalties collected from employers who fail to comply with UI tax laws.<sup>36</sup> Between SFY 2005 and 2011, the average annual appropriation for ES local office operations averaged \$11.3 million (in 2005 dollars).<sup>37</sup>

Table 2-1. Summary Funding and Program Data for North Carolina Employment Service, Program Years 2001-2010 (in 2005 Dollars)

	PY 2001	PY 2002	PY 2003	PY 2004	PY 2005	PY 2006	PY 2007	PY 2008	PY 2009	PY 2010
<b>Funding Allotments</b>										
Wagner-Peyser allotment (2005 \$).....	\$20,521,198	\$22,011,037	\$21,727,703	\$20,983,276	\$20,031,176	\$18,492,038	\$17,928,481	\$17,431,032	\$17,939,159	\$17,996,666
State funds (2005 \$).....	6,700,000	6,900,000	5,400,000	6,400,000	6,200,000	6,000,000	6,800,000	18,400,000	17,900,000	17,800,000
<b>Total.....</b>	<b>27,221,198</b>	<b>28,911,037</b>	<b>27,127,703</b>	<b>27,383,276</b>	<b>26,231,176</b>	<b>24,492,038</b>	<b>24,728,481</b>	<b>35,831,032</b>	<b>35,839,159</b>	<b>35,796,666</b>
<b>Labor force data</b>										
Average civilian labor force (number).....	-	3,994,789	4,171,462	4,171,462	4,256,340	4,332,710	4,429,301	4,526,038	4,562,465	4,545,564
Average regular unemployment (number).....	-	221,300	381,437	281,437	235,552	226,976	206,878	215,575	290,651	490,755
Average unemployment rate.....	-	5.5	9.1	6.7	5.5	5.2	4.7	4.8	6.4	10.8
<b>Service Data</b>										
Total registrants.....	-	-	774,137	723,027	741,395	658,216	684,213	711,268	733,338	-
Registered claimants of unemployment insurance.....	-	-	345,223	305,942	307,126	275,270	263,745	344,440	300,284	-
Claimants as share of all registrants.....	-	-	44.6	42.3	41.4	41.8	38.5	48.4	40.9	-
Nonagricultural job placements.....	-	-	80,409	84,284	86,040	81,865	69,470	42,464	40,373	-
<b>Funding Rates</b>										
Wagner-Peyser funds per labor force member.....	-	\$5.51	\$5.21	\$5.03	\$4.71	\$4.27	\$4.05	\$3.85	\$3.93	\$3.96
State funds per labor force member.....	-	1.73	1.29	1.53	1.46	1.38	1.54	4.07	3.92	3.92
<b>Funds per labor force member.....</b>	<b>-</b>	<b>7.24</b>	<b>6.50</b>	<b>6.56</b>	<b>6.16</b>	<b>5.65</b>	<b>5.58</b>	<b>7.92</b>	<b>7.86</b>	<b>7.88</b>
Wagner-Peyser funding per registrant.....	-	-	\$28.07	\$29.02	\$27.02	\$28.09	\$26.20	\$24.51	\$24.46	-
State funds per registrant.....	-	-	6.98	8.85	8.36	9.12	9.94	25.87	24.41	-
<b>Total funds per registrant.....</b>	<b>-</b>	<b>-</b>	<b>35.04</b>	<b>37.87</b>	<b>35.38</b>	<b>37.21</b>	<b>36.14</b>	<b>50.38</b>	<b>48.87</b>	<b>-</b>
Wagner-Peyser funds per nonagricultural placement...	-	-	\$270.21	\$248.96	\$232.81	\$225.88	\$258.08	\$410.49	\$444.34	-
State funds per nonagricultural placement.....	-	-	67.16	75.93	72.06	73.29	97.88	433.31	443.37	-
<b>Total funds per nonagricultural placement.....</b>	<b>-</b>	<b>-</b>	<b>337.37</b>	<b>324.89</b>	<b>304.87</b>	<b>299.18</b>	<b>355.96</b>	<b>843.80</b>	<b>887.70</b>	<b>-</b>
<b>Recovery Act Supplemental Funding</b>										
Recovery Act funds.....	-	-	-	-	-	-	-	-	\$5,048,429	\$5,048,429
Total Wagner-Peyser allotment and state funds.....	-	-	-	-	-	-	-	-	35,839,159	35,796,666
<b>Total.....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40,887,588</b>	<b>40,845,095</b>
Total funds per labor force member.....	-	-	-	-	-	-	-	-	\$8.96	\$8.99
Total funds per registrant.....	-	-	-	-	-	-	-	-	55.76	-

- Not available

NOTE: State funding totals show the allocations dedicated solely to supporting the operations of local Employment Service offices.

Labor force data are the previous year figures used to allocate Wagner-Peyser funds for the specific program year.

SOURCE: Employment and Training Administration, U.S. Department of Labor; Employment Service, Employment Security Commission of North Carolina

<sup>36</sup>North Carolina General Statutes § 96-5(c).

<sup>37</sup> Author's calculations from State of North Carolina enacted budgets, SFY 2002 through 2011.



### *Staffing ES Services*

To deliver services, the ES employs a mix of permanent and temporary employees. As of December 2010, the ES employed 720 permanent local workers and 205 temporary ones. In recent years, adequate staffing has been a critical management problem facing the ES due to the aging of the workforce and financial limitations. Between PY 2004 and 2010, the average annual number of permanent local office staff fell by 7.6 percent, while the number of temporary employees rose by 153.1 percent. Yet both trends were distorted by the recession and the temporary infusion of funds provided by ARRA. In recent years, Federal and state funding has allowed the ES to add back some permanent staff, but nevertheless, permanent staffing fell throughout much of the 2000s and reached a low of 603 (annual average) in PY 2008, a level 21.8 percent lower than the one recorded just four years earlier.<sup>38</sup>

### *ES Performance*

Passage of WIA complicated the measurement of the outcomes achieved by state employment services. On one level, the common performance measures required under WIA are not suited for the kinds of short-term job matching services that labor exchanges provide. On another level, the accuracy of service data has declined as the use of self-directed services has increased. Compounding these difficulties is the limited role that the Federal government plays in overseeing performance data for the USES and incentivizing state performance.<sup>39</sup>

Prior research into the public employment services has measured impact in terms of program reach. Attention tends to focus on services that involve the intervention of actual staff rather than self-service activities. One recent study identified four telling indicators of program reach: 1) the number of program registrants as a share of the state labor force; 2) the number of nonagricultural job placements as a share of the state labor force; 3) the number of job orders received as a share of the state labor force; and 4) the number of total job placements made as a

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<sup>38</sup> Author's tabulation of staffing data for Program Years 2004 through 2010 provided by the Employment Service, Employment Security Commission of North Carolina.

<sup>39</sup> Smoole, David. 2004. "Labor Exchange Performance Measurement." In *Labor Exchange Policy in the United States*, David Balducci, Randall Eberts, and Christopher O'Leary, eds. Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, pp. 101-134 (113-128).

share of the number of job orders received.<sup>40</sup> In PY 2006, the last one before the onset of the recent recession, North Carolina's performance on each of the four measures was as follows:

- The total number of program registrants (658,216) as a share of the state labor force (4,488,625) equaled 14.7 percent.
- The number of nonagricultural job placements received (81,865) as a share of the labor force equaled 1.8 percent.
- The number of job orders received (287,272) as a share of the labor force equaled 6.4 percent.
- The number of job placements made (101,020) as a share of the number of job orders received equaled 35.2 percent.

Due to pronounced differences in the organization of state systems, it is difficult to compare the relative performance of state employment services, but prior research suggests that North Carolina's system performs well. A 2004 national study compared North Carolina's performance on measures of program reach to those of five other states and found North Carolina to be the best or second-best performer on every indicator.<sup>41</sup> Remember that system performance fluctuates greatly over the course of the business cycle. During recessions, for one, the number of registrants typically rises while the number of job openings drops, thereby depressing placement rates. A failure to consider the business cycle and factors like shifts in client preferences may lead to the drawing of erroneous comparisons across time and places.

### The Challenges of the 2000s

Early in the 2000s, several factors taxed North Carolina's ability to maintain a network of local ES offices. Key challenges included a reduction in WP funding, a fraying of the link between the ES and UI, the implementation of the One-Stop service framework, and the weak performance of the state's labor market. Altogether, these forces resulted in marked reductions in the number of ES staff members and the closing of several offices. Without the supplemental

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<sup>40</sup>Jacobson, Louis, Ian Petta, Amy Shimshak, and Regina Yudd. 2004. *Evaluation of Labor Exchange Services in a One-Stop Delivery System Environment*. Washington, DC: U.S. Department of Labor, pp. 102-105.

<sup>41</sup> Jacobson, Petta, Simshak, and Yudd, p. 103.

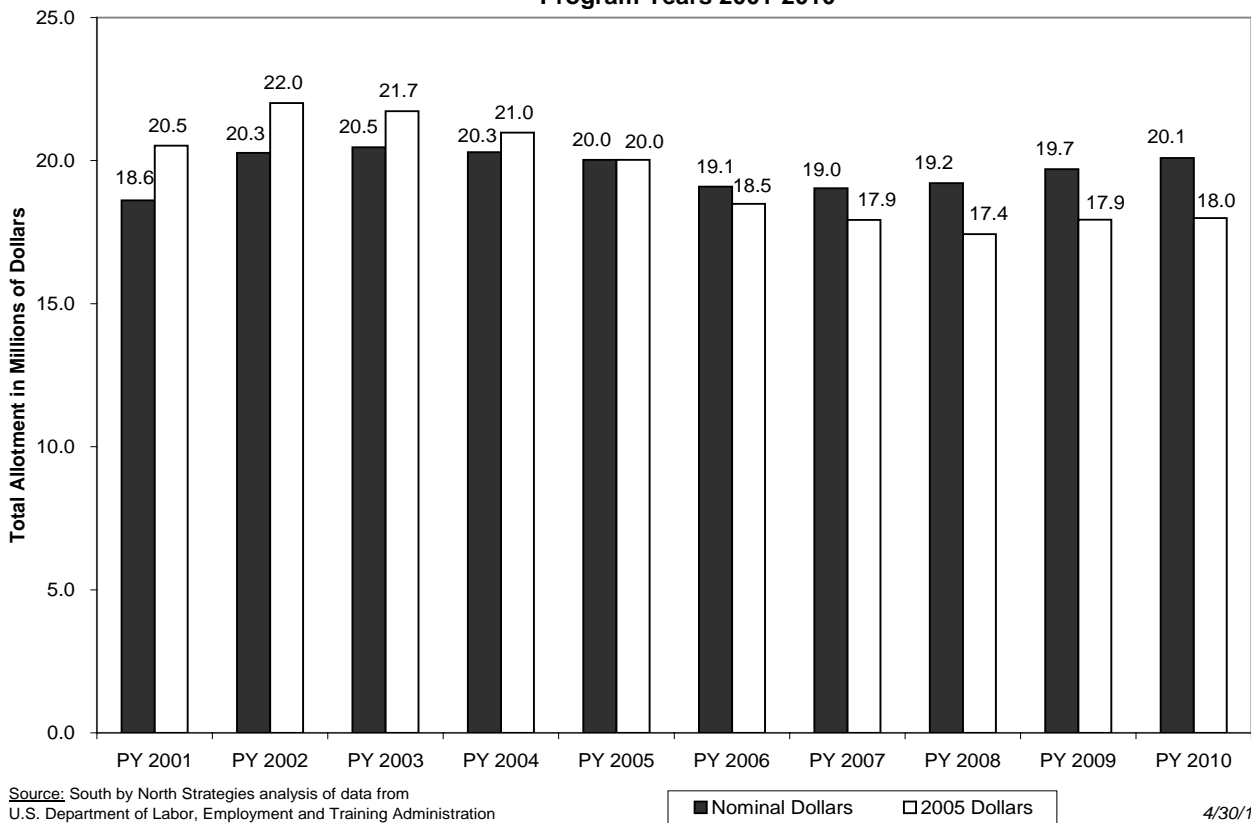
financial support provided by the North Carolina General Assembly, the number of staffing reductions and office closings would have been greater.

*Funding Reductions*

Between PY 1984 and 2008, Congress allowed the real value of total WP funding to fall by 49.1 percent. Had the value of the annual appropriation kept pace with its 1984 value, the total amount of WP funding available in PY 2008 would have been \$678 million greater (\$1.4 billion versus \$703 million).<sup>42</sup>

In North Carolina, the inflation adjusted value of the state’s annual WP allocation dropped during the 2000s (figure 2-2). After adjusting for inflation, the value of North Carolina’s allocation fell by \$3.1 million or 15.1 percent between PY 2001 and 2008, before bouncing back later in the decade. That rebound, however, was driven by modest increases in

**Figure 2-2: Wagner-Peyser State Allocations (Regular Fomula), North Carolina, Program Years 2001-2010**



<sup>42</sup> O’Leary and Eberts, p. 6.

the total level of WP funding made available to the states, coupled with a severe economic downturn that allowed North Carolina to draw more formula funding. Even with that boost, the state's allotment in PY 2010 was 12.2 percent (\$2.8 million) less than it would have been if the PY 2001 appropriation had kept pace with inflation.<sup>43</sup> Over that same period, the size of the North Carolina's labor force increased by 13.8 percent, and the average number of unemployed North Carolinians rose by 121.8 percent (see table 2-1).

### *The Changing UI-ES Relationship*

Local offices long were the places where individuals went to file initial and continuing UI claims, register for work, search for jobs, and receive related labor exchange services. Starting in 1991, states gradually began to deploy automated systems—first telephonic, later Web-based—that permit UI claimants to apply for insurance benefits and certify continuing eligibility. This change resulted in the transfer of local staff to centralized processing centers and a reduction in UI traffic in local offices; when coupled with the growth in self-directed job search options, such factors helped separate UI and ES functions.<sup>44</sup>

In the course of implementing automated UI systems, North Carolina attempted to maintain a connection between the UI and ES programs—a task made somewhat easier by the fact that the ES coordinates local ESC operations. Not only are UI claimants required to register with the ES, but some—primarily those identified for reemployment services—must periodically visit a local office. In effect, North Carolina used automation as a way of offering clients “no wrong door” into the system. Remarkd one senior ES official responsible for implementing automated services: “Our official policy is that we want to give customers a choice. They can file UI remotely on the Internet; they can do it over the phone; or, they can do it in person. We give them that option.”

North Carolina's decision to continue offering in-person services at local offices set the state apart from the general direction of state and national policy in the early 2000s. Some states adopted automated systems and then deemphasized labor exchange services, relaxed the work

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<sup>43</sup>Author's calculation of data from U.S. Department of Labor. Various years. *State Statutory Formula Funding: Employment Service Program*.

<sup>44</sup>Ridley, Neil and William Tracy. 2004. “State and Local Labor Exchange Services.” In *Labor Exchange Policy in the United States*, David Balducci, Randall Eberts, and Christopher O'Leary, eds. Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, pp. 73-100 (91).

test, and closed local offices. Such steps served to isolate the ES from a sizable share of its traditional customer base, while limiting the job search assistance and counseling service options available for non-UI customers.<sup>45</sup>

### WIA

As with the adoption of automated filing processes within the UI program, the shift to the One-Stop service delivery model mandated by WIA raised questions about the long-term role of labor exchange services within the public workforce development system. Although the shift appeared to restore the public employment service to its traditional role as a universal provider of labor exchange services, the new framework left the service's role rather undefined.

Disagreements among workforce investment system partners originated in differences in organizational structures and missions. In North Carolina, the ES long has stressed the delivery of high-volume, short-term, low-cost services designed to connect individuals, especially UI claimants, to work. Observed one senior ESC official, "We don't train. We've never trained. We don't want to train." Furthermore, the ES is structured as a state-led, state-staffed organization, while WIA stresses local control and staffing.

On one level, the advent of WIA appears to have weakened support for labor exchange as a distinct service, but on another level, the ES exercises a disproportionately large role in WIA, owing to its high service volume and position as the primary host of JobLink Career Centers. Regardless of the name on the office door, North Carolina's ES and WIA systems are intertwined. Without the ES, the JobLink Centers would be unable to serve as many individuals as they do, but without WIA, the ES would not be able to serve clients with more complex needs.

Every stakeholder interviewed for this project voiced criticism of other parts of the public workforce investment system, yet every stakeholder agreed that North Carolina's system functions well and that there exist strong working relationships across programs. The challenge is integrating the pieces into a coherent whole capable of providing seamless services to clients. Noted one senior ESC official, "I think that North Carolina has had the luxury of finding perceived weaknesses in our system simply because the system we had worked so well that you could focus on smaller flaws."

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<sup>45</sup> O'Leary and Eberts, p. 37.

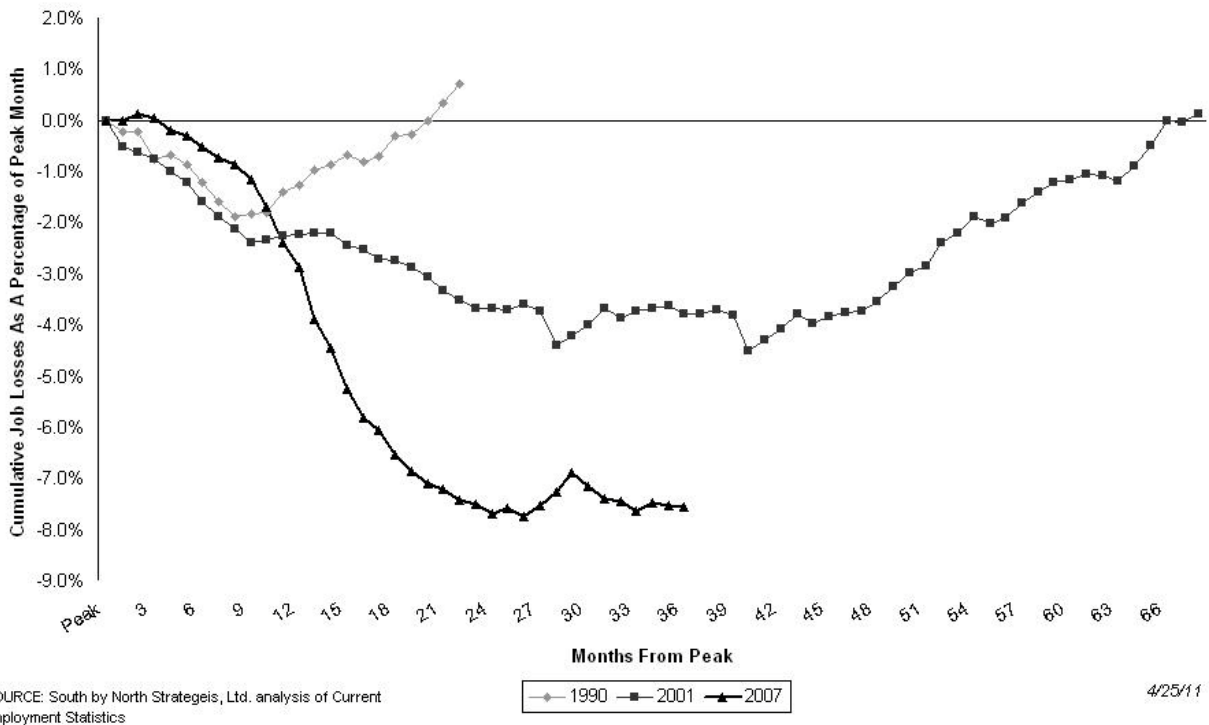
*Economic Difficulties*

Perhaps the most serious challenge that faced North Carolina’s ES and its larger workforce investment system during the 2000s was the poor health of the state’s economy. After growing robustly in the 1990s, North Carolina began the decade with a severe recession that gave way to a weak recovery that ended in the worst recession in the state’s modern history. During the 2000s, net payroll employment in North Carolina rose by just 0.1 percent.<sup>46</sup>

The two recessions that touched North Carolina during the 2000s were quite different. The first one, in 2001, was a structural recession that battered the state’s traditional manufacturing industries like textile and furniture manufacturing, many of which were concentrated in non-metropolitan communities and employed workers with modest skill levels. The second one, which started in late 2007 and ran through late 2009, was more widespread and touched most every industry group, geographic region, and class of workers in the state.<sup>47</sup>

To illustrate the severity of the current recession, figure 2-3 compares changes in non-

**Figure 2-3: Cumulative Job Losses, Measured From Labor Market Peak to Recovery, by Month, North Carolina, Last Three Recessions**



<sup>46</sup>Author’s calculation of Current Employment Statistics for January 2000 through December 2009.

<sup>47</sup>Author’s calculation of Current Employment Statistics for January 2000 through December 2009.

farm payroll employment (seasonally adjusted) in North Carolina during the recent, 2001, and 1990-1991 recessions. At the trough of the 2001 recession, payroll employment in North Carolina had fallen by 4.5 percent from the peak level, compared to a maximum drop of 7.7 percent posted during the latest recession. After the start of the 2001 recession, it took 68 months for payroll employment to return to the starting level. At the current pace of job creation, however, the recovery from the 2007 recession will take much longer. And, as will be seen, both the 2001 and 2007 recessions exacted a heavy toll from non-metro North Carolina.

The poor state of the job market has confronted the ES and the larger workforce investment system with three sets of demands. First, the number of people applying for services has soared, and the ES has labored to keep pace with demand. Second, agencies like the ES have endeavored to meet the service needs with diminished levels of financial and human resources. Finally, the ES has operated in an environment with few jobs in which to place registrants.

### *Responding to the Challenges*

As the challenges confronting the ES mounted during the 2000s, the organization's ability to maintain its operations, particularly the local office network, weakened—a reality acknowledged by every stakeholder interviewed as part of this study. The ES responded by seeking management efficiencies and reducing staffing along the lines described earlier in this chapter. The agency also closed five local offices (two of which later reopened).<sup>48</sup> At the same time, the ES was attempting to meet new service demands caused by the expansion in the size of the state's labor force, the rise in the number of unemployed North Carolinians, and the increase in the numbers of workers (both UI claimants and workers at large) registering with the service.

When financial limitations threatened the ability of the ES to maintain its local office network, the North Carolina General Assembly stepped forward and provided supplemental funding. Between PY 2001 and 2010, the State of North Carolina provided the ES with almost \$100 million (in 2005 dollars) for the operation of local offices. With those resources, the ES managed to preserve most of its local office network

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<sup>48</sup> According to the Employment Service, the five offices that closed were the following: Butner Branch Office (Granville County), Mount Olive Branch Office (Wayne/Duplin Counties), Ahoskie Branch Office (Hertford County), Newland/Avery Branch Office (Avery County), and Kings Mountain Branch Office (Mecklenburg County). The Ahoskie Branch Office reopened in 2009, and the Newland/Avery Branch Office reopened in 2010.

Note that the legislature’s decision to fund local ES offices was not a haphazard one. On the contrary, the legislature responded to arguments about the value of in-person labor exchange services in assisting the kinds of workers displaced by the 2001 recession and by larger structural changes to the state’s economy. One argument that proved especially resonant was that local ES offices help ensure equal access to workforce investment services in rural counties. When combined with the ESC’s reputation for responsible management and frugality, the argument about equal access led to state investments that have increased over time. Explained one policymaker involved in the discussions of the early 2000s, “They [ESC] didn’t come being victims. They came with ideas for helping to address the situation that seemed to be easily supported. Funding the bread and butter of operations was an important consideration.”

### Research into the ES

Despite its mature age, the public labor exchange service established by the WP Act—in both its national and state-level forms—has attracted scant research interest. Prior to the 2000s, little external scholarly research existed, apart from three book-length studies published in 1964, 1973, and 1998.<sup>49,50,51</sup> Most of the research into the workforce investment system instead gravitated toward the education and training system and the provision of services to disadvantaged populations. The research into the USES that did exist took the form of governmental reports, such as a pair of studies documenting declines in service quality issued in 1989 and 1990 by the U.S. Government Accountability Organization.<sup>52,53</sup>

The last decade saw an uptick in research activity. A 2004 volume of essays published by the W.E. Upjohn Institute for Employment Research was a comprehensive, modern treatment

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<sup>49</sup> Haber, William. 1964. *The Role of the United States Employment Service in a Changing Economy*. Kalamazoo, MI: W.E. Upjohn Institute for Employment Research.

<sup>50</sup> Johnson, Miriam. 1973. *Counter Point: The Changing Role of the Employment Service*. Salt Lake City, UT: Olympus Publishing.

<sup>51</sup> Lazerus, Scott, Garth Mangum, Stephen Mangum, and Judith Tansky. 1998. *The Public Employment Service in a One-Stop World*. Baltimore: Sar Levitan Center.

<sup>52</sup> U.S. Government Accountability Organization. 1989. *Employment Service: Variations in Local Office Performance*. Washington, DC: Author.

<sup>53</sup> U.S. Government Accountability Organization. 1990. *Employment Service: Leadership Needed to Improve Performance*. Washington, DC: Author.



of labor exchange policy in the United States. Furthermore, the U.S. Department of Labor, Employment and Training Administration commissioned several studies related to, or touching on, labor exchange issues during the 2000s.<sup>54</sup> Those reports, however, frequently treated the USES not as a discrete program but as a small part of the larger One-Stop service system. And, as many of those studies occurred prior to the full implementation of the One-Stop model, their data were dated to begin with and have aged. Interestingly, studies with a state-level component frequently have included North Carolina as a case study, as happened in a 2004 evaluation of labor exchange services within a One-Stop delivery system.<sup>55</sup>

In North Carolina, independent groups have undertaken little research into ES issues. What research exists tends to focus on the relationship between the ES and UI programs or between the ES and WIA. A 2000 study prepared by MDC, Inc., a nonprofit organization in Chapel Hill, considered the role of the ES in the development of local JobLink Career Centers.<sup>56</sup> Another nonprofit organization, the North Carolina Budget and Tax Center, published two studies in 2006 and 2007, but those reports centered on the financing of the larger ESC.<sup>57,58</sup>

In many respects, this study is the first recent, independent attempt to understand the role that the ES plays within North Carolina's labor market and the larger public workforce investment system. Additionally, the project is timely for four reasons. First, as mentioned above, North Carolina's choice made a conscious choice to maintain a traditional, state-led labor exchange that works in close partnership with the UI system and stresses the matching of workers and jobs. Second, because North Carolina has pursued its course of action for a decade, enough time has passed to evaluate fairly the original service arguments. Third, the widespread nature of the recent recession presents a seemingly logical opportunity to test the service against

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<sup>54</sup> Examples include, Vroman, Wayne and Stephen Woodbury. 2004. *Trend and Cycle: Analysis of Unemployment Insurance and the Employment Service*. Washington, DC: U.S. Department of Labor; and Social Policy Research Associates. 2005. *Workforce Development in Rural Areas: Changes in Access, Service Delivery, and Partnerships*. Washington, DC: U.S. Department of Labor.

<sup>55</sup> Jacobson, Petta, Simshak, and Yudd.

<sup>56</sup> Scott, Sam, Colin Austin, John Rohrs, and Annette Taylor. 2000. *North Carolina JobLink Career Centers: An Appraisal of Progress*. Chapel Hill, NC: MDC, Inc. Retrieved on January 15, 2011. [http://www.mdcinc.org/docs/Joblink\\_Career\\_Center\\_Feedback\\_Paper.pdf](http://www.mdcinc.org/docs/Joblink_Career_Center_Feedback_Paper.pdf).

<sup>57</sup> Quintero, *Rebuilding North Carolina's Worker Training Trust Fund*.

<sup>58</sup> Quintero, John. 2007. *Buddy Can You Spare a Dime? Putting North Carolina's Unemployment Insurance System Back to Work*. Raleigh, NC: North Carolina Budget and Tax Center.

actual usage patterns broken out by geography. Finally, the Great Recession was the first downturn to unfold entirely within a One-Stop service environment, so North Carolina's experience may offer insights into the strengths and limitations of one model of organizing workforce investment services within a One-Stop framework.

### Chapter 3: Research Methodology

To analyze the six research hypotheses of interest, this project employed a mixed methods research design. A mixed methods approach was appropriate because it appeared that neither a strictly quantitative, nor a solely qualitative study would be able to illuminate fully the research questions. Quantitative research alone would provide objective information about service usage, yet offer few insights into the thinking that drove programmatic and policy choices. Qualitative techniques alone, in contrast, would open a window into the thinking of public leaders without providing a way to check those perspectives against objective measures.

More specifically, the study's quantitative and qualitative research strands unfolded in parallel. That choice resulted from the short timeframe available to complete the project. Research design spanned September and October of 2010, while the qualitative component unfolded over November and December of the same year. Quantitative analyses took place in December 2010 and January 2011. The drafting of the research report occurred in February 2011, with revisions taking place in April 2011.

This chapter describes the research methodology. The discussion begins with a review of the six core research questions before defining three key concepts. Finally, the chapter details the design, strengths, and limitations of the quantitative and qualitative research strands.

#### Research Questions

While the idea that the existence of local ES offices helps equal access to public workforce investment services in rural counties persuaded the state legislature to provide the ES with the supplemental funding needed to preserve most of its local office network, the argument in favor of that approach was not a coherent one. Based on a review of budget appropriations and ES-related legislation enacted between 1999 and 2010, interviews with three policymakers involved in the discussions, and a scan of media stories appearing in the state's four largest daily newspapers, the argument appeared to involve the following six related hypotheses:<sup>59,60,61</sup>

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<sup>59</sup> Budget appropriations for State Fiscal Years 2000-2010 are available through <http://www.ncleg.net/>.

<sup>60</sup> Information on enacted non-budgetary legislation pertaining to the ES and ESC was identified by reviewing Institute of Government. Various years. *North Carolina Legislation*. William Campbell, ed. Chapel Hill, NC: University of North Carolina School of Government.

<sup>61</sup> The four daily newspapers searched via the Lexis-Nexis Academic database were *The Charlotte Observer*, *The (Raleigh) News & Observer*, *The (Greensboro) News & Record*, and *The Winston-Salem Journal*.

- Rural residents, particularly the rural unemployed, are a “hard-to-serve” population.
- Most individuals establish ties to the public workforce investment system through the ES.
- Compared to their urban counterparts, rural residents prefer in-person services.
- Because rural residents prefer in-person services, the existence of local offices boosts enrollment rates in related public workforce programs relative to those in metro areas.
- Rural residents who use local ES offices develop deeper ties to the public workforce investment system.
- Local ES offices compensate for the “thin” workforce networks in many communities.

### Key Concepts

Before turning to the actual research methodology, it is important to define three key concepts. Most of the terms used in this report are straightforward ones defined at appropriate places within the text, but the concepts of *program reach*, *Great Recession*, and *rural* merit special consideration.

#### *Program Reach*

*Program reach* is the primary service measure used throughout the study. For the purposes of this study, program reach is the average annual number of *ES registrants* in a county expressed as a share of the average annual civilian labor force. Any individuals may use basic ES services without registering, but access to staff-assisted ES services requires formal registration. On one level, the focus on registrants excludes some individuals who use the ES and therefore undercounts the number of individuals benefiting from ES services; but on another level, the focus on registrants captures individuals with a deeper attachment to the system and who can access more intensive, staff-assisted services. In effect, the trade-off is one of programmatic breadth versus depth. An added advantage of the focus on registrants is that the ES actually tracks the number of registrants and regularly reports the totals.

The construction of the annual program reach measure involved taking the number of unduplicated registrants (both first-time registrants and re-activated registrants) in a calendar year and dividing it by the average size of the civilian labor force during that same calendar year (the 12-month average of not-seasonally adjusted figures from the Local Area Unemployment

Statistics program). Due to data limitations, the construction of the program reach measure for the Great Recession (see definition below) involved taking the number of unduplicated registrants over the four-year period of calendar years 2007 through 2010, averaging it, and dividing the result by the average of the size of the civilian labor force over the same period.

Other measures of program reach are shown (*e.g.*, job placements as a share of the civilian labor force) in several places in Chapter 4. The construction of such measures involved the same process, with the exception that the variable of interest replaced the registration total.

### *Great Recession*

Popular and media understanding of the “*Great Recession*” differs from more technical understandings. In popular discussion, the recession refers to the entire period of slack labor market conditions that began in 2007 and 2008 and has continued to the present. A more technical definition, such as the one offered by the National Bureau of Economic Research, defines the recession as beginning in December 2007 and running through June 2009, after which time the economy entered a recovery, which is ongoing.

An analysis of labor market data for North Carolina suggests a slightly different pattern. The state did not fall into a recession until February 2008, a few months after the national decline took hold, and did not enter a recovery until December 2009, a few months after the national rebound commenced. As has been true nationally, North Carolina has experienced few improvements in labor market conditions so far in the recovery.

This report defines the Great Recession as the entire period of weak labor market conditions spanning calendar years 2007 through 2010. The definition was selected partly because administrative data provided by the ES for this study took the form of aggregate totals for the entire four-year period. A limitation of the approach is that the data set includes most of 2007, while the recession did not take hold until the end of the year or early 2008. Yet conditions in North Carolina weakened throughout 2007, and the early signs of a turn in the business cycle were visible.

### *Rural North Carolina*

A distinctive aspect of this research project is the analysis of ES service usage data at the sub-state level—an analysis made possible because the agency tracks registrants by their county

of residence. With such county-level information, it is possible to group North Carolina's 100 counties according to any number of spatial classification systems.

Although arguments about rural North Carolina drove much of the debate about supplemental state ES funding, the term "rural" never was defined precisely. State law long defined a rural North Carolina county as one that had a population density of fewer than per 200 people per square mile at the time of the 1990 Census.<sup>62</sup> Seen that way, North Carolina has 85 rural counties. The problem with this approach, besides its use of old data, is that it ignores the robust population growth that has occurred in North Carolina since 1990 and the increasing concentration of the state's population in a few large areas. Many counties that were rural in 1990 no longer are, and others now either belong to, or are adjacent to, larger metropolitan areas. As a result, many rural residents enjoy access to comparatively larger labor markets.

To provide a more nuanced view of rural North Carolina, this study eschews simple urban-rural dichotomies in favor of two more sophisticated spatial classification systems. Both systems take counties as their basic units of analysis

The first spatial classification framework is that of *core-based statistical areas* (CBSA). A CBSA is a county or set of counties/county equivalents with at least one urbanized area of 10,000 or more residents and a high degree of economic and social interconnectedness as measured by commuting ties to the core.<sup>63</sup> The U.S. Office of Management and Budget defines CBSAs and issues periodic updates, with the most recent one appearing in December 2009. More specifically, this framework assigns counties to one of three categories:

- A *metropolitan county* ("metro") is one belonging to a metropolitan statistical area, which is county/county equivalent or set of counties/county equivalents with at least one urbanized area of 50,000 or more residents and a high degree of economic and social interconnectedness as measured by commuting links to the core.
- A *micropolitan county* ("micro") is one belonging to a micropolitan statistical area, which is a county or set of counties with at least one urban cluster home to between 10,000 and 49,999 residents.

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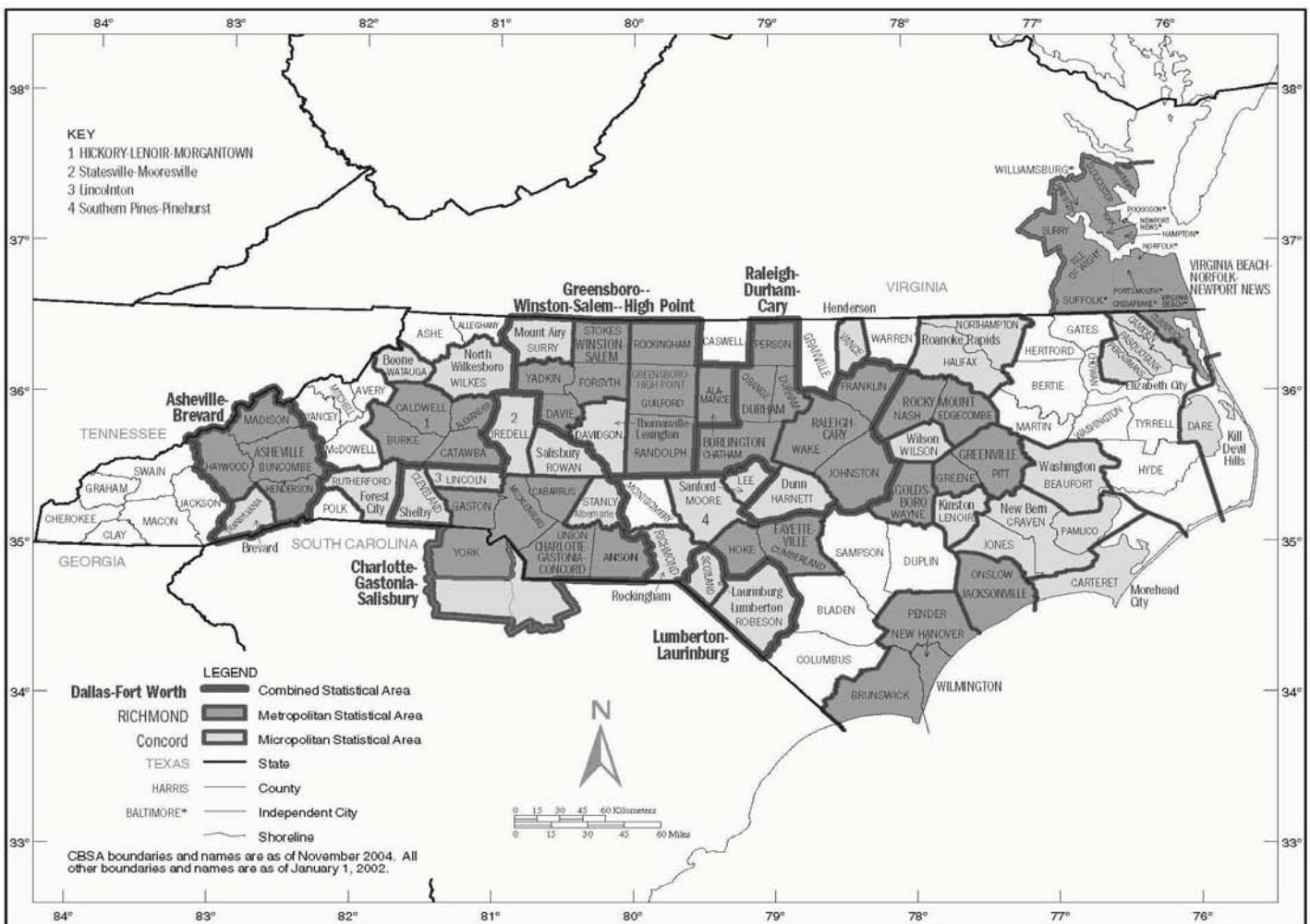
<sup>62</sup>North Carolina General Statutes §143B-437.45. The statute that linked population density to the 1990 Census was repealed effective in 2003 and replaced with a definition based on population density at the time of the 2000 Census.

<sup>63</sup>U.S. Census Bureau, *Metropolitan and Micropolitan Statistical Areas and Definitions*.

➤ A non-metropolitan county (“non-metro”) is one outside of a metro or micro area.

For the purposes of this study, micropolitan and non-metro counties are deemed “rural.” As of December 2009, North Carolina contained 40 metropolitan counties and 60 rural counties; the 60 rural counties split equally between micro and non-metro ones. Figure 3-1 maps the location of North Carolina’s metro, micro, and non-metro counties, while table 3-1 lists the component counties of each metro and micro area in the state.

**Figure 3-1: Map of Core-Based Statistical Areas in North Carolina**



SOURCE: U.S. Census Bureau



**Table 3-1: County Composition of Metropolitan and Micropolitan Statistical Areas, North Carolina, 2009**

**Metropolitan Statistical Areas**

Name	Component Counties				
Asheville, NC.....	Buncombe	Haywood	Henderson	Madison	
Burlington, NC.....	Alamance				
Charlotte-Gastonia-Rock Hill, NC-SC (NC part only).....	Anson	Cabarrus	Gaston	Mecklenburg	Union
Durham-Chapel Hill, NC.....	Chatham	Durham	Orange	Person	
Fayetteville, NC.....	Cumberland	Hoke			
Goldensboro, NC.....	Wayne				
Greensboro-High Point, NC.....	Guilford	Randolph	Rockingham		
Greenville, NC.....	Greene	Pitt			
Hickory-Lenoir-Morganton, NC.....	Alexander	Burke	Caldwell	Catawba	
Jacksonville, NC.....	Onslow				
Raleigh-Cary, NC.....	Franklin	Johnston	Wake		
Rocky Mount, NC.....	Edgecombe	Nash			
Virginia Beach-Norfolk-Newport News, VA (NC part).....	Currituck				
Wilmington, NC.....	Brunswick	New Hanover	Pender		
Winston-Salem, NC.....	Davie	Forsyth	Stokes	Yadkin	

**Micropolitan Statistical Areas**

Name	Component Counties		
Albemarle, NC.....	Stanly		
Boone, NC.....	Watauga		
Brevard, NC.....	Transylvania		
Dunn, NC.....	Harnett		
Elizabeth City, NC.....	Camden	Pasquotank	Perquimans
Forest City, NC.....	Rutherford		
Henderson, NC.....	Vance		
Kill Devil Hills, NC.....	Dare		
Kinston, NC.....	Lenoir		
Laurinburg, NC.....	Scotland		
Lincolnton, NC.....	Lincoln		
Lumberton, NC.....	Robeson		
Morehead City, NC.....	Carteret		
Mount Airy, NC.....	Surry		
New Bern, NC.....	Craven	Jones	Pamlico
North Wilkesboro, NC.....	Wilkes		
Roanoke Rapids, NC.....	Halifax	Northampton	
Rockingham, NC.....	Richmond		
Salisbury, NC.....	Rowan		
Sanford, NC.....	Lee		
Shelby, NC.....	Cleveland		
Southern Pines-Pinehurst, NC.....	Moore		
Statesville-Mooresville, NC.....	Iredell		
Thomasville-Lexington, NC.....	Davidson		
Washington, NC.....	Beaufort		
Wilson, NC.....	Wilson		

**Not Part of Metropolitan or Micropolitan Statistical Areas**

Name	Counties				
†	Ashe	Alleghany	Avery	Bertie	Bladen
	Caswell	Cherokee	Chowan	Clay	Columbus
	Duplin	Gates	Graham	Granville	Hertford
	Hyde	Jackson	Macon	Martin	McDowell
	Mitchell	Montgomery	Polk	Sampson	Swain
	Tyrrell	Yancey	Warren	Washington	

† Not applicable

SOURCES: Office of Management and Budget, Executive Office of the President



A shortcoming of the CBSA approach is that it fails to tease out the differences among the same kinds of counties and effectively treats each type homogeneously. Yet the same kinds of counties may vary greatly; for instance, one metro county may be much larger than another county or have a much greater population density. Similarly, some non-metro counties may be adjacent to a large metro with a robust economy, while others are quite isolated. To account for such differences among rural counties, this study also categorizes North Carolina's 100 counties according to the Rural-Urban Continuum Codes (RUCC) assigned by the Economic Research Service of the U.S. Department of Agriculture. This nine-category classification scheme catalogs counties according to their degree of urbanization and their adjacency to metro areas.<sup>64</sup> The advantage of this system is that it permits a more granular analysis of non-metro places.

Table 3-2 lists North Carolina counties by RUCC category. Under this typology, 67.5 percent of the state's metro counties are mid-sized ones (category 2) with between 250,000 and 1 million residents; this category includes all of the metro counties in the "Piedmont Crescent," except for those in and near Charlotte. Moreover, most of the state's micropolitan counties fall into category 4. The state's non-metro counties, meanwhile, divide almost equally between those with fewer than 2,500 residents (categories 8 and 9) and those with more than 2,500 residents (categories 4 and 5) and between those adjacent to and non-adjacent to metro areas.

### Research Methodology

This study employed a mixed methods research design, specifically a congruent parallel approach involving quantitative and qualitative research strands. The following two sub-sections detail the project's quantitative and qualitative strands.

#### *Quantitative Strand*

The quantitative research strand involved three components: a tabulation of programmatic data for the period encompassing Program Years (PY) 2001-2010, an analysis of program usage data during the Great Recession, and two simple multivariate regression equations.

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<sup>64</sup>Economic Research Service. *Rural-Urban Continuum Codes*.

**Table 3-2: Classification of North Carolina Counties Along Rural-Urban Continuum, 2003**

County	Metropolitan Areas			Non-metropolitan Areas					
	In metro with pop. of 1+ million (1)	In metro with pop. of 250,000 to 1 million (2)	In metro with pop. under 250,000 (3)	Urban pop. of 20,000+ and adjacent to metro (4)	Urban pop. of 20,000+ and non-adjacent to metro (5)	Urban pop. of 2,500-19,999 and adjacent to metro (6)	Urban pop. of 2,500-19,999 and non-adjacent to metro (7)	Rural pop. of under 2,500 and adjacent to metro (8)	Rural pop. of under 2,500 and non-adjacent to metro (9)
	Anson	Alexander	Alamance	Carteret	Craven	Beaufort	Chowan	Avery	Alleghany
	Cabarrus	Brunswick	Edgecombe	Cleveland	Dare	Bladen	Hertford	Camden	Ashe
	Currituck <sup>1</sup>	Buncombe	Greene	Davidson		Columbus	Madison	Caswell	Bertie
	Gaston	Burke	Nash	Halifax		Duplin	Pasquotank	Gates	Cherokee
	Mecklenburg	Caldwell	Onslow	Harnett		Granville	Washington	Jones	Clay
	Union	Catawba	Pitt	Iredell		Jackson		Polk	Graham
		Chatham	Wayne	Lee		Macon		Swain	Hyde
		Cumberland		Lenoir		McDowell		Warren	Mitchell
		Davie		Lincoln		Montgomery		Yancey	Northampton
		Durham		Moore		Sampson			Pamlico
		Forsyth		Richmond		Scotland			Perquimans
		Franklin		Robeson		Stanly			Tyrell
		Guilford		Rowan		Transylvania			
		Haywood		Rutherford		Watauga			
		Henderson		Surry		Wilkes			
		Hoke		Vance					
		Johnston		Wilson					
		Martin							
		New Hanover							
		Orange							
		Pender							
		Person							
		Randolph							
		Rockingham							
		Stokes							
		Wake							
		Yadkin							
<b>Total</b>	<b>6</b>	<b>27</b>	<b>7</b>	<b>17</b>	<b>2</b>	<b>15</b>	<b>5</b>	<b>9</b>	<b>12</b>

<sup>1</sup> Part of the Virginia Beach-Norfolk-Newport News, VA MSA  
 SOURCE: Economic Research Service, U.S. Department of Agriculture

The tabulation of programmatic data was descriptive in nature, and most of the resulting data were shown in Chapter 2. In short, this piece of the study tabulated funding allotments (Federal and state), program registration figures, and funding ratios for each year between PY 2001 and 2010. To control for the effects of inflation, all financial values were adjusted to their 2005 values by using the Consumer Price Index. Data came from the ES and the U.S. Department of Labor, Employment and Training Administration.

The analysis of program usage data during the Great Recession was more complex. The building block of this research component was a service report generated by the ES from its

Local Office Management Information System (LOMIS).<sup>65</sup> The LOMIS report showed the total number of ES registrants (both first-time registrants and renewal registrants) by county of residence for the period spanning January 1, 2007, through December 31, 2010. The report provided showed the total number of registrants broken out by those who claimed UI and those who did not. Furthermore, the report listed the kinds of services received by registrants (*e.g.*, job referral, training placement). Because registrants could receive multiple services, the service counts were duplicated ones. The applicant count, however, was closer to an unduplicated one, although a new registrant who eventually left the rolls conceivably could have re-joined the program as a renewal applicant at a later point in time.

The LOMIS data used in this study suffered from three limitations. First, the ES could not generate data prior to 2007, and as a result, usage patterns during the Great Recession could not be compared to earlier economic contractions, notably the 2001 downturn. Second, data were available only as aggregate totals for the entire three-year period, which precluded a year-by-year or otherwise more granular analysis. Finally, it was difficult to identify the services received by registrants other than those that also were drawing UI compensation.

Ultimately, the LOMIS data were combined with a variety of county-level demographic, economic, and spatial data. Labor force data came from the Labor Market Information Division of the ESC, mainly the Local Area Unemployment Statistics and Current Employment Statistics for the years in question. Demographic information came from the five-year period estimates (2005-2009) of the American Community Survey (ACS). The study used the five-year period estimates, as it is the only ACS product with complete data for all 100 North Carolina counties. Appendix 1 lists all of the variables included in this part of the research.

Finally, the study performed two simple multivariate regression analyses. The dependent variable in both equations was the average annual number of ES registrants in a county as a share of the average annual civilian labor force during the Great Recession. The independent variables were a mix of factors drawn from five areas: workforce characteristics, ES office presence, alternative service availability, economic conditions, and geographic traits. The regression calculation considered all 100 North Carolina counties, while the second calculation applied strictly to the 60 counties termed “rural” for the purposes of this study. Tests of

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<sup>65</sup>Employment Security Commission of North Carolina. 2011. Special tabulation of data from Local Office Management Information System.

statistical significance occurred at both the 0.10 and 0.05 levels, and an explanation of the results is in Chapter 4.

### *Qualitative Strand*

The qualitative research strand involved a series of eight semi-structured interviews.<sup>66,67</sup> Subjects came from three categories of stakeholders: policymakers, local ES officials in rural communities, and partners from allied parts of North Carolina's public workforce investment system. Appendix 2 offers a complete list of interview subjects.

To facilitate the interviews, a standard interview protocol was prepared. While the protocol was relatively uniform, it was modified slightly for each stakeholder group, and because the interviews were semi-structured, the ordering of the questions varied based on the judgment of the interviewer. Each interview lasted between 45 and 60 minutes. Five of the interviews were face-to-face conversations, and the remaining three were telephonic interviews. In those three cases, telephone interviews were necessary due to time constraints and geographic distance.

The interviewer recorded each session (mp3 format), and each session was reviewed and summarized. After the interviews were completed, the summaries were reviewed and combined into a master summary included in Appendix 3. When combined with the quantitative research strand, the master interview summary informed the results presented in Chapter 4. Anonymous individual quotes, meanwhile, appear throughout this report.

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<sup>66</sup> As explained in Appendix 3, eight interviews were conducted, but in one case a respondent unexpectedly asked a colleague to join the interview. Because the second person spoke only a few times and then only supplied clarifying information requested by the original interview subject, the two persons are treated as one interview.

<sup>67</sup> The relatively small number of interviews is the result of administrative procedures in effect for the 2010 ETA Research Papers Program. Readers should bear that limitation in mind. Nevertheless, the interviews help illuminate the thinking behind important policy and management decisions reached by the ESC during the period of interest and capture the views of key actors and stakeholders—views that can only be obtained through qualitative research.

## Chapter 4: Research Findings

This chapter discusses the findings of the various quantitative and qualitative analyses detailed in Chapter 3. The chapter begins by discussing each individual research hypothesis in turn. The second section presents the results of the regression analysis, and the final section pulls the strands together into a summary of major findings.

### Individual Research Hypotheses

The following sub-sections critique the individual research questions around which this research project revolves. Each sub-section presents the combined results of the research technique(s)—quantitative, qualitative, or both—applicable to the question of concern. Note that the fourth and fifth research hypotheses are treated in the same section.

#### *Rural Residents as a “Hard-to-Serve” Population*

The argument that the maintenance of local ES offices is needed to ensure equal access to workforce services in rural counties appears based on an assumption that rural job seekers often possess characteristics associated with reduced employment prospects that metropolitan job seekers do not. Seen this way, the ES and its local offices are a means of ensuring not simply equality of resources or opportunities but social equity.

A review of social and demographic data suggests that the rural labor force indeed faces barriers to employment.<sup>68</sup> As table 4-1 shows, rural North Carolina counties generally have higher levels of poverty and lower levels of educational attainment than metro ones, meaning that their workforces possess lower levels of human capital. The rural population also is more apt to be non-white. In regard to the labor market, rural regions not only posted average unemployment rates during the Great Recession that were higher than those recorded in metro areas and the state as a whole, but the maximum jump in the unemployment rate over the course of the business cycle was greatest in rural areas. When viewed through the RUCC framework, for instance, a group of 17 rural counties—counties that were more populous and adjacent to metropolitan counties—recorded the highest average unemployment rate (9.4 percent) of any group of counties during the Great Recession. In that set of counties, the non-white share of the

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<sup>68</sup> In this sub-section, labor market data come from the Local Area Unemployment Statistics program for Calendar Year 2007 through 2010. Demographic estimates come from the American Community Survey Five-year Estimates for 2005 through 2009. The five-year estimates are used as they are the only ones with values for every county.

population averaged 30.3 percent between 2005 and 2009, while an average of 75.1 percent of the adult population lacked a postsecondary degree. Over the same period, the poverty rate averaged 18.6 percent. And, the levels recorded for all these indicators in the six rural categories contained in the RUCC classification system were quite similar.

**Table 4-1: Selected Socioeconomic Indicators, North Carolina Counties, by County Type and Geographic Classification, Late 2000s**

Rural-Urban Continuum		Socioeconomic Indicators					
County Type	County Data		Average unemployment rate (2007-10)	Peak percentage point rise in unemployment rate (2007-10)	Percent of population below federal poverty level (2005-09)	Percent of population that is non-white (2005-09)	Percent of adult population (ages 25+) without a postsecondary degree (2005-09)
	Representative counties	Number of counties					
In metro with pop. of 1 + million.....	Mecklenburg, Gaston	6	8.3	8.0	12.7	26.7	70.7
In metro with pop. of 250,000 to 1 million.....	Buncombe, Durham	27	7.8	7.1	14.4	22.1	68.9
In metro with pop. under 250,000.....	Nash, Pitt	7	8.6	6.9	18.6	40.8	73.4
Non-metro: urban pop. of 20,000+ and adjacent to metro.....	Hamett, Rutherford	17	9.4	7.9	18.6	30.3	75.1
Non-metro: urban pop. of 20,000+ and non-adjacent to metro.....	Craven, Dare	2	7.6	8.2	12.2	17.7	64.8
Non-metro: urban pop. of 2,500-19,999 and adjacent to metro.....	McDowell, Sampson	15	8.5	7.4	20.1	28.6	75.0
Non-metro: urban pop. of 2,500-19,999 and non-adjacent to metro.....	Hertford, Madison	5	8.2	5.7	19.7	41.0	75.7
Non-metro: rural pop. under 2,500 and adjacent to metro.....	Caswell, Warren	9	8.0	6.7	17.6	26.9	75.4
Non-metro: rural of pop. under 2,500 and non-adjacent to metro.....	Graham, Tyrell	12	8.9	7.7	19.0	25.6	78.5

SOURCES: Economic Research Service, U.S. Department of Agriculture; Employment Service, Employment Security Commission of North Carolina

Although labor market conditions and socioeconomic characteristics generally were more favorable in metropolitan areas than in rural ones, one group of counties diverged from the pattern. Specifically, seven metro counties with populations below 250,000—all but one of which belong to the small eastern metros of Rocky Mount, Greenville, Goldsboro, and Jacksonville—more closely resembled the state’s rural counties than its larger metro ones.

Interestingly, despite what the labor market and socioeconomic data suggest, every interviewed stakeholder disagreed with the idea that the rural labor force somehow is inherently harder to serve. Of greater concern, at least among the three respondents who manage rural offices, was the relative lack of jobs in which to place customers. Said one local ES manager from eastern North Carolina, “The only thing I can say is that we need more jobs coming into rural areas. We need more economic development and jobs for us to work with.”

Every respondent also expressed concern about the cumulative effect of the last two recessions. The 2001 recession fell especially hard on rural communities and displaced numerous rural workers from traditional manufacturing industries. Unfortunately, the recovery from that recession was slow, and the onset of the Great Recession displaced a new set of

workers drawn from broader sets of industries and occupations. Explained one local ES manager from eastern North Carolina:

*From my perspective, the main difference [between the two recessions] is duration. The duration of unemployment is getting to the point where it is just—and I don't even know what terminology to put on it—when a person starts a [UI] claim it is almost understood that this thing is going to go for a year or more. Of course, there are jobs you can place some folks on, but for the most part, this recession has hit the educated and some of the more technical jobs that 2000 did not touch.*

Added another local ES manager about changes in the composition of clients being served in eastern North Carolina:

*We are seeing more people with different education levels coming in. All different kinds of people are being laid off right now, all kinds of people with good work experience. We get some good quality applicants coming in as a result. Some of them have been working all their lives, and now they are getting laid off through no fault of their own. Our applicant pool—the quality of it, I say—has increased.*

#### *Individuals Establish Workforce Investment System Ties through the ES*

The mission of the ES is to provide free labor exchange services to all interested job seekers and employers, and the program model revolves around the provision of high-volume, low-cost services. Other parts of the public workforce investment system, notably the training programs supported by the WIA, have focused on improving the skills and qualifications of individual workers. To appreciate the differences in program reach and intensity, consider how WIA adult, dislocated worker, and youth programs in North Carolina enrolled 30,172 participants in PY 2009 (0.7 percent of the civilian labor force), while the ES registered 733,338 job seekers (16.1 percent of the labor force).<sup>69</sup>

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<sup>69</sup> Note that people can be cross-enrolled in programs. Employment Service and North Carolina Department of Commerce. 2010. *North Carolina Workforce Investment Act Annual Report: Program Year 2009*. Raleigh, NC: Author, p. 230. Retrieved on February 5, 2011. [http://www.nccommerce.com/NR/rdonlyres/4E959008-E26C-435D-B1F9-EE1DEA393257/0/PY2009AnnualReport\\_v2Web.pdf](http://www.nccommerce.com/NR/rdonlyres/4E959008-E26C-435D-B1F9-EE1DEA393257/0/PY2009AnnualReport_v2Web.pdf).

The ES is the part of North Carolina’s workforce investment system with which the most individuals interact. Table 4-2 summarizes the reach of the ES by county type during the Great Recession. When viewed through either of the two spatial classification systems used in this report, the ES reached a much higher share of the rural labor force. Between 2007 and 2010, the ES registered an average of 619,609 individuals, of whom 35 percent were rural residents. And, when viewed as a share of the average annual labor force, the registration patterns fell along a clear gradient. The CBSA framework revealed that an average of 12.4 of the metro labor force was registered with the ES; the share rose to 16.3 percent in micropolitan areas and 17.6 percent in rural counties. The RUCC framework revealed a similar, if more nuanced, pattern. Program reach was not just greater in rural areas than in metro ones, but it also generally rose as counties became less populous and less metropolitan.

**Table 4-2: Selected Program Registration Data, North Carolina Employment Service, by County Type and Geographic Classification, Calendar Years 2007-2010**

Metropolitan, Micropolitan, and Non-Metropolitan							
County Type	County Data		Registration Data				
	Representative counties	Number of counties	Total number of registrants	Percent claiming unemployment insurance	Average annual number of registrants	Average annual size of labor force	Average annual number of registrants as a percentage of average annual labor force
Metropolitan.....	Forsyth, Wayne	40	1,607,552	18.7	401,888	3,228,802	12.4
Non-Metropolitan		†	870,885	15.5	217,721	1,305,285	16.7
Micropolitan.....	Jackson, Robeson	30	608,107	16.5	152,027	933,085	16.3
Other non-metro (rural).....	Polk, Washington	30	262,778	13.2	65,695	372,220	17.6
North Carolina.....		†	2,478,437	17.6	619,609	4,534,087	13.7

Rural-Urban Continuum							
County Type	County Data		Registration Data				
	Representative Counties	Number of Counties	Total number of registrants	Percent claiming unemployment insurance	Average annual number of registrants	Average annual size of labor force	Average annual number of registrants as a percentage of average annual labor force
In metro with pop. of 1 + million.....	Mecklenburg, Gaston	6	379,941	21.4	94,985	757,749	12.5
In metro with pop. of 250,000 to 1 million.....	Buncombe, Durham	27	1,026,885	18.1	256,716	2,124,620	12.1
In metro with pop. under 250,000.....	Nash, Pitt	7	200,746	16.3	50,187	346,433	14.5
Non-metro: urban pop. of 20,000+ and adjacent to metro.....	Hamett, Rutherford	17	470,432	17.1	117,608	716,608	16.4
Non-metro: urban pop. of 20,000+ and non-adjacent to metro.....	Craven, Dare	2	39,641	15.8	9,910	65,452	15.1
Non-metro: urban pop. of 2,500-19,999 and adjacent to metro.....	McDowell, Sampson	15	192,343	14.2	48,086	306,149	15.7
Non-metro: urban pop. of 2,500-19,999 and non-adjacent to metro.....	Hertford, Madison	5	57,418	10.2	14,355	51,426	27.9
Non-metro: rural pop. under 2,500 and adjacent to metro.....	Caswell, Warren	9	39,234	13.5	9,809	68,512	14.7
Non-metro: rural of pop. under 2,500 and non-adjacent to metro.....	Graham, Tyrell	12	56,693	13.1	14,173	77,918	18.2

† Not applicable

SOURCES: Economic Research Service, U.S. Department of Agriculture; Employment Service, Employment Security Commission of North Carolina



Another geographic difference pertained to the composition of the registrant pool. In metro areas, a much greater proportion of ES registrants were claimants of UI benefits—a population required to register with the ES as a condition of receiving insurance payments. Under the CBSA framework, UI claimants accounted for 18.7 percent of ES registrants in metro areas, 16.5 in micropolitan areas, and 13.2 percent in rural counties.

Practical limitations prevented an analysis of client flows from other workforce programs into the ES, but it does appear that the ES is the workforce program with the broadest reach. In rural areas especially, the program touches a sizable number of general job seekers. (Of course, this could result from structural factors that might prevent rural job seekers from qualifying for UI, such as insufficient earnings.) When the ES registration figures for micropolitan and non-metro counties are combined, 84.5 percent of annual rural registrants were general job seekers. Without the ES, many of those individuals likely would not have received services.

#### *Rural Residents Prefer In-Person Services*

ES policy calls for providing North Carolinians with a choice of ways for accessing services and “no wrong door” into the larger public workforce investment system. While the agency has taken strides to incorporate technology, such as remote filing for UI claims and self-service job search tools, into the program, it maintains that a local office network is needed because some residents prefer in-person services.

All five interview respondents employed directly by the ES or ESC spoke of the importance of customer choice and the continued need for in-person services in rural areas. Said one local ES manager from eastern North Carolina: “Here in this area, I can see just as much role now [for local offices] as there was 10 years ago.” The five respondents, however, offered different reasons for the continued need. For some, the driving reasons were practical ones like the digital divide or the complexity injected into the UI claims process by the Emergency Unemployment Compensation program. For others, the reasons pertained to cultural sensitivity. Explained an ES manager from western North Carolina:

*In this part of the state, it [in-person service] is a customer service option. The people here, they want to see somebody. It is still the small community [attitude of] ‘I knew your daddy, and I know you will help me.’ I think a lot of the rationale coming throughout the whole agency is a customer-service type thing.*

*Our customers would rather see us than be on the phone with someone or try to be on an automated something.*

Another manager of a rural ES office added that the availability of in-person services leads to better outcomes and higher levels of registrant satisfaction:

*From my perspective as far as the rural population, I think they prefer the personal, in-person contact because they get to visualize when they talk to someone. They get to see who [sic] they are talking to. It has been my experience that even when a person gets a 'no,' they actually feel like they have gotten some form of service because they have been in a conversation.*

The three stakeholders external to the ES and ESC looked more critically at claims about customer service and in-person services. Two concerns common to the three respondents were whether it was feasible to maintain the current level of in-person services in light of probable budget reductions and whether the current model was guided by any kind of overarching strategy. Wondered one interview respondent who works with both the ES and the JobLink Career Centers:

*I think we are going to have to take a more serious look at how many there are. Are there too many? Can they be more strategically placed where they still serve a population and a geography? Instead of there being two or three [offices], there may be one, if it is located strategically. I still think the ES might need to look at that, particularly as it might relate to the One-Stop system.... I just think the statewide presence could be smaller and more strategic.*

Unfortunately, it was difficult to assemble quantitative information to test definitively the claim that rural residents prefer in-person services. That was due partly to the research methodology and its focus on the ES as an institution rather than on the perspectives of individual registrants; for that, a survey methodology would have been more appropriate. Additionally, as mentioned in Chapter 2, the common performance measures required by WIA are not suited for the kinds of short-term job matching services that state labor exchanges provide. And, the accuracy of service data has declined as automated, self-service job matching technologies have become more common. An added complication is that administrative data compiled by the ES cannot easily be disaggregated by the means used to access services.

Another reason why rural job seekers may prefer in-person services may be because the ES local office network is disproportionately represented in rural places. At the statewide level, North Carolina operates one local ES offices for every 100,000 members of the labor force. In metro North Carolina, the ratio is 0.6, but in non-metro North Carolina, the ratio is 1.8. These discrepancies likely result from deliberate policy choices and the fact that it is difficult for a bricks-and-mortar infrastructure to shift as rapidly as can the labor force. The favorable service ratio may make the use of local offices more appealing to rural job seekers than metro ones, who may confront longer waiting times and receive less personalized attention.

At a minimum, it is fair to say that rural residents are more apt than metro ones to register with the ES and take advantage of its services. Given the cultural and practical issues raised in the stakeholder interviews and the fact that many ES services are provided within the local office setting, it is reasonable to conclude that rural job seekers take advantage of in-person services. That is not, however, the same as concluding that rural job seekers prefer in-person services; additional research focused on customer preferences would be needed to support that idea.

#### *Local Offices Boost Enrollments in, and Ties to, the Workforce System*

Every policymaker, local office staff member, and workforce investment system partner interviewed for this project said that the ES and its local offices have the potential to serve as “doorways” into the larger workforce development system. When asked if he agreed with that idea, for instance, one local ES manager said, “I do, and I think it works both ways. In other words if I go to the JobLink [Career Center] first, it also opens the door to us.” On one level, the unanimity of responses is impressive, as it shows an acceptance of the basic One-Stop service philosophy and the potential of the ES, but beneath the surface lies a more complicated reality—a reality that calls into question just how well connected various workforce investment programs in North Carolina are. The three stakeholders external to the ES and ESC felt that the degree of interconnectedness among programs varied greatly and that more could be done to create “workforce centers” that provide a broader array of services, including social services. Stakeholders connected to the ES and ESC, in contrast, emphasized labor exchange services and employer engagement. Differences in attitude also appear to exist between local offices that host JobLink Career Centers and those that do not.

Table 4-3 suggests weaknesses in ability of the ES to connect registrants to other workforce services. Between 2007 and 2010, the average annual number of placements into allied training (WIA- and state-funded) as a share of the average annual labor force equaled just 0.07 percent, or an average of 3,174 placements per year. Placement rates were higher in non-metro counties than in metro ones, but in no category of counties—at least as defined by the RUCC framework—did the annual average share of placements into training exceed 0.12 percent. What makes the small placement share surprising, at least in rural areas, is the relative need of the rural workforce and the fact that the Great Recession has been a time when the barriers to training were lower than normal. The dearth of job opportunities has reduced the opportunity costs associated with training, while ARRA boosted North Carolina’s WIA funding.

**Table 4-3: Selected Indicators of Reach of North Carolina Employment Service, by County Type and Geographic Classification, Calendar Years 2007-2010**

Metropolitan, Micropolitan, and Non-Metropolitan							
County Type	County Data		Program Reach				
	Representative counties	Number of counties	Average annual number of registrants as a percentage of average annual labor force	Average annual number of job referrals as a percentage of average annual labor force	Average annual number of job placements as a percentage of average annual labor force	Average annual number of training placements as a percentage of average annual labor force 1	
Metropolitan.....	Forsyth, Wayne	40	12.4	5.8	0.7	0.06	
Non-Metropolitan		†	60	16.7	10.8	1.5	0.11
Micropolitan.....	Jackson, Robeson	30	16.3	10.5	1.3	0.11	
Other non-metro (rural).....	Polk, Washington	30	17.6	11.7	1.8	0.08	
North Carolina.....		†	100	13.7	7.1	0.9	0.07

Rural-Urban Continuum						
County Type	County Data		Program Reach			
	Representative Counties	Number of Counties	Average annual number of registrants as share of average annual labor force	Average annual number of job referrals as share of average annual labor force	Average annual number of job placements as share of average annual labor force	Average annual number of training placements as share of average annual labor force 1
In metro with pop. of 1 + million.....	Mecklenburg, Gaston	6	12.5	4.3	0.4	0.06
In metro with pop. of 250,000 to 1 million.....	Buncombe, Durham	27	12.1	5.9	0.7	0.07
In metro with pop. under 250,000.....	Nash, Pitt	7	14.5	7.9	1.1	0.05
Non-metro: urban pop. of 20,000+ and adjacent to metro.....	Harnett, Rutherford	17	16.4	10.2	1.4	0.12
Non-metro: urban pop. of 20,000+ and non-adjacent to metro.....	Craven, Dare	2	15.1	8.7	0.7	0.06
Non-metro: urban pop. of 2,500-19,999 and adjacent to metro.....	McDowell, Sampson	15	15.7	11.4	1.8	0.09
Non-metro: urban pop. of 2,500-19,999 and non-adjacent to metro.....	Hertford, Madison	5	27.9	13.9	1.5	0.08
Non-metro: rural pop. under 2,500 and adjacent to metro.....	Caswell, Warren	9	14.7	8.3	1.0	0.07
Non-metro: rural of pop. under 2,500 and non-adjacent to metro.....	Graham, Tyrell	12	18.2	12.3	1.6	0.05

† Not applicable

1 Values are carried to two decimal places to prevent all values from rounding to 0.1.

SOURCES: Economic Research Service, U.S. Department of Agriculture; Employment Service, Employment Security Commission of North Carolina

To be fair, training placements is a limited measure because the enrollment decision normally rests with another program. Yet broadening the scope to training referrals also suggests a modest performance. A review of PY 2008 data from the state's Common Follow-Up System—a review limited for practical reasons to initial claimants of UI—found that the ESC provided 365,990 new UI claimants with 651,654 service referrals.<sup>70</sup> Some 56 percent of the referrals were mandatory ones to the ES. Of the 285,766 remaining referrals, 51.2 percent were to WIA, 23.6 percent to the community colleges, and the rest to other programs like vocational rehabilitation. The combined total of WIA and two-year college referrals equaled just 4.7 percent of the civilian labor force.

#### *Local ES Offices Compensate for “Thin” Workforce Networks*

By facilitating matches between job seekers and firms seeking employees, the ES serves as a kind of labor market intermediary capable of reducing inefficiencies in the job search process and addressing characteristics that prevent some individuals from accessing a full range of job opportunities.

The ES is not the only labor market intermediary active in North Carolina. Private staffing companies, for-profit job boards, community-based workforce development organizations, union-sponsored training programs, two-year colleges, and local public workforce agencies—all of these organizations and more may function as intermediaries. When it comes to for-profit and nonprofit intermediaries, however, practical reasons often lead such entities to concentrate their efforts in metropolitan areas where there are deep pools of job seekers and jobs. Rural areas, in contrast, receive less interest, which is a reason why proponents of the ES claim that local offices are necessary in rural areas. The ES is needed in rural areas, so the argument runs, to compensate for otherwise thin networks of labor force intermediaries.

That position is hard to assess quantitatively because there is no fixed definition of a labor force intermediary. Each two-year college arguable is an intermediary, as is each local workforce investment board; seen that way, every geographic region in North Carolina has access to two intermediary organizations, at least. A more nuanced definition, however, would yield different results.

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<sup>70</sup> Employment Security Commission. 2011. Special tabulation of data from the Common Follow-Up System.

A 2008 study sponsored by the North Carolina Rural Economic Development Center attempted to identify how many “demand-driven” workforce development projects are underway in the state. The Rural Center defined demand-drive development workforce development as “a project or activity that 1) supports jobs that economic data show to be in demand or are targeted by an economic and workforce development entity; and 2) address the needs of more than a single employer.”<sup>71</sup> (At a broad level, this concept resembles the sectoral model of workforce development). The study identified 70 projects, of which almost 90 percent were active in at least one rural county, based, albeit, on a rather liberal definition of “rural.”

One way to gauge the number of private-sector labor market intermediaries active in North Carolina is by looking at the number of business establishments providing employer services (NAICS code 5613) active in the state. According to the 2007 Economic Census, North Carolina contained 1,626 such establishments, of which 1,062 mainly provided temporary help services. Those establishments, in turn, were concentrated in 43 counties, of which 19 were nonmetropolitan or micropolitan in nature. Altogether, 82.6 percent of all establishments in the employer services industry were based in metro North Carolina. Such businesses, of course, may serve rural companies and workers, just as businesses outside of the state may provide employment services to workers and firms in rural North Carolina.

Although hardly conclusive evidence, these data suggests that the networks of labor market intermediaries are thinner in rural North Carolina—a point echoed in the three interviews with local ES managers. Explained one ES manager who oversees a region that contains urbanized and rural areas, “In the rural parts, having a centrally located ESC office delivering UI and Wagner-Peyser and free labor exchange is essential, or you are putting those folks out there on their own.” Similarly, a second local ES manager in eastern North Carolina observed:

*Here, we only have right now one temp[orary] agency permanently stationed here, and we have a few from neighboring towns that come in from time to time, off and on, but you are right about that. We’ve got a gap to fill that gap .... A lot of people know this [local ES office] as the place to come to for jobs and for filing their [UI] claims: the ‘go-to’ place, in other words.*

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<sup>71</sup> C.D. Liston Consulting. 2009. *Demand-Driven Workforce Development in North Carolina: Findings and SWOT Analysis from an Environmental Scan*. Raleigh, NC: N.C. Rural Economic Development Center.

## Regression Analysis

While the analysis of administrative data found that the reach of the ES program was greater in rural counties than in metro ones, the approach does not separate out the underlying factors that may drive changes in service usage. For example, a higher share of the rural workforce might register with the ES because the ES network is well represented in rural places. Similarly, the composition of local labor forces may differ across regions, just as some communities may have several providers of employment services while others only have the ES.

To untangle those factors, a simple multivariate regression analysis was constructed. The dependent variable was program reach, or a county's annual average share of ES registrants as a share of the annual average labor force during the period 2007 through 2010. The explanatory variables, meanwhile, were selected to represent five factors: workforce characteristics, ES service availability, alternative service presence, economic conditions, and geographic traits.

The assumption undergirding the model was that program reach in a community is intertwined with multiple factors. For example, previous research has found that individuals with certain demographic characteristics—such as being non-white, earning low wages, or having lower levels of formal education—are more apt to use the ES than other kinds of workers.<sup>72</sup> Similarly, an individual's willingness to use the ES depends in part on the availability of ES in a community and the availability of other services, such as private staffing firms. Business cycle characteristics also drive demand for ES services, with usage rising during periods of high unemployment. And, place-based factors, like proximity to larger labor markets, also may play a role in the demand for ES services.

To measure those dynamics, a set of 11 explanatory variables was assembled. County-level demographic information came from the American Community Survey (two variables), employment and wage information from the Labor Market Information Division of the ESC (three variables), information on the availability of workforce services from Census 2000 and the 2007 Economic Census (two variables), and geographic information from the RUCC (a set of four dummy variables). Appendix 4 describes the variables in more depth.

The regression test involved the full set of explanatory variables for all 100 North Carolina counties. When a county's annual average number of ES registrants as a share of the average annual labor force was regressed onto the 11 explanatory variables, three proved

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<sup>72</sup> Eberts and Holzer, pp. 18-24.

significant at the 0.05 level: the average unemployment rate, the share of the adult workforce without a postsecondary degree, and status as an urban county not adjacent to a metro area. Put differently, program reach was significantly greater in a group of seven counties (all in eastern North Carolina) that possess an urbanized community yet are not adjacent to a metro area than in metro counties. Additionally, the share of the workforce registered with the ES rose as the unemployment rate and share of the population without a postsecondary degree increased. No other variable in the model proved statistically significant at either the 0.05 or 0.10 levels. (Appendix 4 shows the detailed results.)

In many ways, the regression calculation described above is illustrative rather than definitive; more refinement of the model is needed. Nor does the model show that, controlling for other factors, the existence of local ES offices necessarily causes higher levels of program use. That said, the reach of the ES does appear to be greater than expected in certain counties that are not adjacent to metro areas and in places with higher levels of joblessness and adult workforces with comparatively low levels of formal educational attainment.

### Pulling the Strands Together

Altogether, the research documents the existence of a clear service model within North Carolina's ES. The qualitative research shows that the agency and its parent, the ESC, made a clear choice in the early 2000s to maintain a traditional, state-led ES structure that works closely with the UI program and emphasizes labor exchange services. Furthermore, a conscious decision was made to preserve a network of local offices due to their perceived benefits in rural communities. A review of administrative data for the period spanning 2007 and 2010, meanwhile, reveals usage trends consistent with that model, yet the high levels of program reach in rural communities do not necessarily appear to be caused by the existence of a local office network. While local offices indeed are reaching many workers who are facing employment difficulties and who might not otherwise have access to either publicly-funded or privately-funded workforce services, questions exist as to the degree to which the ES is integrated with other components of the public workforce investment system.



## Chapter 5: Program Recommendations

In light of this study's research findings, public workforce investment system leaders should consider the four programmatic recommendations discussed below. These recommendations are addressed to the ES; to its parent agency, the ESC; to the North Carolina Commission on Workforce Development; and to the Employment and Training Administration (ETA). Implementing such steps would benefit rural places, enhance the organizational effectiveness of the ES, and strengthen North Carolina's public workforce investment system.

Most of the recommendations are directed to the ES but cannot be implemented by it alone. For meaningful improvements to occur, the ES must engage the other parts of the workforce investment system. Acting in isolation will not alter the fuzzy perceptions of the ES possessed by workforce partners or reposition the larger workforce investment system to address the employment challenges caused by the Great Recession.

### **Recommendation 1: The ES and ESC should study the current arrangement of the local office network and consider whether it currently is over-represented in rural areas.**

North Carolina's ES helps guarantee equal access to workforce services in rural communities. Although service parity is an important goal, the ES and its parent agency should reassess the current size and scope of the local office network to ensure that service availability is balanced between metropolitan and non-metropolitan places.

In its current configuration, the ES may be overrepresented in rural areas. As mentioned previously, North Carolina operates one local ES offices for every 100,000 members of the labor force. In metro North Carolina, the ratio is 0.6, but in non-metro North Carolina, the ratio equals 1.8. Yet the bulk of the state's labor force and the majority of its jobs are found in metro areas. Logical reasons may exist for the current allocation of resources; for example, rural areas may lack alternative private and nonprofit sources of labor exchange services. At the same time, the current distribution of local offices might be a historical remnant, as bricks-and-mortar infrastructure is unable to evolve as rapidly as an economy or a labor force. The ES therefore must periodically revisit its physical footprint to see if it is suited to current conditions.

Such a reassessment, however, should not be interpreted as a call for the ES simply to close rural offices and open new metropolitan ones in their place; rather, the emphasis should be on rightsizing the network and delivering services where needed. That might involve opening

offices, or it could involve exploring alternate ways of providing labor exchange services, such as blending in-person and remote services, co-locating access points, and collaborating with unusual partners like public libraries and community-based organizations. While the service options may vary, the aim should be to provide access to services that meet the needs of job seekers and employers in a financially responsible manner.

**Recommendation 2: The ES and ESC should favor a regional approach to rural service delivery over a “one-size-fits-all” rural service strategy.**

In many of the stakeholder interviews, respondents discussed “rural” or “non-metropolitan” North Carolina in a uniform way. The quantitative analysis, however, showed that economic conditions and the reach of the ES varies greatly among rural counties—a point that the three interview respondents external to the ES and ESC all noted emphatically. When viewed through the RUCC lens, for instance, the ES registered the highest share of the labor force in a group of 17 small counties not adjacent to metro areas, followed by slightly more populous counties adjacent to metro areas.

Such patterns suggest that the ES should consider adopting service strategies in rural communities centered on regions rather than on local office areas. For example, program reach was high in many micropolitan counties adjacent to larger metro areas. Because job seekers in such places likely travel to the larger metro for work, it may be sensible for local offices to partner across service lines instead of having each office in a region attempt to provide a full set of services. Pooling of resources might free up staff time in the offices outside of a given metro area and allow those employees to devote more time to targeted in-person services, employer cultivation, and labor matching.

**Recommendation 3: The ES and ESC should better and more consistently tap the potential of local offices to function as “labor market intermediaries.”**

The ES clearly possesses the potential to serve as a strong labor market intermediary in general and as a workforce intermediary in particular. This is especially true in rural communities. Besides serving a sizable share of the rural workforce, the ES enjoys ties to the employer community and the larger public workforce investment system. Not only can the ES help employers manager their human resource issues, but it also can help shape employer

preferences and open the door to disadvantaged job seekers who otherwise might not be given a chance. Yet while such practices doubtlessly occur at the local level, it is unclear if the ES as a whole envisions itself as an intermediary.

To tap that potential, the ES should consider how it could achieve the three goals of “ladders, scale, and impact on the demand side.”<sup>73</sup> By enhancing its connections to the larger workforce investment system, the ES can help launch registrants with employment and skill needs down a path that integrates educational and career advancement.

**Recommendation 4: In conjunction with workforce partners, the ES should work to improve links between rural offices and education and training programs, and to raise placement rates.**

Somewhat contrary to national trends, North Carolina chose to preserve a traditional ES structure within the new One-Stop service environment mandated by WIA. The agency clearly believes that labor exchange services matter and that, as one policymaker said, “Every job [does] not require training, and if the training component was required, it could be done while you were working.” He elaborated further: “[T]he key to job training is the job.”

On a practical level, the stress on job placement is a worthy one because few jobless individuals can afford to be without work for any length of time. Nevertheless, North Carolina is home to many working-age individuals who suffer from significant skill and educational deficiencies and who could benefit from training. Yet, the ES appears to place relatively few applicants into training. Between 2007 and 2010 the average annual number of placements into training (WIA- and state-funded) as a share of the average annual labor force equaled 0.07 percent.

What makes the small placement share surprising, apart from the relative need, is that the Great Recession has been a period when the barriers to training are lower than normal. The dearth of job opportunities lowered the opportunity costs associated with training and the ARRA provided North Carolina with an additional \$80 million in funding for WIA Title I programs.

While ES stakeholders stress the program’s roles as a provider of labor exchange services and UI partner, the ES operates within a larger One-Stop delivery framework—a framework that

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<sup>73</sup> Osterman, Paul. 2007. “Employment and Training Policies: New Directions for Less-Skilled Adults.” In *Reshaping the American Workforce in a Changing Economy*, Harry Holzer and Demetra Smith Nightingale, eds. Washington, DC: Urban Institute, pp. 119-154 (142).

privileges workforce training. Given the relatively small share of ES training placements, the organization should revisit its training-related practices and determine if the current placement levels are appropriate, or if the ES is failing to make full use of allied programs capable of benefiting working-age North Carolina with skill needs. Such a review should occur in conjunction with the WIA system and could result in the establishment of new performance measures and/or placement goals.

## **Chapter 6: Avenues for Future Inquiry**

Although this research project focused exclusively on North Carolina, the methodology is replicable. Other states, particularly those with sizable rural populations, may benefit from viewing their rural areas through a similar lens, adjusting, of course, for differences in system organization. The research also raises avenues for future national research that ETA might wish to pursue. Finally, the study identified two areas that, while not directly applicable to the central research question, are worthy of additional consideration on the part of North Carolina's ES and its larger public workforce investment system.

### Avenues for Other States

For other states, replication of the kind of analysis found in this study may prove beneficial for reasons of service provision and system change. In terms of service provision, such an analysis should enable states to develop a better appreciation of the reach of their public labor exchange services and the degree to which they interact with other components of state workforce investment systems. Furthermore, given that labor markets are apt to remain weak for the foreseeable future, a nuanced understanding of actual usage patterns in rural communities may enable states to respond in a more sophisticated manner to the ongoing labor market problems stemming from the Great Recession. An awareness of actual service usage patterns should help states select where to place any funding they may elect to provide as supplements to Federal funding streams.

From a systems standpoint, states face three upcoming events that will require them to revisit aspects of their public workforce investment systems. First, the results of the 2010 Census should reveal shifts in the rural-urban composition of many state labor forces, and that information will provide states with an opportunity to reassess the geographic footprint of their labor exchanges and One-Stop Career Centers. Second, tight budget conditions will require states to husband workforce development resources more carefully and deploy funds more strategically; such decisions, however, only can occur on the basis of careful analysis of service usage and needs. Finally, the eventual renewal or revision of national workforce investment legislation will require states to rethink their past choices about the appropriate relationship between labor exchanges and allied workforce services and implement any changes needed to satisfy new requirements required by legislation or implementing regulations.

### Avenues for ETA

The research described in this report also suggests several potential avenues of inquiry for ETA. At a minimum, the North Carolina experience suggests that well-managed labor exchange services can reach a sizable share of the workforce, particularly in areas with weak labor markets. Without the ES, after all, far fewer North Carolinians would receive any form of Federally-funded workforce services. More detailed study of the exact relationship between labor exchange and WIA services, for instance, could yield insights into effective ways of aligning more closely the two services within a One-Stop framework. In that way, additional research into state-level differences in the organization of labor exchange services could help address programmatic gaps that have troubled the workforce investment system since 1998.

Similarly, ETA could explore how ES registrants move through the public workforce investment system and compare the services received and outcomes to individuals who enter through another program like WIA. In North Carolina at least, the ES has the potential to serve as a door into the larger workforce investment system, but questions exist regarding the extent to which that actually happens. A related avenue of research would be to compare employment outcomes, including the quality of jobs secured, for individuals who receive only labor exchange services to those of individuals who receive a mix of ES and related services, as well as to those who receive workforce services other than labor exchange ones.

Lastly, the North Carolina experience points to the continued relevance of labor exchange services and traditional models of service delivery to current economic conditions. Comparative research into the effectiveness of different forms of service organizations might offer perspectives into the optimal delivery of labor exchange services. In the same way, consideration of the degree to which state labor exchanges actually function as labor market intermediaries might help states better tap that potential.

### Avenues for North Carolina

A recurring theme in the semi-structured interviews conducted for this project was uncertainty about the actual role being played by local ES offices. In fact, six of the nine interview subjects expressed some version of this response. Said one workforce system partner: “I think the quality of [local offices] is uneven and difficult to assess.” Noted a second

workforce system partner, “I think that is one of the problems with our whole system: there is no consistency of mission or process.”

This is not to say that the ES lacks performance data. Each month the ES issues a detailed activities report, and key measures are incorporated into the ESC’s monthly agency report. The problem is that the information focuses on service totals rather than on program reach or effectiveness. Simply reporting the number of registrants or job referrals in a month or year is insufficient to provide workforce partners, policymakers, and the public with a clear sense of the effectiveness of, or value added by, the ES. As Chapter 4 showed, the ES is serving large numbers of individuals with the greatest reach occurring in some communities suffering from weak labor market conditions, but the program’s efforts are not perceived. Calling attention to measures of program reach—measures that can be constructed entirely from data the ES already collects—would create a stronger, more rational basis for programmatic choices. The ability to demonstrate such returns will likely become more important if the ES is to justify sustained public investments during an era of budget austerity.

Another issue that North Carolina should consider is defining clearly the role of the ES and labor exchange services within the larger public workforce investment system. In response to the One-Stop service delivery framework mandated by WIA, some states deemphasized labor exchange services, shifted control to the local level, relaxed the UI work test, switched to automated service delivery, and closed local offices. North Carolina, however, attempted to implement WIA in a way that would maintain a prominent role for labor exchange services, and as a result, the ES and labor exchange services were left betwixt and between. The kinds of high-volume, low-cost services that the ES provides were needed to ensure universal service availability, yet labor exchange functions were somewhat isolated from the targeted training strategies that are the hallmark of WIA. In North Carolina, this tension has not been resolved.

Going forward, the North Carolina Commission on Workforce Development should better articulate its vision of the role of labor exchange services in the state and establish expectations about the relationships among different aspects of the state’s public workforce investment system. One opportunity to raise such questions will come in late 2011 when the commission releases its newest *State of the Workforce Report*, and another will come when the commission launches its strategic planning process for the period 2012 through 2014.

## **Conclusion**

This paper explored the role that the local office network of the North Carolina State Employment Service has played in rural communities so far during the Great Recession. Early in the 2000s, North Carolina opted to maintain a traditional ES able to provide services through a network of 90 local offices. Policymakers argued that local offices were needed to ensure equal access to public workforce services in rural communities.

While serving as a rationale for state funding, hypotheses about the importance of local ES offices in rural places never have undergone independent scrutiny. The Great Recession, however, has provided an opportunity to test North Carolina's service model against actual usage patterns. To that end, this study broke the argument in support of a local office network into six distinct hypotheses and subjected each one to quantitative and qualitative examination.

Altogether, the research documents the existence of a clear service model within North Carolina's ES. The qualitative research shows that the agency and its parent, the ESC, made a clear choice in the early 2000s to maintain a traditional, state-led ES structure that works closely with the UI program and emphasizes labor exchange services. Furthermore, a conscious decision was made to preserve a network of local offices due to their perceived benefits in rural communities. A review of administrative data for the period spanning 2007 and 2010, meanwhile, reveals usage trends consistent with that model, yet the high levels of program reach in rural communities do not necessarily appear to be caused by the existence of a local office network. While local offices indeed are reaching many workers who are facing employment difficulties and who might not otherwise have access to either publicly-funded or privately-funded workforce services, questions exist as to the degree to which the ES is integrated with other components of the public workforce investment system.

Although this research focused solely on North Carolina, the analysis is replicable. Other states, particularly those with sizable rural populations, may benefit from adopting a similar perspective. Such consideration may prove timely as state workforce investment systems attempt to address the consequences of the recession, shifts in the rural-urban composition of state workforces, likely funding reductions, and the possible renewal of Federal workforce investment legislation.



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## Appendix 1: List of Administrative Variables

### *Spatial Indicators*

- Metropolitan Status (OMB classification: metropolitan, micropolitan, or neither)
- Rural-Urban Status (N.C. Rural Economic Development Center classification)
- Rural-Urban Continuum Code (U.S. Department of Agriculture)
- Geographic Region (N.C. Rural Economic Development Center typology)
- Economic Development Tier (N.C. Department of Commerce typology)

### *ES Service Data*

- Registration County (county of residence for ES registrant)
- ESC Local Office (office responsible for serving county of registration)
- JobLink Career Center (office is/is not a JobLink)
- New Registrants (2007-2010)
- Renewal Registrants (2007-2010)
- Total Registrants (2007-2010)
- UI registrants as Share of All Registrants
- Job Referrals by Type (Short-term, Mid-term, Long-term)
- Local Job Placements (Short-term, Mid-term, Long-term)
- Training Placements (Federal and State)

### *Economic Data*

- Average Civilian Labor Force (2007-2010)
- Average Unemployment Rate (2007-2010)
- Peak Percentage Point Rise in Unemployment Rate (2007-2010)

### *Demographic Data*

- Average Share of Population below Federal Poverty Level (2005-2009; ACS)
- Average Share of Non-white Population (2005-2009; ACS)
- Average Share of Adult Population without Postsecondary Degree (2005-2009; ACS)
- Average Share of Adult Population with Below Basic Prose Literacy Skills (2003)

### *Program Reach*

- Average Annual Number of Program Registrants as a Share of Average Annual Labor Force (2007-2010)
- Average Annual Number of Job Referrals as a Share of Average Annual Labor Force (2007-2010)
- Average Annual Number of Nonagricultural Job Placements as a Share of Average Annual Labor Force (2007-2010)
- Average Annual Number of Training Placements as a Share of Average Annual Labor Force (2007-2010)

## Appendix 2: List of Interview Subjects

### *Category A: Policymakers*

- David Clegg, Deputy Chairman & Chief Operating Officer, Employment Security Commission of North Carolina
  - Interviewed on January 6, 2011, in Raleigh, North Carolina
- Manfred Emmrich, Director of Employment Service, Employment Security Commission of North Carolina
  - Interviewed on August 25, 2010, in Raleigh, North Carolina
- Dan Gerlach, President, Golden LEAF Foundation & Former Senior Budget Advisor to Gov. Michael Easley of North Carolina (*also relevant to Category C*)
  - Interviewed on December 2010, in Raleigh, North Carolina
- Sandra Parker-Keck, Employment Service Management Services, Employment Security Commission of North Carolina
  - Interviewed on August 25, 2010, in Raleigh, North Carolina

### *Category B: Local Office Staff*

- Tommy McKnight, Manager, ESC Local Office: Roanoke Rapids, North Carolina
  - Interviewed by telephone on December 20, 2010
- Patrick Oswalt, Manager, ESC Local Office: Washington, North Carolina
  - Interviewed by telephone on December 22, 2010
- Dale West, Manager, ESC Local Office: Franklin, North Carolina
  - Interviewed by telephone on December 15, 2010

### *Category C: Workforce Investment System Partners*

- Dr. Stephanie Deese, Director of Workforce Initiatives, North Carolina Community College System
  - Interviewed on January 6, 2011, in Raleigh, North Carolina
- Roger Shackelford, Executive Director of Workforce Development, North Carolina Department of Commerce
  - Interviewed on December 21, 2010, in Raleigh, North Carolina

### Appendix 3: Summary of Research Interviews

**Notes:** 1) *Eight* interviews occurred, but in one case the respondent asked a colleague to sit in on the interview, meaning that *nine* persons took part. Because the ninth person only supplied information requested by the main subject, those persons are treated as one interview for analytical purposes. 2) Interviewees were drawn from three categories: A) policymakers/system leaders, B) rural office service managers/staff, and C) workforce investment system partners. 3) One respondent spanned Categories A and C. He was interviewed for his work in Category A as part of a prior job, but his current position places him in Category C.

**Key:** The “A” category (A.1-A.4) denotes policymakers/stakeholder; A.1 and A.2 were interviewed jointly while A.4 is the same as C.3. The “B” category” (B.1-B.3) denotes rural office staff. The “C” category (C.1-C.3) denotes system partners; C.3 is the same person as A.4.

Issue/Hypothesis	Group A	Group B	Group C	Summary	New Considerations
<i>Network background</i> (Q. 1-3)	<p>Not surprisingly, policymakers provided the most detailed explanation of these topics given their responsibilities for formulating policies.</p> <p>The general argument was that the structure of the local office network was “not haphazard” (A.3) and was tied to a policy “that we want to give customers a choice” (A.1).</p> <p>Policymaker respondents pointed out to the various structural factors facing the agency in the early 2000:</p> <ul style="list-style-type: none"> <li>- Launch of One-Stop system (A.3)</li> <li>- Push to automate UI + flat admin. funding (A.3 + A.1)</li> </ul>	<p>Respondents noted that discussions about office closing/network reductions occurred and that a choice was made to maintain the network as far as practicable.</p> <p>Respondents were less versed than those in Group A about the details. Also, all were grateful for the policy support they received (B.2).</p> <p>Respondents also expressed pride in the quality of services provided by their offices, but noted the problems caused by uncertainty and high service demands (B.3).</p> <p>A common concern was the reduction in staffing that occurred over the years. Said one person: “Now staffing-wise we</p>	<p>System partners agreed that a deliberate choice was made in response to a mix of pressures.</p> <p>One concern raised was whether the time has come to re-evaluate the local office network in light of today’s economic, financial, and service needs and conditions. Should the choice be about how to maintain the best/most adequate ESC local office network, or should the question be to create the best local workforce network that involves all relevant partners like WIA and community colleges? (C.1)</p> <p>The issues of “turfism” and the difficulties encountered in trying to work jointly over</p>	<p>Every respondent said that the decision to maintain a local office network was a deliberate choice rooted in a distinct organizational culture and/or service deliver strategy.</p> <p>The importance of the customer service ideal was stressed by all ESC-connected respondents, especially those in the field.</p> <p>Respondents expressed, different opinions about how relevant the model may be to the future and what needs to change to respond to new realities.</p>	<p>How does the size of NC’s local office network compare to those of other states, at least in ETA Region 3?</p> <p>Is the customer service theory articulated by ESC stakeholders actually practiced, or is there a difference between the espoused theory and the theory in practice?</p> <p>The role of WIA implementation appeared consistently, and there was a real sense that the Federal government was sending mixed messages. On the one hand, there was less support for local ES offices, but on the other hand, WIA expected the creation of local services.</p>

Issue/Hypothesis	Group A	Group B	Group C	Summary	New Considerations
	<ul style="list-style-type: none"> <li>- Nature of 2001 recession (A.4)</li> <li>- Alignment of ED &amp;WD (A.3)</li> <li>- Political context (A.4)</li> </ul>	cut down to the very, very, very bottom bone” (B.3).	this period were raised (C.2).		It was noticeable how much autonomy the agency appeared to have, largely due to the trust and good reputation it had earned with public leaders.
<p><i>Rural residents as a hard- to-serve population</i> (Q.4)</p>	<p>Policymakers did not claim that rural residents were harder to serve as a class. They tended to focus on the weakness of rural labor markets, especially the phenomenon of one major employer (A.1).</p> <p>Contrasts were also drawn between the last two recessions and how the affected workers have changed. 2001 was more manufacturing-based while the current scenario is broader, not to mention longer and deeper.</p> <p>Policymakers also spoke about service demands and the system emphasis has been on UI, especially due to EUC. “We had the sheer workload brought on by the number of people out of work, by the various programs to help those folks, and by the challenges we had here to meet that. And, of course,</p>	<p>Respondents did not claim that specific qualities of rural residents made them hard to serve. Rather, respondents stressed the poor health of rural labor markets. As one said, “That is a major issue at the moment when we have nothing to send them to” (B.1).</p> <p>Some respondents noted that rural residents do face practical barriers like a lack of transportation options in rural places (B. 2) or lack of Internet access.</p> <p>Educational gaps also were raised. As one person said, “The education levels in rural areas are not quite as great as those in, say, Raleigh, Durham, Greensboro, and Charlotte” (B.2).</p> <p>All of the respondents</p>	<p>Respondents did not claim that rural residents are inherently harder to serve. Rather, they spoke about weak labor markets and relative differences in service availability.</p> <p>These respondents, however, stressed that the challenges in rural areas require a more collaborative, inter-agency approach, not just an ESC-led network or strategy. They also raised the issue of whether a one-size fits all strategy makes sense or if more innovation is needed. For instance, might services be delivered in public libraries rather than in dedicated offices (C.1 and C.3)? The issue of partnerships with nonprofits and community colleges</p>	<p>No one stated that rural workers were inherently harder to serve, but they did argue that rural workers face a different employment landscape linked to the poor state of many rural economies.</p> <p>Responding to those challenges requires a rethinking of service strategies with the issue being the degree to which that re-thinking crosses agencies or innovates.</p> <p>Another concern is how the sheer number of people served in recent years has prevented folks for thinking much beyond meeting service needs, particularly the processing of UI claims.</p> <p>On a related note, the</p>	<p>Have service trends (ES registrations and caseload levels) in rural areas stabilized?</p> <p>Have other states rethought service approaches by bringing in new partners like public libraries?</p>



Issue/Hypothesis	Group A	Group B	Group C	Summary	New Considerations
	there were no jobs for people.” (A.1).	spoke about technology and how some workers, especially older ones, lack computer skills. However, technology is becoming more important as employers shift HR online. As one said, “You can’t even get a job at McDonald’s anymore without going online; same at Food Lion or anyplace else” (B.2)  An additional concern was the sheer service volume.	also was raised.	increasing length of unemployment spells (e.g., “when a person starts a claim, it is almost understood that this thing is going to go on for a year or more” [B.2]) may require a customized service approach and different kinds of services and staff competencies (C.1).	
<i>Rural residents prefer in-person services (Q. 4-5)</i>	Those policymakers said that this choice is based on the cultural requirements of rural communities, particularly the importance of personal relationships in smaller communities. There is a belief that local staff members make their offices into service “hubs” or “pipelines” (A.2).	Local service staff agreed that many clients prefer in-person services and those one-on-one relationships are beneficial. As one person said, “They [clients] will drive however far, however many miles they need to get that personal touch” (B.1).	System partners generally agreed with the idea that many rural individuals like having some kind of “hub” or “workforce center,” but didn’t think that the ESC was the only entity that could provide those services. There could be other ways of creating those spaces.	There was a general agreement that rural residents often like in-person services, but there was some disagreement over just how best to provide those services, especially given looming financial restraints.  Also, ESC respondents tended to stress cultural issues while non-ESC respondents emphasized workforce system issues.	Local staff stressed employer relationships more than was initially expected, and they stressed the employer dimension more than did any other category.  Local staff also pointed out to the usefulness of LMI data to both workers and employers. No one else commented on this function.
<i>Individuals establish ties to system via UI (Note this primarily is</i>	N/A	Local staff provided anecdotal information that job search, not UI,	N/A	N/A	N/A

Issue/Hypothesis	Group A	Group B	Group C	Summary	New Considerations
<i>an issue for the quantitative analysis)</i>		is what brings people in, though EUC has altered that somewhat.			
<i>In-person services boost rural participation rates (Note this primarily is an issue for the quantitative analysis)</i>	N/A	N/A	N/A	N/A	N/A
<i>In-person services tie rural residents more deeply to system (Q. 5)</i>	<p>Policymakers argued that North Carolina’s decision to maintain a local network sets it apart from other states, as does the fact that ES, not a separate management division, is responsible for running that network. The availability of services in rural areas helps connect unemployed workers to jobs and other workforce services.</p> <p>In general, local offices may play a catalytic role that is needed in many rural communities (e.g., Pillowtex closing). Other groups may play this role, but regardless of who provides it, someone must do it (A.3).</p>	<p>Local service staff members in rural offices agreed with the “doorway” image, though the responses differed. The rural offices that hosted JobLinks differed from the one that did not. In some situations, it appeared that tensions existed with the WIA system; in other places, the relationships appeared less stressful.</p> <p>Nevertheless, all of the rural respondents expressed a commitment to the ideal of a workforce system that spans agency boundaries (B.2). They also added that the change in the profile of the unemployed during the recession is requiring more cooperation (B.2).</p>	<p>System partners have mixed thoughts about this issue. The general thought was that some rural offices play this role while others don’t. Unfortunately, current performance measures don’t illuminate the topic. As one respondent said, “I think the quality is uneven and difficult to assess” (C.3).</p> <p>Another concern was that the rural local offices may not be fully versed in other aspects of the workforce and therefore be able to achieve the stated “no wrong door” model (C.2).</p>	All respondents agreed that the local rural offices could serve as a “doorway” into the larger workforce system, but several were unsure how well local offices actually play that role due to a lack of good measures and strained relationships at times. Some also noted that ESC local offices are not the only possible providers of these services.	N/A
<i>Local rural offices compensate for “thin”</i>		Local service staff agreed that there are	System partners agreed with the idea of thin	Respondents agreed both that fewer	N/A

Issue/Hypothesis	Group A	Group B	Group C	Summary	New Considerations
<p><i>workforce networks</i> (Q. 6-8)</p>		<p>relative few other workforce service providers in their service areas.</p> <p>From a worker perspective, the lack of other alternatives makes local offices a kind of employment hub for the area. It also is forcing more collaboration among various parts of the public workforce system (B.1).</p> <p>On the employer side, there is a need for strengthening ties to provide good matches when jobs are available. The emphasis needs to be on “customer service and satisfaction” as well on the value added by ES services (B.3).</p> <p>A key concern was ensuring that local offices had adequate staffing to perform this mission.</p>	<p>workforce networks, but were unsure just how well local ESC offices fill those gaps. As one respondent said about several rural initiatives, “I have not noticed a lot of cases where ESC is present or visible or a force in shaping some of the decision-making” (C.3).</p> <p>System partners said that their uncertainty was due to a lack of clear performance benchmarks (C.1 and C.3).</p> <p>Several partners also wondered if local office practices, including staff training, had changed to keep pace with economic and policy changes. As one said, “I think the purposes of it ...have changed so much, and if you haven’t changed who you are and how you measure success, then you may not be operating in a framework that is current” (C.1).</p>	<p>workforce services were available in many rural places and that public systems like local offices can play a role in addressing the situation.</p> <p>There was more disagreement into just what role the offices are actually playing and whether they are equipped (e.g., performance measures, staffing) to play that role under current circumstances.</p>	

Issue/Hypothesis	Group A	Group B	Group C	Summary	New Considerations
<p>N/A <i>Network future</i> (Q. 9-11)</p>	<p>Policymakers acknowledged a need to change owing to changes in the larger economy and service needs of workers. However, they emphasized a role for job matching augmented with better counseling services. The assumption is that training is not always required for workers (A.3).</p> <p>Policymakers believe that there will always be a role for locally-based services, and the challenge is making local offices more of a “clearinghouse” for workers and employers (A.3).</p> <p>Specific issues of concern include staffing and better use of IT, such as the new Jobs Connector site(A.1).</p> <p>Lastly, there is an interest in finding how best to blend automated and in-person services. This recognizes customer preferences and the fact that the agency can’t serve everyone in-person. The challenge is to do so in a way that leaves no one behind (A.3).</p>	<p>All local respondents stressed the need to maintain in-person services in some form. They also agreed that there is a need to integrate automated and in-person service in a “both/and” manner.</p> <p>When it came to specific changes, local staff emphasized better use of technology (e.g., moving away from old mainframe systems) and maintaining adequate staffing levels.</p> <p>In general, local staff were proud of their accomplishments in serving clients during the recession, and their interest was in preserving that capacity going forward.</p>	<p>System partners generally felt that the recession should force a rethinking of the public workforce system as an entire system rather than as a collection of individual parts (C.1).</p> <p>Suggested areas of improvement include information technology, staff training, performance measures, system branding, process improvements, and increased demand-side focus (C.1, C.2, and C.3).</p> <p>Also, some partners questioned the usefulness of a pure job matching strategy in the future and are interested in better integrating training, counseling, economic development, and even social service functions.</p> <p>Lastly, some partners asked if a physical office network in the sense of independent offices was still needed</p>	<p>While recognizing both the severity of the current downturn and importance of local services, respondents differed on what changes were needed.</p> <p>System partners were more interested in larger reforms that approach the workforce systems as a system. ESC stakeholders seemed more interested in improving the system while remaining within the broad contours of the current configuration.</p> <p>Local offices, meanwhile, voiced fewer universal concerns and appeared interested in maintaining their current service levels and resource bases.</p>	

<b>Issue/Hypothesis</b>	<b>Group A</b>	<b>Group B</b>	<b>Group C</b>	<b>Summary</b>	<b>New Considerations</b>
			or if more functions could be co-located.		

## Appendix 4: Regression Variables and Results

### Regression Variables

#### *Dependent Variable*

- Average annual number of Employment Service registrants as a share of average annual labor force, 2007-2010
  - *Sources:* Employment Service and Labor Market Information Division, Employment Security Commission of North Carolina

#### *Explanatory Variables*

- Category 1: Workforce Characteristics
  - Average share of adult population without a postsecondary degree, 2005-2009
    - *Source:* American Community Survey, 5-year Estimates
  - Average share of non-white population, 2005-2009
    - *Source:* American Community Survey, 5-year Estimates
  - Average weekly wage as share of statewide average, 2007
    - *Source:* Labor Market Information Division, Employment Security Commission of North Carolina
- Category 2: Availability of ES Services
  - Population density, 2000
    - *Source:* Census 2000, U.S. Census Bureau
- Category 3: Availability of Alternative Services
  - Number of private business establishments providing employment services (NAICS :5613), 2007
    - *Source:* 2007 Economic Census, U.S. Census Bureau
- Category 4: Business Cycle Variables
  - Average unemployment rate, 2007-2010
    - *Source:* Labor Market Information Division, Employment Security Commission of North Carolina
  - Percentage change in size of civilian labor force, 2007-2010
    - *Source:* Labor Market Information Division, Employment Security Commission of North Carolina
- Category 5: Geographic Variables
  - A series of four dummy variables based on the RUCC codes
    - A separate variable was coded for each of the four non-metro categories in the RUCC: urban/non-adjacent to a metro, urban/adjacent, rural/non-adjacent, and rural/adjacent
    - *Source:* Rural-Urban Continuum Codes, U.S. Department of Agriculture

