

Public Employment Offices and the Labor Market in the United States between 1890 and 1940

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Abstract

In the U.S. around the turn of the 20th century, state and local governments began to establish public employment offices. These non-profit governmental organizations match businesses and jobseekers. Their goals were to reduce search and information costs and eliminate fraudulent activities by private employment agencies in the labor exchange. This paper estimates the usage and placements for jobseekers through public employment offices in relation to the labor market conditions in order to explore the development of this labor market intermediary. It also estimates the geographical diffusion and the number of offices over time. In addition, it analyzes who used public employment offices. Finally, a theory of public employment offices is proposed to describe the situation which differs from that in today.

1. Introduction

The turn of the 20th century was a period of unfettered labor markets, worker unrest, and

Progressive Reforms.¹ Between 1890 and 1940, labor organizers and political reformers created minimum wage, labor unions, workers' compensation, social security, unemployment benefits and a wide range of similar programs (Fishback, 1998).

In the first two decades of the 20th century, in response to the cries of workers, reformers and public officials made great effort to reform the labor market by passing legislation. In the 1930s, economic crisis prompted extensive federal government control of the labor market.²

The movement of introducing public employment offices around the turn of the 20th century is an example of government intervention in the labor market. The evolution of public employment offices is also related to the trend of the federal government's role in that the nationwide system of public employment service was expanded during World War I and completed in the 1930s.

Public employment offices (PEOs) are non-profit government organizations that match businesses and jobseekers.³ This type of governmental institution is introduced to prevent market failures or inefficiencies if labor market institutions (e.g., informal networks or private employment agencies) do not function properly.

In this paper, I investigate the development of PEOs in relation to the labor market in the United States from its origin to its emergence as a major labor market intermediary (1890 – 1940). I estimate the usage and placements for jobseekers through PEOs. The usage and placements as a percentage of the labor force are also measured in order to relate them to the unemployment rate over time. Second, I analyze the

¹ Public employment offices can be seen as a movement of Progressivism in the U.S. because one of the main goals was to eliminate the abuses by private employment agencies in response to the cries of jobseekers.

² E.g., unemployment insurance was created by the Social Security Act of 1935.

³ In this paper, "government" means municipal, state, or federal government unless I specify "federal", "state" or "municipal".

geographical diffusion of PEOs, the trend of the number of offices and the change in usage and placements per office over time. Third, I document the occupational shares of PEO applicants and the length of residence for PEO applicants in several states to illustrate who used PEOs.

In addition, I introduce a theory of PEOs, which is different from contemporary theories of government placement agencies to suggest the importance of PEOs as an institutional device to prevent the labor market from market failures. The situation was particular because in addition to huge transaction costs, there was a market failure from adverse selection in the labor exchange due to asymmetric information between jobseekers and private employment agencies.⁴

The rest of the paper is organized as follows. Section 2 addresses the bureaucratic and chronological history of PEOs to understand how PEOs developed over time. In Section 3, to highlight the importance of PEOs in the labor market, I provide the usage and placements of jobseekers through PEOs over time. In Section 4, I investigate the diffusion of PEOs to see how PEOs evolved over time. Section 5 describes the occupational shares of jobseekers placed by PEOs compares these occupational distributions to a common distribution of labor from the Decennial Censuses in order to show who used PEOs and how PEO users were different from other jobseekers in the labor market. In addition, the length of residence for PEO users is presented to supplement types of PEO users. In Section 6, I introduce a theory of PEOs to explain a particular situation that jobseekers faced at the turn of the 20th century and to provide solutions by social reformers and government officials. Lastly, Section 7 concludes the paper.

⁴ In contemporary literature, usually asymmetric information between jobseekers and employers is considered (Cahuc and Zylberberg [2004] and Kübler [1999]).

2. History of Public Employment Offices in the United States

Origin of PEOs

Job placement organizations existed in Western Europe as far back as the Middle Ages. For example, in the 16th century in Switzerland, guilds provided job information about traveling craftsmen in inns or hotels. In Britain, occupational associations were responsible for apprentices' job placements for at least one year following their training by legislation under Queen Elizabeth I (Stewart and Stewart, 1933). In the late 19th century, the emergence of PEOs was a widespread phenomenon in Western Europe. In 1870, Belgium established its first office, in 1884 Sweden and France, in 1885 Britain, in 1889 Italy and in 1897 Germany (Employment Service News, Feb. 1935).

In 1850, for the first time in the U.S., New York City opened an employment service for immigrants, "the Castle Garden Labor Exchange", under the Board of Commissioners of Emigration.⁵ In 1876, the support of the Commissioners ended due to a lack of funds, but operation continued with the support of the Irish and German immigrant societies until the federal government took over the reception of immigrants (Rosenbloom, 2002).

There was another trial to establish a PEO in San Francisco. In 1868, San Francisco voters approved the appropriation to support the California Labor Exchange to remove abusive practices by private employment agencies, but three years later, appropriation from the city and the state governments discontinued and the California Labor Exchange reverted to being a private organization (Employment Service News, Feb. 1935).

⁵ Castle Garden was an immigrant landing depot in New York City (http://www.fritscherfamily.com/immigr_castlegarden.htm)

Public Employment Offices in the United States

In 1890, the first PEOs were established in Ohio.⁶ Initially, there were 5 offices: Cincinnati, Cleveland, Columbus, Dayton, and Toledo. Following Ohio, six other states established PEOs during the 1890s.⁷ By 1905, there were 29 PEOs in 15 states and the number of offices increased to 96 in 26 states by 1916.

In 1907, when immigration reached its highest point (1.4 million immigrants), the Division of Information (the first federal employment agency) was created in the Department of Commerce and Labor. However, its role in employment service was restricted to immigrants up until World War I.

After World War I began, the importance of the Division of Information decreased because of the substantial decrease in immigration to the U.S. However, the nation needed to transfer civilians to war-related industries. Accordingly, in 1917, the Department of Labor reorganized the system to unify labor exchange functions under a network of 12 zones, matching the structure of the Federal Reserve System. Thus, the Division of Information was reorganized to serve as a nationwide labor market intermediary. In 1918, the Division of Information was renamed the United States Employment Service (USES). It was separated from the Bureau of Information, and became a unit of the Department of Labor to assist war-time emergency. During the nation's involvement in World War I, most of PEOs were under the control of USES, which had exclusive power of matching the unskilled labor and industries.

⁶ Many documents have same or similar information on the history of PEOs: Herdon Jr. (1917), Monthly Labor Review (Jan. 1931), Kellogg (1933), Commons and Andrews (1936) and many other sources. In Appendix 2, all the sources and the summary of bureaucratic history of PEOs are provided.

⁷ Municipal (CA, MI, WA) and state (NY, IL, MO) governments established PEOs in 1890s. Los Angeles office was operated by labor unions and became a municipal office in 1905 but transferred to a philanthropic organization in 1910. Duluth office in Michigan was opened by municipal ordinance but there is no record found in states reports until 1905. Please see the details in Appendix 1.

After World War I, political attention to PEOs diminished and Congress significantly cut appropriations for USES. As a result, the chain of federal-state system of employment service was broken. This led to the closing of most of the federally governed PEOs or turned them over to respective states or municipalities.

During the 1920s, PEOs were operated and maintained independently by state or municipal governments. The limited functions of USES were to collect basic statistical reports from local PEOs and to provide temporary services for farm labor during harvest seasons under the Farm Labor Division.⁸

As the nation entered the Depression, in 1931 the Department of Labor under the Secretary William N. Doak, tried to reorganize USES as a centralized nationwide system of employment services. By June 1932, USES created 151 federally operated PEOs.⁹ The problem was that federal employment offices were established in 96 cities, but 53 cities out of those 96 cities already operated PEOs by states or municipalities, independently of the federal government. However, the newly inaugurated Roosevelt administration closed all 151 operated PEOs and USES was re-established as a nationwide system of public employment offices by the Wagner-Peyer Act of 1933. It was a joint system of the federal and state governments.

Once a state became affiliated with USES, more funds were available to that state by matching money with state and local contributions. Although it was a nationwide system, PEOs were operated independently by a State Employment Service and USES (the federal government) provided affiliated states with general directions and guidelines.¹⁰

⁸ The average appropriation was \$5.5 million in 1918 but \$200,000 annually in the 1920s (Kellogg, 1933).

⁹ This effort is called “the Doak Reorganization” (Breen, 1997).

¹⁰ A State Employment Service (SES) was the unit to operate PEOs in the state.

The National Reemployment Service (NRS), an exclusive federal agency to supplement employment service for public works related to the recovery program, was created in USES. The offices in NRS were temporary employment offices and located in areas where no state PEOs existed.

As more funds were made available to states by the passage of the Social Security Act of 1935, the affiliation of PEOs over states was expedited to distribute unemployment compensation.¹¹ As many states became affiliated with USES, NRS was rapidly liquidated so that most NRS temporary offices were turned over to the states. Thus, at the beginning, there were two systems of a nationwide employment service: state PEOs and NRS offices and they were combined to one system under USES (Molly, 1943). By 1939, the structure of PEOs was complete in that PEOs were located in all the 50 states and the D.C. (Adams, 1969).

During World War II and the Korean War, USES was again operated for war-related employment services. Since the 1960s, Congress has passed several Acts that expanded the scope of USES (The Columbia Encyclopedia, 6th Edition, 2001-2005).¹² In 1998, the Wagner-Peyser Act was amended by the Workforce Investment Act (WIA). WIA made USES a part of “One-Stop Delivery System”, which means that jobseekers and employers could find a variety of services in a single office in their local areas.¹³

Although local offices currently have many different names such as Employment Services, Employment Security Commission, Job Service, One-Stop Center, Workforce

¹¹ Unemployment benefits were distributed to the unemployed registered in PEOs in 1930s.

¹² The Columbia Encyclopedia, 6th Edition (2001-2005): “The Area Redevelopment Act (1961), the Manpower and Development and Training Act (1962), the Vocational and Educational Act (1963), the Economic Opportunity Act (1964), the Job Training Partnership Act (1982), and the Economic Dislocation and Worker Adjustment Assistance Act (1988).”

¹³ Employment and Training Administration, the Department of Labor (August 3, 2006):

<http://www.uses.doleta.gov/wp.cfm>.

Development Center, Labor Board, or Unemployment Offices, these offices are PEOs cooperated with USES through cities, counties, and states. PEOs aim to help jobseekers find jobs and in some areas, they also provide job training and other related services.¹⁴

Since the Wagner-Peyser Act of 1933, the scope of PEOs has been expanded by several Acts. However, the relationship that each state operates PEOs independently but in cooperation with the federal government has continued to today.

3. Usage and Placements

During the late 19th and early 20th centuries, did PEOs play an important role as a labor market intermediary in the United States? In an attempt to answer this question, I estimate the usage of PEOs (the number of applicants in PEOs) and the placements by PEOs (the number of PEO applicants placed) between 1890 and 1940. Table 1 combined with Figures 1 and 2 illustrate the evolution of PEOs in relation to the U.S. labor market between 1890 and 1940. In Table 1, “Registrations” and “Placed” refer to the number of applicants and the number of applicants placed respectively through PEOs in a year.

In terms of raw numbers or percentage of the labor force, the usage of PEOs was not significant before 1915. This finding is consistent with the argument that “the public agencies played only a minor role in the labor market” (Rosenbloom 2002, p.79). With the beginning of World War I, many firms lost their foreign markets, causing a serious unemployment problem, as shown by the relatively high unemployment rates in 1914 and 1915 show this in Table 1.

¹⁴ Employment and Training Administration, the Department of Labor (August 3, 2006): <http://www.uses.doleta.gov/wp.cfm>.

However, upon the entry of the United States into World War I, the problem of lack of labor demand changed to a shortage of labor supply, especially due to higher labor demand in war-related industries as well as demand in military service. The usage of PEOs soared during 1918 fiscal year (July 1918 – June 1919), mainly due to the huge number of returning soldiers and workers who were previously transferred to war-related industries (USES Annual Report, 1918). After the war ceased, soldiers and workers who were involved in the war went back to their peace-time positions and PEOs played an important role in reallocating them to their former positions and other places.

The placements by PEOs during World War I relied on the demand for labor. The demand for labor was high because of a boom in war-related industries, and placements were relatively high.¹⁵ However, after the armistice, large portion of governmental contracts on war products were cancelled, which caused the demand for labor to reduce sharply in PEOs (Breen, 1997). As a result, placements by PEOs lowered after World War I.

After the war, as the nation returned to normalcy, the number of jobseekers using PEOs lowered substantially. The United States Employment Service (USES), the central authority of PEOs during World War I, lost power over the labor market due to huge budget cuts by Congress (Employment Service New, Feb. 1935). A substantial number of offices were closed or turned over by state and municipal governments.

During the 1920s, USES was a paper organization, meaning that the federal government's power over the labor market was minimal. Most of PEOs were maintained and operated by states or municipalities, independently of the federal

¹⁵ Between 1916 and 1919, the number of persons requested by employers was greater than that of applicants in PEOs (USES Annual Reports, 1918, 1919, 1920).

government, in the 1920s.

In spite of the decentralization of public employment services, the usage of PEOs was nontrivial. Most research and documents ignore PEOs' contribution to the U.S. labor market in the 1920s (e.g., Employment Service News [Feb. 1935], Guzda [June 1983], Commons and Andrews [1933], Adams [1969] and Breen [1997]). However, the evidence in Table 1 shows that more than 2 million jobseekers or roughly 5% of the total labor force per year used PEOs during the 1920s. PEO also made placements for 1.5 million jobseekers (approximately 3% of the labor force) in this period.

After World War I, even as the nation went back to normalcy, and during the economic boom in the 1920s after a short recession in 1921 and 1922, the usage of PEOs was as high as that in World War I (except for 1918 when the economy was in an unusual situation). I argue the role of PEOs became important in the labor market in the 1920s. One might think that PEOs played an important role for the labor market only in emergency times like World War I and the Great Depression as PEOs became centralized to resolve these chaotic situations. But PEOs continued to serve as a major labor market intermediary in the 1920s, which was a time of peace and economic growth, so called the "Roaring Twenties".

As the economy entered the Great Depression, the nation needed to revitalize USES to be a nationwide employment service to control PEOs over the nation. As a main tool to perform relief programs for unemployment, PEOs were influential over the entire labor market. Table 2 and 3 provide PEOs' overall performance during the Depression. Table 2 shows the performance of the Civil Works Administrations (CWA). In the case of CWA, it hired more than 4 million people and most of the placements for this administration were made by PEOs. Substantial increases in the usage in 1933 (Table 1

and Figure 1) show that as more jobs were available through PEOs, the usage of PEOs increased. CWA created millions of jobs for the unemployed but many people who were already employed registered with PEOs to find a better job or for a chance to work with CWA or PWA (Public Works Administration) during the slack season in their own work (USES, 1934). In this case, the actual reduction in unemployment is unclear.

PEOs also placed millions of unemployed in jobs created by WPA (Works Progress Administration). The last column in Table 3, “relief program”, represents CWA (for 1934) and WPA (mainly for 1935 and 1936) placements. One important trend in Table 3 is that the number and portion of placements in private sector increased over time. This may be an indicator of recovery from the Depression.

The usage of PEOs is directly related to the unemployment compensation in the late 1930s and the large increase in the usage of PEOs between 1937 and 1939 (Table 1 and Figure 1) indicates this. Unemployment benefits were paid to jobless people, starting from January 1938 by the Social Security Act of 1935 (Atkinson, Odencrantz and Deming, 1938). People who wanted to receive these benefits had to register in PEOs.

Given all the information provided in this section, it is clear that PEOs became a major labor market intermediary in the United States, beginning in World War I, and continued through the Great Depression.

4. Diffusion

Another way to examine the evolution of PEOs is to examine the diffusion of PEOs. I analyze the geographical diffusion of PEOs, the trend of the number of offices, and the change in per office usage and placements from 1890 to 1940. Table 4 and Figure 4

show the trend of the number of offices and Table 5 and Figure 5 display the usage and placements per office over time. In 1890, starting with 5 offices in one state (Ohio), the number of offices was 13 in 7 states in 1900. By 1916, PEOs were diffused over 26 states with 96 offices and the usage and placements per office increased gradually.

As the U.S. entered World War I, in 1918 the number of offices increased sharply and was at the peak of 773. In 1916 per office usage and placements were highest and fluctuated during the U.S. involvement in World War I. This illustrates that the usage and placements increased because PEOs were more accessible to jobseekers. During this time, PEOs were established in most states and directly controlled by the federal government (USES).

After the armistice, political attention to PEOs disappeared and a large cut of the appropriation for USES followed. Most offices created during the World War I were discontinued and others were turned over by state or municipal governments. However the number of offices did not return to the pre-war level. In the 1920s, the number of PEOs was approximately between 170 and 190, which was double that of 1916. Most of the important and largest cities had PEOs.¹⁶ During the 1920s, per office usage and placements were higher than those in the pre-war period. Higher number of offices, and levels of per office usage and placements cannot account for better performance of PEOs in the 1920s but do indicate that more available offices led to more PEO usage by jobseekers in comparison to the pre-war period.

As the economy hit the Depression, the number of PEOs started increasing again. In 1933, there was a massive increase in the number of PEOs after USES was reorganized as a nation-wide organization of PEOs for the labor exchange. The newly inaugurated

¹⁶ There were temporary employment offices opened during the harvest season (Kellogg [1933] and Breen [1997]).

Roosevelt administration began to carry out public relief programs, mainly through PWA (Public Works Administration) and CWA (Civil Works Administration). In response to those programs, USES created a number of PEOs all over the states.

In October 1933, the highest number of offices was 3,428, and it was right before the Civil Works Administration (CWA) provided jobs to the public from November 1933 to March 1934. The number of offices decreased after CWA but rose again in 1935 for WPA (Works Progress Administration). After 1935, the number decreased over time.

The initial increase in the number of offices was mainly due to the introduction of National Reemployment Service (NRS), a temporary organization for employment service operated by the Federal government (through USES). Once NRS branches achieved its objective in allocating workers to public and relief works, some offices discontinued and others were absorbed in PEOs, operated by the State Employment Service (a state authority of PEOs). As employment services for public relief programs decreased, the number of offices decreased.

The importance of NRS was its location. While PEOs which were operated by local governments were established in large cities, offices in NRS were created in small cities and rural areas. Through this process, the system of PEOs was strengthened by the expansion of its services and thus became a fundamental labor market intermediary in the U.S.

In the 1930s, per office usage and placements, like their aggregate (total) numbers, are not consistent with each other. The correlation between per office usage and placements is about 0.89 from 1890 to 1938 and 0.91 from 1890 to 1930. This implies that the higher the usage of PEOs, the more the chance for PEO applicants to be placed

through a PEO by 1930.¹⁷ However, the correlation is 0.64 in the 1930s, -0.35 between 1934 and 1938, and -0.77 from 1936 to 1938. The correlation is reversed in the middle of 1930s and this may indicate a decrease in the labor demand in the 1930s, especially in private industries.

5. Who Used PEOs

Trends of the estimates in the previous sections show that PEOs became a major labor market intermediary with the nation's involvement in World War I. In this section, I present the occupational shares of jobseekers placed by PEOs in the early 20th century. I also construct the shares of workers by occupations and gender from the Decennial Censuses to see how PEO users differed from other workers in the labor market. In addition, I present how long PEO users resided in a region where PEOs were located to see who used PEOs in various ways.

First, I briefly portray the earlier activities of USES, the federal employment agency in the United States. The Division of Information, the predecessor of USES, was created in 1907 to help immigrants move out of New York City, which was overcrowded. Table 6 shows the types of jobs that immigrants obtained through this federal employment agency. The number of placements by this agency was relatively small and mostly involved laborers. It does not appear as though the Division of Information was successful in its effort to move immigrants out of New York City. More than 60 percent stayed near New York or New Jersey and about 70 percent settled in the North East

¹⁷ I do not provide the data on the number of positions requested by employers because I cannot collect all of them over the period in the project. However, I have found that in general, the number of positions by employers is positively related to the usage and placements of PEO applicants by 1930.

region. Before World War I, in spite of its effort, the role of the federal government in the labor exchange was limited.

Before the economy fell into the Depression and with the exception of World War I period, local governments (both states and municipalities) took the lead in the public labor exchange. Table 7 gives overall shares of PEO applicants by occupation in selected states over time. The categorization of the occupations in table 7-9 is based on IPUMS' 1950 occupation basis, which is "the 1950 Census Bureau occupational classification system".¹⁸ One clear pattern in PEOs is that the placements for jobseekers by PEOs were biased to "Service workers" and "Laborers".¹⁹ In Connecticut and Illinois, the largest portion of PEO users was service workers while laborers formed the majority of PEO users in Missouri. As time went by, the importance of "Agriculture" tended to dwindle in Connecticut, yet the percentage rose in 1920 but declined in 1930 in Missouri. All three states' distributions showed a concentration of service workers and laborers but the degree of concentration was different. In Connecticut, 60 to 70 percent of applicants placed were service workers while more laborers were placed than service workers in Missouri. The differential between service workers and laborers was not large in Illinois relative to that in Connecticut.

To examine the types of PEO users in more detail, I construct men's and women's occupational shares of PEO applicants placed over time respectively, as shown in Tables 8 and 9. In Connecticut's case, even if the number of placements for male service workers was higher than that for male laborers, the gap was not as large as that in the combined occupational shares over time. In Missouri, the number of laborers was more

¹⁸ IPUMS (2004): <http://usa.ipums.org/usa-action/variableDescription.do?mnemonic=OCC1950>.

¹⁹ Most of the PEO users' occupations are also laborers and service workers. I only provide the placements because more information is available with the placements.

than four times greater than that of service workers for men's placements over time and the difference became larger as time went on. Illinois had a similar pattern.

Women's distributions exhibit the other extreme. In all four states, most of placements were for service workers. In Connecticut, more than 90 percent of women's placements were for service works and this pattern did not vary in the other states.

One clear fact is that common laborers and service workers were the two main types of occupations dealt with by PEOs until 1930. Male PEO users were largely laborers and for females, dominant occupation was service workers although the scope of placement services became broader over time in the early 20th century. One interesting pattern in Missouri was that the diversity of occupations increased over time for women, especially in 1920 and 1930. Missouri PEOs' placements for "Craftsmen and operatives" were non-trivial and the proportions were close to those in the Census.

In the 1930s, the general patterns described above did not change in terms of the occupational shares of PEO applicants. Table 10 presents the share of PEO placements by occupations in the 1930s (July 1936 – March 1937). PEOs covered most occupations and the distribution in Table 10 was well-balanced in relation to the 1940 Census occupational distribution. However, half of the total placements for men and women were laborers. Comparing men and women respectively, I find that 60 percent of men's placements were laborers but 60 percent of women's placements were serve workers. Men's placements outnumbered women's by a factor of five during this period. This is probably due to the characteristics of available jobs in relief programs established by the New Deal. The majority of relief jobs for the unemployed were involved in physical labor and this might have limited women's placements in the 1930s. Over the three decades, the types of jobs covered by PEOs diversified but were still limited to certain

types of occupations: physical labor for men and service work for women.

Apart from the occupational shares of jobseekers placed by PEOs, interesting facts are found in Wisconsin PEOs in the early 20th century. Table 11 shows some characteristics of PEO applicants in Wisconsin for 6 months (July - December 1901). About 60 percent of PEO users were U.S. citizens, 80 percent were single and 95 percent were not labor union member. One prominent feature was that only 26 percent of PEO users were Wisconsin-born. In terms of residence, almost half of jobseekers used PEOs resided in Wisconsin less than 5 years.

I cannot argue that the existence of PEOs caused people to migrate to Wisconsin. However, once people moved to Wisconsin, they were likely to seek for jobs with the help of PEOs if they could not rely on other networks.

6. A Theory of Public Employment Offices

In the U.S., one of the objectives to introduce PEOs was restrain private employment agencies (PREAs) from their malpractices against jobseekers. To understand how the establishment of PEOs could perform this objective, theories of PREAs and PEOs are presented. In this section, I argue that around the turn of the 20th century, PEOs were introduced because of adverse selection in the labor market.

Labor economists have put forth theories about the existence of labor market intermediaries, which include private employment agencies or PEOs to explain why those intermediaries are necessary and how they help reduce transaction costs in the labor market (e.g., Pissarides [1979], Yavas [1994], and Kübler [1999]). The fundamental intuition behind those theories is that labor market intermediaries can

increase the efficiency of the job matching process by reducing transaction costs such as search and information costs in the labor market (Pissarides [1979], and Yavas [1994]).

It has also been suggested that the coexistence of PEOs and PREAs may improve an employer's screening ability if there exists asymmetric information between jobseekers and employers (Kübler, 1999). However, around the turn of the 20th century, there was asymmetric information between jobseekers and PREAs and this asymmetry brought about abuses and malpractices by PREAs on jobseekers. In response to the cries of jobseekers exploited by PREAs, social reformers and public officials tried to resolve this problem and one solution was to create PEOs. In other words, jobseekers often found themselves in unfavorable situations in the labor market and the actions taken to resolve this problem can be explained by an economic theory: adverse selection.

Many researchers and social workers (e.g., Bogart [1900], Sargent [1912], Leiserson [1914, 1915], and Herdon Jr. [1917]) in the early 20th century argued that there were severe abuses and malpractices by PREAs with respect to jobseekers and PEOs were introduced to resolve this problem. Two examples which support the notion that PEOs were established to check the badness of PREAs are as follows:

“[T]he establishment of free public employment offices rests on the abuses which exist in the private agencies”.....“This point is made much of by the commissioners of labor in the various states, and their reports contain many instances of the deception and fraud practiced by these agencies on the unemployed.” (Bogart 1900, p. 345)

“One of the influences making for the rapid growth in the number and

importance of public employment offices has been the flagrant evils connected with these private employment agencies.” (Herdon Jr., 1918, p.5)

The most common malpractice by PREAs was the misrepresentation of characters on occupations to jobseekers (Commons and Andrews, 1936). Sargent (1912, p. 36.) summarizes common deceitful practices by PREAs, which took advantage of needy jobseekers in some of the following ways:

- 1) Charging a fee and failing to make any effort to find work for the applicant.
- 2) Sending applicants where no work exists.
- 3) Sending applicants to distant points where no work or where unsatisfactory work exists, but whence the applicants will not return on account of expense involved.
- 4) Collusion between the agent and employer (e.g. foremen), whereby the applicant is given a few days work and then discharged to make way for new workmen, the agent and employer divide the fee.
- 5) Charging exorbitant fees or giving jobs to such applicants as contribute extra fees, presents, etc.
- 6) Inducing workers who have been placed, particularly girls, to leave, pay another fee, and get a better job.

PREAs’ exploitation of jobseekers was severe during the turn of the 20th century and this can be viewed as a situation where there was a market failure, mainly adverse selection, due to asymmetric information between jobseekers and PREAs.

PREAs that exploit jobseekers can be considered as a ‘bad’ quality agency. If jobseekers cannot distinguish between ‘good’ and ‘bad’ agencies or their cost of screening is very high (i.e., there is asymmetric information between jobseekers and PREAs), then the theory of adverse selection suggests that the private labor exchange disappear or only ‘bad’ PREAs prevail in the market. In this case, ‘good’ PREAs may have incentive to reduce their quality because jobseekers using PREAs cannot pay for ‘good’ quality. In the worst case, the market disappears or only ‘bad’ quality PREAs with severe abuses prevail in the employment service market unless jobseekers can find other networks to search for work. Furthermore, if PREAs can exercise a high degree of market power, the situation will be worse.

In general, there are two ways to reduce or eliminate asymmetric information causing adverse selection in the above situation: screening by jobseekers and signaling by PREAs in the situation above. But screening by jobseekers was very costly because most of jobseekers who sought to help of PREAs were unskilled or semiskilled workers in the late 19th and early 20th centuries (Growth of Labor Law in the U.S. [1962], and Rosenbloom [2002]). Moreover, immigrants made up a non-trivial percentage of jobseekers during this time. Theoretically, signaling by ‘good’ PREAs is feasible but there may be a possibility of a pooling equilibrium and no evidence of signaling by ‘good’ PREAs has been found.

“Free” employment service for jobseekers by PEOs was proposed as a way to resolve the malpractices of PREAs. Here, we should pay attention to the word, free. Not all the services provided by governments are necessarily free. Why was free employment service by PEOs introduced? My answer is that free employment service can be a mechanism to eliminate ‘bad’ PREAs.

With the provision of “free” services by PEOs, ‘bad’ PREAs may not survive because jobseekers who worry about the evils of PREAs can use PEOs without charge and risk of malpractice. This may cause ‘bad’ PREAs to be unable to bear their costs, and then to eventually disappear in the ideal case. This implies that the creation of free PEOs can resolve the adverse selection problem and provide an alternative network to jobseekers and employers during the job search. Thus, the introduction of PEOs with free service may inject competition with PREAs and make the labor market more efficient by eliminating ‘bad’ PREAs. Throughout this process, without monopolization of the labor exchange market, both PEOs and PREAs can exist to secure the labor market more efficiently.

Besides the introduction of PEOs, many states passed laws regulating PREAs and several states began to regulate before PEOs were established (e.g. Bogart, 1900).²⁰ Some state or municipal governments required PREAs to pay license fees, deposit bonds, or both. In addition, some local governments imposed fines on PREAs or shut down their businesses when malpractices by PREAs were investigated.

Baldwin (1951) argue that before World War I, PEOs did not function well and only these restrictions on PREAs worked well for employment service, but Devine (1909), and Leiserson (1915) argue that the restrictions on PREAs were ineffective and the creation of PEOs lessened the degree of malpractices and contributed to protect jobseekers. It is an open question as to which institution worked better to keep PREAs in check since little evidence like specific statistics and detailed reports are available. However, evidence supporting PEOs is as follows (Illinois Bureau of Labor Statistics

²⁰ Regulations on PREAs were also an important feature of labor market institution. In this paper I explain these restrictions on PREAs shortly because this paper’s main concern is to introduce the importance of PEOs in those days. About PREAs I have collected data and information for deeper research.

1906, p.3.):

“While the primary purpose in establishing these offices was to aid the common or unskilled laborers in getting work without cost to him or her, their influence has not been limited to that class...From this it is shown that nearly 8,000 people, representing established skilled trades, including commercial and professional pursuits, have secured positions during the year...The modern tendency to specialization is very apparent in this as in the other lines of enterprise. The better class of private employment agencies will accept only applications for a certain service, mainly of a professional character.”²¹

The above statement implies that PEOs kept ‘bad’ PREAs in check so that well-specialized PREAs could survive and businesses by ‘bad’ PREAs were replaced by PEOs. This is the ideal case mentioned earlier with respect to the establishment of PEOs because the adverse selection problem tends to disappear as ‘bad’ PREAs are replaced by PEOs and ‘good’ PREAs are likely to survive with further specialization to help “the better class”.

7. Conclusion

The period between 1890 and 1940 was a phase of introducing government regulations and labor market institutions in the United States. Workers compensation, social security, unemployment insurance, labor union and a wide range of programs

²¹ Total number placed by Illinois PEOs was 39,598 and the number of applicants was 45,323 in 1905.

were created during this period. One example was PEOs, which are non-profit government organizations to bring together jobseekers and business. This paper explored the development of PEOs in relation to the labor market, from their origin to the emergence as a major labor market organization. I showed estimates of usage of PEOs and placements by PEOs and compared the estimates to the size of the labor force and the unemployment rate over time in order to see how PEOs affected the labor market during this time. I also provided the occupational shares and the length of residence of jobseekers through PEOs to see who used PEOs over time. Finally I introduced a theory of PEOs to describe what problems brought about the introduction of PEOs and how reformers and public officials tried to use the PEOs as a policy device to resolve those problems.

In the first two decades of the establishment of PEOs, the contribution of PEOs to the labor market was minimal in terms of the number of applicants and placements, but they became a major labor market intermediary with their centralization in the United States during World War I. In 1918, the number of applicants as a percentage of the total labor force was about 15 percent. Even when PEOs were decentralized so that they were independently operated by local governments, the usage and placements did not reduce to pre-war levels. During the 1920s, approximately 5 percent of the labor force used PEOs. During the 1930s, PEOs were reorganized as a permanent nationwide labor market intermediary and the number of applicants as a percentage of the labor force was more than 10 percent. The number and geographic diffusion of PEOs followed the same pattern of the usage and placements. The types of workers covered by PEOs diversified over time but were still limited to certain types of occupations: physical labor for men and service work for women. In Wisconsin's case, half of PEO users had resided in the

state less than 5 years. This indicates that people who migrated to Wisconsin were likely to look for jobs intensively through PEOs.

One of the main purposes of creating PEOs was to check malpractices of PREAs on jobseekers, which can be seen as asymmetric information between jobseekers and PREAs and this asymmetry could cause adverse selection. In theory, it is possible that injecting competition with free service may eliminate ‘bad’ PREAs to improve efficiencies in the labor market. This was the idea of reformers and government officials who supported PEOs although there has been a lot of debate about this subject among earlier scholars.

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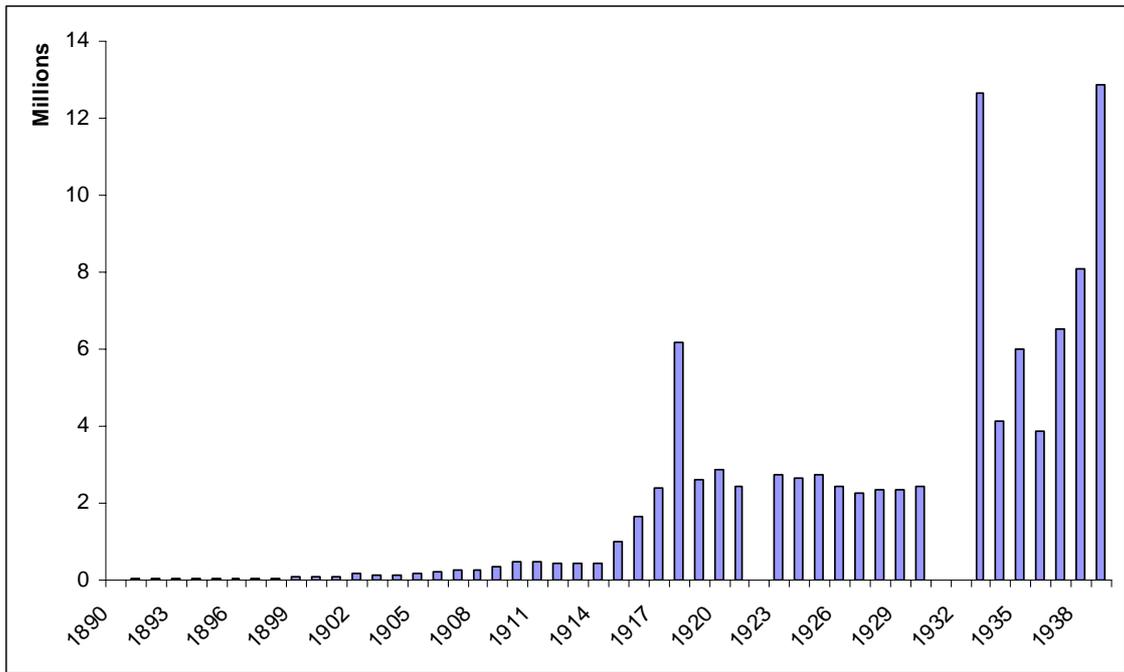
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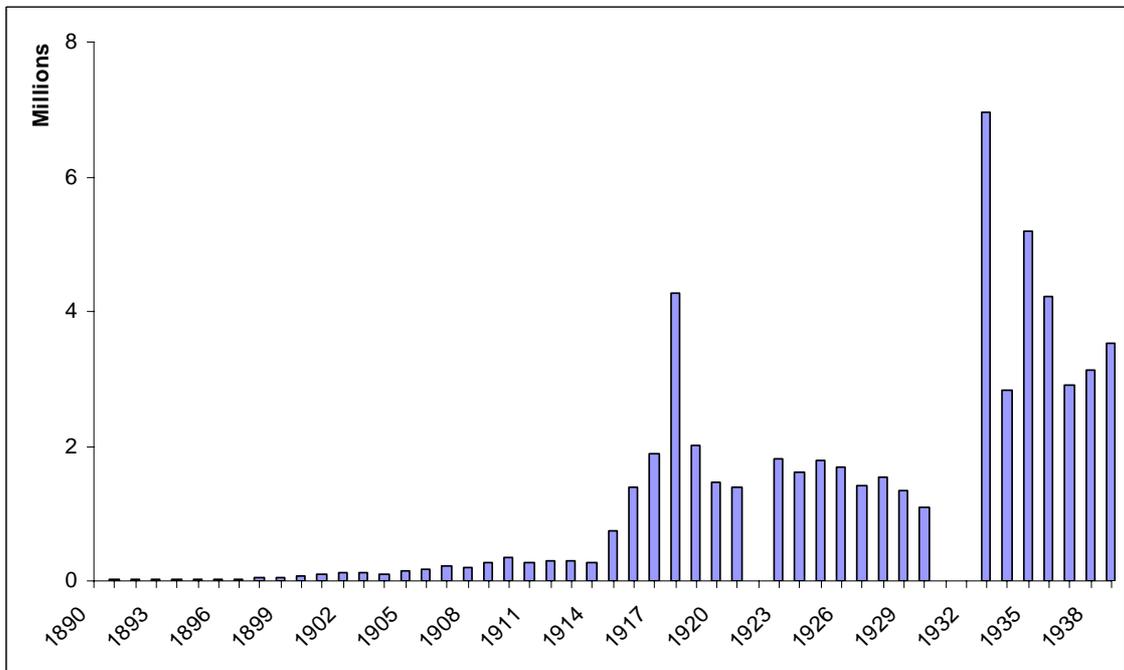
Figure 1. Usage of PEOs (Number of applicants in PEOs)



Note: 1923, 1931, and 1932 are missing.

Source: Table 1.

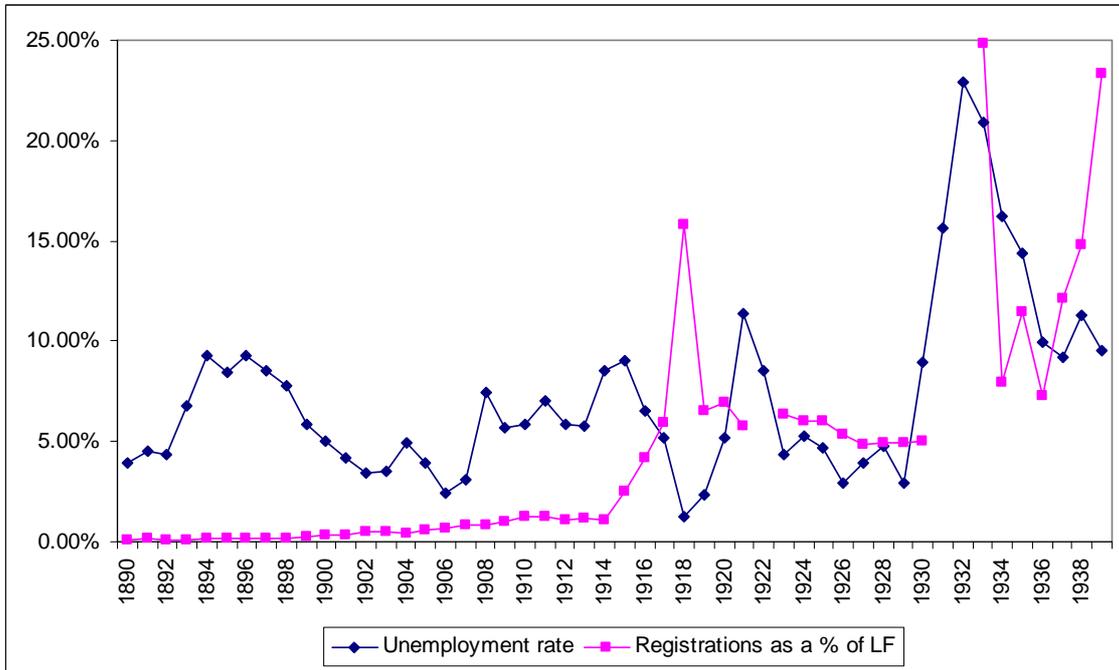
Figure 2. Number of Placements by PEOs (Number of applicants placed by PEOs)



Note: 1923, 1931, and 1932 are missing.

Source: Table 1.

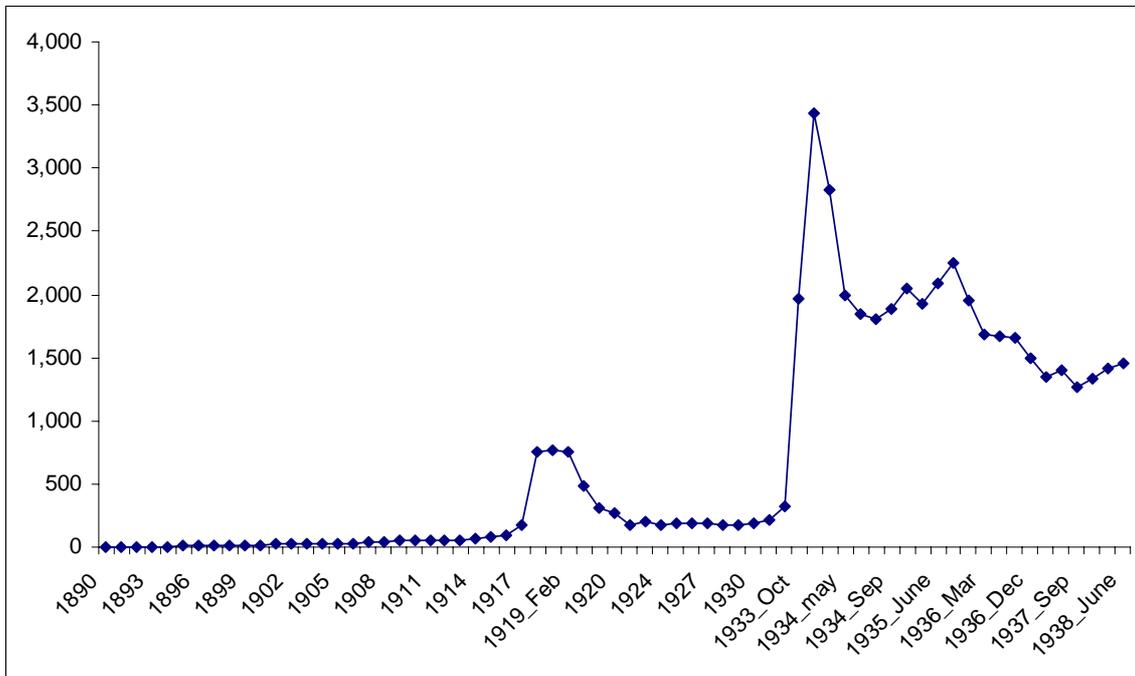
Figure 3. Unemployment Rate and Number of PEO Applicants as a percentage of Labor Force



Note: 1923, 1931, and 1932 are missing.

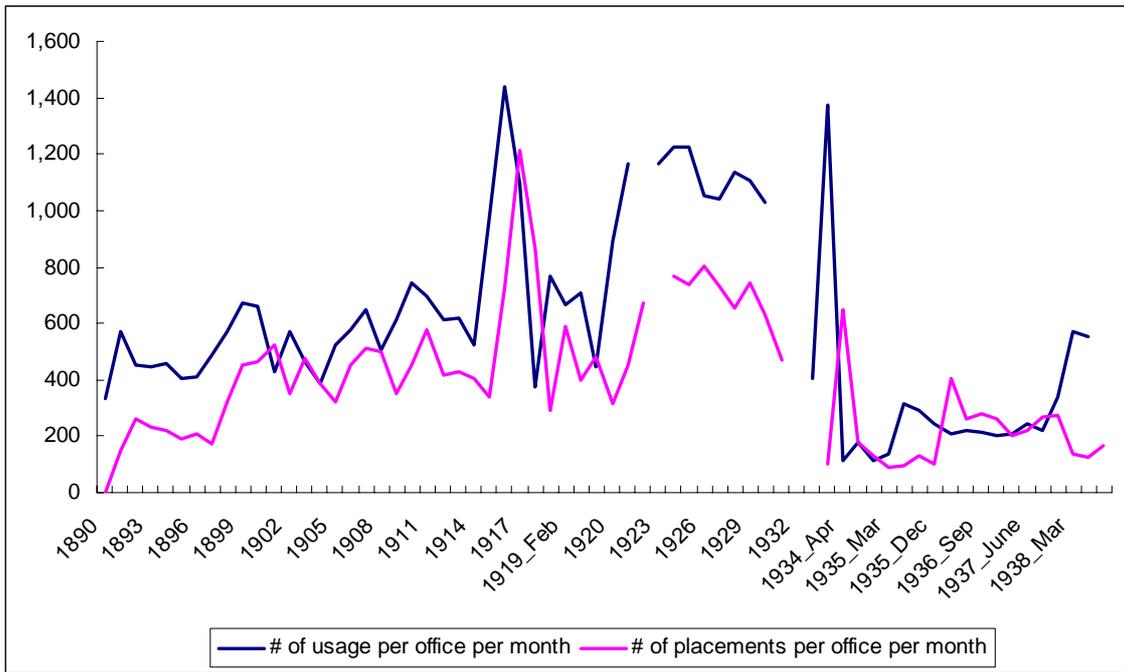
Source: Table 1.

Figure 4. Number of PEOs Over Time.



Source: Table 4.

Figure 5. Per Office Usage and Placements over time



Source: Table 5.

Note: Per Office Usage (Placements) = Number of Applicants (Placements) per month / Number of Offices.

Table 1
The Evolution of PEOs and the Labor Market in the United States between 1890 and 1940

year	Registrations*	Placed*	Labor Force	Unemployment rate	Registrations as a % of LF	placed as % of LF
1890	20145	8988	22772000	3.97%	0.09%	0.04%
1891	34371	15595	23382000	4.49%	0.15%	0.07%
1892	26946	13745	24038000	4.31%	0.11%	0.06%
1893	26854	13201	24649000	6.77%	0.11%	0.05%
1894	33104	13733	25168000	9.28%	0.13%	0.05%
1895	33735	17502	25679000	8.48%	0.13%	0.07%
1896	39140	16766	26220000	9.27%	0.15%	0.06%
1897	46707	30941	26712000	8.51%	0.17%	0.12%
1898	54983	43135	27209000	7.79%	0.20%	0.16%
1899	80819	55398	27753000	5.85%	0.29%	0.20%
1900	102724	81322	28376000	5.00%	0.36%	0.29%
1901	107787	87934	29153000	4.14%	0.37%	0.30%
1902	158357	131619	29904000	3.45%	0.53%	0.44%
1903	144729	120735	30698000	3.53%	0.47%	0.39%
1904	125226	103708	31441000	4.92%	0.40%	0.33%
1905	181913	157221	32299000	3.89%	0.56%	0.49%
1906	208636	184226	33212000	2.45%	0.63%	0.55%
1907	279138	215658	34183000	3.07%	0.82%	0.63%
1908	280091	195213	34916000	7.46%	0.80%	0.56%
1909	368668	270211	35721000	5.65%	1.03%	0.76%
1910	456583	352943	36709000	5.86%	1.24%	0.96%
1911	458686	274077	37478000	7.02%	1.22%	0.73%
1912	417506	291112	37932000	5.86%	1.10%	0.77%
1913	446450	289937	38675000	5.74%	1.15%	0.75%
1914	413469	269034	39401000	8.49%	1.05%	0.68%
1915	993238	742739	39600000	9.04%	2.51%	1.88%
1916	1658922	1400320	40057000	6.48%	4.14%	3.50%
1917	2381410	1890593	40023000	5.18%	5.95%	4.72%
1918	6174905	4267428	39076000	1.24%	15.80%	10.92%
1919	2590235	2020252	39696000	2.34%	6.53%	5.09%
1920	2874785	1458746	41340000	5.16%	6.95%	3.53%
1921	2433746	1397738	41979000	11.33%	5.80%	3.33%
1922	**	**	42496000	8.56%	**	**
1923	2755593	1806990	43444000	4.32%	6.34%	4.16%
1924	2663846	1609977	44235000	5.29%	6.02%	3.64%
1925	2727763	1791381	45169000	4.68%	6.04%	3.97%
1926	2440640	1688476	45629000	2.90%	5.35%	3.70%
1927	2259095	1412645	46375000	3.90%	4.87%	3.05%
1928	2332505	1534092	47105000	4.74%	4.95%	3.26%
1929	2346316	1345936	47757000	2.89%	4.91%	2.82%
1930	2421936	1104136	48523000	8.94%	4.99%	2.28%
1931	**	**	49325000	15.65%	**	**
1932	**	**	50098000	22.89%	**	**
1933	12634974	6951523	50882000	20.90%	24.83%	13.66%
1934	4111000	2821893	51650000	16.20%	7.96%	5.46%
1935	5980463	5188096	52283000	14.39%	11.44%	9.92%
1936	3858926	4224387	53019000	9.97%	7.28%	7.97%
1937	6539589	2896890	53768000	9.18%	12.16%	5.39%
1938	8090370	3125183	54532000	11.27%	14.84%	5.73%
1939	12873531	3524949	55218000	9.51%	23.31%	6.38%

Notes:

- 1) * "Registrations" and "Placed" refer to the number of applicants and the number of applicants placed by PEOs respectively.
- 2) ** No data are available.
- 3) 1915 - 1939: fiscal years

➔ From 1901 to 1914, Parts of data still need to be added. The following states in each year indicate missing data by state and year: (1) 1901: KS, WV. (2) 1902: CA. (3) 1903: CA, CO, KS, WI. (4) 1904: CA, CO, KS, MO (5) 1905: CA, CO, KS. (6) 1906: CA, CO, KS, WI (7) 1907: CA, CO. (8) 1908: CA. (9) 1909: CA, NJ, WI (10) 1910: CA, NJ. (11) 1911: CA, CO (12) 1912: CA, CO, KS, WI (13) 1913: CA, CO, MN, MO, NJ, OK, WV (14) 1914: CA, CO, KY, MO, NJ, OK, TX, WV.

Sources:

- 1) Labor forces and unemployment rates (Wier, 1992)
- 2) Registrations and Placed:
 - a) 1890 – 1914: Bogart (1900), Conner (1907), Sargent (1912), and various state reports.
 - b) 1915 – 1916: Monthly Review of the U.S. Bureau of Labor Statistics, Jan. 1915 (Vol. 1, No1) – Feb. 1918 (Vol. 6, No. 2)
 - c) 1917 – 1919: U.S. Employment Service (1918, 1919, 1920), “Annual Report of the Director General U.S. Employment Service to the Secretary of Labor”.
 - d) 1920 – 1921: Smith (1923), Commons and Andrews (1936)
 - e) 1923 – 1930: U.S Employment Service, “Monthly Report of Activities of State and Municipal Employment Services Cooperating with U.S. Employment Service”, Jan. 1924 – Jan. 1932.
 - f) 1933: U.S. Employment Service (1935), “Twelve and One-Half Million Registered for Work, 1934”.
 - g) 1934 – 1939: Employment Service News, Sep. 1934 (Vol. 1, No. 1) – Dec. 1940 (Vol. 7, No. 12).

Table 2
Number of Placements by PEOs in 1933 Fiscal Year

year	month	public work	CWA	private sector	government work	total
1933	7	1870	761	31381	774	34786
1933	8	4261	803	41238	1294	47596
1933	9	40522	2835	64315	12323	119995
1933	10	108042	4859	78543	11126	202570
1933	11	135132	261173	74039	5652	475996
1933	12	155697	1974264	85673	5686	2221320
1934	1	116682	1082022	103592	9499	1311795
1934	2	99031	355545	87802	4831	547209
1934	3	117963	216287	142913	8100	485263
1934	4	179766	103264	184761	33727	501518
1934	5	226076	70910	219737	13558	530281
1934	6	218316	51202	191879	11797	473194
1933 fiscal year		1403358	4123925	1305873	118367	6951523

Notes: the numbers include the placements by National Reemployment Service and State Employment Services.

Source: Atkinson, Odenchantz and Deming (1938)

Table 3
Placements by PEOs
July 1, 1933, to June 30, 1938

Fiscal year July - June	Total	Private sector	Public sector	Relief Program
<i>Number of Placements</i>				
1934	6951523	1305873	1521725	4123925
1935	3174651	1089964	1681768	402919
1936	5779499	1160244	1751724	2867531
1937	4231852	2100606	1846316	284930
1938	2900056	1962765	894745	42546
<i>Percentage Distribution</i>				
1934	100	18.8	21.9	59.3
1935	100	34.3	53	12.7
1936	100	20.1	30.3	49.6
1937	100	49.6	43.6	6.8
1938	100	67.7	30.8	1.5

- Public: "placements in governmental employment or on public works projects paying prevailing wage rates."
- Relief program: "include placements with CWA (winter of 1933 - 1934), WPA (mainly during 1935 and 1936) and much smaller degree with work relief agencies."

Source: Atkinson, Odencrantz and Deming (1938)

Table 4
Geographical Diffusion and Number of PEOs between 1890 and 1940

year	# of offices	# of states with PEOs	year	# of offices	# of states
1890	5	1	1921	174	35
1891	5	1	1922	*	*
1892	5	1	1923	197	39
1893	5	1	1924	172	41
1894	6	2	1925	186	39
1895	7	3	1926	192	42
1896	8	4	1927	192	42
1897	8	4	1928	171	38
1898	8	4	1929	174	41
1899	10	6	1930	186	42
1900	13	7	1931	211	42
1901	21	9	1932	317	49
1902	23	11	1933_Oct	1,968	all**
1903	26	11	1933_Dec	3,428	all**
1904	27	11	1934_Apr	2,825	all**
1905	29	11	1934_may	1,991	all**
1906	30	12	1934_June	1,841	all**
1907	36	14	1934-July	1,802	all**
1908	46	17	1934_Sep	1,879	all**
1909	50	19	1934_Dec	2,048	all**
1910	51	19	1935_Mar	1,927	all**
1911	55	19	1935_June	2,085	all**
1912	57	20	1935_Sep	2,252	all**
1913	60	20	1935_Dec	1,959	all**
1914	66	21	1936_Mar	1,690	all**
1915	85	26	1936_June	1,666	all**
1916	96	26	1936_Sep	1,659	all**
1917	181	42	1936_Dec	1,496	all**
1918_July	750	44	1937_Mar	1,349	all**
1918_oct	773	49	1937_June	1,402	all**
1919_Feb	748	*	1937_Sep	1,262	all**
1919_July	490	*	1937_Dec	1,330	all**
1919_Oct	304	42	1938_Mar	1,409	all**
1920	269	42	1938_June	1,451	all**

Notes:

- | | |
|--|-----------------------|
| 1) * No information is available. | 5) 1920: 1920, June |
| 2) 1890 - 1916: State and municipal offices only | 6) 1921: Oct. 1921 |
| 3) ** All the 49 states have PEOs (either SES or NRS). | 7) 1923: Oct. 1923 |
| 4) 1924 - 1932 : Jan. Basis (monthly report) | 8) 1932: January 1932 |

Sources:

1890 - 1916: Herdon Jr. (1918)

1917: Monthly Labor Review (1917, 1918)

1918 - 1922: Harrison (1924), Kellogg (1933), USES annual reports (1918-1920), Monthly Labor Review (Aug. 1919)

1923 - 1932: Commons & Andrews (1936), USES Monthly Report of Activities (Jan. 1924 - Jan. 1931), USES Directory of PEOs (May 1924, 1925)

1933 - 1938: Atkinson, Odencrantz and Deming (1938)

Table 5
Per Office Usage and Placements between 1890 and 1940

year	# of offices	# of applicants per office per month	# of placements per office per month
1890	5	336	150
1891	5	573	260
1892	5	449	229
1893	5	448	220
1894	6	460	191
1895	7	402	208
1896	8	408	175
1897	8	487	322
1898	8	573	449
1899	10	673	462
1900	13	658	521
1901	21	428	349
1902	23	574	477
1903	26	464	387
1904	27	387	320
1905	29	523	452
1906	30	580	512
1907	36	646	499
1908	46	507	354
1909	50	614	450
1910	51	746	577
1911	55	695	415
1912	57	610	426
1913	60	620	403
1914	66	522	340
1915	85	974	728
1916	96	1440	1216
1917	181	1096	870
1918_July	750	376	290
1918_oct	773	769	590
1919_Feb	748	664	400
1919_July	490	706	483
1919_Oct	304	448	316
1920	269	891	452
1921	174	1166	669
1922	*	*	*
1923	197	1166	764
1924	172	1291	780
1925	186	1222	803
1926	192	1059	733
1927	192	981	613
1928	171	1137	748
1929	174	1124	645
1930	186	1085	495
1931	*	*	*
1932	*	*	*
1933_Oct	1968	404	104
1933_Dec	3428	1377	648
1934_Apr	2825	113	178
1934_Sep	1879	177	133
1934_Dec	2048	114	90
1935_Mar	1927	138	96
1935_June	2085	318	130
1935_Sep	2252	291	103
1935_Dec	1959	246	405
1936_Mar	1690	209	260
1936_June	1666	219	282
1936_Sep	1659	214	262
1936_Dec	1496	205	203
1937_Mar	1349	210	218
1937_June	1402	241	267
1937_Sep	1262	221	274
1937_Dec	1330	340	134
1938_Mar	1409	572	126
1938_June	1451	553	169

Notes:

1) 1920: June 1920

2) 1921: Oct. 1921

3) 1923 - 1930: January in each year.

* No data are available.

Source: Table 1 and 4.

Table 6
Performance of the Division of Information (Federal Government's Employment Agency)

6-A
Persons of Specified Occupations Obtaining Employment
Through The Division of Information of the Bureau of Immigration, 1910 - 1914

Number						
Occupation	1909-1910	1910-1911	1911-1912	1912-1913	1913-1914	1914-1915*
Domestic Help	314	360	245	90	73	132
Farm Laborers	2747	3083	2813	1920	1870	1811
Ordinary Laborers	1047	1215	2167	2482	1022	1070
Other Occupations	175	518	582	533	403	611
Total	4283	5176	5807	5025	3368	3624

Per Cent						
Occupation	1909-1910	1910-1911	1911-1912	1912-1913	1913-1914	1914-1915*
Domestic Help	7.33%	6.96%	4.22%	1.79%	2.17%	3.64%
Farm Laborers	64.14%	59.56%	48.44%	38.21%	55.52%	49.97%
Ordinary Laborers	24.45%	23.47%	37.32%	49.39%	30.34%	29.53%
Other Occupations	4.09%	10.01%	10.02%	10.61%	11.97%	16.86%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

6-B
Persons dispersed by the Division of Information

Between 1909 and 1914:	number	%
NY	11,001	40.3%
NJ	6,188	22.7%
PA	1,505	5.5%
CT	1,172	4.3%
IL	660	2.4%
TX	575	2.1%
MI	535	2.0%
OH	456	1.7%
VT	372	1.4%
Others	4,819	17.7%
Total	27,283	100.0%

Source: Monthly Labor Review (July 1915)

Note:* 10 months

Table 7
Occupational Shares of Applicants Placed by PEOs (Male and Female combined)

1900				
occupation	IPUMS	CT	MO	IL
Professionals and technical workers	4.53	0.16	0.17	0
Agriculture	33.38	11.54	3.2	2.5
Managers, officials and proprietors	5.74	0.1	0	0
Clerical and kindred	3.38	2.19	8.29	0.39
Sales workers	4.47	7.96	3.98	0.69
Craftsmen & operatives	26.86	4.17	8.23	6.12
Service workers	9.29	66.71	24.36	40.28
Laborers	12.34	5.09	47.79	36.12
Others		2.08	3.97	13.9
1910				
occupation	IPUMS	CT	MO	IL
Professionals and technical workers	4.87	0.06	0.02	0
Agriculture	28.63	14.9	5.8	1.57
Managers, officials and proprietors	5.97	0.05	0	0
Clerical and kindred	5.62	0.41	0.26	0.56
Sales workers	4.65	4	1.35	0.88
Craftsmen & operatives	27.64	4.1	6.84	10.71
Service workers	9.53	61.09	35.53	43.69
Laborers	13.08	13.4	43.8	35.58
Others		1.99	6.39	7.01
1920				
occupation	IPUMS	CT	MO	
Professionals and technical workers	5.64	0	0.07	
Agriculture	24.1	3.65	14.13	
Managers, officials and proprietors	6.66	0.11	0.12	
Clerical and kindred	8.27	0.52	4.22	
Sales workers	5.01	2.83	0.23	
Craftsmen & operatives	30.79	7.08	14.48	
Service workers	8.05	71.82	19.39	
Laborers	11.48	13.6	46.91	
Others		0.4	0.46	
1930				
occupation	IPUMS	CT	MO	
Professionals and technical workers	6.93	0.02	0.02	
Agriculture	20.09	2.69	8.25	
Managers, officials and proprietors	7.3	0.01	0.06	
Clerical and kindred	9.18	1.26	1.26	
Sales workers	6.71	3.26	0.71	
Craftsmen & operatives	29.32	6.27	10.1	
Service workers	9.72	67.35	19.96	
Laborers	10.74	18.8	59.59	
Others		0.34	0.06	

Notes:

Agriculture: Farmers (owners, tenants, farm manager) and farm laborers

Craftsmen and operatives: skilled and semi-skilled (manufacturings)

Table 8
Occupational Shares of Applicants Placed by PEOs (Men)

1900				
occupation	IPUMS	CT	MO	IL
Professionals and technical workers	3.43	0.31	0.2	0
Agriculture	37.34	30.84	3.69	3.77
Managers, officials and proprietors	6.53	0.21	0	0
Clerical and kindred	3.08	4	8.5	0.24
Sales workers	4.55	14.2	4.47	0.87
Craftsmen & operatives	27.25	9.57	9.34	6.26
Service workers	3.33	22.94	13.21	15.45
Laborers	14.5	13.61	56.04	54.44
Others		4	4.55	18.98
1910				
occupation	IPUMS	CT	MO	IL
Professionals and technical workers	3.6	0.13	0	0
Agriculture	31.33	30.68	7.33	2.28
Managers, officials and proprietors	7.1	0.1	0	0
Clerical and kindred	4.62	0.63	0.03	0.41
Sales workers	4.6	8	1.49	1.28
Craftsmen & operatives	28.92	8.03	7	13.42
Service workers	3.83	21	15.59	21.97
Laborers	16	27.59	60.83	51.59
Others		4	7.73	9.05
1920				
occupation	IPUMS	CT	MO	
Professionals and technical workers	3.99	0	0.02	
Agriculture	27.61	6.61	17.1	
Managers, officials and proprietors	7.8	0.03	0.07	
Clerical and kindred	5.3	0.46	1.01	
Sales workers	4.68	2.67	0.13	
Craftsmen & operatives	33.07	11.17	13.81	
Service workers	3.73	53.72	10.39	
Laborers	13.83	24.62	56.91	
Others		0.72	0.55	
1930				
occupation	IPUMS	CT	MO	
Professionals and technical workers	4.94	0.01	0	
Agriculture	23.75	5.19	9	
Managers, officials and proprietors	8.6	0.02	0	
Clerical and kindred	5.51	0.56	0.85	
Sales workers	6.59	5.9	0.5	
Craftsmen & operatives	32.52	8.73	9.52	
Service workers	4.81	42.65	7.99	
Laborers	13.28	36.29	72.06	
Others		0.65	0.08	

Notes:

Agriculture: Farmers (owners, tenants, farm manager) and farm laborers
 Craftsmen and operatives: skilled and semi-skilled (manufacturings)

Table 9
Occupational Shares of Applicants Placed by PEOs (Women)

1900				
occupation	IPUMS	CT	MO	IL
Professionals and technical workers	9.55	0.06	0	0
Agriculture	15.33	0	0.34	0
Managers, officials and proprietors	2.13	0.04	0	0
Clerical and kindred	4.75	1.1	7.06	0.68
Sales workers	4.13	4.22	1.15	0.34
Craftsmen & operatives	25.08	0.94	1.84	5.84
Service workers	36.5	92.88	88.97	89.23
Laborers	2.53	0	0	0
Others		0.75	0.63	3.91
1910				
occupation	IPUMS	CT	MO	IL
Professionals and technical workers	9.66	0	0.08	0
Agriculture	18.45	0	1.86	0
Managers, officials and proprietors	1.71	0	0	0
Clerical and kindred	9.42	0.19	0.85	0.88
Sales workers	4.86	0.43	1.02	0
Craftsmen & operatives	22.78	0.38	6.43	4.69
Service workers	31.06	98.71	86.63	91.96
Laborers	2.05	0	0.17	0
Others		0.29	2.96	2.47
1920				
occupation	IPUMS	CT	MO	
Professionals and technical workers	12.02	0	0.3	
Agriculture	10.58	0	0.15	
Managers, officials and proprietors	2.26	0.2	0.37	
Clerical and kindred	19.72	0.6	19.29	
Sales workers	6.29	3.02	0.66	
Craftsmen & operatives	22.01	2.03	17.62	
Service workers	24.7	94.15	61.59	
Laborers	2.42	0	0	
Others		0	0.01	
1930				
occupation	IPUMS	CT	MO	
Professionals and technical workers	13.88	0.03	0.11	
Agriculture	7.36	0	4.68	
Managers, officials and proprietors	2.76	0.01	0.32	
Clerical and kindred	21.93	2.01	3.19	
Sales workers	7.12	0.42	1.7	
Craftsmen & operatives	18.21	3.63	12.82	
Service workers	26.84	93.87	76.86	
Laborers	1.89	0.03	0.32	
Others		0.01	0	

Notes:

Agriculture: Farmers (owers, tenants, farm manager) and farm laborers

Craftsmen and operatives: skilled and semi-skilled (manufacturings)

* For 1900, CT and MO data are 1902's occupational distributions and IL data are 1901's. For 1930, Connecticut's data is in 1928 fiscal year.

Sources for Tables 7, 8, and 9:

1) 1900 occupational distributions:

Part II. Free Employment Offices in the United States and Foreign Countries, 34th Annual Report of the Bureau of Statistics of Labor, Mar. 1904. Boston: Massachusetts Bureau of Statistics of Labor, 1904.

2) For 1910:

- Illinois and Missouri: Sargent (1912)

- Connecticut: 25th Report of the Bureau of Labor Statistics for the Two Year Ended Nov. 20, 1912, Connecticut Bureau of Labor Statistics. Hartford, CT. 1912.

3) For 1920:

- Missouri: 40th and 41st Annual Reports, Bureau of Labor Statistics, State of Missouri: An Industrial History of Missouri, 1922, 1921, 1920. Missouri Bureau of Labor Statistics, 1923.

- Connecticut: 30th Report of the Bureau of Labor for the Period Ended June 30, 1922. Connecticut Bureau of Labor Statistics. Hartford, CT. 1922.

4) For 1930:

- Missouri: 51st Annual Report of the Labor and Industrial Inspection Department 1930, Department of Labor and Industrial Inspection. Jefferson City, MO. 1930.

- Connecticut: 34th Report of the Bureau of Labor Statistics for the Period Ended Dec. 1, 1930. Connecticut Bureau of Labor Statistics. Hartford, CT. 1931.

5) For the IPUMS: <http://usa.ipums.org/usa/>, 2004.

Notes:

Others: Agriculture plus unassigned persons, unemployables, recent students and others without work experience.
Professional and kindred workers: "Professionals and technical workers" and "Managers, officials and proprietors".
In Peo placements, regular jobs (68%) and Men' share (81%).
"Agriculture" is excluded in PEO placements.

Source:

USES (1937), Survey of Employment Service Information, p.141.
IPUMS (2004)

Table 10
Occupational Shares of Applicants Placed by PEOs in 1930s (July 1936 - March 1937)
Combined

occupation	IPUMS	PEOs
Professional and kindred workers	13.91	2.4
Sales workers	6.14	2.3
Clerical and kindred	10.16	3.8
Service workers	11.33	17.1
Craftsmen and operatives	30.4	20.1
Laborers	10.11	53.2
Others	17.95	1.1

* placements combined = 3128880.

Male

occupation	IPUMS	PEOs
Professional and kindred workers**	13.52	2.4
Sales workers	5.86	1.2
Clerical and kindred	6.58	2.3
Service workers	5.99	6.1
Craftsmen and operatives	33.62	23.7
Laborers	13.1	63.4
Others	21.34	0.8

* male placements = 2530175.

Female

occupation	IPUMS	PEOs
Professional and kindred workers	15.11	2.5
Sales workers	6.97	6.8
Clerical and kindred	20.99	10.1
Service workers	27.52	63.2
Craftsmen and operatives	20.65	5.0
Laborers	1.08	10.1
Others	7.69	2.2

* female placements = 598705.

Notes:

Others: Agriculture plus unassigned persons, unemployables, recent students and others without work experience.
Professional and kindred workers: "Professionals and technical workers" and "Managers, officials and proprietors".
Placements: regular jobs (68%) and Men' share (81%).
"Agriculture" is excluded in PEO placements.

Source:

USES (1937), Survey of Employment Service Information, p.141.
IPUMS (2004)

Table 11. Facts from the Applications for Employment in Wisconsin PEOs*

Citizenship			Residence in Wisconsin			
Citizenship	Number	Percent				
Native born	2481	63.78	Less than 1 year	1064	30.14	30.14
Naturalized	1035	26.60	1 - 5 years	654	18.24	48.38
Not Naturalized	374	9.62	6 - 10 years	286	8.17	56.55
Total	3890	100	11 - 15 years	216	6.09	62.64
<hr/>			16 - 20 years	185	5.23	67.87
Married or single	Number	Percent	21 - 25 years	88	2.49	70.36
Married	735	20.13	26 - 30 years	50	1.42	71.78
Single	2912	79.87	31 - 35 years	32	0.90	72.68
Total	3647	100	36 - 40 years	24	0.68	73.36
<hr/>			Over 40 years	32	0.90	74.26
Place of birth	Number	Percent	Since birth	911	25.74	100.00
Wisconsin	1023	26.30	Total	3542	100.00	
Other U.S.	1458	37.48	<hr/>			
Other countries	1409	36.22				
Total	3768	100				
<hr/>						
Member of labor union	Number	Percent				
No	3068	95.92				
Yes	130	4.08				
Total	3198	100				

Notes:

* Among 4744 applicants in Wisconsin PEOs from July to December 1901, 3890 applicants filled at least one of the all blanks in the application form.

Source:

Part VII. Free Employment Offices. 10th Biennial Report of the Bureau of Labor and Industrial Statistics, State of Wisconsin, 1900 – 1901, Madison, WI: Democrat Printing Company, State Printer. 1902

Appendix 1: Chronological Establishment of PEOs (State or Municipality), 1890 – 1932

Year	Events
1890~1905	PEOs were established in Ohio in 1890. there were 5 offices in Cincinnati, Cleveland, Columbus, Dayton, and Toledo. By 1905, 29 offices were established in 11 states.
1907	The Division of Information (a labor distribution agency for immigrants) was created in the Bureau of Immigration and Naturalization of the Department of Commerce and Labor by the Immigration Act of 1907.
1913	The Department of Labor and Commerce was divided and the Division of Information remained in the Department of Labor.
1915	As the immigration to the U.S. diminished due to World War I, the Division of Information started expanding its role to domestic employment service. 26 states operated 85 PEOs, independently of the federal government by 1915.
1918	The Division of Information was renamed to the U.S. Employment Service, separated from the Bureau of Information, and became a unit of the Department of Labor. It operated as the only recruiting agency to for civilian workers.
1919	The 66th Congress made substantial budget cut for USES. As a result, many offices created during World War I were closed or turned over by local governments.
1920s	Except the Farm Harvest Division, USES was a paper organization. During the 1920s, PEOs were maintained and operated by states or municipalities with minimal duty to report basic performance to USES.
1931~1932	USES created federal offices, independent of state and municipal offices by the Secretary Doak of the Dept. of Labor.
1933	Congress passed the Wagner-Peyser Act of 1933. USES became re-organized as a nationwide employment service system. The Department of Labor under the Secretary Perkins closed all the federal offices created under the Hoover Administration. The National Reemployment Service was created in USES to connect jobseekers to public works.
1935	Congress passed the Social Security Act, which provided for unemployment compensation benefit through USES. The Social Security Board could reject funds for unemployment compensation unless individual state is affiliated with USES.
1939	USES was transferred from the Department of Labor (DOL) to the Social Security Board.
1940s	USES was transferred to the War Manpower Commission for manpower utilization in 1942. USES returned to DOL in 1945 but was transferred to the War Manpower Commission in 1948. Finally USES went back to DOL in 1949.
1960~1990	<u>Congress passed several acts to encompass USES's services:</u> the Area Redevelopment Act (1961), the Manpower Development and Training Act (1962), The Vocational and Educational Act (1963), the Economic Opportunity Act (1964), the Job Training Partnership Act (1982), and the Economic Dislocation and Worker Adjustment Assistance Act (1988).
1998	The Wagner - Peyser Act was amended as a part of the Workforce Investment Act of 1998. It requires the public employment offices provide for "One-Stop delivery system" services.

Notes:

- 1] New York: New York City PEO ceased in 1906 and re-established in 1914 (by a new state Act).
- 2] Nebraska: Municipal Ordinance was passed in 1897 but there were no PEOs until 1915. Commons and Andrews (1936) also report the non-existence of PEOs in 1930 in Nebraska. In addition, the system of PEOs was mail-order and there was no PEO in 1930.
- 3] Montana: Initially a PEO was established in Montana in 1895 but abandoned in a year.(2/27/1895) but repealed in 1897.
- 4] Minnesota: Duluth has a municipal office from 1901 without law.
- 5] California: Originally from 1893, Los Angeles PEO operated by labor union w/o law and became municipal in January 17, 1905.
- 6] Michigan: Before 1905, no information on PEOs is provided in state-level reports (e.g., a series of Michigan State Annual Report of the Bureau of Labor and Industrial Statistics). Thus I assume that the first establishment of PEOs in Michigan was in 1905, following the year of the State Act passed.
- 7] Colorado: Herdon Jr. (1918) reports that a PEO was operated in Denver from 1903 but I cannot find any evidence

of its existence until 1907. Thus I records Colorado data from 1907. PEOs discontinued from 1924 due to a lack of funds available by state governments. Federal PEOs were established in 1932.

8] South Dakota: A law passed in 1913 but there was no PEO by 1932.

9] Iowa: Herdon Jr. (1918) documents that there was a PEO established in Des Moines, Iowa in 1905 but I cannot find any evidence in state reports. All other documents report that PEOs were established in Iowa, thus I follow them.

10] Oregon: Herdon Jr. (1918) reports that there was a PEO in Oregon from 1907 but no evidence has been found.

11] Idaho: In 1915, Idaho State established a PEO but ceased to exist. Even this offices charged fee of \$1 once an applicant is referred and 50 cents more if he or she was placed. I do not regard this office as a PEO because the service was not free.

■ I have not found any evidence of actual operation or law passed to establish PEOs in those states.

* Commons and Andrews (1936) document that there existed a PEO in Maine without law in 1930.

- Some sources show slightly different years of PEO establishment but this difference is between actual opening years and the years laws passed.

- Between 1917 and 1919, PEOs were federal offices or state PEOs with the Federal employment service (USES).

- There was no PEOs in the following states in 1930 (Commons and Andrews): Arizona, Colorado, Delaware, Georgia, Kentucky, Louisiana, Maryland, Nebraska, North Dakota, South Dakota, and Utah.

Sources:

Bogart (1900), Massachusetts Bureau of Statistics of Labor (1904), Conner (1907), Sargent (1912), Herdon Jr. (1918), Smith (1923), Harrison (1924), Kellogg (1933), Commons and Andrews (1936), Atkinson, Odencrantz, and Deming (1938), and various states' reports.

Appendix 2: Bureaucratic History of Public Employment Offices (Local PEOs and USES)

Year	Events
1890~1905	PEOs were established in Ohio in 1890. there were 5 offices in Cincinnati, Cleveland, Columbus, Dayton, and Toledo. By 1905, 29 offices were established in 11 states.
1907	The Division of Information (a labor distribution agency for immigrants) was created in the Bureau of Immigration and Naturalization of the Department of Commerce and Labor by the Immigration Act of 1907.
1913	The Department of Labor and Commerce was divided and the Division of Information remained in the Department of Labor.
1915	As the immigration to the U.S. diminished due to World War I, the Division of Information started expanding its role to domestic employment service. 26 states operated 85 PEOs, independently of the federal government by 1915.
1918	The Division of Information was renamed to the U.S. Employment Service, separated from the Bureau of Information, and became a unit of the Department of Labor. It operated as the only recruiting agency to for civilian workers.
1919	The 66th Congress made substantial budget cut for USES. As a result, many offices created during World War I were closed or turned over by local governments.
1920s	Except the Farm Harvest Division, USES was a paper organization. During the 1920s, PEOs were maintained and operated by states or municipalities with minimal duty to report basic performance to USES.
1931~1932	USES created federal offices, independent of state and municipal offices by the Secretary Doak of the Dept. of Labor.
1933	The Congress passed the Wagner-Peyser Act of 1933. USES became re-organized as a nationwide employment service system The Department of Labor under the Secretary Perkins closed all the federal offices created under the Hoover Administration. The National Reemployment Service was created in USES to connect jobseekers to public works.
1935	The Congress passed the Social Security Act, which provided for unemployment compensation benefit through USES. The Social Security Board could reject funds for unemployment compensation unless individual state is affiliated with USES.
1939	USES was transferred from the Department of Labor (DOL) to the Social Security Board.
1940s	USES was transferred to the War Manpower Commission for manpower utilization in 1942. USES returned to DOL in 1945 but was transferred to the War Manpower Commission in 1948. Finally USES went back to DOL in 1949.
1960~1990	Congress passed several acts to encompass USES's services: the Area Redevelopment Act (1961), the Manpower Development and Training Act (1962), The Vocational and Educational Act (1963), the Economic Opportunity Act (1964), the Job Training Partnership Act (1982), and the Economic Dislocation and Worker Adjustment Assistance Act (1988).
1998	The Wagner - Peyser Act was amended as a part of the Workforce Investment Act of 1998. It requires the public employment offices provide for "One-Stop delivery system" services.

Sources:

Sargent (1912), Herdon Jr. (1917), Smith (1923), Kellogg (1933), Commons and Andrews (1936), Atkinson, Odenrantz, and Deming (1938), Molley (May 1943), Adams (1969), Guzda (June 1983)

Monthly Labor Review (Jan. 1931), Employment Service News (Feb. 1935),

The Columbia Electronic Encyclopedia, 6th Edition. (2001 – 2005): "Employment Bureau",

(<http://www.bartleby.com/65/em/employme.html>)

Employment and Training Administration, The U.S. Department of Labor (March 13, 2007):

[<http://www.uses.doleta.gov/wp.cfm>, <http://www.uses.doleta.gov/empservices.cfm>,

<http://www.uses.doleta.gov/hire.cfm>, <http://www.uses.doleta.gov/reemp.cfm>].

Appendix 3: Data Section

I collected the data for this paper from various sources: states' annual or biennial reports of bureaus of labor, annual reports and periodicals of USES, the Bulletins and periodicals of the Bureau of Labor (Statistics), and other sources. Bogart (1900) also has valuable information and data on PEOs in the 1890s and Atkinson, Odencrantz and Deming (1938) has detailed data for the 1930s.

One reason that few scholars do research in public employment offices in the early 20th century is that the data are scattered in libraries and archives throughout the U.S. and there are few records to provide combined and unified data at the federal-level. This is mainly due to irregularity of USES annual reports in the 1920s and early 1930s. I visited in the National Archives in College Park, Maryland and the Wirtz Labor Library in the Department of Labor to find annual reports of USES in the early 1920s and 1930s but could not find those reports. However, those two places have tons of information on the labor market and PEOs in the early 20th century.

Before 1915, there was no document or report to combine all the data on PEOs from states or municipalities. I collected most of the data before 1915 throughout reports of states' labor bureaus. The Bulletins of Bureau of Labor of the Department of Commerce and Labor occasionally provide some data on PEOs for various states in the section, "Digest of recent reports of state bureaus of labor statistics". Even if the data from the Bulletins of Bureau of Labor are irregular, at least I could find sources on state-level labor market data including PEOs. The above section discontinued in the Bulletins around 1912.

I provide all the sources of data for this paper at the end of each table and bibliography section.