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Volume Title: The Measurement and Interpretation of Job Vacancies

Volume Author/Editor: P DGT

Volume Publisher: P DGT

Volume ISBN: 0-87014-471-5

Volume URL: <http://www.nber.org/books/unkn66-2>

Publication Date: 1966

Chapter Title: An Evaluation of Private Employment Agencies as Sources of Job Vacancy Data

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Chapter URL: <http://www.nber.org/chapters/c1615>

Chapter pages in book: (p. 519 - 547)

*An Evaluation of Private Employment Agencies
as Sources of Job Vacancy Data*

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Few institutions have so completely escaped the surveillance of labor market researchers as the private employment agencies. These organizations have gone essentially unnoticed since that period, decades ago, when institutionalists decried their abuses and advocated regulation. The scholarly neglect is somewhat surprising because for some time there have been indications that agencies are labor market institutions with growth rates that may be exceeded only in the retraining industry.

In recent months we have come to understand some of the causes of research neglect. Agencies are especially difficult to close on as objects of study. There are probably well over 6,000 fee-charging agencies in the country at present, but no organization, public or private, can offer a reliable estimate of their total number. Most agencies are small organizations, staffed by proprietors and perhaps a few assistants. It is doubtful that very many agencies, even in large metropolitan areas, place more than a score of workers in a month. They are not large, rationalized organizations with professional managers who grasp a stated research problem and place the organization at the disposal of a researcher. On the contrary, regulation of this industry has fostered the worst possible outcomes for an investigator. The regulatory climate has made proprietors anxious about outsiders who intrude and ask questions. At the same time, the regulators do not offer the advantage that they have maintained useful and accurate industry statistics.

These problems were anticipated when we established objectives and agreed to prepare this paper on the potential of agency data as vacancy indicators. In carrying out the work, we adopted the attitude that whatever could be accomplished was worthwhile because so little is known in this area. But we have often had to use the minimum of data obtainable to arrive at generalizations that are based on near heroic assumptions.

The first objective for this study was to determine the sources, extent, and quality of agency data relevant to the vacancy question. The principal information sources are records of state governments that regulate agencies, the National Employment Association (the agencies' national organization), and individual agencies. Our previous studies of Chicago agencies and information available from the University of Chicago Labor Market Study dictated a principal focus on agencies in that city.¹

The study also sought to identify characteristic labor market activities of agencies that are relevant to evaluation of agency records as vacancy sources. In addition, the investigation reviewed employers' utilization of agency services to determine how company use of agencies might affect the value of agency information. Finally, another objective was to examine relationships between agency job order figures and employers' requirements for particular occupations.

Not all of these objectives could be accomplished well: accurate statistics about the most elementary facts of agency operations are compiled by few institutions; agencies are reticent toward investigators. Agencies are many, small, and often casual about administrative and information recording processes; finally, the reports government regulators receive from agencies are only as accurate as agency practices permit.

¹ The Chicago Labor Market Study is under the direction of Dean George P. Shultz, Graduate School of Business, and Professor Albert Rees, Department of Economics, University of Chicago. The study is supported by a grant from The Ford Foundation. We wish to express our thanks to these gentlemen for permitting us to use Chicago Labor Market Study materials in the preparation of this paper. The author, however, is responsible for judgments and conclusions expressed in this paper. Hereafter in this paper, the designation "Chicago Labor Market Study" is abbreviated CLMS.

Given these constraints, we have tried to make the following contributions to this conference. The report identifies general sources of information about agencies and their activities. We offer a discussion of agency characteristics, using the little information available that permits estimates about numbers of agencies, their occupational specialties, their geographical distribution, and similar facts. We then rely on Chicago sources and report on vacancy information available at agencies. Characteristic features of agency operation and management are cited where these procedures influence the quality of data available. The later sections of the paper examine aspects of employer use of agencies in Chicago. The report concludes with a summary of the potential of agency data as vacancy indicators.

SOURCES OF AGENCY INFORMATION

Five sources of information were used for this study. Twenty Chicago agencies were contacted, interviewed, their operations were observed, and records were examined when permission to do so could be obtained. Information about employer utilization and evaluations of agencies was available from the Chicago Labor Market Study and from other company contacts. The CLMS studied recruiting, wage, and employment policies in seventy-five area companies for the principal purpose of examining relationships among interfirm wage differentials, employment policies, and qualitative differences in company work forces. Determinants of company use of agencies were also studied.

The offices of the forty-seven states that regulate agencies were also surveyed, and inquiries were made about agency information these offices might collect in periodic reports. The National Employment Association, the national organization of the private agencies, was also contacted, and efforts were made to evaluate information at that organization. Finally, various departments and agencies of the federal government were approached to determine what information is gathered in the federal establishment. We are unaware of any institutional sources, other than these five,

that collect agency data. Only the state sources contacted, the CLMS, and our own study of Chicago agencies produced information of significant value for this report. The National Employment Association proved to have little information on file pertaining to its members' placement activities. In the federal establishment, the Census of Business is the only source that provides any quantity of data about agencies. This information will be evaluated subsequently. At present, we focus on state sources of information. These appear to have potential for future vacancy collection programs, although at present they are quite weak.

Only states regulate agency activities, and some states require that agencies report on placement activities. In beginning the study, our expectations were that the principal sources of useful agency data would be state records. Forty-seven states have laws regulating agencies to some extent but the laws vary widely in the extent of their provisions. The most comprehensive laws require licensing and bonding, regulate placement fees, prohibit undesirable practices such as fee-splitting, establish requirements for records and reports, and authorize an administrative authority, usually an officer of the State Labor Department, to enforce the law.² A questionnaire was sent to the fifty states, the District of Columbia, and Puerto Rico to establish these regulatory facts, and to determine specifically what was required of agencies in terms of records and reporting. The survey established what specific statistics pertaining to job orders, applicant numbers, and placements were collected by states. It also inquired if any of these statistics identified job or occupational titles of placements, job orders, or applicants.

A total of forty-six states responded to the survey; those responding indicated there was a total of 6,188 nonagricultural private agencies identifiable in their records. The states not responding, or those that could not enumerate agencies, were principally those with no agency regulation or those that have only municipal regulation. Table 1 brings together some results of this survey.

States that reported no regulatory law, or that reported they col-

² For a summary of state laws regulating private agencies see *State Laws Regulating Private Employment Agencies*, Bulletin 209, Department of Labor, Bureau of Labor Standards, 1960.

lected or received no agency reports are not included among the eighteen states in the table.³ Only these eighteen states obtain information about placements and related statistics, and the number that obtain details is disappointing. Only seventeen of the fifty states require reporting of numbers of placements; eleven require

TABLE 1
Private Agency Placement Information Reported to Eighteen States Requiring Periodic Reports

State	Kinds of Information Reported				Reports Indicating Occupational Information
	No. of Applicants	No. of Referrals	No. of Job Orders	No. of Placements	
Arizona	X	X	--	X	None
Arkansas	X	--	X	X	None
California	--	--	--	X	None
Colorado	--	--	--	X	None
Hawaii	--	--	--	X	None
Illinois	X	--	X	X	None
Indiana	--	--	--	X	Placement job titles
Kentucky	X	--	X	X	None
Louisiana	--	--	--	X	Placement job titles
Nebraska	X	--	--	--	Placement job titles & job order titles
Nevada	--	--	--	X	None
New Jersey	X	--	--	X	None
North Carolina	--	--	--	X	None
Ohio	--	--	--	X	None
South Dakota	X	--	X	X	Placement job titles & job order titles
West Virginia	--	--	--	X	Placement job titles
Wisconsin	--	--	--	X	None
Wyoming	X	X	X	X	Placement job titles & job order titles
Totals	8	2	5	17	

SOURCE: Survey of the states by the author, June, 1964.

this reporting monthly, four annually, and one quarterly. Five have provisions for reports of numbers of employer job orders, and eight receive reports of applicants registered at agencies.

Perhaps the most disappointing aspect of state procedures is that only three states collect reports of employer job orders that

³ Three states have no laws regulating agencies, and thirty-two states receive or collect no placement information from agencies.

indicate occupational or job titles. Six states have records that contain job titles of positions filled at companies. For the most part, the other information obtained by these and all the other states is oriented to licensing and fee provisions. State records, therefore, offer little as basic sources of agency data suitable for vacancy enumerations. Of all the states, only Arkansas, California, and New Jersey responded to a request that any available summary reports of placement statistics be returned with the questionnaire. All the other states have no summary reports and almost all of them indicated that agency reports are not periodically tabulated and summarized. In responding to the survey, a number of state officials noted that reporting requirements were not strictly enforced and statistics were not verified or summarized because enforcement resources were inadequate.

In addition to the survey, the records of the State of Illinois were examined and unsuccessful attempts were made to review Indiana state records. Unfortunately, Indiana officials felt their state law prohibited disclosure of records. The records of both states were of special interest. Illinois collects monthly reports of job orders, placements, and applicants. Indiana is one of three states that requires reports of occupational titles and other details.

The condition of Illinois records corroborates comments of state officials who noted that loose enforcement fosters slack reporting by agencies. Illinois licensed 538 agencies in 1963 and 549 in 1963-64. However, when state records for the last six months of 1963 were examined, we found that only 270 agencies submitted any reports during that period.⁴ Furthermore, these 270 agencies reported an average of four times each in the six months. A review of records for earlier months of 1963 and for 1962 revealed the same limitations. The records that are submitted have basic deficiencies as sources of vacancy data. One would hope that agency reports of employer job orders would be useful. However, agencies typically carry over and report unfilled job orders from month to month, and the figures reported each month usually represent a compilation for undetermined time periods. Applicant and placement

⁴ This figure indicates substantial noncompliance with the law, but presumably numerous agencies did not report because they were not active during the period.

figures tend to have the same deficiencies; nonreporting of these figures is equally prevalent. In the final analysis, we have little confidence in the figures submitted, for reasons given above, and others that will be made clear when agency operating procedures affecting records and statistics are discussed later in this paper. We have no information that directly indicates that the records of other states are also deficient. We would suspect the worst, however, because of the written comments of state officials, and because we know most states do not inspect, review, or summarize agency reports.

State sources of vacancy data are very limited or imperfect, therefore, but their potential requires some evaluation. In the absence of any future federal legislation regulating agencies and establishing reporting standards, there are two general routes that could be followed to establish agency vacancy reporting systems. One possibility is a program for government collection in some or all of the states where legislation could be modified and cooperation secured. The alternative course (which is discussed in the summary of this paper) is to design collection systems which might be operated by private research institutions in cooperation with selected agencies.

The outlook for more extensive state collection systems, with adequate checks on the accuracy of data reported, is not good. We pass over obviously difficult administrative problems that readily come to mind: identification of institutions that would institute action for such changes, problems of legislative enactment, economic burdens, criteria for cost-benefit analysis of programs, and so on. The political pitfalls are at least as important. To the extent that private agencies have ever cooperated among themselves in their own interests, they have done so to lobby at state and federal levels. These efforts are not ineffective. We can identify at least one major industrial state where agency proprietors had a major role in drafting the state regulatory statute.

Perhaps, at the most, efforts could be made in some of the states that now have reporting requirements to obtain more detailed reporting of numbers and kinds of employer job orders. Of course, additional resources would have to be available to facilitate en-

forcement and the evaluation of information collected. This suggestion is offered as one that may be barely tenable; first, because we know that California, Indiana, and one or two other states have been able to secure reasonable reporting compliance where they police their statutes and expend funds for the purpose. Secondly, many of the state statutes leave to the discretion of the administering state officer the determination of specific kinds of data agencies are required to report. It may be possible, therefore, that in a few of the states more adequate vacancy collection plans could be inaugurated without large additional expenditures and without the political complications that might arise through legislation.

The preceding discussion assumes that it is possible to determine whether agency data are sufficiently extensive and reliable to be useful as vacancy indicators. The following sections provide information about agencies and agency practices that may be useful in deciding questions of this kind.

AGENCIES: GENERAL CHARACTERISTICS

It is difficult to provide more than very general answers to broad questions about characteristics of agencies. The latest and only extensive count of private agencies was provided by the 1958 *Census of Business*. The 1963 *Census of Business* will shortly be published and will provide a more current tally. In 1958, this source listed 3,892 private agencies nationally. Active proprietors of unincorporated agencies numbered 3,657. Total receipts were \$100,513,000, and employment was 16,783.⁵ These figures, and data for earlier years, are reported in Tables 2 and 3.

The figures verify prevalent assumptions about extensive growth of agencies in recent years. We have little data that permits precise adjustment or qualification of the Census data, but there are reasons for believing the figures are rather conservative. It is doubtful that this Census would identify and enumerate labor contractors, consulting firms, and various other market intermediaries that are mobile, whose principal business may not be job placement, or

⁵ Bureau of the Census, *Census of Business, 1958*, Vol. VI, Selected Services, Area Statistics, Part I, U.S. Summary and Alabama-Mississippi.

TABLE 2
*Private Employment Agencies in the States, Enumeration
of the Census of Business, 1958*

State	Number of Establish- ments	Total Receipts (thousand dollars)	Total Paid Employees, Workweek Ended Nearest November 15
Alabama	13	166	30
Arizona	22	483	52
Arkansas	18	328	45
California	655	17,385	3,569
Colorado	59	1,462	211
Connecticut	43	834	122
Delaware	8	180	48
District of Columbia	47	924	95
Florida	157	2,545	493
Georgia	61	804	205
Idaho	2	a	a
Illinois	334	15,401	2,687
Indiana	64	1,596	195
Iowa	28	387	70
Kansas	5	140	37
Kentucky	25	484	88
Louisiana	34	785	115
Maine	7	29	18
Maryland	39	637	92
Massachusetts	113	2,521	446
Michigan	102	2,103	267
Minnesota	71	2,292	407
Mississippi	6	58	a
Missouri	71	2,349	440
Montana	4	34	6
Nebraska	18	389	52
Nevada	7	41	a
New Hampshire	2	a	0
New Jersey	114	2,367	356
New Mexico	12	200	20
New York	872	23,154	3,203
North Carolina	17	211	34
North Dakota	6	46	a
Ohio	168	5,026	773
Oklahoma	25	586	96
Oregon	32	645	122
Pennsylvania	209	5,297	889
Rhode Island	12	88	8
South Carolina	14	133	23
South Dakota	8	54	9

(continued)

TABLE 2 (concluded)

State	Number of Establishments	Total Receipts (thousand dollars)	Total Paid Employees, Workweek Ended Nearest November 15
Tennessee	54	1,101	196
Texas	196	4,463	751
Utah	10	262	a
Vermont	1	a	a
Virginia	28	849	154
Washington	58	839	124
West Virginia	15	182	35
Wisconsin	13	334	82
Wyoming	4	59	a
Alaska	0	0	0
Hawaii	14	148	19
Total	3,892		

SOURCE: Bureau of the Census, *Census of Business, 1958*, Vol. VI, Selected Services, Area Statistics, Part I, U.S. Summary and Alabama-Mississippi.

^a Withheld to avoid disclosure.

others that operate in only some periods of a year. Moreover, where we have been able to obtain figures for 1958 from other sources, these figures usually exceed the Census figures by large amounts. The 1958-59 figures from the Bureau of Labor Standards are available for comparative purposes. The excess in the Bureau's figures can not be attributed to the slight differences in time periods. Table 4 compares *Census of Business* figures with those of the Bureau of Standards for states that require agency licensing.

There are two available current counts of agencies, which we offer in the absence of anything more precise. The Bureau of Labor Standards has communicated to us their estimate that agencies in 1964 probably numbered 6,400. Bureau personnel stress that this is a very provisional estimate, derived from data collected in the states during occasional visits by personnel. Our survey of the states requested that states provide the number of all nonagricultural agencies available from their licensing or other sources. Thirty-five states, the District of Columbia, and Puerto Rico responded, offering a total count of 6,188 agencies. The nonresponses to this item are accounted for by states that have no agency licensing law or procedures, or that regulate through municipalities. The figure, of course, has the limitation that we could not verify state data, and experience suggests that state agency records are often

TABLE 3
*Census of Business Enumeration and Selected Information; Private Employment
 Agencies in the United States, Selected Years*

Total Number	PRIVATE EMPLOYMENT AGENCIES							Active Proprietors of Unincorporated Businesses ¹ (number)
	Employees		Workweek Ended Nearest Nov. 15		Workweek Ended Nearest Nov. 15		Active Proprietors of Unincorporated Businesses ¹ (number)	
	on Payroll	Receipts (thousand dollars)	Payroll (dollars)	Paid Employees (number)	Payroll (dollars)	Paid Employees (number)		
1939 1,424	7,861	2,777	215,440	1,990	1,419	1,419		
1948 2,231	30,784	10,271	497,342	4,580	2,239	2,239		
1954 3,153	62,897	24,157	857,620	10,028	2,997	2,997		
1958 3,892	100,513	40,418		16,783	3,657	3,657		

SOURCE: Bureau of the Census, *Census of Business*, U.S. Summary and Alabama-Mississippi. *Census of 1958*, Vol. VI, Selected Services, Area Statistics, Part I, *Business*, 1948, Vol. VII, Service Trade, Area Statistics.

TABLE 4
*Comparison of Agencies Enumerated in States Requiring
 Licensing, Census of Business, 1958, and Bureau
 of Labor Standards, 1958-59*

State	Number of Agencies According to	
	Census of Business November, 1958	Bureau of Labor Standards 1958-59
California	655	806
Colorado	59	103
Georgia	61	94
Hawaii	14	26
Iowa	28	25
Kansas	5	5
Maryland	39	79
Michigan	102	227
Minnesota	71	91
Nebraska	18	29
New Jersey	114	178
New York	872	1,304
Ohio	168	223
Oklahoma	25	40
Pennsylvania	209	432
Rhode Island	12	18
Texas	196	263
Wisconsin	13	15

SOURCE: U.S. Bureau of the Census, *1958 Census of Business*, Vol. VI, Selected Services, Area Statistics, Part I. Bureau of Labor Standards, *State Laws Regulating Private Employment Agencies*, Bulletin 209, 1960.

not tallied with care. The figure 6,188 has the limited value that it is a tolerable companion figure to the Bureau of Standards 6,400 estimate, when allowance is made for states not reporting agencies in our survey.

There are almost no available sources that identify agencies according to their industrial or occupational specialties. The only information obtainable for this purpose were survey responses from California, Illinois, and Michigan. Tables 5 and 6 list information pertaining to California agencies, by number, occupational specialties, and placements. In 1962 there were 2,794 agencies in the state. However, all but approximately 1,000 of these agencies operated in special labor markets which a vacancy enumeration program might not include.

The Michigan information available reports only a simple breakdown of agency specialties. In 1964 in that state there were 269

TABLE 5
*Number of Private Agencies by Type of Agency,
 California, 1962*

Type of Agency	Number of Agencies
General agencies	1,105
Theatrical agencies	455
Labor contractors	17
Farm labor contractors	1,116
Nurses agencies	101
Total	2,794

SOURCE: *Private Employment Agencies in California, Annual Statistical Report, 1962*, California Department of Industrial Relations, San Francisco, 1964.

TABLE 6
*Placements Made by Private Agencies, by Field of
 Employment, California, 1962*

Field of Employment	Placements		
	Total	Permanent	Temporary
Commercial	105,152	91,397	13,755
Baby sitting	301,521	406	301,115
Domestic	32,395	12,537	19,858
Hotel and restaurant	15,602	12,322	3,280
Nursing and medical	13,979	6,229	7,750
Technical and teaching	4,017	3,766	251
Miscellaneous	47,628	24,548	23,080
Total	520,294	151,205	369,089

SOURCE: *Private Employment Agencies in California, Annual Statistical Report, 1962*, California Department of Industrial Relations, San Francisco, 1964.

licensed agencies, of which 170 (63 per cent) were "general" agencies dealing with the principal male and female white and blue collar occupations; 55 were baby sitters' and domestic agencies, and 44 were theatrical.⁶ In Illinois, where most agencies operate in the Chicago area, a total of 549 agencies were licensed in 1964. Of these, 383 (70 per cent) were general agencies, 111 were theatrical, 23 were sitter or domestic agencies, and the remaining 32 were nursing, teaching, or medical agencies.⁷ Therefore, about 60 to 70 per cent of agencies in each of the three states are general

⁶ Information obtained from Michigan State Superintendent of Private Employment Bureau, Detroit, in survey by the author, June, 1964.

⁷ Information from author's correspondence with Illinois Division of Private Employment Agencies, Chicago.

agencies. This is true for California (65 per cent), if one omits agricultural contractors from the total tally. We can not be sure this proportion holds consistently in other states.

One of the most interesting questions about agencies pertains to the total number of their placements in the nation. A number of means were explored to gain estimates of placement totals but the efforts were not successful. Of the seventeen states that require agencies to report placement figures, only Arkansas, California, and New Jersey tabulate and summarize placement numbers. The other states do not summarize agency reports in their files. The same is true of records of employer job orders, registered applicants, and other data. The National Employment Association has no information on file that is useful. The Census of Business does not report placements but it does report dollar receipts of agencies. For a time we considered that estimates of placements might be made by using these receipt figures and assuming an average fee per placement. However, in the final analysis we lacked sufficient courage to do so, and we can offer only the following observations about average placements of general agencies in Arkansas, California, Illinois, Indiana, and New Jersey.

The Indiana information is most scanty and can be disposed of first. We were unable to obtain access to Indiana records for legal reasons, but determined from a report of an official that in 1964 the approximately 100 agencies in the state placed nearly 1,450 workers per month. This would indicate an agency mean of slightly over 14 placement per month. This simple estimated average would be of little interest by itself, but it does roughly correspond to averages for general agencies obtained by somewhat more reliable methods for Arkansas, California, and Illinois. In Arkansas in 1962-63, twenty-two agencies placed an average of 15 persons a month.⁸ The Illinois records are imperfect, as we have noted, but we believe the monthly reports of placements that agencies did file are accurate enough for estimating a simple average. Placements for each of the last six months of 1963 were totaled for all general agencies, and the mean placement figure obtained. This monthly average per agency was no higher than 25 and no lower than 17 in

⁸ *37th Annual Report of the Department of Labor of the State of Arkansas*, Little Rock, 1963, p. 6.

the six-month period. In Hawaii, 29 agencies placed a monthly average of 24 persons in 1963-64.⁹

California statistics for 1962 indicate that agencies in that state had generally the same monthly placement magnitudes. If the tally is confined to permanent placements of all agencies, and the temporary placements of sitters' agencies are excluded, the California agencies averaged a monthly placement figure of 14 in 1962.¹⁰ It is safe to assume that this industry is characterized by many rather small units. Illinois data are useful for the purpose of qualifying this observation. Table 7 records the distribution of agencies in that state according to numbers of monthly placements. Table

TABLE 7
*Distribution of Average Monthly Placements of Illinois
General Agencies Reporting to State Division of
Private Employment Agencies,
July Through December, 1963
(N = 277)*

Monthly Placements	Number of Agencies
0 - 9	121
10 - 19	69
20 - 29	37
30 - 39	9
40 - 49	7
50 - 59	6
60 - 69	4
70 - 79	8
80 - 89	3
90 - 99	3
100 - 109	1
110 - 119	1
120 - 129	4
130 - 139	--
140 - 149	--
150 - 159	2
160 - 169	--
170 - 179	--
180 - 189	--
190 - 199	2

SOURCE: Records of the Illinois Division of Private Employment Agencies, Chicago.

⁹ Response of the Labor Department of the State of Hawaii to the author's survey, June 1964.

¹⁰ Placement figures for California are available in the report: *Private Employment Agencies in California, Annual Statistical Report, 1962*, Department of Industrial Relations, San Francisco, 1964.

TABLE 8
*Number of Placements of Illinois General Agencies Reporting
 Monthly to State Division of Private Employment Agencies,
 July Through December, 1963*

Month	Agencies Reporting in Month ^a	Placements		
		Total	Male	Female
July	210	4,640	2,488	2,152
August	203	4,662	2,622	2,040
September	216	5,406	2,831	2,575
October	173	4,395	2,413	1,982
November	199	4,159	2,267	1,892
December	207	3,605	1,956	1,649

SOURCE: Records of the Illinois Division of Private Employment Agencies, Chicago.

^a 277 agencies reported in any of the six months of the period. The average number of months agencies reported out of a possible total of six months was 4.3 months per agency.

8 indicates the monthly totals of agency placements reported in Illinois in six months of 1963. The data show numerous agencies with low monthly placement volume. The information is derived from reports of 277 agencies that reported from July to December, 1963. Of the 277 agencies, 227 had average monthly placements of less than 30 persons. These state figures all demonstrate that agency placements average something between 15 and 30 persons in the different states. We believe the lower figure is closer to a correct all-agency average for several reasons. There appears to be a tendency for larger agencies to report more frequently, and the larger figures they report probably distort simple means. Finally, most of the state placement summaries from which averages were taken include temporary placements. If these were excluded, the averages would fall considerably.

AGENCY DATA AND OPERATING PROCEDURES

In an evaluation of private agency data, the ways in which common agency operating procedures affect these data must also be considered. Observations in Chicago suggest that any program for

collecting vacancy reports from job order and placement information would suffer difficulties if attention were not given to administrative circumstances. This section discusses the extent and quality of information at agencies, and reviews agency features that set limits to the usefulness of data.

Most states that regulate agencies and require reporting have laws that specify the records agencies must keep. Few of the state laws stipulate that more than placement and fee information must be recorded. But at least the statutes encourage minimum record keeping. There are other than legal incentives for agencies to maintain applicant, job order, and placement records. Chicago agencies commonly retain these records for many months, and even several years, because they indicate sources of repeat business. Interviewed agency proprietors report that employer job orders have varying time durations when they may be considered unfilled and "active." Most agency personnel usually found that employer positions were filled within two weeks; a very few said they could respond to an order four weeks after it was placed and find the vacancy still open. Most persons felt that specific estimates of vacancy duration were untenable because of occupational differences and altering market circumstances.

Observations and interviews indicate that records of job orders, placements, and applicants are as diverse in detail and accuracy as one might expect among dozens of small offices. The least adequate records we witnessed contained merely firm names, wages offered, and vague job designations assignable only to the broadest occupational categories. Other records, in a minority of agencies, would provide very adequate detail for vacancy indicating purposes. It is possible that unless considerable effort were exerted to educate agency personnel about reporting requirements, a vacancy collection program would have to accept the limitation that only rather general occupational categories could be reported.

We have been able to make some rough estimates of the number of vacancies Chicago agencies had on file in the period August to December, 1962. The estimates were taken from the Illinois state records. Their specific accuracy has limitations because we could not verify agency records, and because many agencies report job

orders outstanding for more than the given reporting month. Therefore, Table 9 is offered with reservations about its specific accuracy. The distribution shows that probably over half (168) of the agencies had as many as sixty job orders on file during the last six months of 1962. A moderate number of agencies had job orders in the hundreds, but these larger figures are more likely to be amounts that are overstated because agencies combined monthly orders in reporting.

TABLE 9
Distribution of Mean Monthly Job Orders for Agencies
Reporting to the Illinois Department of Private
Employment Agencies, August Through December, 1962
 (N = 291)

Monthly Job Order Distribution Interval	Number of Agencies This Interval
0- 19	54
20- 39	72
40- 59	42
60- 79	24
80- 99	15
100-119	14
120-139	14
140-159	5
160-179	9
180-199	6
200+	36

SOURCE: Records of Illinois Division of Private Employment Agencies.

There are a number of reasons why employer job orders at agencies may be deficient for purposes of indicating current vacancies in firms. These reasons can best be made clear by citing agency operating circumstances that shape the quality of records and data.

A significant number of agencies have relatively efficient administration, but this is partly offset, in ways that are relevant here, because of their use of counselors. Counselors are hired on a part salary-part commission basis, and proprietors acknowledge that their role is that of a salesman, or more precisely, a telephone solicitor. Turnover of counselors is high in agencies; the usual sales tradition of "sell or move on" holds. In Illinois in recent years, some 2,500 new counselors' licenses have been issued yearly, but

there have been only five to six hundred counselor renewals annually. It is approximately correct to say that 70 to 80 per cent of the counselors are novices each year. From all accounts, including employer testimony, these facts have implications for the level of skilled operations and the quality of vacancy information handled in agencies. A number of interviewed employers complained that agencies sent them unscreened applicants. This fault was frequently attributed to counselors who could not comprehend job requirements. The employers often tried to work with one counselor at one agency to obtain better service, but noted that this practice was not successful because counselors turned over so quickly. Nearly all company spokesmen interviewed for the Chicago Labor Market Study complained about soliciting telephone calls from agencies. The calls were often identified as coming from inexperienced counselors who did not know a firm's requirements, or that a firm did not use agencies. There is little reason to doubt that in this service industry, where the client-counselor relationship is unstable and counselor turnover is so frequent, the accuracy of occupational coding would leave much to be desired. However, these circumstances might not greatly affect the count of job orders. We will return to this point subsequently, when employer perspectives of agency operations are examined.

Another factor bearing on the value of job orders as vacancy indicators is the influence of agency fee practices. In Chicago, agencies usually charge employers fees between 60 to 82 per cent of the monthly salary of the job filled. There is some bargaining over these prices. Agencies accept job orders with wage offers they consider "unrealistic" and do not act on these orders. They also deal with firms who may only be willing to pay a lower per cent fee, or who bargain about fees, or who will only accept workers if workers absorb the fees. A result is that many agencies, depending upon the status of their job order files, will or will not accept orders that meet their fee price. Exceptions may be found where customers are regulars, or where orders are given for large numbers of workers. But in many cases, agency personnel will "accept" orders which in fact are deferred or "dead," and will attempt to fill only orders that meet the fee price.

Agency job orders would appear to be most deficient for purposes of identifying current vacancies, however, because companies commonly place their job orders with several agencies. They do so for a number of reasons that make sense from the viewpoint of the firm. Multiple placement of orders facilitates bargaining over price. The practice also insures more timely referrals. Our interviews in firms and agencies indicate that this practice is so common that unquestionably a large proportion of orders in many agencies are duplicated at others. There would appear to be no ready way to resolve the information error this practice lends to agency records.

Because employer job orders have limitations as vacancy indicators, the usefulness of other kinds of agency data were evaluated. Placement figures at agencies have the limitation that they denote vacancies expired. However, it seemed possible that some of the deficiencies in job order data could be overcome if, for example, figures could be devised to express ratios of job orders to placements. For a time we presumed that figures of this sort might "correct" for multiple job ordering and be more adequate vacancy indicators. Placement figures appeared to have possibilities for other reasons. Of all agency statistics, placement figures are likely to be most accurate because they identify revenue producing events to administrators. Also, where states require agencies to maintain records, placements are most liable to be required to be monitored for accuracy.

A study of agency operating procedures, however, identified features that cast doubt on the utility of placement statistics. We will cite just one of the more fundamental of these. Placements made by agencies are not always immediately final. Numerous placements are made which are subsequently cancelled by either workers or employers. How large this proportion of "false" placements is can be inferred from Illinois state records. Illinois agencies report two placement figures to the state; the first represents "total" monthly placements. This figure summarizes the "actual" number of all monthly placements, which occur when workers have passed trial periods and employment is permanent. A second "placement" figure records the number of all workers sent to firms after mutual

offers and acceptances have been made. It is a first-day-of-hire placement figure, not reflecting subsequent quits, trial period releases, or other terminations. A review of Illinois agency records shows that agencies actually placing about 100 workers often sent out 150 to 200. While Illinois data permit one to check these placement differences, other states' records usually do not.

Presumably a system for collection of agency information, either job openings or placements, might acknowledge and attempt to correct for deficiencies we have noted. But a collection program would have to introduce agency proprietors and counselors to a number of niceties pertaining to accuracy, definitions, and other recording conventions. A fundamental question therefore is: are agencies sufficiently rationalized administratively, and do their personnel have capabilities and resources to successfully cooperate in a vacancy collection plan? We are not optimistic about the answer. An equally important question pertains to possibilities of obtaining agency cooperation with any collecting institution. There are a number of reasons why agency personnel may believe it is not in their interest to cooperate. Foremost among these is anxiety about the role of the federal government in labor market affairs. Agency proprietors interviewed, as well as spokesmen for their national organization, the National Employment Association, exhibited considerable antagonism toward an active federal labor market policy. Public employment service efforts to expand and improve service are viewed with great apprehension. In the past, private agencies have fought detailed regulatory reporting in states because they thought the public employment service would use private agency records to identify new clientele for public agencies.

EMPLOYER UTILIZATION OF PRIVATE AGENCIES

Presumably efforts to collect agency vacancy information would be worth the costs only if employer job orders at agencies represented at least modest proportions of firm vacancies in more significant occupations. There are a number of other questions about firm use of agencies that are relevant for evaluation of agency data. It would be useful to know, for example, what occupations agencies

are used for, or how employers evaluate agencies as alternative hiring channels in different labor market conditions. Observations available from the CLMS and a few other labor market studies permit limited comments on these matters.

Focusing first on the occupational question, it is notable that the many blue collar labor market studies of recent years have not found that private agencies are important intermediaries in manual employment. A review of studies indicates that only a small percentage of job seeking workers in study samples used private agencies. The CLMS examined hiring channels of seventy-five Chicago companies for several manual jobs and found that only 3.6 per cent of the 5,203 manual hires in these firms in the period 1960 to 1963 were made through agencies.¹¹ The Chicago study data also indicate, incidentally, that only 1.9 per cent of manual hires for the same firms were made through the public employment service. Malm, in his study of recruiting practices in the San Francisco Bay area, found that only 8 per cent of some 340 companies used agencies for manual worker recruiting over an extended time period.¹² Edelman studied hiring channels in eight Illinois communities and found that firms in four small cities did not use agencies for blue collar workers; in the other four cities, including Chicago, agencies were used chiefly for recruiting unskilled and semiskilled white collar workers.¹³ The consistent evidence about minimum

¹¹The CLMS company sample consists of a random sample of seventy-five establishments equally divided among three size classes. The fifty establishments in the two largest classes (over 1,000 employees and 250-1,000 employees) were selected from a list of all establishments in the Chicago Consolidated Statistical Area. The twenty-five in the 50-250 employee group were chosen from a list of establishments in the Illinois part of the Consolidated Area covered by unemployment compensation. Establishments with less than fifty employees were excluded from the study, as were those in government and construction.

The study includes twelve occupations: accountant, tabulating machine operator, key punch operator, typist, tool and die maker, maintenance electrician, truck driver, fork-lift truck operator, punch press operator, material handler, janitor, and janitress. The choice of occupations was based on these criteria: (1) being representative of a subclass of occupations, (2) extensive distribution in area firms, (3) relatively identifiable and similar in firms.

Data were taken on a total of almost 7,500 persons employed in the seventy-five establishments, and a smaller pilot sample.

¹²F. T. Malm, "Recruiting Practices and the Functioning of Labor Markets," *Industrial and Labor Relations Review*, Vol. VII, July 1954, pp. 507-525.

¹³Murray Edelman, *Channels of Employment*, Urbana, Illinois, 1952.

firm use of agencies for blue collar recruitment suggests that it may not be useful to collect agency vacancy data for manual occupations.

A key fact, demonstrated in studies of company hiring practices, is that firms shift their recruiting efforts between alternative hiring channels as market conditions change. The studies demonstrate that firms usually minimize search costs by using labor sources at the establishment: employee referrals, gate applications, and internal transfer or promotion. More costly external hiring channels, including ads and agencies, are usually avoided until informal sources are unavailing.¹⁴ The company interviews of the CLMS confirm these patterns of employer hiring channels for the seventy-five firms interviewed. The number that indicated preference for private agencies over informal and in-firm sources are insignificant. One firm used agencies so extensively that it had practically sub-contracted its recruiting function, and a few others preferred agencies for particular occupations. Most employer spokesmen noted that agencies were avoided until informal sources failed.

Observations of the CLMS indicate that firms which are more often unsuccessful in the use of informal channels and turn to agencies, usually are (1) small firms without reputation who find, when they resort to ads, that these "intermediaries" do not draw applicants; (2) companies in heavily commercial sections of the city where residence population is small; (3) lower wage paying companies; (4) large companies with relatively low wage positions that apparently have less success obtaining employee referrals; (5) firms whose technology requires skilled help, who may not accept marginally qualified workers from informal sources in shortage periods. When firms do resort to these intermediaries, preferences for agencies over ads or other sources are shaped by experience with relative costs, number and quality of applicants obtained, and the relative efficiency of agencies previously used.¹⁵

¹⁴ Joseph Ullman examines detailed determinants of firm use of intermediaries, including agencies, in a doctoral dissertation, in progress at the Graduate School of Business, University of Chicago: "Inter-firm Differences in Costs of Search and in the Use of Labor Market Intermediaries."

¹⁵ For a discussion of the place that market intermediaries may take in hiring strategies of firms in a white collar market, see George P. Shultz, "A Nonunion Market for White Collar Labor," *Aspects of Labor Economics*, Special Conference 14, Princeton University Press for NBER, 1962, pp. 107-155.

Few studies have obtained information about the number of hires that companies make through different recruiting sources. Most studies have only inquired about the percentage of firms that use particular sources in different time periods. Detailed observations about the sources of firm hires are available from the Chicago Labor Market Study. Table 10 provides a summary of the sources of all hires for the seventy-five companies and the twelve occupations in the study sample. The time period for which hiring sources were recorded extended from 1960 to late 1963. In this period, firms hired 2,260 workers in white collar occupations and 5,203 in blue collar jobs. The percentage of white collar job sources that could be identified is 77; 61 per cent of the sources for blue collar jobs could be determined.

The table suggests a number of points of departure for a general discussion of sources of vacancy information; points that are more general and outside the specific focus of this paper on agencies. For example, it is notable that many more than one-half of all vacancies in white collar and blue collar occupations were filled through informal channels. Presumably, vacancy information for these positions would not usually be communicated outside the firm. An implication is that systems for collecting vacancy data from employers should receive primary emphasis. But the table further suggests that employers have such a variety of means for filling vacancies, that unless company vacancy collection programs enumerate these channels to employers in survey materials, many vacancies that firms have informally identified and "posted" through informal channels will not be enumerated.

The most relevant points for our specific topic are indications that firms use agencies primarily for white collar hiring, minimally for blue collar hiring, and that agencies are a source of a minority of hires. The 16.6 per cent of white collar agency hires tends to corroborate findings of Edelman, Malm, and others, who have suggested that agencies principally place workers in white collar markets.

The information about hires in Table 10 does not identify the actual number of vacancies—clerical, blue collar, or otherwise—that firms may file with agencies in the form of job orders. It is possible

TABLE 10

*Distribution of Sources of Hires by Occupation, All
Chicago Labor Market Study Firms for Period 1960-63*

Source of Hire	Material Handler		Punch Press		Janitor		Janitress		All White Collar		All Blue Collar	
	No.	Per Cent	No.	Per Cent	No.	Per Cent	No.	Per Cent	No.	Per Cent	No.	Per Cent
Employee referral	445	65.2	185	44.6	335	60.9	86	54.4	598	34.4	1833	57.9
Other referral	26	3.8	8	1.9	7	1.3	4	2.5	52	3.0	94	3.0
Union	19	2.8	--	--	20	3.6	1	0.6	1	0.1	54	1.7
Newspaper ad	28	4.1	38	9.2	21	3.8	13	8.2	284	16.4	157	5.0
Private employment agency	28	4.1	6	1.4	32	5.8	3	1.9	288	16.6	114	3.6
State employment service	20	2.9	10	2.4	14	2.6	3	1.9	27	1.6	60	1.9
Charitable or relief agency	--	--	--	--	2	0.4	4	2.5	8	0.5	8	0.3
Church	--	--	--	--	1	0.2	--	--	1	0.1	1	0.0
Professional assoc.	--	--	--	--	--	--	--	--	--	--	6	0.2
School, public	--	--	--	--	--	--	--	--	27	1.6	4	0.1
School, trade or vocational	--	--	6	1.4	--	--	--	--	67	3.9	6	0.2
College	--	--	--	--	--	--	--	--	66	3.8	--	--
Other employer	1	0.2	1	0.2	2	0.4	1	0.6	27	1.6	8	0.3
Gate application	44	6.4	31	7.5	46	8.4	6	3.8	96	5.5	257	8.1
Is former employee	62	9.1	118	28.4	67	12.2	37	23.4	142	8.2	507	16.0
Yellow pages	--	--	--	--	--	--	--	--	--	--	--	--
Trade journals	--	--	--	--	--	--	--	--	--	--	--	--
Firm contact	--	--	12	2.9	1	0.2	--	--	6	0.3	32	1.0
Transfers	9	1.3	--	--	2	0.4	--	--	44	2.5	26	.8
No., source known	682	100.0	415	100.0	550	100.0	158	100.0	1734	100.0	3167	100.0
No., source unknown	383	36.0	313	43.0	304	35.6	71	31.0	526	23.3	2036	39.1
Total	1065		728		854		229		2260		5203	
All intermediaries	96	14.1	61	14.7	92	16.7	25	15.8	796	45.9	418	13.2

TABLE 10 (concluded)

Source of Hire	Accountant		Tab. Operator		Key Punch		Typist		Tool and Die		Maintenance and Electric		Truck Driver		Fork Lift	
	No.	Per Cent	No.	Per Cent	No.	Per Cent	No.	Per Cent	No.	Per Cent	No.	Per Cent	No.	Per Cent	No.	Per Cent
Employee referral	47	15.4	61	34.1	177	34.8	313	42.3	140	43.9	235	54.3	215	71.0	192	62.5
Other referral	20	6.5	1	0.6	9	1.8	22	3.0	8	2.5	6	1.4	17	5.6	18	5.9
Union	--	--	--	--	--	--	1	0.1	3	0.9	2	0.5	8	2.6	1	0.3
Newspaper ad	62	20.3	36	20.1	80	15.7	106	14.3	24	7.5	16	3.7	1	0.3	16	5.2
Private employment agency	52	17.0	32	17.9	47	9.2	157	21.2	--	--	39	9.0	--	--	6	2.0
State employment service	7	2.3	1	0.6	9	1.8	10	1.4	2	0.6	3	0.7	1	0.3	7	2.3
Charitable or relief agency	1	0.3	1	0.6	4	0.8	2	0.3	--	--	1	0.2	--	--	1	0.3
Church	--	--	--	--	--	--	1	0.1	--	--	--	--	--	--	--	--
Professional assoc.	--	--	--	--	--	--	--	--	--	--	1	0.2	5	1.6	--	--
School, public	--	--	1	0.6	12	2.4	14	1.9	4	1.3	--	--	--	--	--	--
School, trade or vocational	1	0.3	17	9.5	44	8.6	5	0.7	--	--	--	--	--	--	--	--
College	66	21.6	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Other employer	11	3.6	4	2.2	12	2.4	--	--	1	0.3	--	--	--	--	2	0.6
Gate application	15	4.9	7	3.9	49	9.6	25	3.4	50	15.7	36	8.3	21	6.9	23	7.5
Is former employee	15	4.9	11	6.1	49	9.6	67	9.1	71	22.3	80	18.5	32	10.6	40	13.0
Yellow pages	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Trade journals	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Firm contact	4	1.3	--	--	1	0.2	1	0.1	5	1.6	10	2.3	3	1.0	1	0.3
Transfers	5	1.6	7	4.0	16	3.2	16	2.2	11	3.4	4	0.9	--	--	--	--
No., source known	306	100.0	179	100.0	509	100.0	740	100.0	319	100.0	433	100.0	303	100.0	307	100.0
No., source unknown	74	19.5	102	36.3	90	15.0	260	26.0	191	37.5	276	38.9	304	50.1	194	38.7
Total	380		281		599		1000		510		709		607		501	
All Intermediaries	200	65.4	92	51.4	208	40.9	296	40.0	34	10.7	62	14.3	15	5.0	33	10.7

(continued)

that firms may file many job orders at agencies that are not filled. One would not expect the relationship between hires and job orders filed to be one for one. Some attempts were made to estimate the number of multiple orders companies filed, but these efforts were unavailing because firms do not usually maintain records of orders.

Earlier we noted that companies often file job orders at several agencies. At this point it is appropriate to discuss some aspects of Chicago company interaction with agencies, including the practice of multiple job-order filing, because these aspects have implications for the quality of agency data.

Some of the reasons why employers avoid agencies, or use them infrequently, have been noted. Firms give priority to informal labor sources, and when they do use intermediaries, their choices among alternatives are conditioned by expectations about costs and the relative quality and quantity of applicants that intermediaries may provide. Employer expectations about agencies are shaped by negative experiences of dealing with incompetent counselors, receiving unqualified applicants, and other deficiencies. But observations in both firms and agencies indicate that some of the causes of employer dissatisfaction are attributable to employer conduct.

Employers tend to have high expectations for agency referrals because of the costs they incur. But our agency sources note that a moderate number of employers place orders with wages that do not meet what the market requires. Agency personnel then have several choices. They can refuse the order. They can take it and not act upon it as, we have noted, does happen. They can attempt to change an employer's expectations and tell him he will have to pay more to get help. Or agency personnel may adjust the quality requirements of employers by sending out less qualified workers who they expect will accept the referral. The last alternative is a more likely one when agency personnel do not wish to lose an order, when refusing one might hurt public relations, or when employers do not respond to advice about their wages. Probably a significant proportion of employer complaints about the quality of agency applicants and agency screening are attributable to these

kinds of referrals. In addition, these referrals are a partial cause of the employer practice of multiple agency order filing.

This discussion of agency adjustment of applicant quality highlights one last problem associated with the use of agency data as vacancy indicators. The problem is the one of stipulating a definition of vacancies that adequately accounts for the relative qualitative requirements of jobs and the income expectations of individuals and institutions in the market. Employers who list job orders which have disparities between job requirements and wages offered may be considered not to have indicated viable "vacancies." We have noted that, in actual practice, agencies may not regard them as vacancies.

CONCLUSIONS

This report has expressed pessimism about prospects for obtaining useful agency data for purposes of enumerating vacancies. Programs for gathering this information would face a number of major difficulties. Not the least of these, as we have seen, is the problem of identifying agencies and the volume and kind of placement activity they engage in. More critical, perhaps, is the problem of obtaining cooperation in an industry where suspicion toward inquiring outsiders is endemic. These kinds of potential problems, of course, are administrative, not conceptual. We would assume that survey research personnel have the skills to deal with them. We will focus on them, therefore, only to offer two remarks. First we suggest that if programs are devised to obtain agency information, they could perhaps be more effectively implemented by a private, nonprofit, research organization than by any branch of government. We make this suggestion because we have witnessed the hostility exhibited by agency spokesmen toward government programs and intervention. The problem is not merely political. It seems probable that only a private organization could secure the degree of cooperation that would be required to rationalize agency information processes for vacancy reporting.

A second suggestion is that efforts could be made to modify reporting in some states that have agency reporting provisions, and

to experiment with means of gaining more extensive and timely data. There are presently several states where state officials could require more frequent reports of employer job orders, and these officials could apparently do this without the necessity of obtaining legislative approval. In this report we have tended to focus on details of deficiencies in agency procedures and data, and this focus has occurred, in part, because agency placement data were not available in quantity for analysis. We should note, therefore, that the possibility remains that a statistical series might convey valuable information, even if the information collected is not precise and the level of observations is biased. Some minor modifications of reporting schemes presently established in one or two states could provide data for experimentation with series.

Assuming the major data collection problems we have cited can be overcome by administrative design, the question remains: are agency data sufficiently extensive in their coverage of employer vacancies to justify collection efforts? The answer to this question presumably depends on alternatives available and the importance one attaches to obtaining vacancy information from special but limited sources. If employers in a locality can directly identify their vacancies for a survey, then it would be expensive to introduce intermediary measurement errors. In addition, it appears that the number of job orders agencies receive and the number of placements they make in important occupations represent a limited quantity of vacancies. In 1962, California agencies placed 116,000 workers in permanent positions in principal manual and commercial occupations. In Illinois in 1963, we estimate they placed 55,000 persons in the same general categories. These magnitudes may appear to indicate that agencies operate on the fringe of labor market activity, but some of our observations suggest that agencies fill as much as 20 per cent of the vacancies in white collar employment in some urban areas. Private agency vacancy data are limited and imperfect as indicators of general employment opportunity. There may be a greater potential for this information, however, in specific white collar employment areas. Furthermore, the relative costs of determining this potential for a few major cities should not be great.

