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ABSTRACT

This second volume of a three-volume report of the National Commission for Manpower Policy on Public Service Employment (PSE) contains the interim report of the Brookings Institution to the Commission based on their onsite monitoring of the program. The report is divided into seven chapters. Chapter 1 provides an overview of the report, and chapter 2 presents a brief history of PSE programs. Chapter 3 discusses employment effects. (An understanding of the definitions of job creation and displacement used in this chapter is crucial to the interpretation of the extent of displacement found in this study.) Chapter 4 examines the fiscal consequences of the PSE program for governmental jurisdictions participating in it. Chapter 5 addresses the programmatic and social effects of the program and includes an analysis of the functional areas in which PSE participants are employed, their occupations, social characteristics, and wages. The political effects of PSE are examined in chapter 6, which describes the organization and administration of the program at the local level. Finally, chapter 7 discusses the policy implications of the current findings. Appended are excerpts from the transcript of the mid-study conference for field search associates and the first-round analysis form. (BH)

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An Interim Report to the Congress of the National Commission for Manpower Policy

Job Creation Through Public Service Employment

Volume II

Monitoring the Public Service Employment Program

Report No. 6
National Commission for Manpower Policy
Suite 300, 1522 K Street, N.W.
Washington, D.C. 20005

March 1978

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PREFACE

The report of the National Commission for Manpower Policy on Public Service Employment consists of the findings and recommendations of the Commission together with the supporting documents listed in the Table of Contents which follows. As noted there, the full report is organized into three volumes. Volume I contains the Commission's findings and recommendations. It also includes an overview of the research completed as part of this study and a summary of the Commission's field reviews on PSE. Volume II contains the interim report of The Brookings Institution to the Commission based on their onsite monitoring of the program. Volume III contains the other papers prepared for the Commission's use by various scholars in the field.

The Commission wishes to thank its staff and all of its expert consultants for their work in making available the information and careful analysis on which the following findings and recommendations are based.

The Commission acknowledges with special thanks the outstanding contribution of Mr. Timothy Barrow, who served as chairman of its task force on public service employment, and his colleague Dr. John Porter. Mr. Patrick O'Keefe, Deputy Director of the Commission, provided excellent staff support.

This preliminary report was written pursuant to a contract with the National Commission for Manpower Policy, Washington, D.C. 20005. The opinions expressed are those of the authors and should not be construed as representing the opinions or policy of the Commission or any other agency of the United States Government.

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Preliminary Report

MONITORING THE PUBLIC SERVICE EMPLOYMENT PROGRAM

by

**Richard P. Nathan
Robert F. Cook
Janet M. Galchick
Richard W. Long
and Associates**

**Preliminary Report on the Brookings Institution Monitoring Study
of the Public Service Employment Program
for the National Commission for Manpower Policy**

March 20, 1978

THE BROOKINGS INSTITUTION / WASHINGTON, D.C.

ACKNOWLEDGMENTS

We appreciate the assistance and encouragement provided by members of the National Commission for Manpower Policy and its staff. In particular, we would like to thank Eli Ginzberg, chairman, Timothy A. Barrow, chairman of the Subcommittee on Public Service Employment, Isabel V. Sawhill, director, and Patrick J. O'Keefe, deputy director. Officials of the U.S. Department of Labor and other staff members of the Monitoring Studies Group of the Brookings Institution also provided valuable assistance. Linda Look, a research assistant with the Monitoring Studies Group, worked on many of the major sections of this report and is the principal author of chapter 2. Jill Ehrenreich assisted with coding of the research results. The manuscript was edited by Elizabeth Kodama. The preparation and assembly of the manuscript was supervised by Dinah Smith with the assistance of Ruth Lates and Thomas T. Somuah. Computer services for this study were ably provided by David B. Stevens, president of Marketing Forethought, Inc. As with all other Brookings reports, the findings and interpretation presented in this report are those of the authors and do not represent the views of the officers, trustees, or other staff members of the Brookings Institution.

Richard P. Nathan
Project Director

Washington, D. C.
March 20, 1978

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SAMPLE JURISDICTIONS SHOWN BY STATE

Arizona

Phoenix
Maricopa County

Arkansas

Conway County
White County

California

Los Angeles
San Francisco
Hawthorne School District

Colorado

Arapahoe County

Florida

Seminole County

Illinois

Chicago
Alexander County
Johnson County
Massac County
Pulaski County
Union County

Louisiana

Jefferson Parish
New Orleans

Maine

Bangor

Maryland

Baltimore

Massachusetts

Boston

Michigan

Detroit

Minnesota

St. Paul

Missouri

Independence
Kansas City
St. Louis
University City
Kirkwood School District

New Jersey

Morristown
Parsippany

New York

Rochester

Ohio

Cleveland

Oklahoma

Tulsa

Oregon

Douglas County
Lane County

Pennsylvania

Philadelphia

South Carolina

Seneca
Anderson County
Pickens County

South Dakota

Rapid City
Yankton

Texas

Houston

Virginia

Charlottesville

MONITORING THE PUBLIC SERVICE EMPLOYMENT PROGRAM

Chapter 1

INTRODUCTION

The steady growth of public service employment programs throughout the 1970s has made these programs--programs that provide jobs--the largest single activity among employment and training programs financed by the federal government. The two major public service employment (PSE) programs, which are the subject of this study, are components of the Comprehensive Employment and Training Act (CETA). Title II, adopted in 1973, and title VI, added in 1974, together have a goal of 725,000 public service jobs by March 1978. With combined funding of \$8.4 billion on a two-year basis, they form the largest component of the Carter administration's 1977-78 economic stimulus package.

One of the most critical issues relating to public employment programs--and one of the most difficult to assess--is the extent to which jobs are actually created, as opposed to these federal funds being used by governments, either deliberately or inadvertently, for displacement purposes--that is, for employment that would have been supported in the absence of the program. Under a contract with the National Commission for Manpower Policy, the Brookings Institution in June of 1977 initiated a national monitoring study of titles II and VI of CETA, concentrating at the outset on the employment effects (job creation versus displacement) of the program.

The study is designed to address four other types of program effects--fiscal, programmatic, social, and political. A brief history

of public service employment programs is presented in chapter 2. Chapter 3 discusses employment effects. An understanding of the definitions of job creation and displacement used in this chapter is crucial to the interpretation of the extent of displacement found in this study. Chapter 4 examines the fiscal consequences of the PSE program for governmental jurisdictions participating in it. Chapter 5 addresses the programmatic and social effects of the program; it includes an analysis of the functional areas in which PSE participants are employed, their occupations, social characteristics, and wages. The political effects of PSE are examined in chapter 6 which describes the organization and administration of the program at the local level. Chapter 7 discusses the policy implications of the findings at this stage of the research.

This study of the PSE program is the third in a series of monitoring studies of new federal programs which the Brookings Institution began in early 1973. The first of these studies was of the general revenue sharing program; the second was of the community development block grant program.¹ The monitoring studies rely on a network of field researchers (designated as Brookings Associates) selected for their knowledge of local public finances and institutions as well as the relevant federal grant-in-aid program. Most associates are either political scientists or economists and many are recognized experts in their field. All are residents of the area they study and are chosen in conjunction with the

1. See Richard P. Nathan, Allen D. Manvel, Susannah E. Calkins, and Associates, Monitoring Revenue Sharing (The Brookings Institution, 1975); Richard P. Nathan, Charles F. Adams, Jr., and Associates, Revenue Sharing: The Second Round (The Brookings Institution, 1977); and Richard P. Nathan et al., Block Grants for Community Development (Department of Housing and Urban Development, 1977).

design of the sample, thus insuring familiarity with the background and political structure of the jurisdictions being studied.

The associates work with the Brookings research staff in developing the analytical framework and research design.² In the field they rely on interviews with local officials, available fiscal and program data, and personal observations. The central staff maintains continued contact with the associates, reviews and codes the field data, and conducts the overall analysis. The essence of the monitoring approach is on-the-scene, longitudinal analysis by experienced observers operating within a uniform analytical framework.

The schedule for the PSE monitoring study was set to provide for the collection of field data at two points in time. The first observations, as of July 15, 1977, are the basis for the findings presented in the body of this report. By mid-July, jurisdictions receiving PSE funds were well into the buildup phase of the expanded program. The second reference date is December 31, 1977, at which time the program was operating at close to its peak level. The schedule for this study provides for a preliminary report to the National Commission for Manpower Policy on March 20, 1978, and a final report in December 1978. A mid-study conference of field associates was held on February 1, 1978, to discuss both the status of the research and recent developments and issues. The portions of this conference dealing with developments in the field since mid-July were transcribed and are presented as appendix A to this report.

2. The analysis form used for collecting the data for this report is presented as appendix B.

The study is based on a sample of jurisdictions which represent various prime sponsor arrangements, geographic areas, and population categories among the governments participating in the program. Since no national data are available on the universe of governmental jurisdictions participating in the PSE program below the prime sponsor level (100,000 population), it was necessary, below this population level, to have the associates identify individual participating governments for inclusion in the sample. It was also necessary for logistical and cost reasons to have some associates report on more than one jurisdiction.

These two factors led to the selection of a representative rather than a random sample. This sample consists of forty-two jurisdictions monitored by twenty-six associates, listed on pages v-x of this report. These jurisdictions represent over twenty thousand positions, or approximately 5 percent of the PSE positions filled nationwide as of the reporting date (July 15, 1977). Because of the requirement of "maintenance of effort" on the part of recipient jurisdictions (as discussed in chapter 3), the report does not refer to specific field sites in discussing the employment and fiscal effects of the PSE program. To the extent possible in other sections of the report, site-specific illustrative data are used.

The forty-two sample jurisdictions include sixteen large cities (over 250,000 population), of which eight are classified as distressed, and nine small cities, of which five are suburban and four are rural. Also included are fifteen counties, of which ten are rural and five

are suburban, and two school districts.³ Within those sample jurisdictions which are general-purpose governments, numerous other jurisdictions such as school districts, water districts, and other local governments are involved in the PSE program through subcontracts or outstationing arrangements (discussed in detail in chapters 3 and 6). These arrangements also extend to literally hundreds of nonprofit agencies, referred to in CETA parlance as CBOs (community-based organizations).

3. A total of thirty-two prime sponsors are represented by the sample jurisdictions: thirteen city prime sponsors, eight county prime sponsors, six consortium prime sponsors, and five balance-of-state prime sponsors. Of the forty-two sample jurisdictions, thirteen of the cities and five of the counties are themselves CETA prime sponsors.

Chapter 2

A BRIEF HISTORY OF PUBLIC SERVICE EMPLOYMENT PROGRAMS

Public service employment programs can have a variety of objectives, among them:

- JOB CREATION to stimulate the economy and reduce unemployment in a recession.
- SERVICE PROVISION to supply needed additional services in the public sector.
- SOCIAL TARGETING to aid disadvantaged persons through employment.
- TRANSITION to relieve dependency through permanent employment.
- TRAINING to upgrade the skill levels of the labor force through work experience.
- INCOME MAINTENANCE to redistribute income to needy families and individuals.
- ECONOMIC DEVELOPMENT to assist distressed areas.
- FISCAL RELIEF to assist state and local governments.

All of these objectives have at one time or another been reflected in public employment programs financed by the federal government. Some employment and training programs of the federal government are primarily employment programs; others stress training and placement; most, however, have multiple purposes. The fact that goals have often shifted in emphasis, plus the potential for conflict among them, is necessarily a central theme of any examination of the history of public service employment programs.

Public service employment was first used as national policy by the Roosevelt administration with the establishment of the Works Progress Administration in 1935 (WPA). The WPA was directed at relieving the high unemployment rates of the Depression; it served as an alternative to charity in the absence of unemployment compensation. The WPA employed over three million workers at its peak (at a time when more than nine million were unemployed) and averaged about \$1.4 billion annually in wage payments from 1935 to its termination in 1943.¹

With the recovery of the economy after the Depression, public service employment was not widely used again until the 1960s. The focus of the programs in the early sixties was again on mitigating the effects of cyclical unemployment, although with particular emphasis on the needs of distressed areas.² The Area Redevelopment Act of 1961 and the Public Works and Economic Development Act of 1965 provided employment in designated geographical areas, such as Appalachia. The Manpower Development and Training Act of 1962 (MDTA) was enacted as a broader program providing skill training and work experience, especially to workers displaced as a result of technological change.

Civil rights legislation and the social ferment that developed in the mid-sixties dramatically shifted the focus of employment and training

1. Manpower Report of the President (Department of Labor and Department of Health, Education, and Welfare, 1975), p. 40.

2. Cyclical unemployment refers to unemployment which is a result of changed economic conditions whereas structural unemployment refers to the chronic difficulty of persons with limited education, skills, and work experience to become, and remain, employed.

programs to structural unemployment. These programs placed emphasis on training, job placement, and work experience for the disadvantaged. The MDTA program, which had barely become operational, was reoriented to target on minorities and the disadvantaged. The Community Work and Training Program, which had been established in 1962 to provide jobs to recipients of public assistance, was expanded and renamed the Work Experience and Training Program. In 1967, the program was superseded by the Work Incentive Program (WIN). It is administered jointly by the Department of Labor and the Department of Health, Education, and Welfare.

The number of categorical programs for employment and training increased significantly under the authority of the Economic Opportunity Act of 1964. The Job Corps, unique in its use of residential centers, was authorized by title I-A of the act to provide training and education for disadvantaged youths between the ages of sixteen and twenty-one. The Neighborhood Youth Corps (NYC) was established under title I-B of the act to provide part-time work experience, remedial education, and limited job training for disadvantaged youths who either did not complete high school or were potential high school drop-outs; it functioned as a combination income maintenance and maturation program.

Operation Mainstream was authorized in 1965 by an amendment to title II of the Economic Opportunity Act, to meet the special needs of workers over fifty-five years of age in rural communities. This program also provided income maintenance for its participants.

One year later another amendment to the Economic Opportunity Act established the New Careers program, primarily to aid disadvantaged

adults and out-of-school youths in becoming para-professionals in various public-service fields, such as health, education, welfare, neighborhood redevelopment, and public safety. In 1970, through amendments to both the Economic Opportunity Act and the MDTA, the New Careers program was subsumed and expanded by the Public Service Careers program. In addition to the goals of the New Careers program, it focused on facilitating placement and eliminating barriers to employment.

Various work experience programs have also been attempted in the private sector. The Opportunities Industrialization Center (OIC) was founded in Philadelphia in 1964 by the Reverend Leon H. Sullivan. The OIC is a private, nonprofit training and work experience program supported by both federal and private funds. It was developed in response to the plight of urban minorities and is distinguished by its grass-roots, community-based support and its self-help doctrine.

The JOBS (Job Opportunities in the Business Sector) program was established in 1967 as a joint effort of the public and private sectors to assist businesses in developing jobs and training programs. By July 1968, 165,000 permanent jobs had been pledged, far surpassing the original goal. The economic slowdown which began in 1970, however, had an immediate impact on this program. Workers were laid off and employers became reluctant to meet their outstanding commitments and declined to make further pledges.³

3. Charles R. Perry et al., The Impact of Government Manpower Programs (Philadelphia: The Wharton School, University of Pennsylvania, 1975), p. 187.

Rising unemployment rates in the 1970s brought a renewed emphasis on countercyclical public employment programs. The Emergency Employment Act of 1971 authorized the Public Employment Program (PEP) which was designed as a two-year pilot program aimed primarily at reducing aggregate unemployment rates.⁴ The program was funded at \$1 billion in 1972, \$1.25 billion in 1973, and \$250 million in 1974. Funding was triggered automatically by local unemployment rates in excess of 4.5 percent, with additional allocations to areas with unemployment rates of 6 percent or more. As would be expected of a countercyclical program, the participants were better educated and less disadvantaged than participants in the previous more structurally oriented programs, and fewer were from minority groups. Although training was authorized, little of the total funding was spent in this way; it was estimated that 94 percent of all PEP funds were spent on compensation of participants.⁵

The Comprehensive Employment and Training Act (CETA) was passed in December 1973 and took effect in July 1974. The purpose of the act was to decentralize and decategorize many of the previously enacted federal employment and training programs. Title II, the public service employment (PSE) portion of the act, was designed as primarily a structural rather than a countercyclical policy measure. The \$250 million appropriated for PEP in 1974 was to be used to provide a transition to CETA title II, which had a total authorization of \$370 million for 1974.

4. The PEP program contained some structural elements in terms of the groups to be given priority. These included Vietnam-era veterans, youths and older workers, migrants, non-English-speaking workers, welfare recipients, disadvantaged persons, and displaced scientists and engineers. See Manpower Report of the President, 1975, p. 44.

5. Sar A. Levitan and Robert Taggart, eds., Emergency Employment Act: The PEP Generation (Salt Lake City: Olympus, 1974), p. 16.

Participants were required to come from areas of "substantial unemployment," defined as having 6.5 percent unemployment for three consecutive months, and to be unemployed or underemployed when they entered the program. (Underemployed was defined as working part time but seeking full-time work or working full time but earning less than a poverty-level income.)

With the rise in unemployment that accompanied the recession in 1974, Congress in December of that year passed the Emergency Jobs and Unemployment Assistance Act of 1974 which established title VI of CETA as a counter-cyclical public service employment program. The authority was temporary, providing for only eighteen months of operation. To be eligible under title VI, an individual had to have been unemployed for thirty days, or fifteen days if the local unemployment rate was over 7 percent. Under the 1974 legislation \$875 million was appropriated for title VI. This was in addition to the original title II funding for fiscal 1974 and \$350 million of obligations of title II funding for fiscal 1975. By June 1975 enrollment in title II had reached 155,000, and the total for titles II and VI, plus the remainder of PEP enrollment, stood at 310,000.

Authorization for title VI expired on June 30, 1976. Extension of the program was held up by Senate insistence on major changes in the program aimed at reducing what was alleged to be the high displacement of local employment under this program and the substitution of federal funding for local revenue. However, given continuing high unemployment rates, Congress passed an Emergency Supplemental Appropriations Act on April 15, 1976, which provided for a continuation of the employment of title VI participants by transferring them to title II funding.

On October 1, 1976, Congress passed the Emergency Jobs Program Extension Act of 1976 which provided a title VI appropriation retroactive to June 30, 1976, and title VI funds for fiscal year 1977. As of October 1976 there were approximately 50,000 enrollees in title II and 260,000 in title VI. The addition of \$6.6 billion in funding for titles II and VI in the May 13, 1977, economic stimulus package will raise the number of participants to 125,000 under title II and 600,000 under title VI in fiscal year 1978.

Two major changes were included in the extension of the title VI program. One was the introduction of the "project" approach. The additional title VI funding was to be used first to "sustain" the level of PSE employment that had existed previously under the PSE program in the area. Remaining funds were to be used for positions in locally designed public service projects. A project was defined as a specific task or group of related tasks with a public service objective which could be completed in less than a year and would not be undertaken by the local area without PSE funds.

The second change was that the eligibility requirements were made more restrictive, targeting the program on the long-term unemployed, low-income individuals, and recipients of AFDC. These requirements were to be applied to all positions created under the project approach and to one-half of the vacancies filled among the "sustainment" positions.

The intent of both changes was to reduce job displacement and the attendant fiscal substitution effects. One result, however, is that the initially countercyclical title VI program now has the eligibility

requirements of a more structurally oriented program, and the initially structurally oriented title II program now has the minimal eligibility requirements more characteristic of a countercyclical program.

The current CETA authority expires in September 1978. In his January 1978 State of the Union message, President Carter requested the continuation of the PSE program under CETA at the level of 725,000 jobs for fiscal year 1979. The issues raised by the most recent changes in the legislation, plus revisions now being discussed, make this an appropriate time to review the operations and effects of the CETA-PSE program.

Chapter 3

A DISCUSSION OF THE DISPLACEMENT ISSUE

During a recession, many state and local governments, faced with lagging tax receipts and rising service demands, need additional revenue. The personnel budget is one of the major expense items which local governments can control relatively quickly. Thus personnel containment measures and reductions in force are likely to be in effect at the very time that countercyclical federal funding for job creation is increasing. This potential conflict in goals between the national government and local jurisdictions produces a major issue for federally funded programs aimed at stimulating employment by state and local governments--the displacement issue. Job displacement under PSE refers to the substitution of federally funded positions for positions that would otherwise have been supported by local funds. To the extent this occurs, the employment effect of the federal job stimulus program is diminished.

Displacement has been a source of concern in Congress, as evidenced by an amendment to the Emergency Jobs Program Extension Act of 1976, introduced by Senator Henry Bellmon (R.-Okla.), which requires the National Commission for Manpower Policy to report to the Congress on the "net employment effects" of the public service employment programs under titles II and VI of CETA. The issue of displacement arose again in 1977 during the Senate's consideration of the increase of 415,000 public service jobs contained in the Carter administration's economic stimulus package. An amendment introduced by Senator Richard Schweiker (R.-Pa.) to delete the jobs portion of the package was defeated by thirteen votes after a lengthy debate.

Previous studies of the employment effects of public service employment

programs have reported considerable variation in the rates of displacement. In studies of the PEP program, George Johnson of the University of Michigan and James Tomola of Harvard University estimated that the displacement rate rose from 39 percent in the first quarter to 67 percent after two years.¹ Alan Fechter of the Urban Institute estimated displacement at 50 to 90 percent after one year.² In reexamining the Johnson and Tomola data, Michael Wiseman of the University of California at Berkeley estimated that, depending upon the assumptions used, the rate of displacement after one year varied from zero to 80 percent.³ The National Planning Association examined the results of the PEP program in twelve demonstration sites that received sufficient federal funding to absorb 8 percent of local unemployment and estimated displacement for the demonstration sites at 46 percent after one year.⁴

Studies of displacement under the CETA program show a similar range. A study by Johnson and Tomola covering public employment under the PEP program (1971-74) and its continuation through the end of 1975 under CETA, estimated displacement at zero percent after one quarter, 58 percent after one year, and 100 percent after one and a half years.⁵ A Congressional

1. George Johnson and James Tomola, "The Efficacy of Public Service Employment Programs," Technical Analysis Paper no. 17A, Office of the Assistant for Policy, Evaluation, and Research, Department of Labor, June 1975; processed.

2. Alan Fechter, Public Employment Programs: An Evaluation Study (Washington, D.C.: The Urban Institute, September 1974).

3. Michael Wiseman, "Public Employment as Fiscal Policy," Brookings Papers on Economic Activity, no. 1 (1976), pp. 67-114.

4. An Evaluation of the Economic Impact Project of the Public Employment Program. Final Report (Washington, D.C.: National Planning Association, 1974).

5. George Johnson and James Tomola, "The Fiscal Substitution Effect of Alternative Approaches to Public Service Employment Policy," The Journal of Human Resources 12, no. 1 (winter 1977): 3-26.

Budget Office (CBO) study assumed displacement rates under CETA of 60 percent after one year and 90 to 100 percent after two years.⁶ A later study done by the CBO when the Carter administration's economic stimulus package was being considered assumed a first-year displacement rate of 25 percent and a second-year rate of 40 percent based on program operation at a rate of 30,000 new positions per month.⁷

Displacement is detrimental to the PSE objective of increasing jobs. Consequently, it is prohibited under the "maintenance-of-effort" requirements in the enabling legislation for both the title II and VI programs. Section 208 (a) of the Comprehensive Employment and Training Act of 1973 states:

The Secretary shall not provide financial assistance for any program or activity under this title unless he determines, in accordance with such regulations as he shall prescribe, that (1) the program (A) will result in an increase in employment opportunities over those opportunities which would otherwise be available, (B) will not result in the displacement of currently employed workers (including partial displacement such as a reduction in the hours of non-overtime work or wages or employment benefits), (C) will not impair existing contracts for services or result in the substitution of Federal for other funds in connection with work that would otherwise be performed, and (D) will not substitute public service jobs for existing federally assisted jobs.

The implementing regulations for the Emergency Jobs and Unemployment Assistance Act of 1974 stipulate that sponsors cannot rehire laid-off workers under CETA unless they (1) meet the eligibility requirements and (2) "were not laid-off with the purpose of calling them back into jobs funded under this program." The sponsor must maintain "substantive documentation" (budgets, expenditures, revenues, etc.) for one year after

6. Public Employment and Training Assistance: Alternative Federal Approaches (Congressional Budget Office, February 1977).

7. Short Run Measures to Stimulate the Economy (Congressional Budget Office, March 1977). These figures rise to 46 percent and 60 percent respectively if a buildup rate of 60,000 jobs per month is assumed.

rehiring and make this information available at the request of the DOL regional administrator.⁸

This is not to say that displacement is bad. In the view of organizations concerned about the problems of older and declining cities, a public service employment program that concentrates on these jurisdictions can provide fiscal relief where it is most needed. To the extent this happens, PSE operates, in effect, as a form of countercyclical revenue sharing. By relieving the pressure on the local tax base (i.e., through the use of PSE participants to fill regular government positions), the PSE program puts these jurisdictions in a better position to stem the outflow of residents and industry as well as to stimulate new development. Where the resulting fiscal effect of such displacement is to cut or stabilize local taxes (see chapter 4), then PSE still has a stimulus impact, but in this case it is in the private sector.

Likewise, displacement is not incompatible with other goals of the PSE program, for example, the targeting of assistance on disadvantaged persons. For disadvantaged persons, PSE can mean increased employment opportunities even if displacement occurs. The program can change the composition of the recipient government's work force by adding employees from groups that were not represented as heavily in the preexisting work force. Under these conditions, the PSE program can be thought of as a hybrid, having the

8. Federal Register 40, no. 7 (Jan. 10, 1975), pt. 4, p. 2360 (99.lc, sec.h). Because of these requirements in the law, local officials of the sample governments were assured that site-specific information would not be published in the sections of reports on this research dealing with the net employment effects of the PSE program.

attributes of both a revenue sharing program and an affirmative action program to promote the hiring of minority and disadvantaged persons.

In short, the policymaker is likely to be interested not only in how much PSE displacement occurs but in where it occurs and what its economic and employment effects are in instances where it does occur.

As emphasized in chapter 1, the analytical task of the field researcher in gauging displacement is a substantial one. Because of this, and in light of the tight time schedule for the initial phase of our research, this chapter takes the form of a discussion of the displacement issue. Its purpose is to indicate the ways in which job creation and displacement occur under PSE and to discuss, on a preliminary basis, the net employment effects observed at this stage of the research.

DEFINITIONS OF JOB CREATION AND DISPLACEMENT

It was necessary at the beginning of the research project to provide the field associates with a framework for identifying job creation and displacement. Job creation represents employment and activities that would not have been undertaken without PSE; four possible types were listed in the analysis form used by the associates:

1. New programs and services: Cases in which additional programs or services were undertaken with PSE funding.
2. Program expansion: Cases in which the level of services was raised or services were improved under existing programs by using PSE funding.

3. Special projects: New, one-time projects with a duration of one year or less undertaken with PSE funds.⁹
4. Program maintenance: Cases in which PSE employees were used to maintain existing services that would have been curtailed in the absence of PSE funding.

Displacement, on the other hand, involves the use of PSE participants to fill positions and provide services that would otherwise have been provided with other revenue. The types of displacement identified in the analysis form for the associates were:

1. Transfers: Cases involving the transfer of existing state and local government positions to PSE funding.
2. Rehires: Cases in which state or local employees were laid off and then rehired with PSE funding.
3. Contract reduction: Cases in which PSE participants were used to provide services or to work on projects that had been, or normally would be, contracted to an outside organization or private firm.
4. Potential hires: Cases in which PSE participants were hired to fill positions that otherwise would have been funded with other revenue.

The approach used to identify job creation and displacement in this study differs in some respects--both implicitly and explicitly--from those used in other studies of the impact of federally-funded public employment programs, as indicated in the concluding section of this chapter.

9. This definition of "special projects" is tighter than the definition in the law. Under the law, all of the stimulus PSE funds for 1977-78 and half of all replacement positions for the "sustainment" level of PSE must be devoted to special projects with a duration of one-year or less. However, these projects can expand or maintain existing programs where it can be demonstrated that the programs involved otherwise would have been cut or kept at a constant level. The definition of special projects as a subcategory of job creation used in this study is limited to new activities; it does not include projects which expand or avoid reductions in ongoing programs.

There are also differences between what might be called the legal definitions of job creation and displacement (as used by the Department of Labor) and the definitions used here. For example, DOL regulations prohibit the use of PSE positions in any agency where a layoff has occurred. With the framework presented above, such an occurrence would not be prima facie evidence of displacement. If an agency experienced layoffs for reasons having to do with the fiscal condition of a jurisdiction, then assigning PSE workers to that agency would be job creation, program maintenance, since the jobs would not have been filled in the absence of PSE.

(There is still a third concept of displacement to be considered--the popular impression that if PSE workers account for a high proportion of the local government's employees performing primary services (police, fire, sanitation), this is a subsidy to local governments analogous in its impact to general revenue sharing funds. Again the approach in this study differs from the conventional wisdom. The study often identifies PSE employees providing basic or traditional city services as job creation if the service involved would otherwise have been cut or would not have been expanded in the absence of the PSE program.

THE ANALYSIS PROCESS

While conducting their research, associates were in frequent contact with Brookings staff members. In difficult cases involving the identification of employment effects, they often called to discuss the approach and the types of data they proposed to use in making their classification. This consultation process resulted in the development of a sampling procedure

(described below) which was used in collecting the first-round data for a number of larger cities and will be used for all larger jurisdictions in the second round. The principal reason for adopting this sampling procedure was that, among the types of data that can be brought to bear in the employment effects analysis, it increasingly became evident that it was necessary to consider the activities of PSE participants--what they are doing at the job site and the nature of the supervisory and the administrative arrangements involved. A second reason for deciding to use a sampling procedure--a factor that will be even more important for the second round of the research, when PSE employment has increased--is the large number of nonprofit agencies that were expected to have project PSE positions by December 31, 1977. In one large city, for example, it was projected that there would be 770 subcontracting agencies when the buildup of PSE enrollment was complete. Random sampling of participants, which was attempted in one location, was found to be inefficient since it did not reduce the number of agencies that had to be visited. Consequently, the decision was made to apply a sampling procedure on an agency basis.¹⁰

10. The sampling procedure is as follows. Based on the total number of positions in the jurisdiction, a sample size is developed that would yield a 5 percent confidence interval if the displacement rate were 50 percent. (The reason for this assumption is that the standard error of a sample proportion--and, therefore, the sample size necessary for a confidence interval of a given size--is at its maximum if the sample proportion is 50 percent.) The resulting sample size is usually in the range of 300 participants. The sample is then assigned proportionally to each title (II, VI sustainment, VI project) and within each title assignments are made proportionally to positions in the government, other governments, and nonprofit organizations. Within municipal governments an attempt is made to select some representing common functions (police, fire, etc.) and variable functions (libraries, museums, etc.). Nonprofit organizations are grouped by general type (educational, health, community groups, etc.) and specific

There are five types of data which field researchers can use to analyze the net employment effects of PSE. One obvious type of data for monitoring research is interviews with local officials. However, maintenance-of-effort requirements (as discussed above) limit the potential usefulness of interview data in studying the impact of the PSE program. Some local officials resisted discussing the displacement issue, although others provided important information and insights on the program's net employment effects.

Altogether, the five types of data that field researchers can use in analyzing the employment impact of the PSE programs are: (1) interviews; (2) observations of the actual tasks performed by PSE participants; (3) examination of overall budget and employment conditions and trends; (4) examination of budget and employment data for the specific agencies in which PSE participants are employed; and (5) assessment of the demand for the services that are being performed. The first two types of data--interview and activities data--have already been mentioned; the other three are discussed briefly below.

In borderline cases the associate's analysis of fiscal trends and conditions was critical to the interpretation of net employment effects. The most difficult borderline cases tended to be those where it was necessary to choose between program maintenance, which is a form of job creation in the classification system for this study, and the potential

organizations for examination are selected from among these types. The results for the sampled organizations are applied to the total number of positions in the jurisdiction, again by title, to take into account the relative size of the jurisdiction. While this procedure does not produce results to which strict confidence intervals can be applied, it does result in estimates representative of the experience of the program in these jurisdictions.

hire category of displacement. If the associate determined on the basis of interviews and financial and employment data that the fiscal pressure on a jurisdiction was so severe as of the observation date that it would have had to cut existing service levels (and many cities were in this position), then using PSE employees to maintain these services was not at that point in time displacement. Alternatively, if the associate determined that a jurisdiction had used PSE funds to maintain services that could have been provided with other revenue, this was a case of displacement of the potential hire variety.

In one large city, for example, 90 percent of the title II and title VI sustainment positions were retained by the city; 64 percent of these were in primary city services such as police, fire, and sanitation. For project title VI the city retained all the positions filled as of July 15, 87 percent of which were in primary services. In some cases these positions represented direct transfers of regular positions to PSE. Such conditions create an obvious suspicion of displacement. But the essential question is the fiscal one. How many of these workers would have been employed by the city were it not for the availability of PSE? Based on an analysis of the fiscal position of the city, it was determined that all of these positions would have been unfilled were it not for PSE. Independent experts on the fiscal situation of the city were consulted and concurred with this analysis.

The fourth type of data used to identify the net employment effects of PSE was employment trends in the department or organization to which PSE participants were assigned. For example, cases were found in which PSE participants were assigned to specific jobs in an agency and then similar positions that became vacant through attrition were allowed to

remain unfilled. This, in essence, transferred the position to PSE. In other cases it was determined that PSE was used to displace some part of the "normal" growth in employment, i.e. growth that would have occurred in the absence of the program.

The last type of data used to identify PSE employment effects was the demand for the service that PSE participants were providing. If they were performing tasks for which demand was rising, this raised the possibility of displacement of the potential hire variety even though outward appearances might suggest a job creation impact. For example, in one sample city last year's hard winter resulted in the need for more street repairs. PSE participants were used for this purpose under conditions where it was judged by the associate that they were displacing what otherwise would have been increased seasonal employment. A similar form of displacement can occur where federal- or state-mandated services are increased. In one case a number of PSE participants were assigned as guards and construction security personnel in penal institutions. Since these positions were established to comply with a court order, they were classified as displacement, potential hire.

To illustrate how job creation and displacement were interpreted, examples are presented below for each employment effect category.

Examples of Job Creation

1. New Programs and Services

A large eastern city assigned PSE positions to a local nonprofit arts group to sponsor special ballet programs in the schools.

A midwestern city set up a program to install smoke detectors in housing occupied by the elderly.

In a southern city ninety-five PSE participants were assigned to the parkway commission to landscape the medians of highways leading into the city.

In a large midwestern city five typists were assigned to the city clerk and one to each member of the city council who did not have a secretary.

2. Program Expansion

In a large eastern city twenty-five title VI project and twenty-five title II and VI sustainment participants were assigned to a pretrial release program. They conducted interviews, collected background information, and arranged for social services. This program had existed before but was significantly expanded through the employment of the PSE workers.

In a midwestern suburban city two additional dispatchers and a lab technician were assigned to the police department.

In a large midwestern city three PSE participants were assigned to planning in the city development office, seventeen to the fire department as fire inspectors, five to parks and recreation for zoo maintenance, sixteen to the water department for pipeline cleaning, and eighteen to the sanitation department for sewer cleaning and repair.

3. Special Projects

In one rural town three title VI project participants erected a fence around the town landfill and planted grass seed; in another

part of the dump they slit a pile of tires "the size of city hall" to prevent them from later rising to the surface.

In a large eastern city, 126 title VI project positions were assigned to rehabilitation of an abandoned city park in a low-income area. City officials indicated that there was no possibility that they could have justified this type and scale of activity in their regular budget.

A western suburban county assigned twenty-three participants to a project to provide home-maintenance services for senior citizens and assigned two others to a metric education project in the cooperative extension service.

In one city a program was undertaken to employ seventy-two artists for a year under PSE. Teams of six artists were assigned to neighborhoods to work with schools, community groups, and neighborhood associations. Among other tasks, they put on demonstrations, provided instruction, and painted wall murals. Another group was assigned to work with senior citizens. In addition a pool of performers (singers, dancers, actors, and musicians) was organized to present entertainment programs throughout the city.

4. Program Maintenance

In a large midwestern city the functions of the model cities agency had been cut as funding ran out. These functions were restored with PSE funds. The associate indicated that these functions would have been eliminated in the absence of the PSE program.

In a southern county, five PSE employees performed maintenance and equipment work in the garbage collection division of the public works department. These employees contributed to the maintenance of this service for the county yet would not have been hired without the PSE funds.

In a rural north-central county, three deputy sheriffs were hired to maintain the services of the county sheriff's office. The county would not have been able to hire these additional employees without the PSE funding.

Examples of Displacement

1. Transfers

In a small eastern city vacancies that occurred in the regular work force were kept open and PSE workers were assigned to fill parallel positions.

In a school district ninety-two PSE participants were employed as librarians, guards, and teachers' aides, and the school budget was cut in these areas.

In a large midwestern city, the public works department reduced its staff by 111 positions (in the administration, public building, engineering, and street maintenance departments) and added 80 PSE workers, in effect, to replace them.

2. Rehires

In an eastern city a force reduction in a city department required the city to lay off an employee that it especially wanted to keep. The employee was laid off for the required number of days and then rehired under the PSE program.

In a midwestern city eight firefighters were laid off and then rehired under PSE.

3. Contract Reductions

In a large eastern city a PSE project was established in the police department to tow away illegally parked and abandoned vehicles. The city had previously contracted out this service.

In a small city where a privately owned bus company was taken over by the city, the city employed two bus washers under PSE. Previously the bus company had used an outside contractor for this purpose.

4. Potential Hires

In a large city PSE employees were assigned to the schools to help provide after-school activities and assist teachers. Local officials indicated that something had to be done to reduce tensions caused by a recently established busing program. The associate determined that at least 30 percent of these workers would have been hired in the absence of the PSE program.

In a large midwestern city a number of PSE participants were assigned to the city's vehicle maintenance garage. The garage operates out of a revolving fund and charges its costs to the various city departments.

ABSORPTION

The literature on the effects of PSE programs, although varying as to the rate of displacement, is consistent in reporting that the displacement rate increases over time. One way this can occur is for PSE positions established as job creation to become displacement positions through what we refer to in this study as "absorption."¹¹ This is especially likely to occur as economic and fiscal conditions improve, as they did in many of the sample sites in the six-month period between midsummer 1977 and the end of the year. Under these circumstances jurisdictions were increasingly able to fill positions which they previously could not have funded. PSE workers assigned in mid-July to maintain programs that otherwise would have been reduced could by December be hired as regular employees. In some cases these workers have been transferred to unsubsidized employment. From the point of view of the participant this is a desirable outcome since it represents transition to regular government. If, however, these positions continue to be funded under PSE, what was originally job creation becomes displacement. In identifying absorption, the associates' observations about fiscal conditions are often crucial. In one small city, seven positions at a municipal utility were originally identified as PSE job creation. However, with the expansion of the utility, these positions have become essential, according to the associate.

I have little doubt that these positions would be picked up by local funding if PSE funding were withdrawn. In fact this is definitely reflected in the city records. However, as elected officials and staff have suggested, as long as these positions are supported under CETA and federal funds can be used, it would be regarded as fiscally irresponsible and a dereliction of duty to taxpayers to transfer these positions to local tax support.

Another way absorption can occur is through the creation of a perception of a need, or the development of a constituency for a service provided by PSE workers. In this case what originally was job creation comes to be regarded as a "necessary" function of the recipient government. At this point the participant may be moved into regular government employment. Alternatively, if the position has become essential but the local government allows it to remain on PSE funding, then at some point the position becomes displacement. This is a case of PSE-created demand. In one sample jurisdiction, the associate became convinced that three employees at the civic center had become, in the minds of city officials, potential hires: "This was not the case originally, but the work of these employees had been so satisfactory that it appears certain the positions will become regular positions in the next budget." Questions involving absorption can be expected to be more numerous in the second round of the field research.

AGGREGATE JOB CREATION AND DISPLACEMENT RATES

At the time of the midsummer observations for this study, the thirty-seven governments for which data are included in this chapter employed 24,557 PSE participants.¹² Of these, 5 percent were excluded from the analysis because it was not possible for associates to determine whether

12. Although there are forty-two jurisdictions in the main sample, five were excluded from this portion of the analysis because of inadequate data at the cut-off time for the preparation of this report. Total positions also include a state agency not counted separately as a governmental jurisdiction.

they represented job creation or displacement. In addition, application of the sampling procedure resulted in the exclusion of three thousand positions in larger cities. Consequently, most of the tables presented in this chapter are based on a total of 20,334 PSE participants. Of these, 5,226 participants, or approximately one-fourth of the total, were in title VI projects. Title II and title VI sustainment account for the remaining 15,108 participants.

The Relationship of PSE to City Employment

In public discussions of PSE, considerable interest has focused on the program's relative share of local government employees as the level of PSE employment rises. Often such reports fail to take into account the outstationing and contracting out of participants, which can be appreciable under PSE. Outstationing refers to the practice of paying people through the personnel, manpower, or some other office of a local government which receives an allocation of PSE positions, but then assigns the participant to work in some other organization, such as a school, a hospital, a social security office. Contracting out, on the other hand, refers to cases in which a jurisdiction receiving a PSE allocation does not expend some portion of its PSE funds, but instead contracts with another organization to use these funds for PSE positions. These positions, as discussed in the final section of this chapter, make macro-analysis of the effects of PSE very difficult to do with available statistical data. (Contracting out was found to be much more prevalent than outstationing.)

In considering the importance of PSE participants relative to regular city payrolls, it is necessary to omit from consideration positions which are contracted out or outstationed. As of mid-July 1977, for large

cities in the sample, the PSE participants directly employed by city governments, taken as a percentage of their 1976 municipal labor force, ranged from 3.4 percent to 18.9 percent.¹³ The unweighted mean for the sixteen cities for which such data are available is 8.8 percent. These figures are probably inflated because the base for comparison is 1976 city employment as reported in the U.S. Census of Governments.

If police and fire are examined separately on this basis, in the two cases for which PSE employment in July 1977 was highest relative to regular city employment for these two functions, it amounted to slightly over 13 percent of the city's 1976 employment base for protective services.

Employment Effects by Employing Organization

Table 3-1 shows the allocation of PSE participants by title and according to the type of organization in which they were employed. Participants employed by the sample governments are shown in column A; columns B-F show PSE participants employed by other organizations under subcontracting or outstationing agreements with the sample governments. Overall, 70 percent of the positions shown were retained by the sample governments. The share of positions retained was higher for titles II and VI sustainment (79 percent) than for title VI projects (59 percent). Nonprofit organizations account for 24 percent of the title VI positions and 10 percent of the title II and VI sustainment positions, making them the largest recipient of PSE positions outside of the sample governments themselves.

Table 3-1 also provides figures for job creation and displacement, broken down by title and type of employing organization. Three important

13. The second highest percentage was 12.2 percent, so the 18.9 percent case stands out by comparison. The 1976 baseline data for municipal employees includes CETA-PSE participants, though at a time when the program was operating at a lower level for most cities.

Table 3-1. PSE Positions Classified as Job Creation and Displacement by Title and Type of Employing Organization

| | Sample governments (A) | Other school districts (B) | Other local governments (C) | State agencies (D) | Federal agencies (E) | Nonprofit organizations (F) | Total (G) |
|--------------------------------|------------------------------|----------------------------------|-----------------------------------|--------------------------|----------------------------|-----------------------------------|--------------|
| II & VI Sustainment | | | | | | | |
| Job creation | 8,458 (76) | 874 (84) | 631 (76) | 508 (93) | 24 (96) | 1,453 (99) | 11,948 (79) |
| Displacement | 2,738 (24) | 163 (16) | 199 (24) | 41 (7) | 1 (4) | 18 (1) | 3,160 (21) |
| Total | 11,196 | 1,037 | 830 | 549 | 25 | 1,471 | 15,108 |
| Percent | (79) | (7) | (5) | (4) | (*) | (10) | (100) |
| VI Project | | | | | | | |
| Job creation | 2,865 (93) | 278 (74) | 389 (89) | 95 (93) | -- | 1,188 (96) | 4,815 (92) |
| Displacement | 205 (7) | 99 (26) | 47 (11) | 7 (7) | -- | 53 (4) | 411 (8) |
| Total | 3,070 | 377 | 436 | 102 | | 1,241 | 5,226 |
| Percent | (59) | (7) | (8) | (2) | | (24) | (100) |
| All Titles | | | | | | | |
| Job creation | 11,323 (79) | 1,152 (81) | 1,020 (81) | 603 (93) | 24 (96) | 2,641 (97) | 16,763 (82) |
| Displacement | 2,943 (21) | 262 (19) | 246 (19) | 48 (7) | 1 (4) | 71 (3) | 3,571 (18) |
| Total | 14,266 | 1,414 | 1,266 | 651 | 25 | 2,712 | 20,334 |
| Percent | (70) | (7) | (6) | (3) | (*) | (13) | (100) |

Source: Field research data.

Note: Figures in parentheses are percentages.

*Less than 0.5 percent.

findings stand out. First, according to these figures the displacement rate for PSE employment is considerably lower than that reported by other researchers. For all titles and for the sample as a whole, 18 percent of the positions were judged by the associates to represent displacement and 82 percent job creation. If the results in the jurisdictions where the sampling procedure was used are weighted to reflect the relative size of the program in these jurisdictions, the extent of displacement for the sample as a whole rises to 20 percent. This is still well below the results reported by other researchers (see above in this chapter).¹⁴

Second, the displacement rate varies depending on the employing organization. The rates for sample governments (21 percent), school districts (19 percent), and other local governments (19 percent) were slightly higher than the displacement rate for all employing organizations combined. The rates for state and federal agencies and for nonprofit organizations, by contrast, were lower than the overall rate. Some qualifying comments are needed here. Federal agencies received such a small number of positions (25 out of a total of 20,000) that the extent of job creation and displacement cannot really be determined. As for nonprofit organizations, their low displacement rate undoubtedly reflects the fact that many of the agencies involved came into existence with

14. The sample data were also adjusted in relation to the PSE program overall. Since there is no national distribution of PSE positions by type of government, displacement rates were generated for the governments within each sponsor type (balance-of-state and statewide, consortium, county, city) and weighted by the percent of the 1977-78 funding allocated to each sponsor type. The weighted displacement rate that resulted is also 20 percent.

their application for PSE funds. In such cases, all positions (PSE or otherwise) represent new employment and new expenditures. Also, some nonprofit organizations use PSE funds to monetize existing volunteer work. We do not classify this as displacement.

A third important finding is that the displacement rate was substantially higher for title II and VI sustainment positions (21 percent) than for title VI project positions (8 percent). These figures also vary depending on the employing organization involved. Nonprofit organizations had the lowest rate of displacement in both categories, sustainment and project.

Among positions retained by the sample governments, nearly a quarter of the sustainment positions were judged to be displacement as opposed to only 7 percent of the project positions. The figures for other local governments were similar to those for sample governments. Among positions filled by school districts, on the other hand, the displacement rate was higher for project than for sustainment positions.

Employment Effects by Type of Jurisdiction

Table 3-2 gives a breakdown of job creation and displacement by type of jurisdiction for the sample jurisdictions and six of the larger subcontracting governments or "subgovernments" studied, as well as all of the state agencies for which data are available. Since our concern here is with differences between types of jurisdictions, only the positions retained by the sample governments and subgovernments are included in the analysis. The governments and subgovernments are grouped in the following categories:

Large cities, including central cities over 250,000 in population

Suburban, including smaller cities (the largest being a suburban city of 111,000) and suburban counties

Rural, including rural towns (with a population of less than 50,000) and counties outside SMSAs

State agencies

For title II and VI sustainment PSE, one-fourth of the positions in large cities were categorized as displacement. We divided these jurisdictions into distressed and other cities, but found virtually no difference between the two groups.¹⁵ Suburban jurisdictions had the highest level of displacement--29 percent. Displacement was lower among positions assigned to state agencies (17 percent) and was almost nonexistent in rural jurisdictions.

For title VI project employment, the extent of displacement was generally lower. For the large cities displacement amounted to 7 percent--10 percent in the distressed large cities and 4 percent in the other large cities. Displacement was 6 percent of the project employment in the suburban jurisdictions and 5 percent in state agencies. There was no displacement in project VI employment in the rural areas. However, the number of positions involved was very small for two reasons. In some cases the overlying sponsor allocated only sustainment positions to rural county governments. In other cases the rural county governments had

15. For a discussion of the urban conditions index used to rate urban distress, see Paul R. Dommel et al., Decentralizing Community Development (Washington, D.C.: The Brookings Institution, 1978), appendix 2. For this analysis, a cut-off of 250 was adopted.

Table 3-2. PSE Positions Classified as Job Creation and Displacement by Type of Jurisdiction and Title for Sample Governments, Six Subcontracting Governments, and State Agencies

| | Title II and VI sustainment | | | Title VI project | | | Total | | |
|------------|-----------------------------|--------------|--------|------------------|--------------|-------|--------------|--------------|--------|
| | Job creation | Displacement | Total | Job creation | Displacement | Total | Job creation | Displacement | Total |
| Large city | 7,553 (75) | 2,490 (25) | 10,043 | 2,466 (93) | 195 (7) | 2,661 | 10,019 (79) | 2,685 (21) | 12,704 |
| Suburban | 620 (71) | 254 (29) | 874 | 458 (94) | 29 (6) | 487 | 1,078 (79) | 283 (21) | 1,361 |
| Rural | 349 (98) | 7 (2) | 356 | 37 (100) | 0 | 37 | 386 (98) | 7 (2) | 393 |
| State | 572 (83) | 120 (17) | 692 | 142 (95) | 7 (5) | 149 | 714 (85) | 127 (15) | 841 |

Source: Field research data.

Note: Figures in parentheses are percentages.

project positions but subcontracted most of them to other organizations, which means that the positions are not included in this section of the analysis.

TYPES OF JOB CREATION AND DISPLACEMENT

In this section the PSE positions in the sample governments and the employing organizations within those jurisdictions are classified using the categories of job creation and displacement described earlier in the chapter. We deal first with sustainment and then with project positions.

Title II and VI Sustainment Positions

Table 3-3 presents data for 15,108 title II and VI sustainment positions. Of these positions approximately 4,000 or 26 percent were subcontracted or outstationed to school districts, other local governments, state and federal agencies located within the sample jurisdiction, and nonprofit organizations. The largest category, nonprofit agencies, received 10 percent of the sustainment positions.

Of the positions retained by the sample government, half of those classified as job creation were categorized as program maintenance. This represents 41 percent of all sustainment positions for the sample governments. As will become clearer in the analysis of fiscal conditions which follows, the classification of positions as program maintenance--that is, provision of services which in the judgment of the associates would otherwise have been cut--is an important reason why the findings presented here differ from those of other studies.

Table 3-3. PSE Positions Classified by Type of Job Creation or Displacement, Title II and VI Sustainment PSE

| | Sample governments | School districts | Other local governments | State agencies | Federal agencies | Nonprofit organizations | Total |
|---------------------------|--------------------|------------------|-------------------------|-----------------|------------------|-------------------------|---------------------|
| New programs | 1,060 (9) | 92 (10) | 26 (3) | 25 (5) | -- | 136 (9) | 1,339 (9) |
| Expansion | 2,776 (25) | 453 (44) | 448 (54) | 218 (40) | 2 (8) | 606 (41) | 4,435 (29) |
| Special projects | 86 (1) | -- | 49 (6) | 6 (1) | -- | 38 (3) | 247 (2) |
| Program maintenance | 4,536 (41) | 329 (32) | 108 (13) | 259 (47) | 22 (88) | 673 (46) | 5,927 (39) |
| Total job creation | 8,458 (76) | 874 (84) | 631 (76) | 508 (93) | 24 (96) | 1,453 (99) | 11,948 (79) |
| Transfers | 1,256 (11) | 95 (9) | 21 (3) | 3 (1) | -- | 3 (*) | 1,378 (9) |
| Rehires | 17 (*) | -- | -- | 2 (*) | 1 (4) | 3 (*) | 23 (*) |
| Potential hires | 949 (8) | 68 (7) | 177 (21) | 28 (5) | -- | 12 (1) | 1,234 (8) |
| Contract reduction | 109 (1) | -- | 1 (*) | -- | -- | -- | 110 (1) |
| Other | 407 (4) | -- | -- | 8 (1) | -- | -- | 415 (3) |
| Total displacement | 2,738 (24) | 163 (16) | 199 (24) | 41 (7) | 1 (4) | 18 (1) | 3,160 (21) |
| Total positions | 11,196 | 1,037 | 830 | 549 | 25 | 1,471 | 15,108 (100) |

Source: Field research data.

Note: Figures in parentheses are percentages.

*Less than 0.5 percent.

Title VI Project Positions

As of the observation date there were approximately five thousand title VI project positions in the sample jurisdictions. In table 3-4 these are broken down by employing organization and categories of job creation and displacement. Although the regulations governing title VI project employment stipulate that a substantial portion (one-third) of these positions should be allocated to nonprofit agencies, only about a quarter of the project positions reported in table 3-4 were assigned to nonprofit agencies. A total of 41 percent of all title VI project positions were subcontracted or outstationed to other organizations (including nonprofit organizations) located within the sample governments. The percentage varies considerably by jurisdiction; some units chose to fill all title VI project positions themselves, while others allocated all or most of these positions to other organizations.

Perhaps because of the project requirements, or the relative newness of the program, the extent of displacement was considerably lower for title VI projects. Only 7 percent of the positions within the sample governments and 8 percent of all the title VI project positions were judged to represent displacement. Displacement for title VI project PSE was most likely to occur in independent school districts for which 26 percent of the positions were judged to be displacement, predominantly in the form of potential hires.

Table 3-4. PSE Positions Classified by Type of Job Creation or Displacement, Title VI Project PSE

| | Sample governments | School districts | Other local governments | State agencies | Federal agencies | Nonprofit organizations | Total |
|---------------------------|--------------------|------------------|-------------------------|----------------|------------------|-------------------------|-------------------|
| New programs | 110 (4) | 14 (4) | 79 (18) | 1 (1) | -- | 191 (15) | 395 (8) |
| Expansion | 1,326 (43) | 66 (18) | 75 (17) | 30 (29) | -- | 384 (31) | 1,881 (36) |
| Special projects | 1,195 (39) | 170 (45) | 227 (52) | 61 (60) | -- | 539 (43) | 2,192 (42) |
| Program maintenance | 234 (8) | 28 (7) | 8 (2) | 3 (3) | -- | 74 (6) | 347 (7) |
| Total job creation | 2,865 (93) | 278 (74) | 389 (89) | 95 (93) | -- | 1,188 (96) | 4,815 (92) |
| Transfers | 19 (1) | 7 (2) | 2 (*) | 1 (1) | -- | -- | 29 (1) |
| Rehires | -- | -- | 2 (*) | -- | -- | 1 (*) | 3 (*) |
| Potential hires | 142 (5) | 79 (21) | 43 (10) | 6 (6) | -- | 52 (4) | 322 (6) |
| Contract reduction | 34 (1) | 13 (3) | -- | -- | -- | -- | 47 (1) |
| Other | 10 (*) | -- | -- | -- | -- | -- | 10 (*) |
| Total displacement | 205 (7) | 99 (26) | 47 (11) | 7 (7) | -- | 53 (4) | 411 (8) |
| Total positions | 3,070 | 377 | 436 | 102 | 0 | 1,241 | 5,226 |

Source: Field research data.

Note: Figures in parentheses are percentages.

*Less than 0.5 percent.

Among the types of job creation, special projects (as defined for this study) and program expansion account for most (80 percent) of the impact of title VI projects. Despite the fact that all title VI project positions are required to be used for what the law defines as a project, these positions are almost equally divided between what is defined more precisely for this study as a "special project" and the expansion of existing activities.

Both Titles

For ease of comparison, table 3-5 shows the distribution of total positions for title II and VI sustainment and title VI project PSE, and the combined distribution for both titles for the sample as a whole. (Sustainment employment accounts for 74 percent of all of the positions in table 3-5, although this distribution can be expected to change in the second round when employment in title VI projects should be higher.)

The major difference between sustainment and project PSE is in the special projects and program maintenance categories. For the project portion of title VI, 46 percent of the positions classified as job creation are in special projects; however, only 2 percent of the title II and VI sustainment positions are classified in this category. Half of the title II and VI sustainment job creation positions are classified as program maintenance compared to 7 percent of the title VI project positions. These differences undoubtedly reflect the stronger project orientation and the higher level of involvement of nonprofit agencies under the stimulus portion of the title VI program.

Table 3-5. PSE Positions Classified by Type of Job Creation or Displacement, All Titles.

| | Title VI project total | Title II & VI sustainment total | Total for all titles |
|---------------------------|------------------------|---------------------------------|----------------------|
| New programs | 395 (8) | 1,339 (9) | 1,734 (9) |
| Expansion | 1,881 (36) | 4,435 (29) | 6,316 (31) |
| Special projects | 2,192 (42) | 247 (2) | 2,439 (12) |
| Program maintenance | 347 (7) | 5,927 (39) | 6,274 (31) |
| Total job creation | 4,815 (92) | 11,948 (79) | 16,763 (82) |
| Transfers | 29 (1) | 1,378 (9) | 1,407 (7) |
| Rehires | 3 (*) | 23 (*) | 26 (*) |
| Potential hires | 322 (6) | 1,234 (8) | 1,556 (8) |
| Contract reduction | 47 (1) | 110 (1) | 157 (1) |
| Other | 10 (*) | 415 (3) | 425 (2) |
| Total displacement | 411 (8) | 3,160 (21) | 3,571 (18) |
| Total positions | 5,266 (26) | 15,108 (74) | 20,334 (100) |

Source: Field research data.

Note: Figures in parentheses are percentages.

*Less than 0.5 percent.

CORRELATES OF DISPLACEMENT

In this preliminary report, several variables are discussed as correlates of displacement. The first section--on fiscal pressure--is especially important for the analysis in this chapter.

Degree of Fiscal Pressure

Table 3-6 indicates the extent of job creation and displacement by the degree of fiscal pressure of the sample jurisdictions, as rated by the associates.¹⁶ For this part of the analysis sixteen subgovernments below the level of the sample jurisdictions were included since information was available on the degree of fiscal pressure, job creation, and displacement for these jurisdictions. Only positions retained by the sample government or subgovernment for employment within those governments are included in this section.

For sustainment PSE, displacement was found to be highest in those jurisdictions with little or no fiscal pressure (34 percent) and lowest for those with extreme fiscal pressure (15 percent). In governments with moderate fiscal pressure, 27 percent of the PSE positions were classified as displacement.

The most important point in regard to this section of the analysis has to do with the job creation category of program maintenance, i.e., cases where PSE employees were used to avoid service reductions that in the assessment of the associate would otherwise have been made. For sustainment PSE, as the degree of fiscal pressure increases the category of program maintenance grows: from zero in jurisdictions with no fiscal pressure to 65 percent in jurisdictions facing extreme fiscal pressure. This is accompanied by a decline in the

16. See the analysis form, appendix B, page 206, for information on how the sample governments were classified by fiscal condition.

Table 3-6. PSE Positions Classified as Job Creation and Displacement by Degree of Fiscal Pressure, Sample Governments and Selected Subgovernments

| | Degree of fiscal pressure | | | | Total |
|------------------------------------|---------------------------|-------------------|------------|------------|-------------|
| | None | Relatively little | Moderate | Extreme | |
| Title II and VI sustainment | | | | | |
| Job creation | 182 (66) | 974 (66) | 4,255 (73) | 4,062 (85) | 9,473 (76) |
| Expansion | 178 (65) | 753 (51) | 1,946 (33) | 643 (13) | 3,520 (28) |
| Program maintenance | 0 | 114 (8) | 1,466 (25) | 3,101 (65) | 4,681 (38) |
| Displacement | 92 (34) | 508 (34) | 1,612 (27) | 710 (15) | 2,922 (24) |
| Total positions | 274 | 1,482 | 5,867 | 4,772 | 12,395 |
| Title VI project | | | | | |
| Job creation | 212 (98) | 697 (90) | 1,646 (98) | 531 (81) | 3,086 (93) |
| Expansion | 47 (22) | 487 (63) | 637 (38) | 199 (30) | 1,370 (41) |
| Program maintenance | 0 | 7 (1) | 74 (4) | 178 (27) | 259 (8) |
| Displacement | 4 (2) | 75 (10) | 32 (2) | 122 (19) | 233 (7) |
| Total positions | 216 | 772 | 1,678 | 653 | 3,319 |
| All titles | | | | | |
| Job creation | 394 (80) | 1,671 (74) | 5,901 (78) | 4,593 (85) | 12,559 (80) |
| Expansion | 225 (46) | 1,240 (55) | 2,583 (34) | 842 (16) | 4,890 (31) |
| Program maintenance | 0 | 121 (5) | 1,540 (20) | 3,279 (60) | 4,940 (31) |
| Displacement | 96 (20) | 583 (26) | 1,648 (22) | 832 (15) | 3,155 (20) |
| Total positions | 490 | 2,254 | 7,545 | 5,425 | 15,714 |

Source: Field research data.

Note: Figures in parentheses are percentages.

share of positions classified as expansion of existing programs, from 65 percent for those jurisdictions with no fiscal pressure to 13 percent for those with extreme fiscal pressure. The same relationship between program maintenance and fiscal pressure occurs in project PSE but to a lesser extent. It should be noted that decisions about the staffing/ levels of the recipient governments in mid-1977 were made in almost all cases (depending on the budget year used) at or near the trough of the 1975-76 recession. Sustainment positions categorized as program maintenance in jurisdictions under extreme fiscal pressure are heavily concentrated in distressed large cities. Of the 4,681 positions classified as program maintenance, 85 percent are in four large distressed cities. Taken together jurisdictions classified as facing extreme or moderate fiscal pressure account for 96 percent of the positions in the program maintenance category.

A number of associates stressed the fiscal problems of their jurisdictions in describing the program maintenance effects of PSE. For one distressed city, the associate said, "These jobs would not have been filled had it not been for CETA. . . . Federal funds have in essence enabled the city to maintain essential city services through a period of depression." In a similar case, the associate concluded that PSE enabled the city to "maintain services at a higher level than it would have in its absence and to insure the survival of some agencies that might have been dropped altogether." Another associate noted that "the PSE program is viewed by the city government as a device for maintaining services; the availability of PSE funds is important for minimizing an otherwise significant reduction in

public services." For a similarly hard-pressed city with a declining economy, the associate reported that "layoffs would have been unavoidable were it not for the periodic infusions of federal manpower funds." For one of the distressed rural jurisdictions in the sample, the associate reported that "CETA funds were used to provide manpower to maintain several important county functions."

A critical question for the second round of the field research is whether with improved economic conditions these program maintenance positions will be classified by the associates as absorbed.¹⁷ To the extent this occurs, the displacement rate will rise for the second round, unless of course these effects are swamped by others--for example, the increase in project positions sponsored by nonprofit organizations. (Nonprofit organizations, as indicated earlier, were found in the first round to have relatively little displacement.)

Objectives of the Program

Table 3-7 presents overall displacement rates by title for the sample governments according to the associates' reports as to what local officials perceived to be the principal objective(s) of the PSE program. These were coded as follows: provision of regular government services, transition to unsubsidized employment, selection of the most qualified workers, and emphasis on hiring the economically disadvantaged. Among the other responses received were: raising skill levels, staying within the DOL guidelines, and selecting new

17. See the discussion of absorption in the beginning of this chapter, pp. 29-30.

Table 3-7. PSE Positions Classified as Job Creation and Displacement by Local Objectives of the PSE Program, Sample Governments Only

| Objectives | Job creation | Displacement | Total | Number of jurisdictions |
|--|--------------|--------------|-------|-------------------------|
| <u>Title II and VI sustainment</u> | | | | |
| Transition | 1,149 (61) | 727 (39) | 1,876 | 10 |
| Emphasis on the economically disadvantaged | 1,516 (70) | 652 (30) | 2,168 | 10 |
| Hiring the most qualified employees | 181 (70) | 79 (30) | 260 | 4 |
| Regular government services | 2,678 (69) | 1,205 (31) | 3,883 | 15 |
| Other | 6,548 (76) | 2,030 (24) | 8,584 | 20 |
| <u>Title VI project</u> | | | | |
| Transition | 240 (63) | 139 (37) | 379 | 9 |
| Emphasis on the economically disadvantaged | 1,032 (89) | 89 (11) | 1,159 | 11 |
| Regular government services | 406 (77) | 122 (23) | 528 | 8 |
| Other | 1,137 (90) | 729 (10) | 1,266 | 16 |

Source: Field research data.

Note: Figures in parentheses are percentages.

employees. One jurisdiction was said to stress "make work" as a major PSE objective.

The analysis form in this case allowed for multiple responses. Consequently a single jurisdiction can be included under more than one category.¹⁸

18. The objectives were also coded separately for title II and title VI sustainment. Therefore, a further multiple response occurs if the jurisdiction indicated different objectives for these two titles.

The differences between the results for sustainment and for project PSE are particularly interesting. The objective most often mentioned for the sustainment program was the provision of regular government services; this was followed by transition and hiring the economically disadvantaged. For project PSE, hiring the economically disadvantaged received the highest number of responses, followed by transition. Provision of regular government services was mentioned for only eight governments for project PSE.

The highest level of displacement for both sustainment and project PSE was found for jurisdictions that emphasized transition. The lowest displacement rate was recorded for those that emphasized hiring the economically disadvantaged, especially for title VI projects.

These results reflect two facets of the PSE program. The first is that local governments generally take a different view of the project portion of PSE than they do of the sustainment component. Projects are more commonly viewed as providing employment for the economically disadvantaged while sustainment PSE tends to be regarded as basically for the provision of governmental services.

A second important point shown in table 3-7--and discussed at the February 1 research conference--relates to the competition between the objectives of transition and job creation. To many local jurisdictions transition to unsubsidized employment means transfer to the jurisdiction's regular work force; PSE funds are used either to train participants for eventual vacancies and new positions or as a device for creating a pool of

screened applicants from which new employees can be selected. In both cases such positions are quite likely to be classified as displacement, thus undermining the job creation aim of PSE.

Functional Activities

Data on the functional areas of the activities of PSE participants were collected by the field associates both by title and, where possible, according to the classification of positions as job creation and displacement. (A detailed discussion of the functional activities of PSE participants is presented in chapter 5.) The activities data were combined into four main categories: primary services (which includes administration, protective services, public works, and utilities and sanitation); social and cultural services (which includes social services, health, culture and the arts); parks and recreation; and education. It was hypothesized that displacement would be more prevalent in the primary services and that job creation would be more concentrated in social and cultural services and parks and recreation. The hypothesis holds up for title II and VI sustainment; the displacement rate in primary services was 17 percent compared to 7 percent for social and cultural services and 13 percent for parks and recreation in the sample governments. For all of the sustainment positions, 18 percent of those in primary services, 4 percent in social and cultural services, and 15 percent in parks and recreation were judged to represent displacement. For project employment the hypothesis breaks down and displacement is higher in social and cultural services and parks and recreation than in primary services.

Characteristics of Participants

Information on characteristics was collected to the extent possible for participants filling positions classified as job creation and displacement. In many cases, part of a group of participants was classified as displacement and it was not possible to assign the characteristics of specific participants to job creation or displacement categories. Thus the data in table 3-8 represent a smaller number of participants (8,295) than the functional area data.

The distribution of the characteristics of participants classified as displacement is especially interesting. It is widely assumed--and this was the working hypothesis--that, to the extent displacement occurred, it would result in "creaming" the participant pool, that is, selecting people more like the regular work force of local governments. This does not appear to be the case. For sustainment PSE, there is not much difference between the characteristics of those classified as job creation and displacement, although there are somewhat smaller proportions of minorities and younger persons in displacement positions. The displacement category has slightly higher proportions of AFDC recipients, economically disadvantaged persons, and members of households below the lower-living standard--all of which goes against the creaming hypothesis.

For title VI projects, again the surprising fact is not the degree of difference but the degree of similarity between participants in displacement and job creation positions. The percentage of characteristics are almost exactly the same for males, minorities, and persons of less

Table 3-8. Characteristics of PSE Participants in Job Creation and Displacement Positions, by Title (in Percentages)

| | <u>Sample governments only</u> | | <u>All employing organizations</u> | |
|---|--------------------------------|--------------|------------------------------------|--------------|
| | Job Creation | Displacement | Job Creation | Displacement |
| <u>Title II and VI sustainment</u> | | | | |
| Male | 62 | 63 | 60 | 62 |
| Minority | 76 | 59 | 74 | 56 |
| Under 22 years of age | 17 | 14 | 16 | 14 |
| Less than 12 years of education | 18 | 16 | 18 | 15 |
| Unemployed more than 15 weeks | 51 | 57 | 48 | 57 |
| Unemployed 15 days but less than 15 weeks | 44 | 33 | 41 | 34 |
| AFDC | 7 | 11 | 8 | 11 |
| Below 70 percent of lower living standard | 24 | 35 | 28 | 34 |
| Economically disadvantaged | 45 | 53 | 45 | 53 |
| Number of participants | 4,497 | 638 | 5,729 | 900 |

Table 3-8. (continued)

| | <u>Sample governments only</u> | | <u>All employing organizations</u> | |
|---------------------------------|--------------------------------|--------------|------------------------------------|--------------|
| | Job creation | Displacement | Job creation | Displacement |
| <u>Title VI project</u> | | | | |
| Male | 75 | 69 | 72 | 66 |
| Minority | 78 | 80 | 69 | 71 |
| Under 22 years of age | 23 | 11 | 22 | 13 |
| Less than 12 years of education | 31 | 28 | 28 | 22 |
| Unemployed more than 15 weeks | 92 | 77 | 91 | 82 |
| AFDC | 18 | 14 | 16 | 16 |
| Economically disadvantaged | 92 | 79 | 90 | 87 |
| Number of participants | 1,926 | 133 | 2,566 | 313 |

Source: Field research data.

Note: In some cases the percentage of participants possessing a given characteristic is calculated on a small number of participants due to missing data on that item.

than a twelfth grade education. There is a slightly smaller proportion of AFDC family members in displacement positions, although the relationship is the reverse for economically disadvantaged participants.¹⁹

The essential point is that the widely held view that the PSE program is used to hire workers who would otherwise be hired as regular employees--white, middle-class persons--finds little support in data obtained so far. Persons in displacement positions tend to be very similar to those in job creation positions and to reflect the social targeting objectives of the law.

Occupations of Participants

Related to the above expectation that persons with characteristics similar to the regular work force would be found in displacement positions is the similar proposition that higher skilled persons would be found more extensively in displacement positions.²⁰ We found little evidence of a tendency for displacement to be concentrated in more highly skilled positions. In fact, as shown in table 3-9, the opposite is true for professional and technical workers in sustainment positions retained by the sample governments. It was noted above that, to the extent displacement occurs, the impact of PSE might be similar to revenue sharing for affirmative action. However, if displacement is concentrated in lower-level

19. This is a common pattern in other parts of the analysis, i.e., the higher the incidence of disadvantage, the lower the number of AFDC family members.

20. The law allows for the supplementation of PSE salaries above \$10,000 (see chapter 5).

Table 3-9. Percentage Breakdown of Job Creation and Displacement Positions, Title II and VI Sustainment, by Occupation, Sample Governments Only

| Occupation | Job creation | Displacement |
|---------------------|--------------|--------------|
| Managerial | 2 | 1 |
| Professional | 20 | 7 |
| Technical | 8 | 4 |
| Clerical | 18 | 23 |
| Craft | 3 | 2 |
| Operative | 8 | 5 |
| Laborer | 28 | 20 |
| Service | 14 | 38 |
| Total | 101 | 100 |
| Number of positions | 4,757 | 1,139 |

Source: Field research data.

occupations, the effect on the composition of local government employment would be reduced; these are positions into which individuals with characteristics similar to those of PSE participants might have been hired anyway.

CONCLUDING COMMENTS

The level of displacement found in this study, using the analytical framework described at the beginning of the chapter, was lower than expected, based on previous studies. One possible reason for the difference between the results presented here and those of earlier studies is that, with the exception of the most recent effort by George Johnson and James Tomola, those studies were done for the PEP program. It has been suggested by Michael Wiseman that, given the economic conditions under which CETA-PSE was implemented, and with the increased attention paid to the maintenance-of-effort provisions, the extent of displacement under CETA-PSE would be lower than displacement under PEP.²¹ In addition, the 1976 amendments introduced the "project" concept and tightened eligibility requirements.

Further differences between the results found here and those of other studies--that is, differences in addition to those that may be caused by programmatic and administrative changes--relate to the definitions used, in particular that of program maintenance. Associates determined that 31 percent of the positions studied (85 percent of which were in four distressed large cities) would not have been filled in the absence of PSE funding. As noted in the discussion of this employment effects category, we will be interested in whether some of these positions are

21. Michael Wiseman, "Public Employment as Fiscal Policy," Brookings Papers on Economic Activity, No. 1 (1976), p. 91.

classified as absorption and displacement in the second round of the field research. Such a reclassification would occur in cases in which associates determined that by December 1977 the fiscal position of the jurisdiction had improved to the point where the positions involved would have been funded in the absence of PSE. Increases in displacement could be offset by other factors, such as the increasing role of nonprofit organizations under PSE. In any event, the program maintenance category of job creation is potentially more fluid than the others used in the analysis. This suggests that, in comparisons of various research findings on PSE employment, a three-part framework should be used for the findings in this study: new services and activities (51 percent), program maintenance (31 percent), and job displacement (18 percent).

There are other ways in which the use of a methodology different from that adopted for this study would produce different results.

1. Studies using aggregate data generally are unable to account for positions that are subcontracted to federal agencies and nonprofit organizations and are used for job creation purposes.²² The funding for these positions tends to appear in the budgets of the jurisdictions receiving the PSE allocations involved, but the positions themselves are not reflected in their employment level. Based on the findings of the first round of monitoring, adjustments to other studies to take this

22. The 1974 Johnson and Tomola paper on the PEP program cited earlier excluded education from government employment and then made an adjustment of PSE data to reflect subcontracting to school districts.

factor into account could reduce the displacement rate observed by as much as 10 percent.

2. Chapter 4 indicates that for all the jurisdictions under study 11 percent of the monthly funding was unobligated at the time of the field observations. This could be included in aggregate data as additional funding to local governments that was not spent for employment and therefore could be interpreted as displacement.

While it is not possible in this first report to compare the findings from the various studies on a specific basis, it is clear that the decisions made in developing different methodologies can considerably alter the results observed.

Chapter 4

FISCAL EFFECTS

This chapter introduces another dimension of the impact of the PSE program--its effects on the finances of the recipient governments. As in the case of the analysis of employment effects, a framework was developed with the cooperation of the associates and incorporated in the analysis form for the first round of field observations.

The fiscal analysis in this chapter is an adjunct to the employment effects analysis. It considers the fiscal effects of the federal PSE dollars associated with the positions classified as job creation and displacement. Where displacement occurred, associates were asked to assess the substitution impact in terms of the equivalent state and local resources released for other purposes. No attempt was made to analyze the program's fiscal impact in relation to funds used by recipient governments to supplement the salaries of PSE participants or to purchase materials and supplies for PSE projects. (Federal PSE funds cannot be used to pay salaries above \$10,000 per annum.)

In the same vein, this analysis of fiscal effects does not take into account differences in productivity between PSE activities and regular government programs. If PSE employees are less productive than the persons who otherwise would have been hired in cases where displacement occurs, this would free less money in the budget of the recipient government than is assumed in this analysis. On the other hand, if PSE workers receive a lower wage (presumably still the "prevailing" rate, but for a lower skill level classification) and yet are more, or just as, productive.

as higher-paid regular employees, the opposite effect would occur; PSE fiscal relief would be greater from the point of view of the local budget than the federal dollars contributed. This may, in fact, be the case. When associates were asked for their overall judgment of the productivity of PSE workers compared to regular employees, the results on the whole were positive. Although associates tended to resist making summary statements on productivity, most reported that PSE participants were engaged in the same activities as regular workers. Six associates qualified their response by saying that PSE participants tended to be in lower priority jobs. In four cases, associates judged PSE participants to be more productive than regular workers, and in three cases participants were said to be more productive in title II and VI positions but not in title VI projects. It is possible that this situation will change as the project portion of the PSE program expands.

DEFINITIONS

In cases where the employment effect identified is job creation, the fiscal effect is additional expenditures for employment or administrative purposes related to the jobs created under PSE. Only the direct effect on governments is considered. We do not consider private sector and second-order consequences, that is, indirect spending stimulated by PSE or the induced effects of PSE spending. The emphasis here, as throughout this study, is on the near term. The relative multiplier impact of PSE is not examined, although some exploratory work is underway to consider this subject in field studies.

For the fiscal effects analysis in this study, the most important cases involve displacement. Here, the key concept is substitution. If a jurisdiction uses PSE funds to displace someone who otherwise would have been employed by that government, this substitutes federal money for local resources which can

then be used for other purposes. Such substitution effects can occur in one of three ways. First, taxes can be cut or stabilized. Both kinds of tax effects, in essence, transfer the direct PSE stimulus from the public sector to the private sector.

The second kind of substitution effect is to maintain a higher level of fund balances than otherwise would have been the case. Increased fund balances raise a special problem since it is less clear than in the case of tax substitution that a private sector stimulus would result. As there is likewise no stimulus impact in the public sector, to the extent that fund balances accumulate, the economic stimulus effect of PSE is delayed or dissipated.

Associates classified the fiscal effect of PSE as increased fund balances only where their examination indicated that this was regarded to be the long-term effect of some portion of the PSE funds received by a sample government. Where increased fund balances were regarded to be a temporary effect, associates were asked to report on what they regarded as the most likely eventual outcome of displacement. This is an important point since national income accounts data for 1977 indicate a large buildup of state and local surpluses. Such a buildup of surpluses as a consequence of PSE was not reported in this study. Another possible reason for the difference between the fiscal effects data on substitution reported here and the national income accounts data is the fact that municipal governments--and large cities in particular--are disproportionately represented in the sample.

The third kind of substitution effect involves cases in which the observed employment impact is displacement yet the recipient government uses the freed resources to expand other programs. The key point here is that displacement can occur in a way that has a direct (or nearly so) stimulus effect in the public sector, either for capital or operating purposes.

To recapitulate, the fiscal effects of PSE job displacement on the recipient governments are subdivided as follows for purposes of this study:

Tax Effects

1. Tax reduction: Cases in which funds released as a result of PSE job displacement are used to reduce tax rates at the local level.
2. Tax stabilization: Cases in which funds released through displacement are used to avoid a tax increase or to reduce the amount of a tax increase.

Increased Fund Balances

Cases in which funds released through displacement result in increased fund balances.

Expenditure Effects

1. Operating: Cases in which funds released through displacement are used elsewhere in the government to increase employment or for other operating purposes.
2. Capital: Cases in which funds released through displacement are used for capital projects or the purchase of equipment. In essence what was to be a subsidy to labor becomes a subsidy to capital.

FUNDS RECEIVED BY THE SAMPLE UNITS

The associates provided fiscal data for the month of July based on the disposition of PSE funds as of the observation date for the positions reported in chapter 3.

Nationally the allocation of PSE funds to local governments includes funds to maintain the existing level of employment in the program and to increase that level through March of 1978. The grant represents a stock of dollars available to the local government, but the operation of the program is in the form of a flow over two fiscal years. The rate of that flow was increasing in mid-1977. Altogether the governments in this chapter will receive slightly over \$500 million in fiscal years 1977 and 1978. As shown in table 4-1, they planned to spend approximately \$21 million in July 1977. Of this sum three-quarters represents title II and title VI sustainment funding and the remainder title VI project funding.

Table 4-1. PSE Funding Allocations to the Sample Units for July 1977 and Planned Spending for Wages and Administration

| | Monthly allocation | Planned spending for: | |
|--------------------------------|-----------------------|-----------------------|----------------|
| | | Wages | Administration |
| Title II and VI sustainment | \$15,420,100 | \$14,302,300 | \$1,117,800 |
| Title VI project | 5,663,400 | 4,860,400 | 803,000 |
| Total | \$21,083,500 | \$19,162,600 | \$1,920,900 |

Source: Field research data.

Of the monthly total of \$21 million, sample units planned to use 91 percent for wages and 9 percent for administration. Administration does not include PSE employees assigned to administrative duties for PSE. The proportion of PSE funds accounted for by administration was fairly constant across jurisdiction types and therefore may be generalized to the program as a whole. Under the regulations governing the program, a local government may use up to 15 percent of its grant for administrative purposes.

Of the funds planned for use in July (\$21 million), approximately \$2 million had not been allocated as of the mid-month observation date; most of these funds (\$1,515,000) were assigned to title VI project positions, which generally take longer to organize than title II and title VI sustainment positions. Another \$1,854,000, not included in the analysis that follows, represents PSE funding for the nonsampled positions in the six cities where a sampling procedure was used in the first round of the field research. This leaves \$16,671,000 for the 20,334 positions considered in the employment effects analysis in chapter 3. Data and analysis in the remainder of this chapter are based on this number.

SUMMARY FISCAL EFFECTS DATA

Table 4-2 summarizes the fiscal effects data for both titles for all of the sample units. More than four-fifths of the funds included in this analysis were assigned to direct stimulus effects through increased employment on the part of local governments and other sponsoring organizations. Among substitution effects, tax stabilization was far and away the most important fiscal effect of displacement on the finances of the governments and agencies receiving funds for PSE positions.

Table 4-2. Fiscal Effects Data for the Sample Units

| Effect | Amount | Percent |
|----------------------------|------------------|-------------|
| Direct PSE stimulus | | |
| Job creation | \$12,166,300 | 73.0 |
| Administration | 1,920,900 | 11.5 |
| Substitution | <u>2,583,700</u> | <u>15.6</u> |
| Tax reduction | 209,300 | 1.3 |
| Tax stabilization | 1,730,900 | 10.4 |
| Increased fund balances | 69,400 | .4 |
| Operating expenditures | 65,000 | .4 |
| Capital expenditures | 29,000 | .2 |
| Unallocated (displacement) | 480,100 | 2.9 |
| Total | \$16,671,000 | 100.1 |

Source: Field research data.

ANALYSIS OF TYPES OF SUBSTITUTION EFFECTS

Tax Stabilization

Altogether, fourteen sample units were found to have used PSE funds to stabilize taxes. Ten of the fourteen are cities, and all but two of these have populations over 100,000; distressed large cities stand out, in terms of both the number of jurisdictions involved and their rate of tax stabilization. Eight of the jurisdictions with tax stabilization effects were judged to have used all of the funds released as a result of PSE job displacement for this purpose.

In their analyses, associates for the jurisdictions in this group emphasized the policies of local officials. For a distressed city in the East, for example, the associate wrote, "The city is under intense pressure

not to raise its already very high tax rate. Cutting the budget to the fullest extent possible is an overriding policy." The associate concluded as a result that it is "reasonable in this setting to classify PSE displacement as aiding the city in achieving its tax stabilization goals." The associate for another distressed city, in this case with an especially high displacement rate, stressed the pressures on the city to provide services and the temptation that the PSE program represented in this context. This city "is like a retired lady who sees her pension reduced and her surroundings growing shabby but manages frugally. Someone gives her \$10,000 and tells her she must spend it on luxuries. She tries to accommodate but can't resist finding ways of banking some of it."

For an economically much stronger city in the Southwest, the associate noted that tax stabilization was a very important policy objective of the city. "Given the salience of that objective, it is not surprising that local policymakers met the challenge of a recession-triggered revenue shortfall in the 1975-76 budget by placing a freeze on hiring and then, in the words of the mayor at the time, 'unfreezing with CETA.'" In this case, the city budget for 1976-77 contained language which referred specifically to the use of PSE positions to "free up general funds."

Another city in this group, also relatively well-off, had a high displacement rate (46 percent). The associate stressed the conservative attitude of its officials and concluded that without PSE the city would have had to increase the fees charged for city services and probably also to raise its general sales tax from 2 cents to 3 cents.

Tax Reduction

Three jurisdictions (two counties and a city) were classified by associates as having reduced taxes as a consequence of PSE. In only one case was this the sole substitution effect, a case involving a suburban county classified as having a 15 percent job displacement rate under PSE which enabled the county to reduce its local property tax in 1977. Likewise, in a distressed city in which development goals have received major emphasis, PSE was described by the associate as enabling the city to reduce its property tax, especially for business-development purposes.

Increased Fund Balances

Four jurisdictions were found to have used PSE money to increase local fund balances. This group includes two counties and two cities. In one of the cities the associate based his decision on an analysis of city finances and the maintenance of a high level of vacancies parallel to filled PSE positions under the supervision of a "hiring freeze committee." For the county government with the largest proportionate fiscal effect in this category, the associate linked the analysis to the rate of public works spending, indicating that PSE projects in this area enabled the county to maintain a higher fund balance than otherwise would have been the case.

Expenditure Effects

The third set of substitution effects in the framework for this analysis involves cases where displacement was observed as the direct effect of PSE,

but the recipient governments used the released funds for other expenditure purposes, either capital or operating. Additional employment that resulted from the expenditure of these funds was not counted as job creation in chapter 3. However, if these funds were treated as direct job creation expenditure rather than displacement, the findings in this chapter would not change significantly.¹

Three jurisdictions are included in this group, two counties and one city. By far the most important case is that of a medium-sized suburban city which was judged by the associate to have used all of its released PSE funds for a new city office building complex. A bond issue for this project had been turned down by the voters. Local officials indicated that the question then became how to finance this project without bond support. According to the associate, "the solution was to shift funds and personnel from regular sources into this project and rely on federal (CETA) funds and personnel to support traditional city programs." The local chief executive was reported to "believe he has discretionary use of all federal funds. . . . Hence, by

1. From a macroeconomic point of view there are basically three types of fiscal effects: direct expenditures, tax cuts (including tax stabilization), and increased fund balances. If the direct expenditures identified in this study as fiscal effects of displacement are added to direct job creation expenditures, the distribution of fiscal effects is as follows:

| | | |
|--|---------------------|---------------|
| Expenditures for job creation and administration | \$14,181,300 | 85.1% |
| Tax cuts and stabilization | 1,940,200 | 11.6 |
| Increased fund balances | 69,400 | 0.4 |
| Unallocated displacement | 480,100 | 2.9 |
| | <u>\$16,671,000</u> | <u>100.0%</u> |

The difference between the displacement estimates and the substitution estimates is a function of wage differentials.

shifting funds, he has managed to meet the goals which he and the city council have determined to be in the best interest of the city." No other cases were found where the associate was told by local officials that they could and would regard PSE money on such a fungible basis. This is not to say that the sample governments were rigorous about respecting federal purposes and unwilling to bend the program to meet local objectives. Rather, the point is that this was the only case of an overt and determined effort to treat PSE funds on a revenue sharing basis in a way that quite explicitly challenges federal policy objectives.

One of the main reasons given for this low level of overt transfers of PSE funds to achieve other public purposes has to do with the availability of federal grants generally. Associates pointed out that access to more flexible federal funds under other programs, plus the large increase in federal grants in 1977, reduced the pressure on local officials to shift PSE funds into other pockets. Additional reasons given for the lack of direct and overt budget manipulation of PSE funds relate to the PSE program itself, for example, the expectation that spending under this program would be reduced in the recovery phase, the new eligibility requirements, the policy that one-third of project positions should be assigned to nonprofit organizations, and the durational limit on projects. These explanations for the fiscal behavior of local officials are, of course, equally related to the findings in chapter 3 on the relatively low--that is, lower than expected--displacement rate under the PSE program in mid-July.

ACTIVITIES AND CHARACTERISTICS OF PSE PARTICIPANTS

The purpose of this chapter is to examine the programmatic and social effects of the PSE program. The three main questions addressed are what do participants do, who are they, and what wages do they receive?

One of the main purposes of PSE is to provide needed public services at the community level. To study these programmatic effects of PSE, the analysis presented in the first two sections of this chapter considers the functional areas (health, protective services, parks and recreation) and occupations of PSE participants (clerical, laborer, and technical). We do not in this chapter examine outputs, although as noted in chapter 4, associates indicated that PSE participants on the whole appeared to be as productive as other workers.

The third section of the chapter deals with the effects of the social targeting requirements of the PSE legislation. The characteristics of participants are examined in relation to the eligibility requirements of current law; data presented include demographic characteristics (sex, race, age, level of education), labor force status, and income categories.

The fourth section of the chapter analyzes the wages of PSE participants. Emphasis is placed on wage levels in relation to the occupational classifications of participants. Data are also presented on the local contribution to wages paid in excess of the federal contribution.

ANALYSIS BY FUNCTION

Not only does the PSE program help participants by providing them with employment, the participants "pay back" the community through the provision of public services. Relatively little current information is available on the types of services provided under the PSE program. The lack of such information can be attributed in part to the fact that the legislation and regulations focus more on who is to be employed than on the services to be provided. The result is that recipient governments can tailor their PSE programs to their particular needs in terms of the functional areas in which participants are employed and the type of work in which they are engaged. The amount of latitude that recipient governments are afforded is very broad.

The Department of Labor (DOL) currently collects information on the functional areas in which PSE participants are employed for title VI projects. (Prior to the adoption of the title VI project authority, DOL did not collect such information.) Since this part of the program is just getting underway, the field data collected in this study on the functional area assignments of PSE participants for both titles provide an important source of current information on this aspect of the program.

In the analysis we examine nine functional areas which are grouped into four major categories. The categories are described below and illustrated in table 5-1.

1. Primary services: These four functional areas--protective services, public works, utilities and sanitation, and general administration--generally parallel the Census Bureau definition of common functions for municipalities.

2. Social and cultural services: This category includes functions that may or may not be provided by cities and counties. They are considered to be variable functions in the analyses of local public finances.

3. Parks and recreation: This category combines both park building and maintenance functions as well as more socially oriented recreational functions.

4. Education: Education is classified separately in this analysis because in most cases this function is provided by school districts, many of which are independent.

Table 5-1. Functional Areas Used for Analysis, with Examples

| Functional area | Illustrative subfunctions | Specific examples |
|-------------------------------------|--|--|
| <u>Primary services</u> | | |
| Protective services | <ul style="list-style-type: none"> ● Fire protection ● Police protection ● Prison security personnel | <ul style="list-style-type: none"> ● Police cadets and trainees (Detroit, Mich.) ● Prison security guards (BOS Arkansas) |
| Public works | <ul style="list-style-type: none"> ● Airport and harbor maintenance ● Building inspection and repair ● Highway beautification | <ul style="list-style-type: none"> ● City street repair (Tulsa, Okla.) ● Housing improvement activities (Jefferson Parish, La.) |
| Utilities and sanitation | <ul style="list-style-type: none"> ● Cleanup activities ● Operation of power plants ● Operation of sewage systems | <ul style="list-style-type: none"> ● Energy power plant operators (Rapid City, S. Dak.) ● Trash and debris cleanup (Houston, Tex.) |
| General administration | <ul style="list-style-type: none"> ● Activities involving general administrative functions such as governmental financing, planning, and personnel administration | <ul style="list-style-type: none"> ● City manager's office: personnel and data processing activities (Rochester, N.Y.) ● Administrative assistance to the county board of commissioners (Alexander County, Ill.) |
| <u>Social and cultural services</u> | | |
| Social services | <ul style="list-style-type: none"> ● Bilingual services ● Day care center services ● Programs for the elderly | <ul style="list-style-type: none"> ● Social service program for ex-offenders (Kansas City, Mo.) ● Planned parenthood counselors (Phoenix, Ariz.) |
| Health | <ul style="list-style-type: none"> ● Clinical staff ● Hospital personnel | <ul style="list-style-type: none"> ● Health aides and planners (Baltimore, Md.) ● Hospital nurses' aides (White County, Ark.) |

Table 5-1. (continued)

| Functional area | Illustrative subfunctions | Specific examples |
|-----------------------------|---|---|
| <u>Culture and arts</u> | <ul style="list-style-type: none"> ● Museum guides ● Theatrical productions | <ul style="list-style-type: none"> ● Community art center personnel (Chicago, Ill.) ● Musicians for an orchestra (Kansas City, Mo.) |
| <u>Parks and recreation</u> | <ul style="list-style-type: none"> ● Park preservation activities ● Recreational programs for youth | <ul style="list-style-type: none"> ● Leaders for recreational programs (Arapahoe County, Colo.) ● Park rangers and grounds keepers (Maricopa County, Ariz.) |
| <u>Education</u> | <ul style="list-style-type: none"> ● Community colleges ● Public schools | <ul style="list-style-type: none"> ● School security patrol (Hawthorne School District, Calif.) ● School teachers (Independence, Mo.) |

Source: Field research data.

The analysis in this section is based on 17,232 positions representing thirty-six governments.¹ Of these, 12,071 (70 percent) are title II and VI sustainment positions; 5,161 (30 percent) are title VI project positions.

1. Six jurisdictions were excluded from the analysis in this chapter because of insufficient data. For the five included jurisdictions where a sampling strategy was used in the first round, only the sampled positions are represented in this analysis. Positions for one state agency are also included.

Overall Analysis

Table 5-2 shows the distribution of positions by functional area and by title. An examination of the four main categories shows that the overall distribution does not vary significantly by title. Primary services, for example, account for 50 percent of title II and VI sustainment positions and 44 percent of the title VI project positions. Within the primary service category, however, the distribution of PSE positions among the functional areas shows considerable variation. Protective services account for the largest share of title II and VI sustainment positions--19 percent--but only 2 percent of title VI project positions. In the general administration category, the proportion for sustainment positions is three times that for project positions. On the other hand, the percentage of slots assigned to public works is almost twice as high for project as for sustainment PSE, and for utilities and sanitation the pattern is similar.

These data suggest that within the primary services category the functional areas of public works and utilities and sanitation are particularly amenable to the project approach. One reason for this may be time constraints. Because of the pressure to develop projects and spend money quickly, the easiest solution often is to assign PSE positions to activities that require the least amount of planning. Public works and utilities and sanitation frequently have a workshelf of planned but unfunded projects, some of which involve relatively limited capital costs. Together the two functions account for nearly 40 percent of all title VI projects in the sample.

There was also a tendency among some jurisdictions to segregate title VI projects so that, if and when the level of federal funding for PSE was

Table 5-2. Percentage Distribution of PSE Participants by Functional Area and Title

| Functional area | Title II, VI sustainment | Title VI projects | All titles |
|------------------------------|-----------------------------|----------------------|------------|
| Primary services | <u>50</u> | <u>44</u> | <u>48</u> |
| Protective services | 19 | 2 | 14 |
| Public works | 14 | 27 | 18 |
| Utilities and sanitation | 5 | 11 | 7 |
| General administration | 12 | 4 | 9 |
| Social and cultural services | <u>19</u> | <u>24</u> | <u>21</u> |
| Social services | 13 | 19 | 15 |
| Health | 4 | 2 | 3 |
| Culture and arts | 2 | 3 | 3 |
| Parks and recreation | <u>12</u> | <u>16</u> | <u>13</u> |
| Education | <u>11</u> | <u>10</u> | <u>11</u> |
| Unallocated | <u>8</u> | <u>7</u> | <u>8</u> |
| Total | 100 | 101 | 101 |
| Number of participants | 12,071 | 5,161 | 17,232 |

Source: Field research data.

reduced, jurisdictions could disengage relatively easily. This desire to avoid becoming dependent on PSE was mentioned by several associates at the February 1, 1978, conference of field associates, in reference to the program buildup period, July-December 1977.

It should be pointed out, however, that the distribution shown for title VI projects may be due to the seasonal nature of many public works, and utility and sanitation activities. These activities generally involve outdoor work which is presumably most easily performed during the summer. It will be interesting to compare the findings in this report for the midsummer observation date with those for the December 31, 1977, observation date, to be presented in the final report on this study.

Another important factor in considering the overall functional area distribution is the fact that the midsummer observations were made when school was not in session. For this reason, education as a function was said to be smaller than otherwise would be the case for both sustainment and project PSE. Several associates indicated at the February 1 conference that they found a much higher proportion of PSE positions in education for the December 31, 1977, observation date.

A Comparison with Regular Government Employment

One approach to the analysis of the overall distribution of PSE positions by functional area is to compare the distribution for PSE with that for regular employment by local governments. As shown in table 5-3, the proportion of PSE positions in the primary services category is similar to that of regular government workers--in both cases over half. In the other three main categories, however, there are considerable differences between PSE

Table 5-3. Percentage Distribution of PSE Positions and Regular Government Positions by Functional Area

| Functional area | Sample government and school district PSE positions ^a | Regular positions within cities and counties ^b |
|------------------------------|--|---|
| Primary services | <u>56</u> | <u>51</u> |
| Protective services | 17 | 21 |
| Public works | 21 | 8 |
| Utilities and sanitation | 7 | 10 |
| General administration | 11 | 12 |
| Social and cultural services | <u>10</u> | <u>17</u> |
| Social services | 5 | 5 |
| Health | 3 | 12 |
| Culture and arts | 2 | NA |
| Parks and recreation | <u>15</u> | <u>5</u> |
| Education ^c | <u>13</u> | <u>21</u> |
| Unallocated | <u>5</u> | <u>8</u> |

Sources: Field research data; U.S. Bureau of the Census, Public Employment in 1976, ser. GE76-no.1 (Washington, D.C.: Government Printing Office, 1977).

a. Sample government positions and school district positions are combined to provide greater comparability with U.S. Census Bureau data.

b. Data on major cities and counties only. U.S. Census Bureau functional areas were changed to provide greater comparability with Brookings field data.

c. PSE positions include those for both independent and dependent school districts. Regular city and county positions include only those for dependent school districts.

and regular government employment. Compared with regular government employment, PSE employment is proportionately much higher in parks and recreation and much lower in social services and education (though the qualifications stated earlier regarding midsummer findings on PSE employment in education apply here too).

There is also considerable variation within the four main categories of functional areas. Public works has the largest proportion of PSE participants within primary services yet is the smallest functional area under this heading within the regular government work force. Similarly, within the category of social and cultural services, health accounts for a much higher percentage of regular government employment than of PSE.

To summarize, it appears that, compared with regular public employment, PSE is more oriented toward project-type activities that can be organized quickly and toward functions that involve a relatively low level of capital intensity, as demonstrated by the considerably higher proportion of PSE workers in social services as compared to health services.

Distribution by Type of Organization

When the functional area data are analyzed according to the type of employing organization (as shown in table 5-4), several important points emerge. Of the positions within nonprofit organizations, there is a high concentration (68 percent) in the social and cultural services category. This is contrasted with the sample governments, where the largest concentration (64 percent) is in primary services. The distribution for other local governments is similar to that for the sample governments; state agencies show a more even distribution between primary services and social and cultural services.

The most important finding here is the prominence of social services in nonprofit organizations as compared to sample governments and other local governments. With new regulations which stipulate that nonprofit organizations should receive one-third of the project funding, the percentage of total positions can be expected to increase in the social and cultural services category. Table 5-5 shows the types of services provided by nonprofit organizations under the PSE program.

Table 5-4. Percentage Distribution of PSE Participants by Functional Area and Employing Organization, All Titles

| Functional area | Sample governments | School districts | Other local governments | State agencies | Nonprofit organizations |
|------------------------------|--------------------|------------------|-------------------------|----------------|-------------------------|
| Primary services | <u>64</u> | <u>0</u> | <u>47</u> | <u>25</u> | <u>9</u> |
| Protective services | 19 | 0 | 11 | 5 | * |
| Public works | 24 | 0 | 23 | 3 | 3 |
| Utilities and sanitation | 8 | 0 | 7 | * | 5 |
| General administration | 13 | 0 | 6 | 17 | 1 |
| Social and cultural services | <u>12</u> | <u>0</u> | <u>9</u> | <u>37</u> | <u>68</u> |
| Social services | 6 | 0 | 8 | 24 | 60 |
| Health | 4 | 0 | 1 | 11 | 2 |
| Culture and arts | 2 | 0 | * | 2 | 6 |
| Parks and recreation | <u>17</u> | <u>0</u> | <u>13</u> | <u>7</u> | <u>7</u> |
| Education | <u>3</u> | <u>100</u> | <u>3</u> | <u>18</u> | <u>2</u> |
| Unallocated | <u>5</u> | <u>0</u> | <u>28</u> | <u>12</u> | <u>14</u> |
| Total | 101 | 100 | 100 | 99 | 100 |
| Number of participants | 11,317 | 1,361 | 1,175 | 651 | 2,703 |

Source: Field research data.

Note: Federal agencies were excluded from this analysis because of the low number of PSE participants (twenty-five) that were employed.

* Less than 0.5 percent.

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Table 5-5. Examples of PSE Positions in Nonprofit Organizations

| Organizations | Examples of positions |
|--|--|
| ● Aurora Association for Retarded Children (Arapahoe County, Colo.) | ● Youth program coordinator |
| ● COMITIS, Inc. (Arapahoe County, Colo.) | ● Counselors for young drug abusers and delinquents |
| ● Southwest Boston Senior Services (Boston, Mass.) | ● Part-time visiting aides and drivers |
| ● YWCA (Boston, Mass.) | ● Program coordinator and child care workers |
| ● Professional Skills Alliance (Detroit, Mich.) | ● Counselors, photo journalist, boxing coaches for youths, especially those in youth gangs |
| ● Gila River Indian Community (Maricopa County, Ariz.) | ● Construction workers for housing assistance program |
| ● National Conference of Christians and Jews (Maricopa County, Ariz.) | ● Job development supervisor, secretaries, and program aides for employment services |
| ● Center against Sexual Assault (Phoenix, Ariz.) | ● Manager, supervisor, and counselors |
| ● American National Red Cross (Phoenix, Ariz.) | ● First aid instructor |
| ● Phoenix Urban League (Phoenix, Ariz.) | ● Accounting specialist trainee and administrative assistant |
| ● COMFAS (St. Paul, Minn.) | ● Artists for a community arts agency |
| ● Zoological Society (Seminole County, Fla.) | ● Animal caretaker |
| ● Casselberry Chamber of Commerce (Seminole County, Fla.) | ● Clerk |
| ● Arthritis Foundation (Tulsa, Okla.) | ● Carpenter and assistant for home modification for the handicapped |
| ● Up with Trees, Inc. (Tulsa, Okla.) | ● Expressway beautification project director |

Source: Field research data.

Note: Examples include both allocated and filled positions.

Distribution by Type of Government

When the data are organized by type of government using the categories defined in chapter 3 several interesting findings emerge.² As shown in table 5-6 distressed cities have a higher concentration in primary services than other types of governments. Large cities as a whole tend to concentrate more positions in primary services than small cities and suburban areas and rural jurisdictions. Among primary services, protective services and public works account for nearly half of all PSE positions within distressed cities. For small cities and suburban areas, the proportions in primary services and social and cultural services are almost the same. Social services alone account for over one-quarter of the PSE positions.³

2. In this analysis PSE positions subcontracted to or outstationed in school districts, other special districts, state and federal agencies, and nonprofit organizations are included with the sample government with which these employing organizations made the subcontracting or outstationing agreement.

3. It should be noted that the patterns observed in the small cities and suburban areas and in rural areas may be affected by the relatively large proportion of unallocated positions

Table 5-6. Percentage Distribution of PSE Participants by Functional Area and Type of Government, All Titles

| Functional area | Large, dis- tressed cities | Other large cities | Small cities and suburban areas | Rural areas |
|------------------------------|-------------------------------|-----------------------|------------------------------------|----------------|
| Primary services | <u>56</u> | <u>47</u> | <u>30</u> | <u>40</u> |
| Protective services | 17 | 12 | 8 | 9 |
| Public works | 29 | 11 | 12 | 17 |
| Utilities and sanitation | 3 | 11 | 4 | 3 |
| General administration | 7 | 13 | 6 | 11 |
| Social and cultural services | <u>18</u> | <u>19</u> | <u>29</u> | <u>20</u> |
| Social services | 13 | 11 | 26 | 13 |
| Health | 4 | 4 | 1 | 4 |
| Culture and arts | 1 | 4 | 2 | 3 |
| Parks and recreation | <u>15</u> | <u>14</u> | <u>12</u> | <u>4</u> |
| Education | <u>8</u> | <u>10</u> | 16 | 19 |
| Unallocated | <u>3</u> | <u>8</u> | <u>14</u> | <u>19</u> |
| Total | 100 | 100 | 101 | 102 |
| Number of participants | 9,186 | 6,836 | 3,342 | 617 |

Source: Field research data.

Distribution by Fiscal Condition

As in chapter 3, where fiscal distress was found to affect the distribution of PSE positions among the various employment effects (notably influencing the program maintenance category), the fiscal condition of the sample governments appears to influence the functional mix of their PSE programs. Distressed governments are much more likely to use PSE positions for primary services than for other kinds of activities. As shown in table 5-7, a majority of the positions in the governments with extreme fiscal pressure are in primary services. Of the sample jurisdictions experiencing no fiscal pressure, almost one-third of the positions are in social and cultural services.

Variation also occurs within the primary services category. The summary list below shows the dominant activities within primary services for the four fiscal pressure categories:

Fiscal condition

Extreme fiscal pressure
Moderate fiscal pressure
Relatively little fiscal pressure
No fiscal pressure

Dominant activities within primary services

Protective services; public works
Public works; general administration
Utilities and sanitation; public works
No particular pattern

The findings here parallel those in chapter 3. The fact that primary services are predominant in sample jurisdictions under extreme fiscal pressure reflects the importance reportedly attached by these governments to avoiding service reductions.

Table 5-7. Percentage Distribution of Participants by Functional Area and Fiscal Condition, All Titles

| Functional area | No fiscal pressure | Relatively little fiscal pressure | Moderate fiscal pressure | Extreme fiscal pressure |
|------------------------------|--------------------|-----------------------------------|--------------------------|-------------------------|
| Primary services | <u>26</u> | <u>47</u> | <u>49</u> | <u>52</u> |
| Protective services | 8 | 9 | 11 | 21 |
| Public works | 9 | 15 | 19 | 21 |
| Utilities and sanitation | 3 | 17 | 5 | 3 |
| General administration | 6 | 6 | 14 | 7 |
| Social and cultural services | <u>32</u> | <u>20</u> | <u>16</u> | <u>20</u> |
| Social services | 29 | 17 | 9 | 15 |
| Health | * | 1 | 4 | 4 |
| Culture and arts | 3 | 2 | 3 | 1 |
| Parks and recreation | <u>10</u> | <u>12</u> | <u>13</u> | <u>16</u> |
| Education | <u>19</u> | <u>8</u> | <u>13</u> | <u>7</u> |
| Unallocated | <u>12</u> | <u>13</u> | <u>7</u> | <u>4</u> |
| Total | 99 | 100 | 98 | 99 |
| Number of participants | 2,115 | 3,263 | 8,916 | 5,803 |

Source: Field research data.

* Less than 0.5 percent.

Perceptions of Local Officials

One final factor was identified that influences, or at least appears to influence, the functional mix of PSE participants--the perceptions and preferences of the officials of the sample governments. This factor was emphasized by a number of associates at the February 1 field research conference. For example, where PSE is considered an extension of regular government activities, the functional mix tends to parallel that of regular employees and, as might be expected, primary services are especially important. According to one associate,

In White County, Arkansas, the PSE program is perceived as a helpful way of obtaining needed employees. While a state plan spells out the priority groups to be served, such objectives are carried out in an incidental manner. The needs of the county government seem to come first. This should not be interpreted to mean the county does not care about these objectives. PSE is perceived by county officials as a way to help county government, rather than a way to relieve unemployment.

In contrast, some jurisdictions appear to make a conscious attempt to ensure that PSE does not become part of the regular governmental activities.

In Houston, Texas, the concept of PSE most important to local officials is that the entire CETA programs division is on "soft" money, thus it is "left alone" by the other departments and divisions of city government. In essence the objective is to provide a mechanism to reduce and prevent high unemployment rates, reduce public assistance, and provide career development for members of minority groups to the extent necessary in order to have a permanent and positive effect on the persons involved.

In this jurisdiction, almost one-fourth of the PSE positions were in the social and cultural services. Although primary services still accounted for over half of the positions used, only 3 percent were in protective services.

ANALYSIS BY OCCUPATION

Under programmatic effects, the occupations of PSE participants are also considered. DOL data are not available on the occupational classifications for title II and title VI sustainment, only for the new title VI project component of CETA. This study provides occupational information on both sustainment and project positions and shows that there are substantial differences between these two main components of the PSE program.

Table 5-8 shows the occupational breakdown according to the standard occupational categories used in the analysis form; occupational data were obtained for 21,042 PSE participants.⁴ The second column of this table shows the distribution of all employed persons in comparable occupations in the United States in 1976. As expected, there is a much higher concentration of PSE participants in lower skilled occupations; over half are classified as laborers and service workers compared to 20 percent for the national labor force. On the other hand, the proportion of persons in the craft and operative categories for the national labor force is three times that for the PSE program, and for the managerial category the ratio is 6:1. Perhaps the most interesting point is that professional, technical, and clerical personnel account for the same proportion of both groups.

4. In some jurisdictions there are PSE participants working as technicians, paraprofessionals, and other types of aides. In this analysis, these positions are categorized with the occupational level to which they are an adjunct. In the second round of research, separate occupational categories will be added for technicians, paraprofessionals, and administrative positions.

Table 5-8. Percentage Distribution of PSE and Non-PSE Employees by Occupation

| Occupation | PSE participants | All employed persons, 1976 ^a |
|--------------|------------------|---|
| Managerial | 2 | 12 |
| Professional | 11 | } 17 ^b |
| Technical | 6 | |
| Clerical | 20 | 20 |
| Craft | 2 | 14 |
| Operative | 8 | 17 |
| Laborer | 29 | 6 |
| Service | 22 | 14 |
| Total | 100 | 100 |
| Number | 21,042 | 78,100,000 |

Sources: Field research data; U.S. Department of Labor, Bureau of Labor Statistics, Handbook of Labor Statistics, 1977, Bulletin 1966 (Washington, D.C.: Government Printing Office, 1977), p. 20402.

a. Excluded are sales workers, private household workers, farmers, farm laborers, farm managers, and farm supervisors.

b. This figure includes both professional and technical occupations.

When similar data are examined for the sustainment and project portions of the PSE program (table 5-9) two interesting points emerge. First, the proportion of professional, clerical, and service workers is much higher in the sustainment portion of the program than for the project portion. Second, the proportion of operatives and laborers is higher in projects than in sustainment. These findings reflect the greater concentration of projects in the functional areas of public works and utilities and sanitation, pointed out earlier. Countervailing trends make projections difficult, however. As more projects reach full operational level and are initiated, the proportion of lower skilled positions would be expected to increase. On the other hand, as more positions are provided to nonprofit organizations, given the tendency of these organizations to have higher skilled PSE personnel, this could cause the proportion of lower skilled positions to decline. (One associate offered as a qualification here that nonprofit organizations may overclassify the skill levels of PSE participants.)

Table 5-9. Percentage Distribution of PSE Participants by Occupation and Title

| Occupation | Title II, VI sustainment | Title VI projects |
|--------------|-----------------------------|----------------------|
| Managerial | 2 | 2 |
| Professional | 13 | 5 |
| Technical | 6 | 6 |
| Clerical | 23 | 9 |
| Craft | 2 | 3 |
| Operative | 4 | 24 |
| Laborer | 28 | 37 |
| Service | 24 | 14 |
| Total | 102 | 100 |
| Number | 16,656 | 4,386 |

Source: Field research data.

SUMMARY OF PROGRAMMATIC EFFECTS

A number of summary points concerning the programmatic effects of PSE can be made here on the basis of the functional and occupational data for the first-round field observations:

1. Primary services are predominant in both sustainment and project PSE, although less so for the projects.
2. Within primary services, PSE participants in sustainment positions are more likely to be in protective services and general administration. Project participants tend to be in public works, utilities, and sanitation, which are more amenable to the project approach.
3. The proportion of PSE participants in education is relatively small, but this may be explained by the midsummer observation date.
4. Compared to the regular government labor force, PSE participants are more likely to be in public works and parks and recreation, again reflecting the project orientation of the PSE program.
5. Nonprofit organizations tend to concentrate PSE positions in social and cultural services. This could affect the overall functional distribution as the role of these organizations expands under PSE.
6. Large cities and fiscally hard-pressed jurisdictions tend to devote the largest proportions of their PSE positions to primary services (especially protective services and public works).

Small cities and suburban jurisdictions tend to have a higher concentration of PSE participants in social services.

7. PSE participants are more likely to be in lower skilled occupations than other workers. As between sustainment and project PSE, the proportion of lower skilled positions is greater in the project portion of the program.

In sum, PSE participants tend to be working in basic service areas.

85-70 They also tend to be in relatively low skilled positions, although there is a sizable proportion in professional and technical capacities. It is expected that as of the December observation date there will be more PSE participants in education and social services and perhaps a somewhat higher proportion in lower skilled job categories. Little evidence was found by associates that PSE is a "make work" and "leaf raking" program. This is not surprising in light of the present dominance of primary services. However, both the functional area distribution and skill levels may change as the role of nonprofit and other employing organizations grows and full operational levels are reached in both titles.

CHARACTERISTICS OF PSE PARTICIPANTS

A recurring theme in this report, and in the literature on PSE, is the shifting and sometimes conflicting objectives of the PSE program. Especially important is the relationship between the PSE objective of stimulating the economy (its countercyclical purpose) and the objective of aiding the disadvantaged (its structural purpose). This relationship is clearly reflected in recent legislation. The 1976 emergency extension of title VI reflects the stimulus purpose of the program while at the same time adding social targeting requirements which strengthen the structural objective of PSE.⁵

The analysis in this section is based on three types of participant characteristics--demographic variables (sex, race, age, and educational attainment); labor force status;⁶ and income variables (AFDC status, economic disadvantage,⁷ and number of persons at or below 70 percent of the

5. See chapter 2, pp. 12-13.

6. Persons employed under title II and those selected to fill up to one-half of the vacancies which arise under the title VI sustainment portion of PSE are required under current law to have been unemployed for at least thirty days (or at least fifteen days for title VI sustainment in areas of excessively high unemployment). Persons filling the other half of title VI sustainment vacancies and all persons in title VI projects are required to have been unemployed for fifteen weeks or more out of the immediately preceding twenty weeks. This requirement does not apply to such groups as: (1) persons who have exhausted their unemployment compensation; (2) AFDC family members; (3) recently discharged veterans.

7. An economically disadvantaged individual is defined as a person in poverty who does not have suitable employment and is either: (1) a high school dropout; (2) a member of a minority; (3) under twenty-two years of age; (4) forty years of age or older; or (5) handicapped. Poverty is determined by taking into account several criteria including the receipt of cash welfare payments, and annual income adjusted for family size and location.



lower living standard.)⁸

Characteristics data were obtained for 19,239 participants representing thirty-five sample jurisdictions. Of all the data collected for analysis, associates had the most difficulty obtaining characteristics information. These problems were discussed at the February 1 conference. The incompatibility of local management information systems with the needs of this study often necessitated the use of individual participant files. Moreover, these files were frequently incomplete. The availability of characteristics data by major category varies considerably because of these limitations. Data on demographic variables are the most extensive, with approximately 18,000 positions reported. Income variables are less complete, and labor force variables are the least complete, with approximately 8,500 positions represented. Due to the considerable variation among sponsor and government types, when the characteristics are considered, these data are not presented in aggregate form in this preliminary report. They are presented first by type of prime sponsor and then by type of government.

Characteristics by Type of Prime Sponsor

Table 5-10 shows the characteristics of PSE participants according to the type of prime sponsor of which the sample jurisdictions are a part. One important finding is the high proportion of minority group members in city prime sponsors as compared with other types of prime sponsors. Three-fourths of the PSE participants for city prime sponsors are minorities, whereas

8. The lower living standard is annually determined by the Bureau of Labor Statistics and takes into account family size and location. For title VI projects and at least half of title VI sustainment vacancies the eligibility requirements stipulate that a participant be either economically disadvantaged or at or below 70 percent of the lower living standard at the time of entry into the PSE program.

Table 5-10. Percentage Distribution of Participant Characteristics by Type of Prime Sponsor, All Titles

| Characteristic | Cities | Counties | Consortia | States |
|---|----------------|-------------|-------------|-------------|
| Male | 70 (13,853) | 59 (440) | 62 (777) | 63 (272) |
| Minority | 75 (13,748) | 28 (440) | 56 (777) | 31 (272) |
| Under 22 years of age | 18 (12,896) | 21 (360) | 17 (777) | 11 (261) |
| Less than 12 years of education | 21 (12,896) | 28 (360) | 22 (777) | 26 (272) |
| AFDC family member | 10 (13,167) | 4 (256) | 10 (777) | 3 (251) |
| Income below 70% of the lower living standard | 45 (4,154) | 50 (161) | 32 (585) | 6 (202) |
| Economically disadvantaged | 59 (13,748) | 59 (333) | 62 (777) | 46 (262) |

Source: Field research data.

Note: Figures in parentheses indicate the number of participants for whom data are available.

slightly over one-fourth of the participants for county prime sponsors are minorities. Other important findings are the high proportion of economically disadvantaged participants for consortia and of males for city prime sponsors.⁹

It is possible to compare the field data with demographic data collected by the Department of Labor in its Continuous Longitudinal Manpower Survey (CLMS) of PSE participants (see table 5-11).¹⁰ Since the CLMS data concern new enrollees for each calendar quarter and the field data include all program participants as of the midsummer observation date, several quarters of CLMS data have been combined to make CLMS figures and the field data more comparable.

Differences between figures from the two data sources generally do not exceed 5 percent. Notable exceptions are the minority group percentage for city and consortium prime sponsors. This reflects the fact that the Brookings sample tends to emphasize larger cities and central cities within consortia, where minority groups tend to be proportionately larger. There are also some differences for state sponsors, but the number of participants in this category of the field data is quite small.

9. The higher proportions of males for all sponsor types may be due to the preference given to veterans in hiring. All PSE vacancies must be listed in local employment service offices at least forty-eight hours before the vacancies are filled, so that qualified veterans have a chance of being referred for the position.

10. These data were made available by the Office of Evaluation, Employment and Training Administration, U.S. Department of Labor.

Table 5-11. Percentage Distribution of CIMS PSE Participant Characteristics for Fourth Quarter FY 1976 to Third Quarter FY 1977 by Type of Prime Sponsor

| Characteristic | Cities | Counties | Consortia | States |
|---------------------------------|--------|----------|-----------|---------|
| Male | 64 | 65 | 63 | 64 |
| Minority | 63 | 35 | 41 | 23 |
| Under 22 years of age | 20 | 22 | 19 | 22 |
| Less than 12 years of education | 22 | 24 | 23 | 30 |
| AFDC family member | 9 | 9 | 8 | 8 |
| Economically disadvantaged | 63 | 58 | 62 | 61 |
| Number of participants | 50,258 | 82,780 | 128,066 | 137,367 |

Source: Continuous Longitudinal Manpower Survey, U.S. Department of Labor, special tabulation from preliminary data.

Characteristics by Type of Government

Table 5-12 presents characteristics data for all titles by type of government. The figures show that the proportion of AFDC family members was higher in large, distressed cities (14 percent) than for any other type of government. Small cities and suburban areas, on the other hand, account for the highest percentage of economically disadvantaged participants (82 percent).

The most notable finding is the difference between larger and smaller jurisdictions in the percentage of minority participation. Almost three-fourths of the participants in the large cities are members of minority groups, compared with one-fourth in smaller jurisdictions. However, when these findings are compared with the relative proportions of minorities in the population in 1970 (table 5-13), two important points emerge. First, in all types of governments in the sample, the percentage of PSE participants from minority groups was considerably higher than the minority percentage in the general population, using 1970 as the base year. Second, small cities and suburban areas actually served the highest proportion of minorities relative to their minority population.

When the distribution of participant characteristics is shown by title, several interesting patterns appear (table 5-14). Except in small cities and suburban areas, a greater proportion of project participants have less than a high school education. For all types of governments the percentage of AFDC family members and economically disadvantaged persons is higher for PSE projects than for the sustainment portion of

Table 5-12. Percentage Distribution of Participant Characteristics by Type of Government, All Titles

| Characteristic | Large, dis- tressed cities | Other large cities | Small cities and suburban areas | Rural areas |
|---------------------------------|-------------------------------|-----------------------|------------------------------------|----------------|
| Male | 73 (7,014) | 67 (7,503) | 60 (420) | 63 (299) |
| Minority group member | 74 (6,909) | 74 (7,503) | 26 (420) | 22 (299) |
| Under 22 years of age | 11 (6,057) | 23 (7,503) | 21 (350) | 14 (288) |
| Less than 12 years education | 27 (6,057) | 16 (7,503) | 29 (350) | 36 (299) |
| AFDC family member | 14 (6,909) | 7 (6,922) | 4 (246) | 5 (278) |
| Economically disadvantaged | 56 (6,909) | 63 (7,503) | 82 (228) | 61 (289) |

Source: Field research data.

Note: Figures in parentheses indicate the number of participants for whom data are available.

Table 5-13. Minority Group Representation among PSE Participants and in the General Population, by Type of Government

| | Large, dis- tressed cities | Other large cities | Small cities and suburban areas | Rural areas |
|--------------------------------------|-------------------------------|-----------------------|------------------------------------|----------------|
| Percent minority PSE participants | 74 | 74 | 26 | 22 |
| Percent minority, 1970 census | 37 | 20 | 6 | 12 |

Sources: Field research data; U.S. Bureau of the Census, County and City Data Book, 1972, Statistical Abstract Supplement (Washington, D.C.: Government Printing Office, 1973).

Table 5-14. Percentage Distribution of Participant Characteristics by Type of Government and Title

| | Large, distressed cities | | Other large cities | | Small cities and suburban areas* | | Rural areas* | |
|---|--------------------------|------------|--------------------|------------|----------------------------------|----------|--------------|-----------|
| | Sustain-ment | Proj-ect | Sustain-ment | Proj-ect | Sustain-ment | Proj-ect | Sustain-ment | Proj-ect |
| Male | 60 (3,280) | 84 (3,734) | 67 (6,414) | 67 (1,089) | 62 (335) | 52 (85) | 62 (262) | 74 (37) |
| Minority | 78 (3,280) | 70 (3,629) | 75 (6,414) | 72 (1,089) | 30 (335) | 8 (85) | 19 (262) | 42 (37) |
| Under 22 years of age | 11 (2,727) | 11 (3,330) | 23 (6,414) | 29 (1,089) | 25 (265) | 10 (85) | 13 (262) | 25 (26) |
| Less than 12 years education | 14 (2,727) | 37 (3,330) | 15 (6,414) | 24 (1,089) | 33 (265) | 17 (85) | 34 (262) | 50 (37) |
| Unemployed 15 weeks out of prior 20 weeks | 50 (538) | 79 (3,364) | 60 (1,821) | 82 (87) | 68 (147) | 66 (72) | 41 (262) | 90 (37) |
| Unemployed 15 days, but less than 15 weeks | 44 (538) | NA | 18 (1,821) | NA | 23 (147) | NA | 59 (260) | NA |
| AFDC family member | 8 (3,280) | 19 (3,629) | 7 (6,414) | 8 (508) | 2 (170) | 8 (76) | 4 (262) | 19 (16) |
| Income below 70% of the lower living standard | 37 (1,091) | NA | 53 (2,958) | NA | 43 (147) | NA | 28 (227) | NA |
| Economically disadvantaged | 34 (3,280) | 75 (3,629) | 58 (6,414) | 93 (1,089) | 47 (242) | 93 (81) | 56 (262) | 100 (27) |

Source: Field research data.

Note: Figures in parentheses indicate the number of participants for whom data are available.

*Percentages are affected by the small numbers.

the program. Among large, distressed cities and rural areas, the percentage of males and participants who are AFDC family members is much higher under title VI projects.

The main conclusion to be drawn from table 5-14 is that for persons with the characteristics that are specifically targeted in the legislation--jobless for fifteen out of the prior twenty weeks, economically disadvantaged, and members of AFDC families--the percentage being served under the new title VI projects is higher than under the sustainment portion of the program. It must be remembered that title VI projects were still in the buildup stage when these data were gathered; the results should be considered preliminary until supplemented by the second-round data.

WAGES OF PSE PARTICIPANTS

The final section of this chapter examines the wages received by PSE participants. Data on hourly wages were collected according to the eight occupational categories for 15,768 participants representing thirty-eight sample governments. When mean wage rates are calculated on the basis of these data, the results tend to reflect the higher wage levels prevalent in large urban areas, since large cities account for a disproportionately large number of the sample participants. In order to minimize this effect, wage data are in most cases presented by type of government.

Wage Supplementation

One issue receiving a considerable amount of attention is local supplementation of wages.¹¹ The regulations for PSE specify a maximum wage payment of \$10,000 per participant. This has been interpreted to mean \$10,000 per year or \$833 per month. On an hourly basis this amounts to \$4.83 for a forty-hour week or \$5.12 for a thirty-seven and a half hour work week. If wages above these levels are paid, the difference must be paid out of local revenues. Consequently, many local officials in areas with high prevailing wage rates feel that they are subsidizing a federal program and that the maximum wage should be raised. The Department of Labor, on the other hand, has proposed in its CETA reauthorization a supplementation limit of 10 percent of PSE funding.

Table 5-15 shows the distribution of wage rates by type of government for all titles. The table suggests that supplementation is

11. In this study the only type of local supplementation investigated is that of wages. Governments may also supplement the PSE program through the provision of materials, supervision, equipment, and so on.

Table 5-15. Percentage Distribution of Wages by Type of Jurisdiction, All Titles

| Wages: | Large cities | | | Small cities and suburban areas | Rural areas |
|----------------------------|--------------|------------|-------|------------------------------------|----------------|
| | Total | Distressed | Other | | |
| \$2.30-2.65 | * | 0 | * | 8 | 14 |
| 2.66-3.05 | 1 | 0 | 1 | 8 | 52 |
| 3.06-4.83 | 58 | 20 | 74 | 73 | 34 |
| 4.84-5.12 | 8 | 5 | 9 | 7 | * |
| 5.13-6.00 | 11 | 22 | 6 | 4 | 0 |
| 6.01-7.00 | 11 | 21 | 6 | * | 0 |
| 7.01-8.00 | 4 | 11 | 1 | * | 0 |
| 8.01-9.00 | 6 | 19 | 0 | 0 | 0 |
| 9.01-9.98 | 1 | 1 | 2 | 0 | 0 |
| Total** | 13,776 | 4,063 | 9,713 | 1,485 | 396 |
| Percent above \$5.12 | 33 | 74 | 15 | 4 | 0 |

Source: Field research data.

* Less than 0.5 percent.

**Number of participants for whom data are available.

not a problem for rural areas. None of the participants in these governments earned more than \$5.12 per hour. These wages reflect not only the generally lower wage levels in these governments but also local policy decisions, according to associates for some jurisdictions. The percentage of PSE participants who earned over the maximum wage level was also low in small cities and suburban areas.

In large cities, however, there is a considerable amount of supplementation. One-third of the PSE participants in the large sample cities were paid more than \$5.12 per hour, and 41 percent were paid more than \$4.83. The extent of supplementation was slightly higher for sustainment positions than for project positions (34 percent and 29 percent, respectively, assuming a thirty-seven and a half hour work week and thus a maximum wage of \$5.12).

The extent of supplementation was appreciably greater in the large distressed cities than in other large cities. Almost three-quarters of the positions in the distressed large cities received wage supplementation; the proportion was only 15 percent in other large cities. Over four-fifths of the sustainment positions in the large distressed cities involved some degree of local supplementation.

Analysis by Occupation

When the wage data are examined by occupation (table 5-16), we find a wide range in wages depending on skill level. The differences are greatest in large distressed cities, where the average wage for PSE participants in the highest-paid occupation (managerial) is 58 percent higher than that for the lowest-paid occupation (service). A similar

pattern exists in rural areas, where there is a difference of 46 percent between the highest-paid occupation (managerial) and the lowest-paid occupation (clerical). Two notable patterns emerge in other large cities and in small cities and suburban areas. First, the highest-paying occupations are not managerial and professional but operative and craft occupations. Second, the wage differential between the managerial and clerical occupations is only 18 percent for other large cities and 16 percent for small cities and suburban areas.

A second major finding illustrated by table 5-16 is that there are large differences between the types of governments in the average hourly wage for all occupations combined. The average for large distressed cities is more than twice as high as that for rural areas and is 62 percent higher than that for small cities and suburban areas. To a certain extent this reflects the occupational distribution of PSE participants within the types of governments. For example, in large distressed cities 23 percent of the positions are in the higher-paid managerial and professional categories, whereas in the rural jurisdictions only 7 percent of the PSE participants are in these occupational categories.

Table 5-16. Average Hourly Wages Paid to PSE Participants by Occupation and Type of Government, All Titles

| Occupations | Large, dis- tressed cities | Other large cities | Small cities and suburban areas | Rural areas |
|------------------------------|-------------------------------|-----------------------|------------------------------------|-----------------|
| Managerial | \$8.22 (64) | \$4.72 (129) | \$4.09 (56) | \$4.10 (9) |
| Professional | 8.03 (859) | 4.69 (1,007) | 4.28 (148) | 3.92 (18) |
| Technical | 6.57 (321) | 4.51 (341) | 4.14 (98) | 3.36 (37) |
| Clerical | 5.73 (435) | 3.99 (2,231) | 3.52 (380) | 2.80 (116) |
| Craft | 7.55 (66) | 4.81 (154) | 4.45 (25) | 3.52 (6) |
| Operative | 5.70 (676) | 5.04 (627) | 3.58 (64) | 3.22 (27) |
| Laborer | 5.39 (930) | 4.77 (2,360) | 3.85 (444) | 2.97 (118) |
| Service | 5.19 (711) | 4.50 (2,862) | 3.75 (266) | 2.87 (67) |
| Total average hourly wage | \$6.17 (4,061) | \$4.51 (9,712) | \$3.82 (1,481) | \$3.03 (398) |

Source: Field research data.

Note: Figures in parentheses indicate the number of participants for whom data are available.

Probably more important--especially in view of the specification in the CETA legislation that PSE participants be paid prevailing wage levels--is the general tendency for wage levels in urban areas to be higher than those in rural areas. However, the generally higher wage levels in unsubsidized employment in urban areas do not explain the large difference between PSE wage levels for distressed and other large cities. As shown in table 5-16, the average wage paid to PSE participants in the lowest-paid occupation in large distressed cities was higher than the average wage for the highest-paid occupation in all other types of government. Local labor market factors such as labor unions may be involved here; this subject will be considered in the final report.

Analysis by Title

Table 5-17 shows that there is considerable variation in average hourly wages paid to participants in sustainment and project PSE. First, for each occupation in large distressed cities and other large cities, sustainment participants are paid higher average hourly wages than project participants. This finding is reversed in small cities and suburban areas, and in rural areas, where project participants in many occupations are paid higher average wages than sustainment participants. This may be related to the analysis of functional area data presented earlier in the chapter, which noted that project participants in smaller jurisdictions tend to be concentrated in social, cultural, and educational services.

A second finding from table 5-17 is that disparities in average hourly wages between sustainment and project tend to be the greater in

Table 5-17. Average Hourly Wages Paid to PSE Participants by Occupation, Type of Government, and Title

| | Large, distressed cities | | Other large cities | | Small cities and suburban areas | | Rural areas | | |
|---------------------------|--------------------------|---------------|--------------------|---------------|---------------------------------|--------------|--------------|-------------|--|
| | Sustain-ment | Proj-ect | Sustain-ment | Proj-ect | Sustain-ment | Proj-ect | Sustain-ment | Proj-ect | |
| Managerial | \$9.86 (45) | \$4.50 (20) | \$5.03 (85) | \$4.12 (45) | \$3.44 (23) | \$4.56 (32) | \$4.10 (9) | | |
| Professional | 8.06 (849) | 4.85 (10) | 4.78 (909) | 3.85 (98) | 3.99 (68) | 4.53 (80) | 3.92 (18) | | |
| Technical | 7.58 (231) | 3.98 (70) | 4.61 (280) | 4.02 (61) | 3.84 (46) | 4.48 (46) | 3.41 (31) | \$3.09 (6) | |
| Clerical | 5.83 (407) | 4.20 (28) | 4.03 (2112) | 3.34 (120) | 3.44 (246) | 3.67 (134) | 2.79 (111) | 3.19 (5) | |
| Craft | 7.55 (66) | | 5.63 (91) | 3.63 (63) | 4.85 (14) | 4.00 (12) | 3.52 (6) | | |
| Operative | 7.25 (175) | 5.15 (501) | 5.61 (172) | 4.82 (455) | 3.71 (30) | 3.46 (33) | 3.22 (27) | | |
| Laborer | 6.26 (369) | 4.81 (561) | 4.96 (1681) | 4.33 (679) | 3.64 (209) | 4.04 (235) | 2.91 (92) | 3.19 (26) | |
| Service | 5.28 (645) | 4.30 (66) | 4.61 (2431) | 3.90 (431) | 4.04 (131) | 3.46 (134) | 2.87 (67) | | |
| Total average hourly wage | \$6.78 (2785) | \$4.84 (1276) | \$4.58 (7760) | \$4.23 (1951) | \$3.71 (774) | \$3.94 (707) | \$3.02 (361) | \$3.14 (37) | |

Source: Field research data.

Note: Figures in parentheses indicate the number of participants for whom data are available.

the higher skilled occupations than in the lower skilled occupations.

This pattern was most striking in large distressed cities.

Chapter 6

ORGANIZATION AND ADMINISTRATION OF THE PSE PROGRAM

The Comprehensive Employment and Training Act of 1974 had its roots in the "New Federalism" program of the Nixon-Ford period. The act was part of a broader effort to decentralize and decategorize federal aid programs, which included the general revenue sharing and community development block grant programs, both of which are also the subject of monitoring studies by the Brookings Institution.

THE CETA SYSTEM

From the vantage point of decentralization, the most important component of CETA was title I which provides block grant funds to state and local governments for employment and training services; this title accounted for over half of all funding in 1974 when CETA was first enacted. The PSE component of CETA, which has grown dramatically since 1974 and will account for approximately 60 percent of estimated CETA funding in 1979, is also characterized by decentralization and a high degree of program flexibility. The federal government has, in effect, set broad goals for PSE on a basis which then enables recipient jurisdictions to translate these objectives in a manner that reflects their particular policy and program preferences and fiscal conditions.

A number of the comments at the February field research conference for this study illustrate this point by showing the variation in local objectives for the PSE program. Discussing Houston, Texas, for example, the associate described the purpose of PSE as aiding minority groups;

the attitude of city officials is to "let these groups do what they want with these funds."¹ Similarly, the associate for St. Louis, Missouri, reported that the city "from the very beginning insisted upon targeting for the low-income population." Some jurisdictions in the sample facing serious fiscal problems stressed the use of PSE funds to provide basic services. According to the associate for one distressed city, "Above all there has been a continued emphasis on the preservation of essential city services." Other associates noted an emphasis on transition and training. For the Shawnee, Illinois, consortium it was reported that local officials "are very big on transition" and the use of PSE to "train people and get them into some kind of permanent job." A particularly strong emphasis on transition was reported for the Penobscot-Hancock consortium, which includes the city of Bangor, Maine: "In a few weeks the consortium will be sending out a new letter saying that the employing agency must return a signed form certifying the length of time required for the PSE position, the kind of outcome expected, and a realistic expectation of the transition possibility."

Beyond philosophical preferences for decentralization, another reason for the emphasis on local flexibility under the PSE program is pragmatic. It is difficult to envision the federal government directly employing as many as one million PSE participants. Moreover, there are few alternatives to relying on states and localities. Total reliance

1. The quotations in this paragraph are from the edited transcript of the field research conference on February 1, 1978, appendix A to this report.

on community-based nonprofit organizations, even if feasible, would limit the type of jobs and transition opportunities which the program could provide, and probably would engender public resistance.

Sponsorship Arrangements

The system for determining which local governments can participate under CETA is more varied than under most similar federal grants. Funds are allocated under a legislative formula to "prime sponsors," an artificial creation of the CETA legislation aimed at making the administration of employment and training programs more efficient by increasing the size and reducing the number of units receiving federal money.² As defined in the law, a prime sponsor is a general-purpose government--in most cases a city or county--with a population of at least 100,000, or a consortium of jurisdictions, at least one member of which has a population of 100,000 or more.³

Jurisdictions not qualifying independently as prime sponsors often have a choice of joining a consortium or being grouped together in a "balance of state" prime sponsorship. For many jurisdictions the flexibility of the CETA program begins at this level, as they choose whether or not to join a consortium and in some cases which consortium to join. The decision of the local community may be influenced by the

2. The most comprehensive discussion of the administration of CETA is William Mirengoff and Lester Rindler, eds., The Comprehensive Employment and Training Act: Impact on People, Places, Programs (Washington, D.C.: National Academy of Sciences, 1976).

3. Exceptions to this rule can be made for preexisting prime sponsor arrangements, as is the case of the rural Shawnee, Illinois, consortium included in this study.

bonus funds provided to consortia under title I. Other factors, such as regional political and economic ties or the desire to limit demands on the local bureaucracy, no doubt enter into this decision.

Below the level of the prime sponsor, the range of possible administrative arrangements multiplies. Although the prime sponsor is the only unit that receives PSE funds directly from the Department of Labor (DOL), it is not the only unit that spends PSE funds. In converting funds into jobs, the prime sponsor may directly hire PSE workers; it may also pass through some of its PSE funds to other units of government. A city prime sponsor, for example, may assign portions of its PSE funds to special-purpose governments (such as water or school districts), to local offices of federal or state agencies, or to nonprofit organizations in the city. These agencies and organizations in turn act as subcontractors, hiring PSE workers. The city may also choose to hire PSE workers itself and outstation them in other governmental units or in nonprofit organizations under agreements with these organizations.

When the prime sponsor is either a consortium, county, or balance of state, the distribution of its PSE funds under certain circumstances is not fully discretionary. Within such prime sponsorships, any general-purpose government with a population of 50,000 or more is entitled to receive a share of the consortium's funds based on the national allocation formula. If this jurisdiction chooses to act as what is termed a program agent, its share of PSE funds must be automatically passed through by the prime sponsor. The program agent can use these PSE funds at its discretion, either hiring workers directly or subcontracting with other local governments or nonprofit organizations. If a governmental

unit eligible to act as a program agent chooses not to do so, it has no administrative role under the CETA program but is nevertheless assured that its share of available funds will be used by the prime sponsor for persons residing within its jurisdiction.

For the sample governments, almost every conceivable pattern of distribution of PSE jobs can be found, as illustrated by the following capsule descriptions of PSE administrative arrangements for a city, a county, and a balance-of-state prime sponsorship.

Capsule 6-1. Baltimore, Maryland

The city of Baltimore could have chosen to be a prime sponsor, as could three of the other five jurisdictions with which it joined to form a consortium. By joining together, the jurisdictions received a "consortium bonus" under CETA title I. For purposes of titles II and VI, the Mayor's Office of Manpower Resources in Baltimore operated a program completely separate from those of the other consortium members. The city received from the consortium the same allocation for titles II and VI that it would have received had it chosen prime sponsor status. About three-quarters of the job slots for PSE workers funded as of July 1977 were retained in the Baltimore city government. The remainder were parceled out to other governments and agencies, including the State of Maryland and the federal government, under "outstationing" agreements. PSE workers in the Baltimore office of the Social Security Administration, for example, were outstationed; they worked in a federal government office but were technically employed by the major's office. Though a contract had not yet been signed as of the July 15 observation date, the Office of Manpower Resources later made a subcontracting agreement with the Health and Welfare Council, a "holding company" for many of Baltimore's nonprofit organizations. Among the PSE workers hired by the council, some worked in its own offices while the majority were outstationed in its member agencies; all were technically employees of the council.

Capsule 6-2. Maricopa County, Arizona

Maricopa County was formerly joined with Phoenix in a consortium, but that arrangement was dissolved because of rivalries between the county and the city. The county now constitutes a separate prime

sponsorship. As of mid-July 1977, direct employment in the Maricopa County government accounted for about one quarter of the 1,325 PSE positions funded in the county. The remainder of the positions were subcontracted to nonprofit organizations, other local governmental units, and local offices of state agencies, or were passed through to the program agents in the county--Tempe, Scottsdale, and Mesa. The program agents in turn used some PSE money for positions in their own governments and subcontracted with special-purpose governmental agencies and nonprofit organizations for other positions. Tempe, for example, retained half of its PSE positions in the city government and apportioned the rest, under subcontracting arrangements, to the school district and to local nonprofit organizations, such as the YMCA, Girls' and Boys' Clubs, and the United Way. Mesa elected to serve as a program agent for title II and title VI sustainment activities but chose not to administer title VI projects. Therefore Maricopa County was obliged to set aside Mesa's share of title VI project funds and to arrange for employment of Mesa residents with these funds. The county was also required to earmark a share of the PSE funds for Glendale, a city that was eligible to act as a program agent but chose not to.

Capsule 6-3. Balance of Oregon

There are seven prime sponsorships in the state of Oregon--one city, one county, one balance of county (some of the county's territory is in another prime sponsorship), three consortia, and the residual areas of the state, grouped together as "balance of state" (BOS) Oregon. As of July 1977, 30 percent of the PSE funds allocated to BOS Oregon had been retained for employment in state agencies. The remainder was apportioned among thirteen planning districts, some of which were single counties, while others were combinations of counties. The planning districts had two options: they could take responsibility for planning and implementing a local PSE program--acting, in effect, as program agents--or they could subcontract for specific PSE jobs, leaving planning and administration to the prime sponsor.

Douglas County, one of the constituents of BOS Oregon, chose the second option. Of the more than 100 PSE slots assigned to Douglas County by the prime sponsor, only a handful were in the county government itself. The remainder were assigned to the water, fire, and sanitation districts; the cities and towns within the county; school districts; the community college; and state offices.

RESEARCH PLANS

The plan for this study called for concentrating the first-round observations on employment, fiscal, and programmatic effects. A decision was made to limit the number of items in the initial analysis form

relating to the organization and administration of the PSE program and instead to collect such data in the second round (for December 31, 1977). The second-round analysis form contains six major sections under the heading "Institutional Effects." Areas to be covered include: the role of the employment service, the role of unions, the effect of civil service requirements, the role of political officials, the policies and influence of employing agencies, and relationships between the prime sponsor and the Department of Labor.⁴ The remainder of this chapter presents preliminary data obtained in the first round of field research. Attention is focused on the relationship between prime sponsors and the Department of Labor through July 1977 and some of the important characteristics of the organization and administration of the CETA-PSE program in large city governments included in the sample.

INTERGOVERNMENTAL RELATIONS UNDER PSE

Though not actually a block grant, the PSE program resembles a block grant in being less conditional than so-called categorical grants. PSE grants nevertheless have important strings attached specifying who can be hired, for how long, and under what conditions. There are also requirements, as noted above, for passing PSE funds through to sub-jurisdictions qualifying as program agents. The administrative history of a program like PSE can be written in terms of how tightly these and other strings are pulled by federal officials in dealing with

4. The second-round field research analysis form is not included in this report. Limited copies are available on request.

state and local governments.⁵

The first stage at which program requirements enter the picture is the application process. Although PSE funds are allocated on a formula basis, their distribution is not automatic. Each prime sponsor is required to submit an application describing the activities it plans to carry out with PSE funds, and stating, through various assurances, its intention to follow the regulations and pursue the goals of the program. Prime sponsors must also submit quarterly reports to DOL, providing data on their PSE enrollment and the characteristics of participants. (During the period of intense buildup, beginning in May 1977, prime sponsors reported weekly on PSE enrollment levels.)

In its own review processes, DOL may raise questions about the fulfillment of PSE requirements or suspected irregularities. In addition, complaints by third parties--often dissatisfied participants or would-be participants--come to the department's attention, frequently through newspaper articles. Where DOL investigations turn up evidence of local violations, disciplinary actions ranging from verbal reprimands to reallocation of funds may follow.

Although administrative issues under PSE were not among the major topics specified in the analysis form for the first round of field research, associates were asked to characterize the relationship between DOL and the jurisdiction(s) they are studying. Several associates

5. This subject is highlighted in the second report on the Brookings Institution monitoring study of the community development block grant program, chapter 3, "Intergovernmental Relations under the Block Grant Program," in Paul R. Dommel et al., Decentralizing Community Development (forthcoming).

reported on instances of tension or disagreement between federal and local officials. A number of general points emerged from these data.

The main area of federal-local tension was program buildup. The administration's economic stimulus package authorized 415,000 additional public service jobs by March of 1978, more than doubling the preexisting program level. DOL subsequently notified prime sponsors of their increased allocations and provided each with a formula for computing monthly goals for increased PSE enrollment. As a result, local officials felt they were under constant pressure to increase hiring. Although complaints about this pressure were almost universally reported, DOL went beyond exhortation in only two of the sample jurisdictions. In neither case was the jurisdiction far below target employment levels. In Seminole County, Florida, PSE administrators received a telephone call from the DOL regional office warning that their funds would be cut off as of 5:00 p.m. that day if they could not report significant progress toward meeting the local hiring quota. The county was in fact close to meeting its target; the regional office later acknowledged that their report had been misread. The other case involved both over- and underenrollment.

Capsule 6-4. San Francisco, California

In mid-October 1977, the regional office of DOL reproved the San Francisco PSE administration for exceeding title II and VI sustainment hiring goals and lagging in title VI project hiring. DOL pointed out that expenditures for excess sustainment enrollment would be disallowed and cited regional bulletins threatening reallocation of funds where hiring lags were found. In response, city PSE administrators argued that reported over-enrollment figures in sustainment PSE resulted from lags in receipt of termination data in the management information system. To achieve full

compliance with the hiring schedule, they argued, it was necessary to anticipate terminations and hire more than the authorized number of new sustainment PSE participants each month. At the same time, they acknowledged the lag in hiring for title VI projects. In a letter to the associate regional administrator, the mayor wrote, "Steps have been taken to step up [project PSE] hiring, and we will push forward aggressively in this area." But he reiterated the position of his staff that the hiring pace in sustainment activities was reasonable.

Following this letter, the associate reported no further DOL action on this issue; later reports indicate that actual employment in sustainment PSE appeared to have exceeded authorized levels.

Another major DOL concern and potential source of intergovernmental tension is displacement, although again there were only two sample jurisdictions in which specific allegations were made--Detroit and Chicago. The Detroit case was dropped by DOL after an investigation. In Chicago the outcome was quite different, and, in fact, this case received considerable national publicity.

Capsule 6-5. Chicago, Illinois

After an intensive three-week investigation prompted by newspaper publicity, DOL alleged that the city of Chicago had misused almost \$1 million of its PSE funds. The violations involved political favoritism and displacement, chiefly in the areas of street repair and parks. While not admitting the charges, the city agreed to repay the allegedly misused funds by hiring an equivalent number of properly certified workers at the city's expense. In addition DOL required that the Illinois Bureau of Employment Security assume full responsibility for intake, screening, and referral of PSE applicants; prior to the agreement the city and some other employment agencies had often identified prospective PSE workers in advance and then sent them to the employment service for eligibility checks before hiring them. A full-time DOL monitor has been appointed to oversee the PSE program in Chicago to assure compliance with the agreement.

Possible misuse of PSE funds is also being investigated in New Orleans.

Capsule 6-6. New Orleans, Louisiana

As of mid-July 1977, relations between DOL and the city of New Orleans were smooth, and the associate reported that DOL had been complimentary toward the city's PSE administration. Soon after, however, a New Orleans newspaper reported that a DOL team, invited by the city's PSE administrator to study the local program and make recommendations about possible improvements in administration, had turned up irregularities. Most serious was the charge that more than 400 positions reported to DOL as being filled under the city's PSE program were not in fact filled. By late summer the number of positions at issue had increased to over 500, and the city was being threatened with the reallocation of part of its grant. The Justice Department is now investigating the case.

City officials in New Orleans were reported to be resentful that their request for assistance led to allegations of irregularities. Though misuse of funds is a possible explanation for the unfilled job slots, the fact that city PSE officials were dissatisfied with the management information system and had requested DOL assistance suggests that poor recordkeeping may be an equally plausible explanation. Associates for many of the sample jurisdictions reported difficulties with management information systems. Inadequacies in local reporting systems caused major problems in preparing the first-round field data; the associate for St. Paul, Minnesota, for example, cited this factor as the chief reason for the delay in getting the information for his first-round analysis. "What we discovered from the enrollment data," he wrote, "is that many figures provided to us were at odds with our aggregation of the data from DOL printouts." The associate for Kansas

City, Missouri, reported, "One of the most serious problems, which may or may not be a function of national requirements, is the lack of precision of the data."

In Boston a DOL investigation led to charges of impropriety in the administration of the PSE program, especially for hiring and selection.

Capsule 6-7. Boston, Massachusetts

DOL conducted an extensive review of the Boston PSE program during the spring of 1975, generated in part by a local newspaper investigation which uncovered cases of alleged improprieties. A report was issued in October 1975, containing charges of patronage, nepotism, illegal activities by participants, and violations of residency requirements and length-of-unemployment regulations.

Corrective measures centered on the revision of Boston's participant selection process. From the inception of the program, Boston had used a lottery system to select candidates from an eligibility pool for available PSE positions. Before January 1976, however, the lottery was applied only to unskilled positions. The Boston PSE administration was instructed by DOL to expand and revise this system to cover all PSE positions. In October 1976 further changes and refinements were made to expedite the selection process.

Although the lottery system proved to be useful as a tool for selecting participants, the random process presented difficulties in matching applicants with positions which require special skills. At the time of field data collection, there was discussion of refining the lottery system by adding a skill component to the coded application form.

The DOL report dated October 1975 directed that funds expended in violation of the CETA regulations be restored to the CETA grant. In July 1976, noting the city's inaction, DOL notified the mayor of its intent to reduce the city's letter of credit for the amount spent on ineligible program participants. A hearing was requested by the city but as of the reporting date it had not been convened.

In addition to the federal-local issue described earlier for San Francisco, a controversy between the mayor and the board of supervisors received local publicity and is now being investigated by both the Departments of Labor and Justice. The issue in this instance is the application of the eligibility requirements for title

VI projects.

Capsule 6-8. San Francisco, California

The PSE program in San Francisco, which will employ over 4,000 persons by March 1978, is controlled by the mayor's office. In an attempt to influence the program, the board of supervisors, using thirteen PSE participants assigned by the mayor's office to jobs in the budget office of the board, conducted a study of title VI project positions in nonprofit organizations. Their report made widely publicized allegations of creaming, violations of reporting and other administrative requirements, and the hiring of persons who were not referred by the state employment service. No evidence of patronage was found, despite allegations to this effect.

The mayor responded to these charges by pointing out the high number of minority group members participating in the PSE program and denying that there were violations of the eligibility requirements. He also pointed out that the board of supervisors would not have been able to conduct its audit of the PSE program without the help of PSE participants assigned to the budget office, which included five college graduates, two persons with law degrees, and one with an M.B.A.

As the PSE program expands, it is possible that this kind of intragovernmental competition for control of the program may increase. The San Francisco case suggests that internal policing of the program may be one of the side effects.

The cases described above illustrate some of the key issues in DOL-jurisdiction relations--pace of buildup, displacement, patronage, and creaming, among others. The overall record of intergovernmental relations, however, appears to have been relatively smooth. Associates for a majority of the sample jurisdictions reported that DOL-prime sponsor relations were generally good.

PRELIMINARY OBSERVATIONS ON CITY OPERATIONS

The Brookings sample contains thirteen city prime sponsors and three cities that are consortium members (fifteen of these cities have populations above 250,000). A number of preliminary observations about their operations are presented here. In particular, we note differences between distressed cities and other cities in this group which suggest that the level of distress of a city influences its approach to the organization and administration of the PSE program. Seven of the sixteen cities included in this analysis are classified as distressed on the basis of their rating of over 250 on an "urban conditions index" consisting of three factors: (1) percentage of poverty, (2) percentage of pre-1940 housing, and (3) rate of population change from 1970 to 1975.⁶ Differences between the two groups were found in regard to both program organization and administration.

One of the first decisions facing city prime sponsors and program agents is the assignment of administrative responsibility for PSE. Should it be managed by an existing line department of local government or run out of the mayor or city manager's office? The sixteen sample cities were evenly split between those assigning responsibility to a line department and those where the PSE program was controlled by a staff unit of the mayor's office. Line departments administering PSE

6. See "Urban Conditions Index" reprinted from Dommel, Decentralizing Community Development (The Brookings Institution, 1978; processed).

programs included, among others, the department of human resources (Phoenix), the community development department (Tulsa), the urban affairs department (Kansas City), and the community services department (St. Paul).

However, distressed cities were found to be more likely to assign responsibility for administering the PSE program to the mayor's office than other cities in the sample. Among the seven sample cities with index scores above 250, table 6-1 below shows that only Detroit and Rochester chose not to place their PSE programs in the mayor's office, and the associate for Detroit reported that the mayor played a strong role in PSE decisionmaking in that city (see capsule 6-9).

Table 6-1. Administrative Arrangements for PSE in Distressed and Other Sample Cities

| | Index score | Administrative arrangements |
|---------------------------|-------------|-----------------------------|
| <u>Distressed cities:</u> | | |
| St. Louis | 515 | mayor |
| New Orleans | 322 | mayor |
| Boston | 273 | mayor |
| Detroit | 267 | line agency |
| Baltimore | 265 | mayor |
| Rochester | 263 | line agency |
| Philadelphia | 259 | mayor |
| <u>Other cities:</u> | | |
| San Francisco | 227 | mayor |
| Chicago | 201 | mayor |
| St. Paul | 149 | line agency |
| Kansas City | 146 | line agency |
| Los Angeles | 82 | line agency |
| Tulsa | 51 | line agency |
| Houston | 33 | line agency |
| Independence | 20 | city manager |
| Phoenix | 16 | line agency |

Capsule 6-9. Detroit, Michigan

The PSE program in Detroit is administered by the city's Manpower Department, one of a number of city departments. The director of the department is appointed by the mayor. In addition, the chairperson of the Manpower Advisory Planning Council is an assistant to the mayor. Basic policy decisions regarding the utilization of PSE funds are overseen by the mayor after input from the appropriate department heads. The mayor's influence on the PSE program is enhanced by his political ties. According to the associate, "Mayor Coleman Young was one of the earliest and strongest black supporters of President Carter." Because of this, when the city has had problems with DOL, Mayor Young has taken his case directly to the White House and has had Washington overrule regional directives.

Although more study needs to be done on the importance of this distinction, one would expect centralized control over the PSE program to give the mayor or city manager more opportunity to coordinate the allocation of PSE funds with the local budget; this type of coordination is likely to be more important in distressed cities than to others. Centralized managerial control, for example, might make it easier for city officials to use PSE to avoid personnel and program reductions that would otherwise be necessary because of fiscal pressure. As pointed out in chapter 3, this type of employment effect--the program maintenance category of job creation--was found to be heavily concentrated in the larger and more distressed jurisdictions. By contrast, for cities without distinct hardship conditions, where the PSE program affords an opportunity to take on extra activities or provide special help for the disadvantaged, there may in fact be advantages to assigning program management to a line agency. A social agency responsible for aid to the disadvantaged might run the program (as in Phoenix), or the agency responsible for the program area in which

a substantial number of PSE participants are assigned.

This discussion suggests that one would also expect distressed cities to use a larger proportion of their PSE positions directly than other cities. In fact, this was the pattern found to apply for the large cities in the sample. For the seven distressed cities the unweighted mean of retained PSE positions was 83 percent--that is, these cities directly used 83 percent of their PSE positions in mid-July in city operations. (It should be noted that for most of the cities in this group, title VI projects were still being planned or were just getting underway in mid-July, which undoubtedly helps explain the high rate of city government slot retention.) For the other nine cities, the unweighted mean of positions retained by the city government was 60 percent.

Two other subjects are examined briefly in this section, the role of planning councils and organizational arrangements for the certification of eligibility.

Planning Councils

The law requires that each CETA prime sponsor establish a planning council for PSE, including representatives of PSE client groups, non-profit organizations, business, the state employment service, education and training institutions, organized labor, and agricultural organizations, where appropriate. The planning council's role is advisory only. Associates reported that among the larger cities, with few exceptions, the role of the planning councils was limited. Policymaking responsibility was primarily in the hands of elected and agency officials. (However, for states and smaller jurisdictions, planning councils

tended to have more influence.)

Certification of Eligibility and Referral

Although city governments tended to assign responsibility for major policy decisions and administrative oversight to a single office or department, in many cases that office delegated operations to other city or state agencies. Most cities, for example, contracted with the state employment service for certifying the eligibility of PSE participants. Several cities then used the city personnel department to refer clients to city agencies with job slots. A number of different and special arrangements were used for title VI projects. Some cities separately designated a department, or contracted with an umbrella agency, to work with nonprofit organizations for title VI projects, initially sorting out the applications received, and making recommendations on the assignment of positions and people to nonprofit agencies.

The following two capsules indicate the diversity and complexity of organizational and administrative arrangements for the PSE program.

Capsule 6-10. Chicago, Illinois

The responsibility for the PSE program in Chicago is in the hands of the Mayor's Office of Manpower, which plans, monitors, and exercises fiscal control over all PSE activities in the city. The responsibility for central intake, screening, and referring PSE workers has been turned over to the Illinois Bureau of Employment Security under a contract with the manpower office. The manpower office also has an interagency agreement with the city's Department of Personnel, under which the latter works with other city departments to develop specific job slots and define specifications for the personnel to fill those slots. As of July 15, 1977, the Department of Personnel managed subcontracts with 177 nonprofit organizations who employed PSE workers. In a separate arrangement with the manpower office, the Mayor's Office of Senior Citizens and the Handicapped also managed subcontracts with a small group of nonprofit organizations. Sixty-four percent of Chicago's PSE positions were filled in thirty city departments. In addition, PSE workers in Chicago held

subcontracted positions in the school district, the housing authority, the park district, the transit authority, the Illinois Department of Labor, the Illinois Department of Public Aid, and the city colleges of Chicago.

Capsule 6-11. Philadelphia, Pennsylvania

The mayor of Philadelphia controls the PSE program through his deputy, the managing director of the city, who determines the allocation of PSE positions between the city, the independent school district, and various nonprofit organizations, in consultation with the Philadelphia Area Manpower Planning Council. Applications for positions within the various agencies of city government are approved by either the managing director or the director of the budget. Nonprofit organizations apply directly to the planning council.

Job descriptions are posted and applications received by the State Division of Employment Security. Candidates certified as eligible by the Division of Employment Security are referred to the PSE unit in the planning council, which rechecks eligibility and then makes referrals to specific agencies. The hiring agency has final say in the selection of referred candidates.

The school system hires in a different way. Candidates who meet PSE eligibility requirements must also pass the civil service examination in order to be considered for employment. Among those who pass, selection is made on the basis of individual need and background, rather than on test scores.

QUESTIONS FOR THE FUTURE

There have been new developments in CETA under the Carter administration which appear to move away from the block grant position and toward the categorical mode on the federal aid continuum. (This is particularly true of the new youth programs.) Nonetheless, the system retains its distinctive decentralization features. In testimony on the administration's extension proposal for CETA on February 23, 1978, Secretary of Labor Ray Marshall indicated an intention to continue the decentralized system.

CETA consolidated previous approaches while decentralizing the formulation and delivery of most employment and training services. Responsibility was placed largely in the hands of local elected officials who were encouraged to design policy and programs to meet local conditions. We believe that experience demonstrates the wisdom of a decentralized, decategorized system for delivering employment and training services.⁷

Despite this general position by the Carter administration, the recently proposed reauthorization legislation has triggered a fresh debate on the question of what strings should be attached to CETA grants. The continuing research for this study will not examine changes as a result of extension legislation, but it will provide a baseline for considering the impact of new legislation on the organization and administration of the PSE program.

7. Testimony before the Subcommittee on Employment, Poverty, and Migratory Labor, Committee on Human Resources, United States Senate, February 23, 1978, p. 3 (processed).

Chapter 7

POLICY IMPLICATIONS

At this stage of the monitoring research, a number of questions are unanswered or only partially answered. The analysis form for the December 31, 1977, observation date contains major sections on training, transition, and institutional effects and will provide additional information for appraising the net employment effects and social targeting impact of the PSE program. By this date, the new provisions of the 1976 act regarding eligibility, the project approach, and the role of nonprofit organizations are likely to have had more impact. The time available to prepare the final report on this study will also permit additional work to compare the findings of the monitoring approach with data and research from other sources. Although the discussion of policy implications at this stage is necessarily tentative, this chapter addresses current policy issues on an overall basis, relating findings made so far to the central policy issues to be considered in assessing the role and efficacy of the CETA-PSE program.

Chapter 2 of this report begins with a list of eight objectives of employment and training programs of the federal government. These objectives can be grouped into three major categories--countercyclical, social, and fiscal relief. Each of these categories is the subject of a major section of this chapter.

PSE AS A COUNTERCYCLICAL POLICY INSTRUMENT

Increasing attention in recent years has been given to the proposition that the economic policy of the federal government should operate in the public sector as well as the private sector. In 1977 a major package of countercyclical expenditure programs was enacted, half of which was in the form of increased spending under the PSE program.

The data on economic effects summarized in chapter 4 of this report suggest that the bulk of PSE funding--approximately 85 percent--had an impact in mid-1977 similar to that of direct federal expenditures. (No attempt is made in this study to gauge the indirect and induced effects of PSE for purposes of comparing this federal spending with other expenditure stimulus programs.) Another 12 percent of PSE spending was found to have had an impact similar to a federal tax reduction. Most of the remainder was unallocated. Hoarding--that is, long-term increases in fund balances built up as a result of PSE--was found to be minimal as of the first observation date.

With regard to the displacement issue, the results of this study indicate that the overall rate of displacement in mid-July 1977 was 18 percent--20 percent adjusted for the relative weights nationally of CETA prime sponsor types. Differences between the displacement findings of this study and those of previous studies are discussed in chapter 3 in relation to the changed fiscal setting and eligibility requirements of the current PSE program, as well as differences in analytical approach, particularly for the program maintenance category of employment effects. For 31 percent of the positions studied, associates determined that, although the positions were in existing programs, they would not have been filled in the absence of

PSE funding. Because the program maintenance classification is potentially more fluid than the other categories of employment effects, a three-part framework should be used in comparing the findings in this study with other studies: new services and activities (51 percent), program maintenance (31 percent), and displacement (18 percent).

The findings for December 1977 may be different, although the direction of change is hard to predict. Improvements in national and local economic conditions could cause the program maintenance category to decline, thus raising the displacement rate. On the other hand, the displacement rate could drop in December because of the increased participation of nonprofit organizations under the project component of the PSE program. (Displacement in the first round was found to be lower for nonprofit organizations than for governmental agencies.)

Even if an increase in the displacement rate is reported in December, it is necessary to consider the fiscal effects of PSE in assessing the program's overall economic impact. If increased displacement is judged by the associates to be reflected in local tax reductions or stabilization, this shifts the stimulus impact of PSE from the public to the private sector but need not materially reduce its magnitude.

Despite changes that may be observed in the second round, for purposes of evaluating PSE as a countercyclical tool, it is the first-round findings that are most important. Assuming that the pattern of employment and fiscal effects found for mid-July 1977 is regarded to be a satisfactory stimulus impact, the question of whether PSE should be used as a countercyclical policy instrument then must be addressed on several bases-- historical, operational, and social.

The Historical Record

Experience under both the PEP program and CETA-PSE suggests that it is possible to build up PSE enrollment levels and expend funds fairly rapidly. (The one question that is still open in this respect concerns the project component of PSE. The December 1977 field data will provide information about the rate of buildup and any major problems associated with the buildup for this portion of the program.)

The track record of PSE for disengagement--the other side of the countercyclical equation--is much less clear. The PEP program was passed as an emergency employment program for a two-year period. Although there was a significant decline in enrollment from its peak level, it was carried into CETA title II at a level of approximately 50,000 participants. The CETA title II program was then expanded and title VI was added in the 1975-76 recession. Despite the fact that the economy was beginning to recover in June of 1976, concern about stubbornly high unemployment rates led to the reauthorization and expansion of the CETA title VI program. The additional 415,000 PSE positions created under the 1977-78 stimulus package are now to be funded through fiscal year 1979.

The Carter administration's legislative proposal for a second reauthorization of the CETA program, submitted to the Congress in February 1978, seeks to reverse this growth pattern. It emphasizes the idea of PSE as a countercyclical policy instrument. Specifically, the administration proposes an automatic triggering system which would take effect in 1980. The plan calls for a base program of \$1 billion to be augmented by an additional \$1 billion for each one-half of 1 percent by which the national unemployment rate exceeds

4.75 percent. Administration officials estimate that this would mean a reduction in 1980 from 725,000 to 300,000 PSE positions.

On the basis of recent history, there is reason to question whether Washington decisionmakers--particularly in the Congress--would, in fact, countenance such a large reduction in PSE spending as business conditions improve. If such a reduction does not take place and if in future periods of economic decline emergency PSE funds are simply added to the preexisting base, the result would be a steady ratcheting upwards of PSE spending. The long-term impact under these conditions depends on one's assumption about displacement.

If limited displacement is assumed, a steady ratcheting upwards of PSE funding in periods of economic decline could result over time in building up employment in the public sector to a point that would eventually raise questions as to the proper mix between public and private sector activity in the national economy.

On the other hand, if the assumption is a high level of PSE displacement--especially over time--then the issue raised involves intergovernmental finance. If the level of PSE spending is ratcheted upwards under circumstances where a high proportion of these funds are "absorbed" by the recipient governments, the federal government's contribution to state and local revenue could increase to the point where the fiscal independence of other levels of government would be significantly reduced. As it is, with PSE at the current level and with the recent growth of other federal grants, the federal share of local budgets has grown substantially over the past five

years, in no small part due to the increase in employment and training grants from the national government directly to local units.¹

Efficiency and Equity Considerations

Even if one assumes that an automatically triggered countercyclical PSE program would be workable--that is, that national decisionmakers would allow PSE funding to be reduced appreciably in the recovery phase--there are other reasons to question whether this is an appropriate national policy.

It can be argued, for example, that it is not only politically difficult but inefficient to vary PSE employment levels with the business cycle. The activities involved may not be capable of being turned on and off quickly.

In addition it is possible that even if the federal government reduces PSE funding, prime sponsors will not follow suit. A number of cases in the field data suggest that PSE activities create a demand and a constituency on a basis that makes it difficult from a local perspective (especially for fiscally healthy governments) to reduce the size of the PSE labor force quickly. To the extent local officials decide that PSE activities should be continued out of local funds even if federal funds are reduced, the impact of PSE as a tool of macro-economic policy can be said to be asymmetrical.

1. The most useful approach for comparing the relative level of grants to cities is to consider federal grant funds as a proportion of locally raised general revenue. On this basis, federal grants were equivalent to nearly 70 percent of locally raised revenue in 1978 for Buffalo, Cleveland, and Detroit, and over 50 percent for St. Louis, Newark, Baltimore, Philadelphia, and Phoenix. These data are based on an analysis of fifteen cities by the staff of the Brookings Monitoring Studies Group and the U.S. Advisory Commission for Intergovernmental Relations. The unweighted average for the fifteen large cities studied was 45.6 percent.

There are also considerations of equity in evaluating PSE as a countercyclical policy instrument. Once jobs have been provided to disadvantaged persons who need a foothold in the labor market, local political pressure may build up to continue to fund these positions for an appropriate period of time so that participants can be placed in permanent positions in the public or the private sector.

This subject, the use of PSE as a social policy instrument, is discussed further in the next section of this chapter. However, the relationship between countercyclical and social objectives should be clarified here. The extent to which there is a trade-off between the two objectives needs to be considered on several levels. On the one hand, there are practical questions of speed and efficiency. As already suggested, the more the PSE program is targeted on the disadvantaged, the harder it may be to adjust the program level as required for countercyclical purposes.

More fundamentally, the basic rationale of a program to relieve cyclical unemployment causes it to focus on relatively short-term unemployment as opposed to structural unemployment. The administration's CETA reauthorization proposal, submitted this year, not only includes an automatic triggering system to achieve countercyclical goals but also loosens the eligibility requirements for PSE. It recommends that all participants be required to have been unemployed for the previous five weeks, instead of fifteen out of the past twenty weeks as in current law.

This trade-off in terms of the characteristics of participants is central to the decision about the relative emphasis on countercyclical and social objectives under the PSE program. Policymakers may decide that

to the extent the PSE program is used for countercyclical purposes its emphasis on the structurally unemployed should be correspondingly reduced. The essential question of legislative strategy currently is: If the Congress adopts the proposed countercyclical rationale for PSE, will this reduce its willingness to use public employment as a means of reducing welfare dependency as recommended under the administration's "Better Jobs and Income" welfare reform program?

PSE AS A SOCIAL POLICY

The goals of public service jobs as a social policy instrument can be summarized under three headings--service provision, social targeting, and transition.

The "leaf raking" or "make work" arguments against PSE are not supported by the data in this report. Associates in general concluded that the work performed under PSE is similar to that of regular employees. The "primary services" of local governments are the functional areas of greatest emphasis.

On the other hand, the evidence on social targeting is more mixed. There is considerable targeting overall, and it is increasing under the new project portion of the PSE program. These findings are reflected in the characteristics data in chapter 5 for participation by minority group members and economically disadvantaged persons. However, the large proportion of persons with a high school education in PSE and the still relatively low levels of AFDC participants suggest that creaming may be taking place.

On both of these issues--service provision and social targeting--additional field data are being collected for December 31, 1977, which may

alter the points just made. As title VI projects expand, for example, we may find less creaming, but at the same time there may be a reduction in emphasis on basic municipal services to the point where some observers would conclude that the objective of performing useful work at the state-local level is undermined.

In respect to transition, several associates pointed out at the field research conference on February 1, 1978, that creaming is more likely and social targeting more difficult in cases where transition goals are stressed. But the jury is still out on training and transition. There is not enough experience with the expanded program to generalize about its success in preparing disadvantaged PSE participants for permanent unsubsidized employment.

Combining Social Policy Goals

For those who regard the social policy goals of PSE as paramount, the essential question is: How should the objectives under this heading come together? Is social targeting enough standing by itself? Is targeting enough if it is combined with the accomplishment of a considerable amount of useful work in the public sector? How important is transition in this equation? Without success in transition, one can argue that the PSE program must either (1) return participants to the pool of the unemployed, or (2) serve as a permanent situation for the participants as well as the jurisdictions involved.

Even if the transition findings are positive, however, there is still the question of the mutuality of PSE's social goals. As noted above, the objective of service provision may be more difficult to achieve if transition

is also required. The same tension is possible between targeting and transition requirements. Such competition, where it occurs, is an important constraint on program design.

The Limits of Social Policy for PSE

Two practical points stressed at the meeting of the National Commission for Manpower Policy at which the preliminary findings of this study were presented need to be added here. First, a balance needs to be struck between the national social objectives of PSE and the value of the program to prime sponsors. Because it is a decentralized program under which the cooperation of state and local governments is essential,² requirements that are not reasonably acceptable to sponsoring governments may cause them either to decline to participate or to find ways to circumvent federal mandates.

A second practical point about the social objectives of PSE relates to its overall public acceptance. In the same way that national requirements for social targeting can weaken the support of local governmental sponsors, they can also cause the program to be characterized as a program for disadvantaged workers on a basis that limits opportunities for PSE participants to obtain permanent employment in the private sector.

The administration's proposed welfare reform plan has to be considered in relation to both of these points. Should disadvantaged persons be separately identified under local CETA-PSE programs and tied more closely to the welfare system, as recommended under the "Better Jobs and Income" proposal? The analysis form for the second round of field research for this study asks associates to comment on the ability and willingness of the prime

2. See the discussion of "The CETA System" in chapter 6.

sponsor governments in the Brookings sample to create specially designated minimum-wage jobs for welfare recipients.

There is a note of irony in these qualifications about the social goals of PSE. In order to achieve the targeting and transition objectives of a nationally funded PSE program which requires the active involvement of local governments and private employers, it is possible that there is a point beyond which such social policy requirements cannot go. One can argue that adopting a countercyclical rationale (with its emphasis on shorter-term unemployment) as one of the objectives of PSE may facilitate efforts to relieve structural unemployment under the current CETA format by making the program more attractive to local governments. Even if one were to decide that national social objectives should be the main focus of PSE, the countercyclical rationale could in two important ways relieve the kinds of political problems which such a decision might produce; (1) by helping to obtain needed support and cooperation from local governments, and (2) by avoiding image problems for the program in the private sector. Such a synthesis of the countercyclical and social goals of PSE suggests that, from an operational and practical point of view, there is an advantage to having a single PSE program which includes both structural and cyclical components but does not make a sharp internal distinction between participants on this basis.

FISCAL RELIEF AS A PSE OBJECTIVE

The third main category of PSE objectives is fiscal relief. This is an especially important issue to the extent that displacement occurs under the PSE program. Displacement releases funds that would otherwise have to be used to fund the positions involved and in this respect affords fiscal relief to the recipient jurisdictions. Furthermore, this report indicates that the program maintenance effect of PSE was found to be greatest for distressed large cities. Hence, even without displacement, budgetary relief can be said to be provided to these jurisdictions.

To the extent that fiscal relief and service relief objectives are envisioned under PSE, we need to ask whether this budgetary assistance is going to the appropriate places.³ Two kinds of targeting are involved here-- jurisdictional targeting (to hardship jurisdictions) and social targeting (to needy individuals).

The former, jurisdictional targeting, ties closely to "urban policy," although there is no necessary reason to use employment and training programs to achieve fiscal and service relief objectives as part of a national urban policy focused on distressed cities. In fact, some urban experts argue to the contrary that a concentration of PSE funds in

3. Fiscal relief afforded by job displacement is, of course, prohibited under the law unless a waiver is obtained from DOL. Service relief resulting from the use of PSE participants to maintain programs and activities that would otherwise have been cut is not prohibited. In the former case, the point made here applies only if some measure of displacement is countenanced by federal officials, whether informally or otherwise, in the operation of the PSE program.

distressed cities is not appropriate because of declining population trends for these cities and their typically high municipal salary levels, as borne out by the data on PSE salary levels presented in chapter 5.

Formula Operations

The system for distributing PSE funds varies by title. Under title II prime sponsors are eligible for funding if their area has an unemployment rate of 6.5 percent or more. Funds are allocated on the basis of the prime sponsor's share of national unemployment.

Title VI funding is more responsive to variations in the severity of local unemployment. Half the funds are distributed according to the sponsor's share of national unemployment, one-quarter according to the share of unemployment in excess of 4.5 percent, and one-quarter according to the share of unemployed in "sub-areas" with unemployment greater than 6.5 percent.

Michael Wiseman, in evaluating the distribution of PSE funds, concludes that the program has been successful "to a modest extent" in concentrating programs in areas with high and persistent unemployment, but less successful in channeling funds to areas that have experienced major declines in employment as a result of the recent recession.⁴ A more recent analysis by the Office of State and Local Finance of the U.S. Department of the Treasury shows the PSE program to be "minimally effective in targeting funds to cities experiencing 'high' fiscal strain." The Treasury study compares the distribution of funds to sponsor governments under the PSE component

4. Michael Wiseman, "Public Employment as Fiscal Policy," Brookings Papers on Economic Activity 1 (1976): 67-104.

of the economic stimulus package with that for the local public works (LPW) and anti-recession financial assistance (ARFA) parts of this package.⁵ Because neither of these studies analyzed the effects of the title VI formula distribution separately from title II, they do not provide an adequate basis for projecting the effects of the administration's proposed extension of PSE funding, under which all PSE money would be distributed according to the title VI formula.

Trade-offs for Targeting Objectives

To the degree that it occurs under PSE, jurisdictional spreading--the tendency for federal grant-in-aid funds to be widely dispersed among jurisdictions--should be considered in relation to the national social objectives of the PSE program. Spreading is more likely to be acceptable if social targeting is highlighted as a PSE objective. This trade-off between a "people focus" and a jurisdictional focus for federal programs permeates domestic policy. To the extent that PSE has a people focus, one might argue that other instruments ought to be relied on more heavily to deal with the governmental dimension of urban hardship--for example, ARFA or its successor and the community development block grant program (CDBG).

5. "Report on the Fiscal Impact of the Economic Stimulus Package on Forty-Eight Large Urban Governments" (U.S. Department of the Treasury, Office of State and Local Finance, January 23, 1978), p. 6. Adjustments were necessary for consortia arrangements for some cities studied. An overall 21 percent deduction was also made for positions which are contracted out.

THE NEED TO SORT OUT OBJECTIVES

The purpose of this chapter is not to present the authors' policy preferences but to call attention to some of the trade-offs which must be considered in charting the future for PSE. This program, like many domestic programs, has had multiple objectives. (In fact, the PSE program can be said to be an especially distinguished example of multiple objectives.) This situation is unlikely to change dramatically in 1978. The major need currently is to sort out and articulate more clearly the national policy objectives of the PSE program.

In the process, it is important that the displacement issue, which was the basic reason for initiating this research, be put in its proper perspective. Displacement under PSE is only part of the story of the program's economic impact. If displacement occurs in a way that causes local tax reduction or stabilization, there is a stimulus effect in the private sector, although not necessarily on as job-intensive a basis as under conditions in which displacement does not occur. However, if the creation of new jobs and the reduction of unemployment are primary goals of PSE, then concern about displacement is appropriately placed.

In regard to the social policy objectives of PSE, the displacement issue is more complicated. If displacement occurs in a manner that changes the composition of the labor force of a local government and at the same time leads to the transition of disadvantaged persons into regular jobs, it could be determined that this outcome is cost-effective in comparison to other social programs aimed at reducing poverty and dependency.

In the case of fiscal relief as a possible objective of PSE, the displacement issue has to be regarded on a quite different basis from what has been conventional. To the extent this objective is countenanced under PSE, it depends upon the acceptance of some measure of job displacement and fiscal substitution under the program.

In sum, the displacement issue is important in regard to the capability of the PSE program to stimulate the creation of new jobs as a way of relieving unemployment and in terms of aiding the disadvantaged without penalizing other groups. Putting this issue in a better perspective should be an important part of efforts to articulate more clearly the goals of the CETA-PSE program.

APPENDIX A

EXCERPTS FROM THE TRANSCRIPT OF THE FEBRUARY 1, 1978,
CONFERENCE OF FIELD RESEARCH ASSOCIATES

Appendix A

EXCERPTS FROM THE TRANSCRIPT OF THE FEBRUARY 1, 1978, CONFERENCE OF FIELD RESEARCH ASSOCIATES

The second conference of the field research associates was held in Washington, February 1, 1978. The purpose of the transcribed portion of the conference, chaired by Richard P. Nathan, was to obtain information from the associates on developments since the submission of their first field reports. As in the body of the report, the names of field sites are not given in discussions of the employment and fiscal effects of the PSE program.

Program Buildup and Administration

CHAIR: The first topic we will consider is the pace of program buildup and administrative problems and issues.

HALL: In Phoenix, Arizona, at the current time there are 3,130 positions authorized for that prime sponsor. Approximately one-half of those positions are maintained within city government, and the other half are allocated to private nonprofit organizations, school districts, and the state of Arizona. As of December 31, 1977, there were 506 vacancies, which is a 16 percent vacancy rate.

The pace of the program from the point of view of the CETA administration in the city and the U.S. Department of Labor (DOL) has been satisfactory in most areas. Problems have occurred, however, especially filling slots allocated to the state of Arizona. The vacancy rate there was 22.5 percent, mainly because the state was not able to find people who qualified for the kinds of jobs it wanted to create.

The Phoenix city council met recently to do something about the overall vacancy rate. They took steps to achieve better cooperation between the recruiting agency for title VI, which is the employment service, the city

personnel agency, and the personnel agency of the state of Arizona. One step involves placing an employment service recruiting official in the personnel office of the city so that recruitment and hiring will be physically located in the same place for the first time.

This is not the first organizational change. An official I talked to described the early days as "mass confusion." One result was the creation of an agency within the city government, called the "job stimulus department," which was assigned the responsibility of filling title VI project slots retained by the city. That office is separate, although it is under the CETA administration.

The CETA administration, an umbrella agency, and the job stimulus department are only two of several units. Other city offices affected by CETA are the city manager's office, the budget and research department, the city council's CETA subcommittee, the personnel department and the manpower advisory commission. All are key actors that are implementing CETA in Phoenix.

I will just list briefly a few of the problems under this system. There are problems caused by the speed of the buildup and the city's administrative fragmentation. There are also problems of supervision, coordination of statistical and accounting information, verification of eligibility, and until recently lack of job development.

LIEBSCHUTZ: Rochester, New York, has satisfactorily met its schedule of hiring under the PSE program, despite the fact that the city had to absorb millions of additional federal dollars. As of the end of December there were approximately 1,000 authorized PSE positions, with less than 10 percent unfilled.

Let me take a minute to talk about two causes of those vacancies. First, in many cases job specifications and the qualifications of the unemployed did not match, for example, for such positions as school nurse's aide.

The second cause of vacancies had to do with positions where the turnover rate is normally high, as in the case of security guards.

Rochester has moved from about 20 percent of its PSE positions in July allocated to CBOs* to over 50 percent in December. The administration of the CBO projects was handled in a decentralized fashion. The Community Chest, under contract with the city, was given the responsibility to "develop, evaluate, recommend to the city, and later monitor the operations of nongovernmental organizations with CETA projects."

In September, the Community Chest certified 53 of approximately 140 project proposals that had been presented for funding, including a \$35,000 project for the Gay Alliance of Monroe County to conduct a survey of possible discrimination against homosexuals in employment and housing. This caused a great deal of controversy. Before the city council had an opportunity to consider the certification by the Community Chest, a member of the council became aware of this commendation and the resulting publicity took the Middle East off the front page of the Rochester papers. The council tabled the matter. Many people protested to the Community Chest, thinking that the Community Chest itself was going to be funding this project. The Chest reconsidered its relationship with the city and withdrew from its contract. At that point, the city contracted with the Urban League. The Urban League

*Community-based organizations, referred to in the body of the report as nonprofit organizations.

reconsidered all of the project proposals and recommended approximately one-third of them to the city, including the proposal for the funding of the Gay Alliance, which the council then approved.

MAC MANUS: In Houston, Texas, city officials are generally wary of federal funds unless they are for construction projects. One of the problems that I ran into was severe organizational shortcomings. The CETA programs are a separate division, as are community development and the administrative units for other federal programs. They are not housed in city hall. They are commonly viewed as a payoff to minorities. Consequently, the attitude at city hall is basically, "Let these groups do what they want with these funds." There was generally a low level of information about this program on the part of city officials and consequently one official pretty fully controls these funds. There have been political problems and the city has not met its goal; the highest it has gotten is about 59 percent. The shortfall is mainly attributable to administrative problems.

To give an example of some of the problems that have occurred, the city had trouble building up a pool of applicants because the administering agency could not interview people who applied for title II and title VI positions at the same time. Consequently, many people were coming down there on reading advertisements in the paper, "Jobs Available," and being told that they came on the wrong day, that it was title VI today and title II was last week.

Another problem was also related to the advertisements, which implied that if people came down they would get a job that day and a paycheck the next week. A large proportion of the city's program is run through CEOs;

many of them are small, and their financial systems are not capable of paying these people quickly. They have to wait until they get the money from the city; by that time three or four weeks have elapsed and participants have not gotten their checks so they quit.

Employment and Fiscal Effects

CHAIR: I would like to ask the next four speakers to concentrate on changes they have noticed in their jurisdictions from July to December in the employment effects of the program and its related fiscal effects.

ASSOCIATE: The expansion of title VI project has had a great effect on our city in terms of the types of projects undertaken. Title II and VI sustainment activities, which had begun some years before, were much more likely to be in the prime service areas, for example, public works, parks and recreation, real property, taking care of the property of the city.

When title VI projects came along they gave the city an opportunity to expand what they were doing and get into variable services, community activities, one-time projects; it gave them a chance to be creative and to think about the needs of the community. I would say that displacement since the summer has been greatly reduced by the project approach.

There is another important point here, and that is the fact that there is a one-year limit on project VI employment. It does not give the city a chance to become reliant on a particular service. It's nice to deliver a new service, but you are politically vulnerable when you take that service away a year later, so these projects are often farmed out. It is not to the advantage of the city to use project slots in any kind of a

political way because if someone is hired and fired in a year, they often remember who fired them instead of who hired them.

In terms of fiscal effects, I would say the main effects continue to be job creation and tax stabilization. The city has a very high tax rate and very limited revenue instruments. The main burden falls on the property tax. There are tremendous budgetary constraints on local government.

ASSOCIATE: I will focus my remarks primarily on the city government and the nonprofit CBOs. With respect to city government and the basic title II and title VI sustainment programs, the PSE program was pretty much in place some months prior to July 15. The interesting thing is that there has not been that much expansion under the stimulus program in the city government itself. The office administering PSE has had a fairly difficult time selling the project approach; in general, city departments have been quite wary about getting into PSE any deeper than they already are. This is quite clearly indicated by the fact that city departments account for only about 12 percent of the title VI projects filled as of December 31, 1977.

Looking across all titles, I believe that employment effects in city government have been almost entirely job creation, and within the job creation category, the effects have been to expand services in a number of program areas including law enforcement, sanitation, libraries, and health.

It is difficult to assess the extent to which these program expansions are self-perpetuating--whether they are creating their own demand. Many of the people I interviewed are program managers, and as anyone who has worked

in the government budget process knows, the program manager is the first to say that his program cannot possibly be cut. One official told me that once a service is extended in the city, it can never be withdrawn. I am skeptical about that. This city is quite fiscally conservative, and my guess is that if PSE were not available, much of the service increment made possible by PSE would be cut back.

I will now shift briefly to the nonprofit picture. There is no question but that much of the PSE growth which has occurred since July 15 has been in the nonprofit sector. The number of title VI participants working for nonprofits went up tenfold between July 15 and December 31.

In sum, what is happening is that the city through PSE is providing jobs to many community organizations that were part of the OEO-Model Cities network, plus many new organizations which, as one program manager said, are "coming out of the woodwork" and organizing to take advantage of PSE availability. Thus, the nonprofits are generating the program volume which the city government and other governmental units have been unable or unwilling to produce in order to reach hiring goals.

CHAIR: As the title VI projects have increased, and as CBOs are becoming more and more important as sponsoring agencies, what do you think this may mean for transition to regular employment?

ASSOCIATE: As you look at the list of some 300 to 350 organizations which are participating as CBOs, you notice significant numbers of organizations with Latin titles or with neighborhood group or church affiliations. You get the clear impression that there is a good deal of social targeting going on as a result of PSE expansion to the CBOs. My impression, and the impression of people I talked to, is that many of these are marginal operations. It will

be very difficult to tell whether there is displacement going on, because these organizations have proliferated and there is so much movement in and out of them. Certainly, the general impression so far is that transition will be severely limited, and these people will probably be looking to the next strap to grab after PSE works its way through the history of federal programs.

CHAIR: Any other comments?

ASSOCIATE: My perception is that CBOs may present a better opportunity for people to gain unsubsidized employment when their participation in PSE is over, for two reasons. One is the turnover in CBOs; the turnover in their regular employees is so great that if they are happy with the way a PSE participant has performed on the job, they are likely to move that person into a slot, or that person will be next in line to go into a slot when someone leaves. It's not really a question of creating a new job. I agree on that. It is very difficult for a lot of these organizations which are very small to raise money.

The other reason is that it is to a person's advantage that there are fewer people in CBOs, because then the organization can show more of a concern and become more of an advocate for the people in the program. Even if a job can't be found for a person in their particular organization, at times I have noticed they have gone out of their way to see what can be done for the person, becoming an advocate for them to get a job somewhere else within the CPD or another agency.

CHAIR: Eli?

GINZBERG: Implicit in what I heard you say is that the CBOs have to continue to be funded to have the overhead jobs which they will then put these people into, so-called structured jobs of their own. An equally critical question for us is, do the CBOs do better or worse in getting them into the private sector and/or regular jobs? All you have said is that as long as there is enough funding for CBOs and there is a turnover in the overhead structure, you can get some people out of the work force into the overhead structure.

ASSOCIATE: It could take place in another organization.

ASSOCIATE: Due to the fact that most of the people who have gone into project slots have not terminated yet, this spring will tell the tale of what will happen to the majority of these people. People have not had to face up to that yet.

CHAIR: Do you see a prospect that in the smaller organizations with lines out to the community a successful worker can be placed in some kind of permanent and regular kind of activity, possibly outside of a CBO? Does the federal funding have to continue for that transition to take place?

ASSOCIATE: I am not optimistic about the possibility of it taking place in the private sector. Many of the neighborhood groups and CBOs in our city that have public service employees, in fact, are quite specialized. In addition, they are often looking for a special person under PSE who happens to fit what they are doing at that particular time. These are often things that don't have much applicability, necessarily, in the larger labor market.

CHAIR: Is there anyone else from a big city who would like to quickly make a comment about the relationship between increased title VI's and the transition capability that goes with that?

ASSOCIATE: I wanted to comment on that point. With respect to the CBOs, there are three kinds of CBO structures. First are those that have been established specifically to serve particular functions under the CETA program; the intent there is to provide a certain community with employment. If federal funds do not come down, that group will dissolve.

There is another set of CBOs which have been in the volunteer business for an extended period of time. These groups may bring on one or two PSE workers to serve in a particular capacity. They too will survive only insofar as there is federal funding, and then they will drop off. Whether the PSE workers there get skills to then go to another job is a matter of conjecture; they will only stay as long as federal funds are available. They will be replaced by volunteers.

There is a third group that is even more difficult to get at. These are groups that provide particular kinds of services to the community, be it an old-age food program or the like. They have supplemental funding from other sources. On the question of whether or not PSE workers in these CBOs would later find jobs in the private sector, in my judgment, it is not likely.

ASSOCIATE: We may find well-established volunteer CBOs with boards of directors who represent the private sector, where participants have a good opportunity for transition from CETA positions within the volunteer agencies into unsubsidized employment in the private sector.

CHAIR: Have you seen any evidence of that?

ASSOCIATE: No, but I am going to look for it.

CHAIR: Our next speaker is from a county government.

ASSOCIATE: In my jurisdiction, I think there has been a major increase in displacement since July. In trying to classify the causes for that increase, I have identified four categories. The first is absorption. I am seeing a lot more of that than I expected to see, in the library, for example.

Second, there is simply more conscious displacement than there was in July. The county has made a decision to put an additional twenty PSE people into what must be considered normal growth positions rather than commit funds that they had available to those positions. I talked with the personnel director about this. He said he advised the county commissioners against that, but in their words, PSE was just too convenient to avoid. They expect a decline in revenue four to five years down the road, and they are stockpiling funds against that decline.

The third reason for increased displacement in my jurisdiction has to do with transition policy. The county has a policy which was set by its manpower planning office, which has broad-based community membership, that all sustainment positions must lead to transition to permanent employment within two years or the subcontractor will lose the position.

One effect of this policy appears to be to reduce the number of people that local agencies will put in sustainment positions. They don't want to get committed to positions that they can't reasonably expect transition from. However, when that is a goal--to place people in permanent positions--agencies seem to feel more free to use PSE funds to train people or generally to use the funds for things that would not otherwise be done.

Since transition from PSE frequently means moving into permanent public employment, it appears to me that attempts to maximize the transition rates are frequently in conflict with other goals of the program, such as minimizing displacement and reaching social targeting objectives. Transition goals seem to foster "creaming." If an employer makes a commitment to transitioning all his people, he has to be prepared to put each person in a regular position. Generally, that also means there is likely to be more of a tendency to use PSE for positions that would be funded anyway.

The fourth and final cause of increased displacement, I think, is that there has been some unanticipated demand for public services, where there would have had to be a response, but since there was PSE available the county simply used PSE slots. An example of this is that the state has banned the use of herbicides for weed control alongside the roads. Some of the roads would simply grow over if you did not have some weed control, and local governments are using PSE positions for this purpose. Had PSE not been available, they would have had to hire some people for this task.

I am finding some displacement too in CBOs, although less. I am finding some CBOs that are hoarding money while using PSE positions. I asked if CBO officials thought PSE was going to go away. They said that they did not think it was going to go away, but they did not think they would get a piece of the action for very long, because the way the local governments were eating up positions there would be less and less for CBOs. I don't think there is validity to their fears, but it is their reaction.

CHAIR: Does the increase in title VI and project PSEs and CBOs make targeting easier and transitioning harder?

ASSOCIATE: The city I am studying got started awfully late because of political problems and the handling of RFPs [requests for proposals]. In the initial round there were about 800 proposals; 384 projects were funded in July, and hiring for some of those positions is still going on. At the point at which our initial "snapshot" was taken there were virtually no projects, so that was not an important part of our analysis. We are just now doing the characteristics of people in project slots.

I think we can make several quick observations. The first is that we are perplexed by the system of filling project positions. The filling of those projects rivalled the National Science Foundation grant-making in its complexity, with twenty-two attributes that projects were rated on.

We are trying to analyze the revealed preference of the bureaucracy in choosing among the applicants. The curious thing is that the initial funding filled 384 projects, but when they got more money, instead of issuing another round of RFPs, they kept going down the list. So ultimately it only meant a delay of requests.

On turnover, since projects have been filled recently, we have not seen very much of that. I am intrigued by the fact that CBOs tend to be low-wage operations, compared to city government, and that may mean higher transition. That would be an interesting consequence. I do not, however, hold out great hopes for the ability of CBOs to effect transition into the private sector. Our evidence is weak on that. I would like to wait awhile longer to see.

One of the things that seems to be coming out of the discussions we have been having is the significance of personality--the style of business and operation of these programs. The perplexing thing for an economist

is that all those stories we tell of response to grants in terms of the marginal pay rate and all has nothing to do with it. It depends an awful lot on the personality of the key officials.

I will mention two other points. One is the out-of-the-walls effect for CBOs. No one realized there were community-based organizations like the community-based organizations we found. The second point, and the last that I want to make is that I am disturbed about transition as the only or main criterion of success. It seems to me what the federal government is interested in doing is to buy a job with a certain kind of characteristic for a certain kind of person. The monitoring effort should ask, when we go into CBOs, do we see that kind of person getting those kinds of jobs? Eight-to-five jobs? Well-managed? Do they give people skills and steady work experience that they have not had?

As soon as we start pushing this transition everybody knows how you make transitions--you hire the best people possible. I am very frightened about transition as a barometer of success or of the qualifications of organizations to operate these programs.

Functional Areas and Activities of PSE Participants

CHAIR: We now move to the third subject area, the program effects of PSE. What kinds of things are people doing, and what would you say in general terms about their output for the community and relative productivity?

ASSOCIATE: It is useful to classify activities into sustainment and project. Under sustainment there have been major and minor changes, as well as a continuation of what has happened since July.

Above all, there has been a continued emphasis on the preservation of essential city services in the city I am studying in the wake of high, although now declining, unemployment.

In the way of changes, something that did not show up in the first round is the emphasis on educational programs. The first snapshot date was in July, when the school systems were not operating.

The highest priority both in the city and the schools has been protective services. Crime is a major problem, there has been a strong emphasis on crime prevention. Beyond that, there has been an emphasis on the utilities and sanitation--garbage collecting being a prime example.

Another major activity, one that is continuing to grow, is social service activities under sustainment, particularly youth activities, and to some degree activities for the elderly and handicapped.

An additional activity has been beautification, making the city aesthetically more attractive. This includes recreational activities, and in the public works area, cleaning alleys, improving parks, nature trails, and the like.

In the area of educational programs, besides the security emphasis, there has also been, as in many other jurisdictions, I would hazard to guess, an emphasis on educational and technical assistance programs, teachers' aides, nurses' aides, clerical help.

Under the project approach, as in the other jurisdictions, there has been an increased usage of CBOs. Now approximately 40 percent of the project slots go to CBOs, whereas under the sustainment part of title II and title VI it has been a very small percentage. Under projects the emphasis has been in the area of social services--youth activities, programs for the elderly,

programs for the handicapped. In the area we talked about earlier-- transition--there have been some attempts at fairly innovative programs in terms of transition from the CBOs to private employment. The idea is that there are some general management functions, if you will, that all organizations do and all CBOs have to provide, whether they are federally funded or funded from some other organization. They have to have accountants; they have to have administrative staff. So through the accounting society, for one, there is a program to place accountants and bookkeepers in a community organization with the hope that afterwards the CBOs will be able to either hold these people on their staff or transfer them to private employment.

And, in addition to placement into a PSE slot, there is also some training involved, accounting training and bookkeeping training. Here it's an OJT [on-the-job training] project, as well as having some classroom aspects to it.

In terms of output and impact, the major ones have been in the area of crime prevention and protection services. Crime, while it is still quite high, has declined significantly, and has declined to a greater degree than in other large cities. I noted there was an emphasis on youth activities; working with youth gangs appears to have been important where declines in crime have been achieved. Obviously, CETA is not solely responsible for it, but I think its contribution has been significant.

ASSOCIATE: The city I am studying has used all of its title II and title VI sustainment slots in traditional city jobs. Seventy percent of its title VI project funds have been used in city jobs. This leaves 200

positions for nonprofits. This, of course, is a low level of CBO activity and it did not start until August of 1977.

The types of activities carried out by the PSE participants can almost be predicted by the way in which the decisions were made as to how slots would be filled. At the CETA Planning Office, the planning process was to receive directives out of the mayor's office as to which existing city departments had budget deficits and to provide PSE participants for positions in those agencies.

Prior to title VI projects, the city was taking 35 percent rehires into the program. These were people who had been laid off and were not being brought back into their city jobs. Title II positions were heavily used for police and fire. The Department of Labor finally leaned on the city heavily enough, so that situation has changed, but title II slots are still being used for traditional functions, like street repair and maintenance and parks, although very few white-collar positions. These are jobs you can see. That seems to be the thrust of the administration. We want people to see that these are real jobs.

Title VI sustainment positions are fairly widely distributed among city agencies, parks and streets, etc., although they have now begun to use title VI sustainment positions for projects such as emergency medical services. In terms of the type of activities, once again, it is jobs you can see, operatives, truck drivers, laborers.

The main effects of PSE are maintenance of service levels within existing functions and expanding some services in under-budgeted areas. For title VI projects, it is my impression that these positions are seen as a nuisance that will go away and therefore should be used for jobs where you don't

want to build up expectations. This is not the whole story. Title VI projects are being used to supplement police services to get policemen out of the office and onto the street by hiring para-police under PSE. They have 250 positions, though they can't hire that quickly; para-police are largely female. This is a real benefit to the city. We had a problem of lack of policemen on the streets; this should help change that situation.

I want to talk about two other things: One is subcontracting and outstationing. As I said, we have had little subcontracting under PSE so far. Of 200 people, about 50 have been assigned to the schools, all of them as guards. Another 25 have been assigned to the housing authority, all as guards. Another 15 to the libraries, not all of them, but most of them, as guards too. The remaining 100 or so seem to have focused on culture and the arts--dance, theater, the art association, things that people come and see and can identify with the city. There is an informal policy against using any PSE money to support "research type" positions.

We were told by the CETA administrator that plans are now being made to outstation under title II. This would represent a major change; they want to outstation to nonprofits. My speculation is that the city anticipates a cutback and is trying to hedge its bets. They have been vastly overextended in the use of title II funds for traditional services. They plan to outstation 30 to 35 percent of their allotment to nonprofits. If a PSE cut comes they will stop outstationing to nonprofits and not hamper city services.

They want to focus on highly physical kinds of activities--winterization programs for the elderly, for example.

LUCY: I am going to talk about Charlottesville, Virginia, a city of about 40,000. The city manager told the department heads to meet two primary

goals: One was to create slots that would involve productive work and increase output, but to make certain that those jobs would not need city funding in the absence of PSE or at the end of PSE.

A second goal was to have a reasonable mix of participant characteristics, but that was definitely a second-order goal, assigned to the personnel department to implement and monitor.

The types of positions that have been funded has been very diverse, more blue-collar than white-collar, but a substantial number of white-collar positions. The mix includes maintenance and construction jobs, management, clerical jobs and social service jobs. There have been no jobs in protective services, or education.

The new projects ran the gamut. They involved fencing, landscaping, repairing playground equipment, working on new parks, hiring someone to handle recruitment of senior citizen volunteers, and doing land-use surveys.

Other activities have been in the nature of increasing the quality of regular services, things like weed cutting on rights of way, street sign replacement, relocating gas meters, youth counselling in community detention halls, cleaning up the mall, and things of that sort. The impact on the community has been quite positive. Department heads in general are enthusiastic. There is some concern about the productivity of some of the workers, especially in the parks, and because of problems there, the parks department will have fewer slots in the future. Park officials believe the hassle of managing PSE workers is not worth the effort it takes.

Since July, there has been only about a 6 percent increase in the total number of slots in the city. This suggests that the city may be nearing its saturation point as far as its direct use of PSE participants

is concerned.

STEIB: There have not been major changes in PSE activities in Tulsa since the summer, with the exception that PSE is being used to fill public school teaching slots. Since school was not in session in the summer, such a change would be expected.

There are 681 authorized slots with a vacancy rate below 10 percent. Those 681 slots are divided between CBOs and the city government.

In describing the activity in the city government I think the most telling thing is that 80 percent of its slots are in four departments: water and sewer, parks and recreation, refuse, and streets. The activities of those people are fairly typical. They are expanding services as well as maintaining services. We especially observed an expansion of park and recreation services and an increase in the frequency of refuse collection.

Within CBOs there is a wide array of services in ninety CBOs, a typical CBO having two or three PSE positions. There is some emphasis on health care and aid to the handicapped, culture and the arts, and social services.

Characteristics of Participants

ATHOS: Seminole County, Florida, is a small county with urban, suburban, and rural areas. Despite the fact that women make up approximately the same percentage of the county's labor force and the PSE labor force, the difference in the occupational classifications is phenomenal. Within the PSE force, we found women in all occupational categories, well represented. In the county labor force, they are almost exclusively concentrated in service and clerical positions.

In terms of minority representation, which is quite distinguishable, the PSE labor force is 27 percent black and Spanish-American--an increase since our first snapshot--compared to the county's labor force which is 13 percent.

There is no doubt that the use of CBOs explains the social targeting of this program. If you look at Seminole County over the last three or four years, minority representation in the regular county labor force has been unchanged. They don't even have an affirmative action plan. Despite this, 25 percent of all title II participants are black, which basically reflects the philosophy of the county, which is that this is a federal program. They've never had a federal program of this size. Their attitude is that PSE has as an objective social targeting; whether we like it or not we're going to do it.

Since the first snapshot, one of the most obvious changes in the participant mix is due to the fact that many of the managerial and professional PSE participants have moved into the regular county labor force. A higher percentage of minorities are left behind, blacks particularly, and to a lesser extent women, concentrated in lower occupational and minimum wage PSE positions. This trend also reflects the increase in title VI project positions. What we're doing is getting down to the bottom of the barrel. There are fewer innovative projects and a lot more short-term clean-up, labor-type projects.

Briefly, since I should also discuss other participant characteristics, there has been a small increase in the number of participants under the age of twenty-two. However, it is significant. Since July we've had a 20 percent

increase in the total number of PSE participants and the proportion of young people has increased by 5 percent; so has the number of people with less than twelve years of education. There has also been an increase in the number of AFDC recipients which obviously is a reflection of the increase in project positions.

GAGE: There are similarities between Seminole County, Florida, and Arapahoe County, Colorado. Arapahoe County has a relatively small program of some 300 slots. It is relatively affluent suburban county with a lot of urban development. This naturally influences who comes into the program. Although there are dangers in generalizing, PSE participants tend to be younger and inexperienced. There is a higher minority representation, particularly in terms of Chicanos, than there is in county government generally. There is social targeting on female heads of households, divorced women with children. There is also quite a number of older participants, particularly in projects. This shows up a series of polar comparisons. You have young and old, but not too many middle-aged persons. You have hard-core problem people in the younger group in particular; you also have highly trained people for selected positions.

There seems to be a greater number of people since July at the professional levels, people with master's degrees. I think this is caused by the start up of increased CBO activity, now 25 percent of the 300 jobs being filled. The mix would, I suspect, be very different in a large core city.

JERNBERG: I am reporting on St. Paul, Minnesota, along with Dana Young. St. Paul treats CETA and PSE very seriously. They have as

their primary goal employment, not displacement, not providing traditional services.

In terms of characteristics, St. Paul does not target for any particular group except veterans, though they are having trouble meeting this goal. There is no special stress on AFDC recipients or women or minorities. The prime sponsor feels that the outcomes they have been getting since they started are as good as if they had had a more elaborate strategy. They feel they have a good information network, there is no bias in the system and everybody's got a fair chance.

One of the things I think we ought to stress is that targeting goals are not easily met in Minnesota. We have a very small minority population, and, while Minnesota has a sizable Native American population, it turns out that the Native Americans in urban areas are concentrated in Minneapolis, not St. Paul. Minnesota also has a reputation for success in terms of the completion of high school, reflected by the rather low turndown rate for the military draft in previous years.

The population of St. Paul is about 300,000, about 5 percent minority. Minority employment in city government generally is about 5 percent. When you look at PSE you find that St. Paul is doing a good job. In title II there is 26 percent minority, for title VI sustainment it is 46 percent as of December 31 and 36 percent in title VI projects. St. Paul is doing its share.

Even without a targeting strategy, there are many more women than otherwise would be the case. The city government work force is 73 percent male. PSE title II is 60 percent male, title VI sustainment, 59 percent male, and title VI

project, 64 percent male.

The interesting thing to me is that there has been little noticeable change in characteristics from the first snapshot to the second. One change, however, was a doubling in minority participation in title VI projects, mostly I think because there were just a lot of unemployed, highly talented people waiting for something like projects and St. Paul early on approved a project for highly skilled artists. So there was very low minority participation in projects in August, and a doubling to 36 percent in December.

To me, the interesting comparison is not from summer to December but what happened before PSE. St. Paul has a couple of decision rules. One is a \$10,000 limit; there is no supplement on that. This rule serves to push towards PSE employment outside of government. Some 70 percent of total PSE employment is subcontracted out, most of it to nonprofits. There is also a one-year limit on employment. Employment is the goal and, since the fall of 1976, St. Paul has had a policy whereby to be eligible you must be eligible under the new title VI eligibility requirements. There is a "de-creaming" effect in St. Paul. If I can give you a few contrasts, the previous year, minority employment under title II was 15 percent. By August of 1977 that had gone up to 26 percent. In title VI sustainment in 1976, before the new eligibility requirements, minority employment was 24 percent. It had gone up to 43 percent by December 1977.

In terms of economic disadvantage, PSE-II the previous year was 35 percent; this past August it was 79 percent, and it dropped to 78 percent by December. In title VI, sustainment, it was 42 percent the year before.

With the new eligibility requirements it has gone up to 86 percent and now 87 percent. For title VI projects it's now 87 percent.

We don't have a love affair with St. Paul; we had some data gathering problems with them, but my impression is they seem to be trying hard to get the job done in terms of meeting the eligibility requirements and policies of DOL and getting people to work.

WISEMAN: Do you know how many other prime sponsors are taking everybody on the new title VI requirements, shifting all hiring over to those requirements? San Francisco does that, too.

WENDEL: St. Louis always did.

CHAIR: Our next speaker is studying two counties, or parishes, in Louisiana.

WAGONER: Both Orleans Parish [New Orleans] and Jefferson Parish are about 90 percent urban. In all other respects, however, they differ significantly. Since my discussion of the characteristics of the participants will depend on what parish they are in, I want to make a few remarks on the parishes themselves.

Jefferson Parish is roughly 13 percent black and New Orleans is 46 percent black. In terms of population growth between 1960 and 1970, Jefferson grew by 61 percent, Orleans' population fell by 5.6 percent. The educational level of Jefferson Parish exceeds 12 years, which for Louisiana is well educated. Orleans Parish is less than 11--there's a 1.5-year difference in educational level. The median family income in Jefferson Parish is 140 percent that of Orleans Parish. Jefferson Parish has only 8.5 percent poor families and Orleans Parish has 21.6 percent.

In essence, Jefferson Parish is a bedroom for New Orleans; the bulk of the labor force in Jefferson commutes across the parish line to work in New Orleans.

I have to start off by apologizing because in November the Department of Labor found that 549 people claimed to be in the CETA program in New Orleans were not there. As of now this looks like a management systems problem. People have been resigning for a long time and no one noticed. CETA people were not told about it and continued to carry them as employees.

Let me make some remarks about the differences between now and July. The total for CETA in New Orleans is up. It's difficult to say exactly how many, given what I've just said, but it is up by more than 500. In title VI there are now, and this is a fairly hard figure, 1,836 people. Participants are 55 percent male and 45 percent female. One of the biggest changes since July is the large increase in the number of females, up from barely a third in July to 45 percent in December.

The CETA population in New Orleans under title VI was 34 percent black as of December. Again, remember, New Orleans has a 46-47 percent black population. There has been a relatively important increase in these terms since July. It's hard to say exactly how much, but there has been an increase. There has also been an increase under title VI in the number and percent of participants on aid to families with dependent children or some other form of public assistance.

Title II for New Orleans now has a total of 637 participants. Again that is up but I don't know exactly how much. That group is 42 percent female; there has been little change in this proportion since July. This group is about 95 percent black and that represents a significant increase,

up from about 85 percent in July. Again there has been an increase in the number and percent of participants on aid to families with dependent children.

Now I come to the most distressing statistic of all. From October 1, 1977, to December 31, 1977, of the total 1,836 people in title VI, six entered unsubsidized employment. Of the 637 in title II, two people entered unsubsidized jobs.

In Jefferson Parish, overall CETA employment is up by 144, not a great deal, but it is up. Under title VI, there are 424 people, up by 160, male 43 percent, female 57 percent. There is very little change in these terms and the white-black proportion has also remained about constant, although there has been a slight increase in the percentage of blacks in the program, now about half. There has been 100 percent increase in the number of Indians--from one up to two. Again, there has been in Jefferson Parish a relative increase in the number and percent of participants on aid to families with dependent children and other forms of public assistance under title VI.

Under title II, there were 102 people in December, down 16 since July. I don't know why it fell but it did. Males accounted for 34 percent, females 66 percent. That represents a significant increase in females from about 46 percent in July. There were 55 percent whites and 45 percent blacks under title VI in Jefferson Parish in December; here we had an increase in the percentage of whites since July. Title II was about 63 percent black in July and now it is about 45 percent black. Again, in Jefferson Parish, under title II, there has been a relative increase in the number and percent of people on aid to families with dependent children.

There has been very little change in the age distribution so I will stop here.

CHAIR: You get the prize for covering a lot very quickly.

Transition Experience

CHAIR: The next group of speakers will concentrate on transition experience.

JACKSON: I am studying five rural counties in Southern Illinois. Transition is something that is given a lot of lip service. It is an important kind of symbol and I think it helps to legitimate the program. The people I deal with are very conservative people--especially public officials and the representatives of private industry on various advisory commissions. They are very big on transition and how this is an important program because it helps train people and get them into some kind of permanent job, ultimately in the private sector.

Yet in reality they are somewhat vulnerable on this point. The place where it operates best it seems to me is clearly in the public sector slots. There has been some transition and there continues to be some successful transition from public sector CETA spots into standard jobs at the court houses and city hall. What they do is take the CETA people and put them to work and when a regular slot comes open, when there is a retirement or resignation or whatever, they take the best CETA person and move them into that slot.

A county commissioner told me that CETA enabled them to get away from patronage as a way of filling these slots. It gives them a chance to find out who are the best employees; they take them instead of hiring in a patronage fashion.

There is less transition taking place to the private sector. They did a study of this which I have not had a chance to get through yet, but officials are aware of this as a problem and they are making an effort to do better. They are giving high priority to several special projects, because the projects are in areas where there are related personnel needs in the private sector. There is a big special project on registered nurses, for example, with training by one of the community colleges. There is another project on the maintenance of industrial machinery because several large industries have indicated a need for maintenance people. I think they are really worrying about transition. I think they would say that giving people a job and training is terribly important in spite of the fact that they are not as successful as they would like on transition. They would point out that a lot of times this is the first job a person has had. While they may not be getting a specific technical training that they did not have before, they are getting something perhaps more important and that is the experience of having a job, the experience of showing up at work on time. They are learning what it means to work with peers, what it means to get along with the boss, and a whole lot of things we take for granted. Officials involved in the Shawnee consortium would say this is terribly important-- that while PSE may not lead directly to an unsubsidized job, it will make these people much more marketable in the long run.

PALMER: Jim Horan and I are reporting on the Penobscot consortium which covers two counties in Maine, Penobscot County and Hancock County. They have a total population of about 200,000 people and about 170 PSE positions.

I would like to start by talking about the relationship between training and transition. The primary government we are looking at in this consortium is the city of Bangor. Bangor does not have its own program as such because it is not a prime sponsor. But several of the positions that Bangor got from the consortium involve training, positions such as work in the rodent extermination and lead poisoning control program.

The consortium itself maintains an extensive training program. The consortium utilizes CETA title I as the core program, and the entire emphasis of title I is on training programs, work experience, classroom training, and on-the-job training.

The consortium regards training potential as a significant factor in choosing employing agencies. One of the responsibilities of sponsors is to ensure that a particular job holds the promise of meeting certain criteria, such as training opportunities and transition possibilities.

Again, although the city of Bangor does not have a transition policy, the Penobscot consortium does, and it applies throughout the entire two-county area. The consortium's planned transition rate for fiscal year 1978 is 64 percent under title II and 52 percent under title VI. In the first quarter of fiscal year 1978 the actual transition rate on subsidized employment was 80 percent under title II and 50 percent under title VI. These figures are high, probably due to three factors.

Number one, very careful selection. In this consortium we are talking about 170 positions going to perhaps 80 units in total, which includes both governments and CBOs. Units have to demonstrate a need for the position and therefore the rate of job creation, too, has been very high.

Second, we are talking about small governments that have traditionally, because of the conservatism of Maine, tended to be understaffed. Therefore there is more opportunity for more people to remain in employment once they conclude their PSE program.

Third, and probably most important, the consortium maintains a conscious policy of transition. The rate of transition varies among communities in the consortium. It is relatively low in Bangor, we think because of the emphasis in Bangor on title VI positions. It was much higher in the other governments that have one, two, or three positions each, mostly under title II. It is also characteristic of transition that it tends to be into the public sector rather than the private.

There are no formal reports on transition experience. The data we use are from the management information system, filed with the consortium, and cross-checked with the personnel departments of the particular communities. The consortium states its transition policy in a letter sent to potential employment agencies. At the present time this letter is being revised. In a few weeks the consortium will be sending out a new letter saying that the employing agency must return a signed form certifying the length of time required for the PSE position, the kind of outcome to be expected, and a realistic expectation of the transition possibility.

KATZ: To date, the city of Boston has done little more than pay lipservice to the transitioning of PSE participants. Although the importance of transitioning is mentioned in contracts and used as a criterion for choosing projects, the lack of a monitoring process and compliance standard relegates transitioning to the status of suggestion

rather than a program priority. There are two explanations of the negligible role of transitioning to date. First of all the title VI project legislation with its heightened emphasis on fast job creation in areas with high unemployment has reduced transitioning to a concern (rather than a program requirement). This orientation has spread to the sustainment programs as well. The other influencing factor is that the Boston PSE office has not had to deal with a mass wave of participants leaving the program. Nine hundred sustainment participants have been in the program for over three years and the title VI projects will not produce a large turnover till late spring.

A recent regional DOL decision limiting all PSE participants to one year in the program means that all 3,800 PSE employees will be terminating over the course of this calendar year. This decision and the conscious strategy of creating new jobs as the key to economic development has elevated transitioning to a top priority status for the new PSE administration.

Plans to create a strong transitioning capability are emerging on two levels. On an organizational level all employment training programs have been organized under an Employment and Economic Policy Administration. This office also has responsibility for the Youth Employment Grant and for attracting new jobs in the private sector in Boston. City officials hope that this reorganization will offer the advantages of better coordination between skills training, employment experience, and the transitioning process. The administration plans to put a greater emphasis on client assessment and appropriate placement by having at

its hands a wider range of training and employment opportunities. A centralized computer system which matches the needs of participants to available programs and jobs is also planned.

The other effort to improve transitioning will take place in the contracting and monitoring process. A new goal of 50 percent transitioning will be pursued by adopting placement standards in contracting with city and nonprofit agencies. Withdrawal of slots or no future contracts would be the penalty for noncompliance.

Even with this elaborate plan on the boards it is evident that major problems lie ahead. Perhaps the biggest barrier will be matching the types of jobs created by PSE to private sector opportunities. As is the case in many cities low-skilled and no-skill jobs are the quickest and easiest to create in order to meet the requirement for participation of target groups. New timetable pressures instituted by DOL have reinforced this type of job creation. At the end of the program the participant is a low-skilled transitioning prospect who will have to take a salary cut to enter a comparable job in the private sector. That job more often than not is nonexistent.

In order to transition PSE workers in stagnant and declining cities the PSE program will have to build stronger links with private industry (perhaps even include them in the program), have their finger on the pulse of regional industrial developments, and change the image of the PSE program for the participants, the community, and the business sector.

WENDEL: There are a number of unique aspects of the St. Louis program which give us an opportunity to at least address and maybe test some hypotheses, including Eli Ginzberg's challenging one concerning the ultimate test of PSE of being transferability.

St. Louis has 3,400 PSE employees on board right now, half in the city and half in CBOs. St. Louis has, from the very beginning, insisted upon targeting for low-income population. In other words, the kinds of title VI requirements which are coming down now are what St. Louis has followed intentionally since the very beginning. As a result, 30 percent of the PSE employees in St. Louis are from the welfare rolls, 75 percent are male, 70 percent are low-income as defined in the guidelines. There are no salaries in St. Louis above \$10,000. There is a one-year maximum. There is no inter-title transfer. Since 80 percent of the participants are black, this has resulted in a rather considerable outcry from white South St. Louis neighborhoods which claim that the four to one ratio, which is a target ratio of the St. Louis manpower office, discriminates against whites.

Now, what about the question of transition? As far as the city side is concerned, we have estimates that there is a fair amount of transition, even though most of the city employees under PSE are in entrance-level jobs, given the \$10,000 limit. I would say, as a ballpark estimate, that there may be 20 to 30 percent transition taking place. One of the reasons for this is that the city of St. Louis, in its regular employment, has very high

turnover. One out of four city jobs turns over each year. Of approximately 9,000 employees, 2,200 leave each year, approximately half by discharge and half by quitting.

The city has a \$25,000 pay maximum, including the mayor and all the surgeons in the city hospital. This morning we used the term "shovel jobs." This is a common one in St. Louis. You can always get a shovel job in city service in St. Louis because there is such a high turnover in these kinds of positions. We expect that in all likelihood this ballpark estimate which we received from a city manpower official of 20 to 30 percent transition in the city's PSE positions will probably be borne out as time goes along.

It is a much more difficult in the CBOs. As Alan Toney has already said, it is our belief that CBO pay scales generally are lower, although we accept the points made by several associates that there are different types of CBOs and one must look at them carefully. But generally speaking, for the forty small CBOs which have literally come out of the woodwork in St. Louis as everywhere else, and have approximately half of the 7,800 CBO employees, we find that the skills involved are very specialized and not very transferable.

Let's look at some other sponsors. The board of education is an interesting test case. It received 500 positions; that's going to be an interesting test of transferability.

About 500 slots were assigned to the housing authority. St. Louis is ahead of other places in tenant management; a lot of PSE slots have been subcontracted to tenant management corporations. How do you categorize these 80 lobby guards? I am not sure about the transferability there.

One other thing that has happened and this will be our final point. There have been a couple of bad scandals in the city which involved PSE employees. We had a break from the city jail. It turned out there were a lot of PSE guards and they were blamed publicly for laxity and inefficiency, contributing to the prison break. We also had a scandal on ambulance service and it turns out a large percentage, 40 percent or so, of the ambulance attendants and drivers involved are PSE. This got sticky, so they were put through a crash program of training and only 25 of 32 could pass the state ambulance attendant examination after training. This is contributing, unfortunately, to a bad image of PSE. We are prepared to offer a hypothesis that if these factors obtain in your area you may find that PSE experience will prove to be a negative factor in transition, particularly in the private sector.

Characteristics of the Program in Rural Areas

FARBER: In contrast to the metropolitan and suburban governments, public service employment in rural areas, if I may generalize from the South Dakota experience, has some rather significant aspects. With respect to the need and justification of the program, I have the feeling that rural problems that need to be met are being slighted in favor of the greater clout of politically motivated mayors and congressmen dependent upon urban votes. Many communities in South Dakota, plagued by lack of economic opportunity, need economic growth and more jobs. Yet many projects have little to do with meeting long-run employment needs.

I would like therefore to make several comments on this theme. On the basis of the work I have done, I think PSE is relatively

activities are neither necessary for supporting governmental functions nor related to plans for economic growth. Sustainment slots have tended to be different, ordinarily being assigned to essential activities or services, and they have much more chance of leading to permanent employment.

MABRY: I have one exception to bring up in a minute which suggests that, as we bring in PSE people without extra capital, productivity may fall off.

But the overall picture in this respect is good. If you have teachers' aides in eight classrooms, those people may be less productive than regular teachers, but you free regular teachers to do more productive tasks. There is likely to be a washout where average productivity does not actually fall.

Another point I want to make is about displacement. We found no displacement in these counties or in the town of Seneca on the first snapshot date, and we have done half the work coming back through for December. As far as we can tell there is still no displacement. There are several reasons for that. For one, officials in this area tend to distrust the federal government and federal programs. They are wary of the feds in general, so they stick by what they perceive the rules to be. There are no problems with rehiring people who are laid off or anything like that. It's all very visible when you are talking about ten or twenty employees in a small town or a small agency. They can be found very easily and would be, around there.

As for social targeting, national targets are not going to work for South Carolina and rural areas like South Dakota. I go along with Bill Farber on that. There are very few minorities in these two counties.

unproductive in a rural area like South Dakota because it is unrelated to the problems of economic and community development

There are some favorable things that should be noted. More and more the PSE jobs, about half in South Dakota, are being used for on-the-job training and testing the justification for personnel expansion.

A real need, when you have low per capita income, is for part-time employment projects. What would help is some way to supplement the state's low level of income. In short, PSE distribution, relying heavily on unemployment statistics, may not be the best for rural areas, declining in population and income, and needing assistance for economic growth.

MABRY: Tom Schaap and I are studying a couple of South Carolina counties, Pickens County and Anderson County, and one small town which I leave for the end. I wanted to talk about four things--displacement, productivity, social targeting, and a couple of recent changes. I will reverse the order from what I would have started with and disagree with Bill Farber on his productivity point. The programs have been very productive in the two rural counties that I am familiar with.

That productivity has come in the form of traditional public service jobs, from garbage collection to around-the-clock police dispatchers and the like. Public officials are very favorable in their comments on the productivity of PSE workers versus regular employees.

FARBER: Title VI projects in South Dakota have been worthwhile. Tree pruning and college admissions evaluations (present projects) may indeed have considerable utility. Such projects for the most part, as in South Carolina, have been meritorious. But my point is that many such

To give you an example, when the title VI money came down in the summer (or at least these groups became aware of it late in the summer), in Pickens County where they have 100 or 120 positions, they determined how many people were eligible. Only 90 people in the entire county could be found who were eligible for the program.

There are several reasons for that. One is that people don't go to the employment service and register for such things in the first place. Secondly, you have changes which I learned about under AFDC that make a difference here. Evidently that program requires you to register with the employment service, but not if you are in a "remote" county. I don't know who makes that determination, but Pickens County is defined as a remote county, meaning they cannot get good transportation. Since they don't have to register, they are not known, other than for purposes of getting their direct AFDC checks in the mail.

I asked the employment service to review some of the cases in the program and tell me how long they had been out of work before getting into PSE. He cited cases of 56, 75, 34, and so on. I said, "That's quite a few weeks." And he said, "No, that's months." The highest one, the prize, was 84 months. What we were looking at was housewives who had been out of work for seven years. That is the only way they could find people who were unemployed longer than 15 weeks. So you get strange differences if you move outside a normal city situation.

The last thing to bring up involves very recent changes. The city of Seneca dropped its program in December. There was a catalyst, a personnel problem with one PSE employee, but generally speaking it was

because of the negative attitude toward public programs in the first place. As soon as they had a problem with PSE, they looked at their budget and saw that they had no money problem, so they just dropped the whole thing.

CHAIR: Thank you, Rod. Our final speaker is Beadle Moore.

MOORE: I want to begin by talking about general characteristics of the program in Arkansas. It is administered by the CETA administrator in the state manpower office. I looked at two counties (Conway and White, both rural) and a state agency. These two counties are considered subgrantees of the state program.

I would like to talk about the counties first; there are several problems they have in common. The first problem area that exists for both is that local officials are very concerned about the problems of communication between their offices, the state, and the regional DOL office. I don't think they understand the goals of the CETA program. Second, they complain that they are not oriented properly by the state office in terms of what CETA means, what they should be shooting for, what the targets are, what the rules and regs are. County PSE hires are characterized by an effort to maintain and expand programs; there is very little displacement, none that I could identify at the county level. The majority of CETA-PSE hires, in both Conway County and White County, were placed on road crews.

In Arkansas the CETA administrator for the balance-of-state program arbitrarily made a decision to fund counties with title VI monies and fund state agencies with title II monies. Counties are not allowed any title II monies.

The county judges consequently are upset about the fifteen-week requirement. As my two colleagues from the other rural areas have noted, county judges are conservative. They feel that if people have been unemployed for fifteen weeks there must be something wrong with them. They would like, therefore, to be able to operate under the title II provisions rather than the title VI provisions.

There is also a serious planning problem for county judges and administrators in Arkansas. Their fiscal year is the calendar year. The state's fiscal year is July-June. Neither conforms with the federal fiscal year. Consequently these people, who have not had a lot of training in budget planning, have a tough time when they are given an allotment of money and told all of a sudden to fit twenty new employees into a road construction program or any other program, where this has been unplanned and there are no capital expenditures appropriated for these purposes.

APPENDIX B

FIRST-ROUND

ANALYSIS FORM

REPORT FORM

First Field Research Report

Due: September 1, 1977.

MONITORING STUDY OF CETA TITLES II AND VI, PUBLIC SERVICE EMPLOYMENT PROGRAMS

The Brookings Institution

1775 Massachusetts Avenue, N.W.
Washington, D.C. 20036

Prime Sponsor _____

Government _____

Associate _____

Please send one copy of this Report to:

Dr. Richard W. Long
The Brookings Institution Room 622
1775 Massachusetts Avenue, N.W.
Washington, D.C. 20036

You should also retain a copy for yourself.

Note: Wherever necessary, you should insert continuation sheets in the report form. However, to facilitate analysis the report must be made on this report form.

Introduction to the Report Form

We have organized this first Report Form in five parts; yellow pages contain introductory material. Only the white, numbered pages ask for information from you.

Based on field data, there will be two Brookings reports to the National Commission for Manpower Policy and a Brookings book to follow. Each Associate will submit two field research reports:

- 1st report from the Associates due September 1, 1977
- 2nd report from the Associates due March 1, 1978

Reports from the Associates will present data for a particular point in time, what we have referred to as "snapshots" of the PSE program for the sample jurisdictions.

| <u>Report by Associates</u> | <u>Date of "Snapshot" Analysis</u> |
|-----------------------------|------------------------------------|
| • 1st (due 9/1/77) | July 15, 1977 |
| • 2nd (due 3/1/78) | January 15, 1978 |

The essence of our approach consists of using a uniform framework of effects to have knowledgeable, uninvolved observers (i.e. politically uninvolved) provide what is considered a reasonable interpretation of the effects of PSE, taking into account the policies, finances, and politics of the jurisdictions being studied. We will present the data on a basis that makes this clear.

You will note that some questions are Major Analysis Questions. For these questions we want longer answers incorporating your major conclusions on the issue under discussion. Please give special attention to these answers as we may excerpt them for the first report.

You will also receive a copy of a field memo from the Department of Labor to the prime sponsors in the sample explaining the purpose of the study. No information on compliance matters affecting specific prime sponsors or local governments will be included in our reports and no administrative use will be made of the data.

The study is concerned with title II and VI public service employment (PSE) under the Comprehensive Employment and Training Act of 1973 (CETA). Title VI is subdivided into "sustainment" and "project" PSE and for most of the report title VI sustainment will be combined with title II. Our primary concern is with the employment, programmatic, and fiscal effects of the program under these two headings. We are also interested in program outcomes, the placement of participants, the decision making process, administration, and interrelationships with other programs. The first report to the Commission and this report form, however,

concentrate on the first three areas listed--employment, programmatic, and fiscal effects.

The sections of the Report Form are:

Part I Baseline Information

This section asks you for background information on the sample government with regard to its fiscal condition, personnel (level and composition), the organization of its PSE program, the size of the local program, and the amount and funding for this program as well as other federal grant programs.

Part II Job Creation

This section is concerned with the net additions to employment that result from the PSE program and the characteristics and activities of those employed.

Part III Displacement

This section asks for information on employment that does not result in net additions to employment, but rather uses CETA funding to subsidize existing employment, or for jobs which would have been filled in the absence of PSE. It also requests information on the composition and activities of those assigned to these positions.

Part IV Fiscal Effects

This section is concerned with the fiscal impact of the funds released as the result of the PSE displacement effects described in Part III above.

Part V Summary and Concluding Section

This section asks for your summary-analysis of the PSE program. We are interested in your judgment as to the impact, effectiveness, and administration of the program, and its interrelationships with other federal grant programs.

For ease of handling, we have organized this report form into standard Data Formats used for the various sections of the form. Some of them ask for information in written form, as well as numbers and percentages of PSE participants. We plan to use the same Data Formats for the second report. For purposes of distinguishing between them, we have given the formats for this report the preface-number "1". So they are indicated, for example, as 1-1, 1-2, 1-3, etc.

Introductory and definition information is provided at the beginning of each section. If you have any questions as you proceed, please do not hesitate to call collect (Dick Long: 202-797-6061).

The completed first Report Form is due September 1, 1977 and should be mailed to Dick Long at Brookings (address on cover page). This must be a firm date in order to provide an interim report to the National Commission for Manpower Policy on February 15, 1977. We ask you to keep one copy of this report for yourself so we can discuss your findings with you as necessary during the analysis phase.

The next page is for you to list the persons you have interviewed and their titles. We do not specify the persons you should interview, but we want a list of the respondents you have selected.

We look forward to receiving your first report.

Richard P. Nathan
Project Director

Government _____

Associate _____

Interview Sheet

Name

Title

Part I Baseline Information

Under the regulations governing PSE funding for fiscal year 1977, there is a provision separating out the maintenance of title VI PSE funding ("sustainment") at the level of the total of title II and title VI enrollments at the higher of June 30, 1976 or October 31, 1976, less the number to be carried under base fiscal year 1977 title II funding. All title VI positions above this level must be employed in "projects" which meet the following criteria. They must:

1. Be completed within one year.
2. Have a public service objective.
3. Result in a specific product.
4. Be something that would otherwise not be done with existing funds.

A copy of the May 13, 1977 implementing regulations is included with these materials. Eligible participants for positions above the sustainment level, and fifty percent of the vacancies below that level, must have been unemployed fifteen out of the twenty preceding weeks, have exhausted their unemployment benefits or be AFDC recipients and meet the requirement of a family income below 70 percent of the lower living standard for that area (see field memo 269-77). The requirement for the remainder of title VI is 30 continuous days of unemployment. Under title II the requirement is 30 days of continuous unemployment in areas where the unemployment rate is in excess of 6.5 percent for three consecutive months and 15 days in areas where the unemployment rate exceeds seven percent.

You will receive the title II and VI funding levels for fiscal year 1977 for prime sponsors. However for governments below the prime sponsor level we would like to have the level of funding received by that government. We are also interested in other federal funding received as well as local revenues.

We find it useful to receive documents (reports, news clippings, policy statements, program data, budgets, the original and modified fiscal year plan, etc.) on the PSE programs and policies of the sample jurisdictions. You can append these materials to your report and then refer to them in your answers.

Government _____

Associate _____

- 1a. How is the PSE program of this government organized? Does the government operate the program directly? Does it subcontract for the operation of some or all of the program? If so, what part? Does this government receive PSE positions from a prime sponsor(s) for a larger population area?

Government _____

Associate _____

- 1b. How would you characterize the policies of this government regarding the PSE program? What are the primary objectives for PSE? What are priority groups to be served? (These are to be noted in their plan.) Please attach pertinent policy statements, minutes of meetings, etc.

Government _____

Associate _____

- 1c. Are all participants in this government's PSE program counted and paid as employees of this government or are PSE participants in this government's program who are working for other organizations (e.g. a nonprofit agency or a school district) paid by that organization, i.e. under a subcontractual agreement? (Some studies have assumed that all PSE participants not counted as direct employees of the local government represent displacement.)
- 1d. In order to separate title VI "sustainment" PSE from "project" PSE, it is necessary to find out what the sustainment level of the program is. The "sustainment" level is the higher of the total of Title II and VI enrollments of June 30, 1976 or October 31, 1976 less the number that are maintained in Title II. Title VI "sustainment" level _____.
- 1e. When did this government last raise taxes or attempt to raise taxes? Please discuss.

Government _____

Associate _____

- 1f. Please indicate how you would rate the fiscal pressure to which this government is subject. As discussed at the conference, in reaching your conclusion we would like you to consider two kinds of information. First, budget data for the preceding five years which would include: trend of year-end cash balances; the rate of growth of taxes and expenditures; presence or absence of fund deficits; the use of short term borrowing; increases or decreases in the tax base; and increases or decreases in the tax rate. A second kind of information is assessments by local officials of the fiscal position of the jurisdiction, and their perception of its capacity to expand activities or add new programs or services. Please summarize the reasons for your rating.

Extreme _____ Moderate _____ Relatively little _____ None _____

Discussion:

Government _____

Associate _____

- 1g. We are interested in the impact of federal funding on local government budgets. We would like to know the total of federal grant funds received by this government in the fiscal year that includes June 30, 1977. What proportion of the general fund of this government for the same period is this total? We would also like to know the extent to which federal funding has increased relative to the general fund budget in recent years. Specifically, what was the proportion 1 year ago, 2 years ago?

| | | | |
|-----------------------|-------|-------------------|-------|
| This fiscal year | _____ | % of general fund | _____ |
| Last fiscal year | _____ | " " " " | _____ |
| Preceding fiscal year | _____ | " " " " | _____ |

- 1h. Are there identifiable amounts of federal grant money that are passed through by a higher level of government to this government which the accounting system used allows you to identify? (We are particularly interested in LEAA and Social Security title XX funds for social services.) If so, would you please indicate the amount.

LEAA \$ _____
 Title XX \$ _____
 Other (please specify and discuss) _____

Government _____

Associate _____

1f. Major Analysis Question

We would like to have your highlight comments on the significance of increases in the level of the federal funding in relation to the general fund budget of this government. Please comment on such matters as how much is available for discretionary use as opposed to how much is passed through to other organizations. What impact have these increases had on programs and services provided by this government?

Government _____

Associate _____

- 1j. It was agreed at the conference that we would add questions to Part I asking you to obtain data on the level and composition of the employment of this jurisdiction. We are not asking you to collect data or to do extensive work to rearrange data available locally. What we want is to have you obtain the best available information and we will work with it in Washington.

As a first step, we are interested in tracing the level of employment of this jurisdiction back to 1970 (fiscal year) in order to observe the impact of new CETA-PSE funds on the latest data on this jurisdiction's employment, both on an overall basis and by major activity or agency. The rest of this page has been left blank for you to discuss the data you have provided.

(Note: Please use personnel data on full-time equivalents if it available in that form.)

Government _____

Associate _____

- 1k. We now want to do a similar analysis for the composition of this jurisdiction's labor force. There are likely to be available records to do this in connection with federal requirements for equal employment opportunity in employment. The U.S. Equal Employment Opportunity Commission requires governments to fill out a form--EEQ-4--on the composition of their labor force. The form includes employment data on race, sex and occupation. (A blank copy of this form is enclosed with the final report form.)

In addition to providing data going back to 1970, you should make any observations you can make about differences in the composition of CETA-PSE participants and the government's labor force, overall and by major activity or agency.

Government _____

Associate _____

- 1(1). It is possible that the characteristics of new hires (apart from PSE) are different for this jurisdiction from the past pattern and thus the PSE labor force is more similar to the new hires. Have you observed this, and if you have do you think that PSE has had an impact on the hiring practices of this jurisdiction? What does the data discussed in 1k indicate in this connection?

Part II Job Creation

In this section we are interested in the incremental employment effect of PSE as of July 15, 1977.

Job creation effects can be of several types:

1. **New Programs and Services:** Additional programs undertaken or services provided with PSE funding.
2. **Expansions:** Increased levels of service provided within existing programs as the result of PSE hiring.
3. **Special Projects:** New one-time projects with a duration of one year or less undertaken with PSE funds.
4. **Program Maintenance:** Existing services which are continued that otherwise would have been curtailed (or employment reduced) in the absence of PSE funding.

For the new "project" PSE, all participants are to be placed in what the law calls "projects" that have a duration of one year or less. We would therefore expect that most such enrollments would be in what we call special projects (No. 3 above). However, sponsors can use DOL-defined "projects" in other ways. For example, they can maintain programs with "projects" if they demonstrate to the DOL Regional Administrator that this would not have been done under existing funding. Therefore what DOL calls "project" employment may occur in any of our categories above.

Before focusing on job creation alone, question 2a-2e request totals on PSE program participation and funding.

The questions in this section focus, not on individual PSE participants, but rather on major activities in which PSE positions are involved. We begin by asking the number of PSE positions for July 15, 1977, the number unfilled, and then ask you to break out the PSE positions according to the four job creation categories above.

Government _____

Associate _____

- 2a. How much CETA title II and VI funding does this government receive? What is their base allocation for fiscal year 1977; for fiscal 1977-78 under the economic stimulus funding increase:

| | FY 1977 | Economic Stimulus FY 1977-78 (2 year add-on) |
|----------|----------|--|
| Title II | \$ _____ | \$ _____ |
| Title VI | \$ _____ | \$ _____ |

- 2b. What is the amount of total current monthly funding (July, 1977) planned for title II and title VI? If the title VI figures are broken down for sustainment and project, we would like to have it in that form. Note: Please be sure that these are revised figures that include the economic stimulus money.

Title II \$ _____ Title VI \$ _____

Government _____

Associate _____

- 2c. What is the planned level of PSE positions for the month of July 1977? Indicate your source and any other important facts you think we need to know about these numbers. These planned levels should be available from the "Program Planning Summary" and the "Monthly Schedule." Note: Please be sure that this planned figure includes the new funding for the economic stimulus package.

Title VI Sustainment _____

Project _____

Title II _____

Discussion:

- 2d. How much total current funding for the month of July 1977 is devoted to employment of the planned enrollment levels in 2c.? That is, how much of the total is for wages, allowances, fringe benefits, and unemployment compensation taxes for the program participants? These figures should exclude administration (salaries, etc. of program managers), overhead (rent, utilities, etc.) program staff (those that are not participants), supplies, etc. Again if title VI can be broken out into sustainment and project we would prefer to have it in that form.

Title II \$ _____ Title VI \$ _____

Sustainment \$ _____

Project \$ _____

Government _____

Associate _____

- 2e. We would also like to know how many of these positions are unfilled and how much of the current funding is unobligated as of July 15, 1977.*

Positions unfilled as July 15, 1977 Title II _____
 Title VI _____

Funds unobligated as of July 15, 1977 Title II \$ _____
 Title VI \$ _____

Please indicate what you think are the main reasons for these positions being unfilled?

* We are excluding from our analysis any PSE under CETA title I. Prime sponsors may provide title I services (e.g. classroom training, on-the-job training) under title II and VI. If this is occurring to any significant degree in the program you are examining please indicate this.

Data Format 1-1

Job Creation Activities
Title VI Sustainment and Title II PSE

We now divide the analysis of job creation into (a) sustainment title VI and title II and (b) title VI project positions and ask you first about the job creation effects of sustainment positions. For the sustainment PSE that according to your interpretation represent job creation you should fill out Data Format 1-1 below. We are also interested in who (what agency or governmental or private entity) employs these participants.

For each category of job creation (e.g. New Programs/Services) indicate in the space provided the number of positions (slots) provided for each of the various different kinds of sponsoring agencies. The first column refers to the governmental jurisdiction you are examining. In column (2) we would like to have positions in school districts listed separately. Would you please check whether the school district is a part of the local government (dependent) or whether it is a separate jurisdiction (independent.) Because the responsibility for education varies from one local jurisdiction to another and because the characteristics of employees in education are different, we are interested in keeping them separate (even for dependent school districts) for comparative purposes. Column (3) is for other local government entities which receive PSE positions from the government you are examining (e.g. a city or town within a county you are examining).

In the remainder of the box (below the number of slots for each entry) would you please indicate the agency or agencies within that jurisdiction in which the PSE positions are located. For example, the street department within a city, a child care center which is a nongovernment community agency, etc. Please include in your narrative a brief reference to the kind of activity in which they are engaged, for example: Parks Department, park maintenance; Housing Authority, weatherization; etc. If you need additional space use a separate sheet and simply note the code number of the activity cell.

Where there is more than one agency or organization for an activity cell, we would like you to indicate total slots and then sub-totals with descriptive information for each agency and type of activity involved.

(Note: At the conference we decided to stay with activity as originally defined. That is, in Data Format 1-1 we are interested in obtaining data on the activity performed by participants in positions within an organization. For example, within expansion of existing programs (cell 121), you might list the following "activities:"

Parks Department, park maintenance, 25 slots
 Parks Department, day camp, 15 slots)

Job Creation Activities - Title VI Sustainment and Title II PSE

| | 1. This government | 2. School district Ind. _____ Dep. _____ | 3. Other local government jurisdictions | 4. State | 5. Federal | 6. Non-governmental | Total |
|--------------------------------|--------------------|--|---|-------------------|-------------------|---------------------|-------|
| New Programs/ Services | slots _____ (111) | slots _____ (112) | slots _____ (113) | slots _____ (114) | slots _____ (115) | slots _____ (116) | |
| Expansion of Existing programs | slots _____ (121) | slots _____ (122) | slots _____ (123) | slots _____ (124) | slots _____ (125) | slots _____ (126) | |
| Special Project | slots _____ (131) | slots _____ (132) | slots _____ (133) | slots _____ (134) | slots _____ (135) | slots _____ (136) | |
| Program Maintenance | slots _____ (141) | slots _____ (142) | slots _____ (143) | slots _____ (144) | slots _____ (145) | slots _____ (146) | |
| Total | 240 | | | | | | 241 |

217

241

Data Format 1-2

General Occupational Pattern

Job Creation - Title VI Sustainment and Title II PSE

We are also interested in the types of jobs in which PSE participants are placed. Following the discussion at the conference we have decided to collect this information only on an organization basis. That is, for organizations in each column heading of Data Format 1-1, please indicate the occupational distribution, using five percent magnitudes if necessary. We would also like to have the average hourly wage, particularly for each occupation which accounts for 20 percent or more of the occupational distributions shown in each cell of Data Format 1-2.

This analysis is requested only for organizations that account for 5 percent or more of all sustainment PSE. We will present the data in a manner that makes clear the kinds of general approximations which you have been asked to make. We are interested here in the "general occupational pattern" of PSE job creation.

Data Format 1-2

Government _____

Associate _____

General Occupational Pattern

Job Creation - Sustainment Title VI and Title II PSE

Organization _____

Organization _____

Positions _____

Positions _____

| | Percent | Average hourly wage |
|--------------|---------|---------------------|
| Managerial | _____ | _____ |
| Professional | _____ | _____ |
| Technical | _____ | _____ |
| Clerical | _____ | _____ |
| Craft | _____ | _____ |
| Operative | _____ | _____ |
| Laborer | _____ | _____ |
| Service | _____ | _____ |

| | Percent | Average hourly wage |
|--------------|---------|---------------------|
| Managerial | _____ | _____ |
| Professional | _____ | _____ |
| Technical | _____ | _____ |
| Clerical | _____ | _____ |
| Craft | _____ | _____ |
| Operative | _____ | _____ |
| Laborer | _____ | _____ |
| Service | _____ | _____ |

Organization _____

Organization _____

Positions _____

Positions _____

| | Percent | Average hourly wage |
|--------------|---------|---------------------|
| Managerial | _____ | _____ |
| Professional | _____ | _____ |
| Technical | _____ | _____ |
| Clerical | _____ | _____ |
| Craft | _____ | _____ |
| Operative | _____ | _____ |
| Laborer | _____ | _____ |
| Service | _____ | _____ |

| | Percent | Average hourly wage |
|--------------|---------|---------------------|
| Managerial | _____ | _____ |
| Professional | _____ | _____ |
| Technical | _____ | _____ |
| Clerical | _____ | _____ |
| Craft | _____ | _____ |
| Operative | _____ | _____ |
| Laborer | _____ | _____ |
| Service | _____ | _____ |

Data Format 1-3

Characteristics

Job Creation - Sustainment Title VI and Title II PSE

We are also interested in the characteristics of the PSE workforce for organizations that employ five percent or more of title VI sustainment and title II participants as of July 15, 1977. For each organization we now ask you for information about the characteristics of the workforce. Please indicate the organization, the number of slots, and then, in 5 percentage point magnitudes if you need to do on that basis, the proportion that have the characteristics specified in Data Format 1-3. This information should be available from the sponsor records used to generate the necessary participant characteristics reports for DOL.

Note: The Lower Living Standard differs by sponsor and family size: In the materials you receive are the pages from Field Memorandum 269-77 (May 10, 1977) indicating the Lower Living Standard for your jurisdiction(s) and the adjustment for family size.

Data Format 1-3

Government _____
Associate _____

Characteristics

Job Creation - Sustainment Title VI and Title II PSE

| Organization _____ | Percent | Organization _____ | Percent |
|---|---------|---|---------|
| Positions _____ | | Positions _____ | |
| Male _____ | | Male _____ | |
| Minority _____ | | Minority _____ | |
| Under 21 years of age _____ | | Under 21 years of age _____ | |
| Less than 12 years education _____ | | Less than 12 years education _____ | |
| Unemployed 15 weeks or more of prior 20 weeks _____ | | Unemployed 15 weeks or more of prior 20 weeks _____ | |
| Unemployed 15 days but less than 15 weeks _____ | | Unemployed 15 days but less than 15 weeks _____ | |
| AFDC recipient _____ | | AFDC recipient _____ | |
| Family income under 70 percent of lower living standard _____ | | Family income under 70 percent of lower living standard _____ | |
| Economically disadvantaged _____ | | Economically disadvantaged _____ | |

Data Format 1-3

Government _____
Associate _____

Organization _____
Positions _____

| | Percent |
|---|---------|
| Male | _____ |
| Minority | _____ |
| Under 21 years of age | _____ |
| Less than 12 years education | _____ |
| Unemployed 15 weeks or more of prior 20 weeks | _____ |
| Unemployed 15 days but less than 15 weeks | _____ |
| AFDC recipient | _____ |
| Family income under 70 percent of lower living standard | _____ |
| Economically disadvantaged | _____ |

Organization _____
Positions _____

| | Percent |
|---|---------|
| Male | _____ |
| Minority | _____ |
| Under 21 years of age | _____ |
| Less than 12 years education | _____ |
| Unemployed 15 weeks or more of prior 20 weeks | _____ |
| Unemployed 15 days but less than 15 weeks | _____ |
| AFDC recipient | _____ |
| Family income under 70 percent of lower living standard | _____ |
| Economically disadvantaged | _____ |

Organization _____
Positions _____

| | Percent |
|---|---------|
| Male | _____ |
| Minority | _____ |
| Under 21 years of age | _____ |
| Less than 12 years education | _____ |
| Unemployed 15 weeks or more of prior 20 weeks | _____ |
| Unemployed 15 days but less than 15 weeks | _____ |
| AFDC recipient | _____ |
| Family income under 70 percent of lower living standard | _____ |
| Economically disadvantaged | _____ |

Organization _____
Positions _____

| | Percent |
|---|---------|
| Male | _____ |
| Minority | _____ |
| Under 21 years of age | _____ |
| Less than 12 years education | _____ |
| Unemployed 15 weeks or more of prior 20 weeks | _____ |
| Unemployed 15 days but less than 15 weeks | _____ |
| AFDC recipient | _____ |
| Family income under 70 percent of lower living standard | _____ |
| Economically disadvantaged | _____ |

Data Format 1-4Job Creation Activities - Title VI Project PSE

We now turn to project PSE that has a job creation impact. We would like to have these projects classified according to the type of job creation category and the organizational location of the project according to the various classifications in the column headings. With each cell please indicate the total number of positions, the appropriate agency, and the type of activity involved. An example for the government you are examining might be, Housing Authority, weatherization, twenty-five slots.

Note: For each "project", as defined by DOL, the sponsor must fill out a "Project Data Summary" which includes, the title of the project and a brief description, the agency in which it is located, the number of positions, a list of job titles, and the average wage for each job title. There is a copy of this form in your materials.

Government _____
Associate _____

Job Creation Activities - Title VI Project PSE

| | | | | | | |
|--------------------|--|---|----------|------------|---------------------|-------|
| 1. This government | 2. School district Ind. _____ Dep. _____ | 3. Other local government jurisdictions | 4. State | 5. Federal | 6. Non-governmental | Total |
|--------------------|--|---|----------|------------|---------------------|-------|

| | | | | | | | |
|--------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-----|
| New Programs/ Services | slots _____ (111) | slots _____ (112) | slots _____ (113) | slots _____ (114) | slots _____ (115) | slots _____ (116) | |
| Expansion of Existing Programs | slots _____ (121) | slots _____ (122) | slots _____ (123) | slots _____ (124) | slots _____ (125) | slots _____ (126) | |
| Special Project | slots _____ (131) | slots _____ (132) | slots _____ (133) | slots _____ (134) | slots _____ (135) | slots _____ (136) | |
| Program Maintenance | slots _____ (141) | slots _____ (142) | slots _____ (143) | slots _____ (144) | slots _____ (145) | slots _____ (146) | |
| Total | | | | | | | 248 |

240

Data Format 1-5

Government _____

Associate _____

General Occupational Pattern

Job Creation - Title VI Project PSE

For those participants considered to be project PSE that represent job creation we are interested in the types of jobs in which they are employed. Again, for organizations that account for 5 percent or more of all project PSE positions please list the proportions of the participants in the occupations shown in five percentage-point magnitudes and the average hourly wage for each occupation. This data is available from the Project Data Summary mentioned earlier. You may wish to do it for each project.

| | |
|--------------------|---------------------|
| Organization _____ | Organization _____ |
| Positions _____ | Positions _____ |
| Percent | Average hourly wage |
| Manerial | _____ |
| Professional | _____ |
| Technical | _____ |
| Clerical | _____ |
| Craft | _____ |
| Operative | _____ |
| Laborer | _____ |
| Service | _____ |

| | |
|--------------------|---------------------|
| Organization _____ | Organization _____ |
| Positions _____ | Positions _____ |
| Percent | Average hourly wage |
| Manerial | _____ |
| Professional | _____ |
| Technical | _____ |
| Clerical | _____ |
| Craft | _____ |
| Operative | _____ |
| Laborer | _____ |
| Service | _____ |

Data Format 1-6

Government _____

Associate _____

Characteristics

Job Creation - Title VI Project PSE

For each organization that accounts for 5 percent or more of all project PSE participants as of July 15, 1977, we now ask you for information about the characteristics of the workforce in Data Format 1-6. For each organization indicate the number of slots, and then, in five percentage point magnitudes if you need to, the proportion that have the characteristics shown in Data Format 1-6. You might wish to refer to the instructions on Data Format 1-3.

| Organization _____ | Percent | Organization _____ | Percent |
|---|---------|---|---------|
| Positions _____ | | Positions _____ | |
| Male _____ | | Male _____ | |
| Minority _____ | | Minority _____ | |
| Under 21 years of age _____ | | Under 21 years of age _____ | |
| Less than 12 yrs. education _____ | | Less than 12 yrs. education _____ | |
| Unemployed 15 weeks or more of prior 20 weeks _____ | | Unemployed 15 weeks or more of prior 20 weeks _____ | |
| Unemployed 15 days but less than 15 weeks _____ | | Unemployed 15 days but less than 15 weeks _____ | |
| AFDC recipient _____ | | AFDC recipient _____ | |
| Economically disadvantaged _____ | | Economically disadvantaged _____ | |

Data Format 1-6

Government _____
Associate _____

Organization _____
Positions _____

Percent

Male _____
Minority _____
Under 21 years of age _____
Less than 12 years education _____
Unemployed 15 weeks or more of prior 20 weeks _____
Unemployed 15 days but less than 15 weeks _____
AFDC recipient _____
Economically disadvantaged _____

Organization _____
Positions _____

Percent

Male _____
Minority _____
Under 21 years of age _____
Less than 12 years education _____
Unemployed 15 weeks or more of prior 20 weeks _____
Unemployed 15 days but less than 15 weeks _____
AFDC recipient _____
Economically disadvantaged _____

Organization _____
Positions _____

Percent

Male _____
Minority _____
Under 21 years of age _____
Less than 12 years education _____
Unemployed 15 weeks or more of prior 20 weeks _____
Unemployed 15 days but less than 15 weeks _____
AFDC recipient _____
Economically disadvantaged _____

Organization _____
Positions _____

Percent

Male _____
Minority _____
Under 21 years of age _____
Less than 12 years education _____
Unemployed 15 weeks or more of prior 20 weeks _____
Unemployed 15 days but less than 15 weeks _____
AFDC recipient _____
Economically disadvantaged _____

Part III Displacement Effects

There have been many statements to the effect that a substantial amount of CETA title II and VI PSE represent displacement--that is, the use of PSE participants to fill "regular" positions and provide services that would otherwise have been provided in the absence of the program. We are interested in your assessment of the way in which, and extent to which, displacement occurs. The new regulations are designed to reduce displacement, consequently we again think it is going to be useful to separate out sustainment and project PSE. Displacement can occur either directly or indirectly (i.e. on the part of outside agencies to which participants are assigned).

We have identified the following types of displacement:

1. **Transfers:** Existing local government positions transferred to CETA-PSE funding.
2. **Rehires:** Local government employees who are laid off and then rehired with PSE funding.*
3. **Potential Hires:** PSE positions that in the absence of the program would have been filled using local revenues.
4. **Contract Reduction:** PSE participants used to provide services or work on projects that had been, or would normally be, contracted to a private firm.

Although we are interested in estimating the extent of displacement; we are not interested in ascertaining compliance and will not publish any data that shows noncompliance or could be used for administrative purposes.

We are also interested in the characteristics of the participants in Part III. Even where displacement occurs, if the employees hired through PSE are from the target population, the composition of the local government's workforce may be changed.

In determining the positions that represent displacement, we recommend that you first identify job creation and then work with the residual positions. Useful probes for determining displacement could include: was this function performed before; are there any vacancies in the roster of regular employees; is there an implicit or explicit freeze on new hiring; have there been layoffs; are any of the PSE participants rehired regular employees; etc.

* We realize that the distinction between Program Maintenance as the impact of job creation PSE identified in Part II and this category of Rehires (displacement) is a difficult one. In the first case what is involved is the use of PSE funds for programs which, in your best judgment, would have been reduced or eliminated. Rehires involves your judgment that without PSE funds local funds would have been found to continue the program or that the reason for the layoff was to transfer the employee to PSE.

We realize that in some cases positions cannot be assigned to job creation or displacement. Consequently there is a question at the end of this section on unallocated positions.

Also, in some cases a determination of occupations and characteristics cannot be made. If, for example, there is a project with twenty positions where half of the participants are performing functions which had previously been performed by regular employees, in such case you cannot determine which ten participants are displacement positions. Where this occurs and limits your analysis, you should insert note calling our attention to this fact.

There may also be cases in which you judge that displacement has occurred but cannot determine the category. We have added an "Other" category to Data Formats 1-7 and 1-10 for this purpose.

For the title VI sustainment and title II PSE that according to your interpretation represents displacement we ask you first to fill out Data Format 1-7. We are interested in the category of displacement and the type of organization in which it occurs. To provide for data comparability we would like you to classify positions in school districts separately and note whether the district is independent or dependent. Within each displacement category would you please indicate, the appropriate department or agency in which the positions are located, the type of activity performed, and the number of positions involved. You may wish to refer to the instructions for Data Format 1-1.

Government _____
 Associate _____

Displacement Activities - Sustainment Title VI and Title II PSE

| | | | | | | |
|--------------------|--|--|----------|------------|---------------------|-------|
| Direct | Indirect | | | | | |
| 1. This government | 2. School district Ind. _____ Dep. _____ | 3. Other local government jurisdiction | 4. State | 5. Federal | 6. Non-governmental | Total |

| | | | | | | | |
|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--|
| Transfers | slots _____ (111) | slots _____ (112) | slots _____ (113) | slots _____ (114) | slots _____ (115) | slots _____ (116) | |
| Rehires | slots _____ (121) | slots _____ (122) | slots _____ (123) | slots _____ (124) | slots _____ (125) | slots _____ (126) | |
| Potential Hires | slots _____ (131) | slots _____ (132) | slots _____ (133) | slots _____ (134) | slots _____ (135) | slots _____ (136) | |
| Contract Reduction | slots _____ (141) | slots _____ (142) | slots _____ (143) | slots _____ (144) | slots _____ (145) | slots _____ (146) | |
| Other | | | | | | | |
| Total | | | | | | | |

Data Format 1-8

Government _____
Associate _____

General Occupational Pattern

Displacement - Title VI Sustainment and Title II PSE

For those participants in sustainment title VI and title II PSE that you classify as representing displacement we are interested in the types of jobs in which people are employed. For organizations that account for 5 percent of sustainment PSE positions or more, please list the proportions of the participants in the occupational classifications shown, if necessary in five percentage-point magnitudes. We would also like to have the average wage, particularly for occupations that represent twenty percent of the distribution.

| | | | | | |
|--------------------|---------|---------------------|--------------------|---------|---------------------|
| Organization _____ | | | Organization _____ | | |
| Positions _____ | | | Positions _____ | | |
| | Percent | Average hourly wage | | Percent | Average hourly wage |
| Managerial | _____ | _____ | Managerial | _____ | _____ |
| Professional | _____ | _____ | Professional | _____ | _____ |
| Technical | _____ | _____ | Technical | _____ | _____ |
| Clerical | _____ | _____ | Clerical | _____ | _____ |
| Craft | _____ | _____ | Craft | _____ | _____ |
| Operative | _____ | _____ | Operative | _____ | _____ |
| Laborer | _____ | _____ | Laborer | _____ | _____ |
| Service | _____ | _____ | Service | _____ | _____ |

| | | | | | |
|--------------------|---------|---------------------|--------------------|---------|---------------------|
| Organization _____ | | | Organization _____ | | |
| Positions _____ | | | Positions _____ | | |
| | Percent | Average hourly wage | | Percent | Average hourly wage |
| Managerial | _____ | _____ | Managerial | _____ | _____ |
| Professional | _____ | _____ | Professional | _____ | _____ |
| Technical | _____ | _____ | Technical | _____ | _____ |
| Clerical | _____ | _____ | Clerical | _____ | _____ |
| Craft | _____ | _____ | Craft | _____ | _____ |
| Operative | _____ | _____ | Operative | _____ | _____ |
| Laborer | _____ | _____ | Laborer | _____ | _____ |
| Service | _____ | _____ | Service | _____ | _____ |

Data Format 1-9

Government _____

Associate _____

Characteristics

Displacement - Title VI Sustainment and Title II PSE

For any organization in Data Format 1-7 that accounts for 5 percent or more of all title VI sustainment and title II PSE participants as of July 15, 1977, we now ask you for information about the characteristics of the work force. For each organization indicate the number of slots, and then, in 5 percentage point magnitudes if necessary, the proportion that have the characteristics listed in Data Format 1-9.

| Organization _____ | Percent | Organization _____ | Percent |
|---|---------|---|---------|
| Positions _____ | | Positions _____ | |
| Male _____ | | Male _____ | |
| Minority _____ | | Minority _____ | |
| Under 21 years of age _____ | | Under 21 years of age _____ | |
| Less than 12 years education _____ | | Less than 12 years education _____ | |
| Unemployed 15 weeks or more of prior 20 weeks _____ | | Unemployed 15 weeks or more of prior 20 weeks _____ | |
| Unemployed 15 days but less than 15 weeks _____ | | Unemployed 15 days but less than 15 weeks _____ | |
| AFDC recipient _____ | | AFDC recipient _____ | |
| Family income under 70 percent of lower living standard _____ | | Family income under 70 percent of lower living standard _____ | |
| Economically disadvantaged _____ | | Economically disadvantaged _____ | |

Data Format 1-9

Government _____

Associate _____

| Organization _____ | Percent | Organization _____ | Percent |
|---|---------|---|---------|
| Positions _____ | | Positions _____ | |
| Male _____ | | Male _____ | |
| Minority _____ | | Minority _____ | |
| Under 21 years of age _____ | | Under 21 years of age _____ | |
| Less than 12 years education _____ | | Less than 12 years education _____ | |
| Unemployed 15 weeks or more of prior 20 weeks _____ | | Unemployed 15 weeks or more of prior 20 weeks _____ | |
| Unemployed 15 days but less than 15 weeks _____ | | Unemployed 15 days but less than 15 weeks _____ | |
| AFDC recipient _____ | | AFDC recipient _____ | |
| Family income under 70 percent of lower living standard _____ | | Family income under 70 percent of lower living standard _____ | |
| Economically disadvantaged _____ | | Economically disadvantaged _____ | |

| Organization _____ | Percent | Organization _____ | Percent |
|---|---------|---|---------|
| Positions _____ | | Positions _____ | |
| Male _____ | | Male _____ | |
| Minority _____ | | Minority _____ | |
| Under 21 years of age _____ | | Under 21 years of age _____ | |
| Less than 12 years education _____ | | Less than 12 years education _____ | |
| Unemployed 15 weeks or more of prior 20 weeks _____ | | Unemployed 15 weeks or more of prior 20 weeks _____ | |
| Unemployed 15 days but less than 15 weeks _____ | | Unemployed 15 days but less than 15 weeks _____ | |
| AFDC recipient _____ | | AFDC recipient _____ | |
| Family income under 70 percent of lower living standard _____ | | Family income under 70 percent of lower living standard _____ | |
| Economically disadvantaged _____ | | Economically disadvantaged _____ | |

Data Format 1-10Displacement Activities - Title VI Project PSE

We are now interested in title VI project PSE that according to your interpretation represents displacement. We ask that you fill out Data Format 1-10 to indicate the type of displacement and the organization in which the positions are located. For completeness we have added an "Other" category for cases in which you judge that displacement has occurred but the category cannot be determined.

Within each displacement category, you should indicate at the top the total number of positions that belong in this cell and below that the activities by positions and the organization in which they are located. As noted in Data Format 1-4 a good source of this information is the "Project Data Summary" required by DOL.

Displacement Activities - Title VI Project PSE

Direct

Indirect

1. This government

2. School district
Ind. _____
Dir. _____

3. Other local government jurisdiction

4. State

5. Federal

6. Non-governmental

Total

| | slots _____ (111) | slots _____ (112) | slots _____ (113) | slots _____ (114) | slots _____ (115) | slots _____ (116) | |
|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-----|
| Transfers | | | | | | | |
| Rehires | slots _____ (121) | slots _____ (122) | slots _____ (123) | slots _____ (124) | slots _____ (125) | slots _____ (126) | |
| Potential Hires | slots _____ (131) | slots _____ (132) | slots _____ (133) | slots _____ (134) | slots _____ (135) | slots _____ (136) | |
| Contract Reduction | slots _____ (141) | slots _____ (142) | slots _____ (143) | slots _____ (144) | slots _____ (145) | slots _____ (146) | |
| Other | | | | | | | |
| Total | 261 | | | | | | 262 |

Data Format 1-11

Government _____

Associate _____

General Occupational Pattern

Displacement - Title VI Project PSE

For those participants considered to be project PSE that represent displacement as of July 15, 1977 we are interested in the types of jobs in which they are employed. For organizations that account for 5 percent or more of project PSE positions please list the proportions of the participants in each occupation. For others please indicate a representative occupational structure. You may wish to refer to the instructions for Data Format 1-5. We would also like to have the average wage for these occupations.

| | | | | | |
|---------------------------------------|---------|------------------------|---------------------------------------|---------|------------------------|
| Organization _____ Positions _____ | | | Organization _____ Positions _____ | | |
| | Percent | Average hourly wage | | Percent | Average hourly wage |
| Managerial | _____ | _____ | Managerial | _____ | _____ |
| Professional | _____ | _____ | Professional | _____ | _____ |
| Technical | _____ | _____ | Technical | _____ | _____ |
| Clerical | _____ | _____ | Clerical | _____ | _____ |
| Craft | _____ | _____ | Craft | _____ | _____ |
| Operative | _____ | _____ | Operative | _____ | _____ |
| Laborer | _____ | _____ | Laborer | _____ | _____ |
| Service | _____ | _____ | Service | _____ | _____ |
| Organization _____ Positions _____ | | | Organization _____ Positions _____ | | |
| | Percent | Average hourly wage | | Percent | Average hourly wage |
| Managerial | _____ | _____ | Managerial | _____ | _____ |
| Professional | _____ | _____ | Professional | _____ | _____ |
| Technical | _____ | _____ | Technical | _____ | _____ |
| Clerical | _____ | _____ | Clerical | _____ | _____ |
| Craft | _____ | _____ | Craft | _____ | _____ |
| Operative | _____ | _____ | Operative | _____ | _____ |
| Laborer | _____ | _____ | Laborer | _____ | _____ |
| Service | _____ | _____ | Service | _____ | _____ |

Data Format 1-12

Government _____

Associate _____

Characteristics

Displacement - Title VI Project PSE

For organizations that amount for 5 percent or more of all project PSE participants as of July 15, 1977 we now ask you for information about the characteristics of the workforce in Data Format 1-12. You may wish to refer to the instructions for Data Format 1-6.

| | | | |
|---|---------|---|---------|
| Organization _____ | | Organization _____ | |
| Positions _____ | | Positions _____ | |
| | Percent | | Percent |
| Male | _____ | Male | _____ |
| Minority | _____ | Minority | _____ |
| Under 21 years of age | _____ | Under 21 years of age | _____ |
| Less than 12 years education | _____ | Less than 12 years education | _____ |
| Unemployed 15 weeks or more of prior 20 weeks | _____ | Unemployed 15 weeks or more of prior 20 weeks | _____ |
| Unemployed 15 days but less than 15 weeks | _____ | Unemployed 15 days but less than 15 weeks | _____ |
| AFDC recipient | _____ | AFDC recipient | _____ |
| Economically disadvantaged | _____ | Economically disadvantaged | _____ |

| | | | |
|---|---------|---|---------|
| Organization _____ | | Organization _____ | |
| Positions _____ | | Positions _____ | |
| | Percent | | Percent |
| Male | _____ | Male | _____ |
| Minority | _____ | Minority | _____ |
| Under 21 years of age | _____ | Under 21 years of age | _____ |
| Less than 12 years education | _____ | Less than 12 years education | _____ |
| Unemployed 15 weeks or more of prior 20 weeks | _____ | Unemployed 15 weeks or more of prior 20 weeks | _____ |
| Unemployed 15 days but less than 15 weeks | _____ | Unemployed 15 days but less than 15 weeks | _____ |
| AFDC recipient | _____ | AFDC recipient | _____ |
| Economically disadvantaged | _____ | Economically disadvantaged | _____ |



Government _____

Associate _____

- 3a. In the instructions we noted that you might not be able to allocate some positions between job creation and displacement. We would like to know how many positions are unallocated and the amount of the funding that they represent. We would like you to discuss the reasons why these positions could not be allocated.

| | This Govern- ment | School District Ind. Dep. | Local Govern- ment | Federal | State | Non- govern- ment | Total |
|--------------------------|----------------------|------------------------------------|--------------------------|---------|-------|-------------------------|-------|
| Unallocated Positions | _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| Dollars | _____ | _____ | _____ | _____ | _____ | _____ | _____ |

Discussion:

Part IV Fiscal Effects

This section is concerned with the fiscal effect of PSE funding. It focuses on Part III above, that is, the data on displacement. If job creation occurs, then the immediate fiscal effect is assumed to be expenditures or additional employment. If displacement occurs then the fiscal effect depends upon the uses of the local funds released. The possibilities for direct substitution by the government include:

A. Expenditure Effects

1. **Capital:** Funds diverted through displacement may be used for capital projects or the purchase of capital equipment. In essence what was to be a subsidy to labor becomes a subsidy to capital.
2. **Employment:** Funds released through displacement may be used elsewhere in the government to increase employment. In this case there is a net employment effect but it may or may not be for target population.
3. **Other:** Funds released may be expended but the type of expenditure may not be observable.

B. Tax Effects

1. **Tax reduction:** In this case funds released as the result of displacement are used to reduce the tax levy at the local level.
2. **Tax stabilization:** In this case taxes are not reduced but rather PSE funding is used to avoid local tax increases or to reduce the amount of increases.

- C. Increased fund balances: In this case the funds released through displacement result in increased fund balances.

The two Brookings books on revenue sharing are a good source of information for working on this section.

Government _____

Associate _____

- 4a. We are interested in estimating the fiscal effects that result from displacement. Again, fiscal effects refer to the various uses of the funding for the positions that in your judgment represent displacement. In order to obtain the dollar estimates please use current (monthly) expenditures. Indicate the dollar amount and the proportion of current funding that is accounted for the categories of fiscal effects. Please discuss your conclusions.

Fiscal Effects of Displacement PSE

| | Dollars | % of Funding |
|-------------------------|---------|--------------|
| Expenditure | | |
| Capital | _____ | _____ |
| Employment | _____ | _____ |
| Other | _____ | _____ |
| Tax effects | | |
| Tax reduction | _____ | _____ |
| Tax stabilization | _____ | _____ |
| Increased fund balances | _____ | _____ |
| Unallocable | _____ | _____ |
| Total | _____ | _____ |

Government _____

Associate _____

4b. Major Analysis Question

We would like to have you discuss your assessment of the fiscal effects resulting from displacement described in 4a. Are these decisions overt or inadvertent? Please refer back to question (1f) about the overall impact of federal aid and indicate what you think were the main reasons for the major substitution effects which you have identified and what in your view is likely to happen in the future (if, when) PSE funding is significantly reduced.

Part V Summary and Conclusions

This final section asks for information on what you consider the "most important" effects of PSE, program administration and program interrelationships.

We consider all of these question to be Major Analysis Questions; we may excerpt your answers for the discussion sections of the first report.

If there are important aspects of the impact of PSE in this jurisdiction which you think we have missed with this first report form, we would appreciate it if you would include these points in the answers to the questions in Part V or add an additional page for these items.

Government _____

Associate _____

- 5a. We would now like to get your assessment of the job creation activities of PSE. Specifically, are the activities undertaken with project PSE different from those under sustainment? Is title II treated differently than title VI sustainment and are the participants different? In your view, are the PSE activities more or less productive and effective than the activities of regular local government employees?

Government _____

Associate _____

- 5b. Please provide a discussion of the displacement resulting from the PSE program. Why was this done? Was it understood and in your view a deliberate decision? Are there differences among project, sustainment, title II? Are there differences among organizations?

Another important and related question that came up at the conference is whether there is more or less displacement if a few positions are assigned to an activity (organization, project) as opposed to a larger number of assigned positions.

In your answer, please compare the activities of PSE participants in displacement positions to those in job creation positions.

Government _____

Associate _____

- 5c. We would like to have your judgment concerning the administration of the PSE program. How would you characterize the program administration? Good? Bad? Medium? Give your reasons for the assessment you make. What kinds of problems arose as a result of the implementation of the increased funding? How would you characterize the relations between this jurisdiction and the Department of Labor (or the prime sponsor if this is a program agent or subcontractual government)?

Government _____

Associate _____

5d. We would like you finally to comment on the effect of the new project approach of PSE under the 1976 amendments and the eligibility regulations aimed at reducing displacement and emphasizing the employment of certain target groups. In your judgment have these changes had an important effect? Please discuss the reasons for your answer.

Government _____

Associate _____

- 5e. When CETA was first enacted in 1973 title II was oriented toward structural problems in areas of substantial unemployment. In 1975 title VI was added as a countercyclical employment program with an unemployment rate "trigger". When the enabling legislation for title VI expired in June, 1976 additional funding was provided under title II which resulted in a mixing of title II and title VI participants. Title VI was extended in October, 1976 but with the project approach and eligibility requirements discussed earlier. The long and the short of it is that the countercyclical title is now more like a structural program and the structural title has the minimal requirements of a countercyclical program. In the process the two have been mixed and participants shifted from one to the other and back.

How have these various program changes affected the PSE program of this government in terms of such factors as people served, administration, size, major activities, policies and objectives? Is there now any discernible difference between title II and title VI sustainment?

Government _____

Associate _____

- 5f. Spending for PSE in 1977-78 will coincide with the receipt by many of the sample jurisdictions of countercyclical funds under the local public works and countercyclical revenue sharing programs. We are interested in the extent to which, and the way in which, these programs are interrelated, both substantively and for administrative purposes. Would you please provide information as the way in which the uses of PSE funds as of July 15, 1977 have been integrated or coordinated with (1) the use of other countercyclical funds, (2) funds received under the block grant program for community development, and (3) funds received under other block grant or major federal aid programs.

SPECIAL REPORTS OF THE NATIONAL COMMISSION FOR MANPOWER POLICY

- *Proceedings of a Conference on Public Service Employment*, Special Report No. 1, May 1975.
- *Manpower Program Coordination*, Special Report No. 2, October 1975.
- *Recent European Manpower Policy Initiatives*, Special Report No. 3, November 1975.
- *Proceedings of a Conference on the Role of the Business Sector in Manpower Policy*, Special Report No. 4, November 1975.
- *Proceedings of a Conference on Employment Problems of Low Income Groups*, Special Report No. 5, February 1976.
- *Proceedings of a Conference on Labor's Views on Manpower Policy*, Special Report No. 6, February 1976.
- *Current Issues in the Relationship Between Manpower Policy and Research*, Special Report No. 7, March 1976.
- *The Quest for a National Manpower Policy Framework*, Special Report No. 8, April 1976.
- *The Economic Position of Black Americans; 1976*, Special Report No. 9, July 1976.
- *Reexamining European Manpower Policies*, Special Report No. 10, August 1976.
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- *Directions for a National Manpower Policy: A Collection of Policy Papers Prepared for Three Regional Conferences*, Special Report No. 14, December 1976.
- *Adjusting Hours To Increase Jobs: An Analysis of the Options*, Special Report No. 15, September 1977.
- *Community Based Organizations in Manpower Programs and Policy: A Conference Report*, Special Report No. 16, October 1977.
- *The Need to Disaggregate the Full Employment Goal*, Special Report No. 17, January 1978.
- *The Effects of Increases in Imports on Domestic Employment: A Clarification of Concepts*, Special Report No. 18, January 1978.
- *The Transformation of the Urban Economic Base*, Special Report No. 19, February 1978.
- *Manpower and Immigration Policies in the United States*, Special Report No. 20, February 1978.
- *Dual Aspect Jobs*, Special Report No. 21, March 1978.
- *Labor Market Intermediaries*, Special Report No. 22, March 1978.

Reports listed above are available from the Commission at 1522 K Street, N.W., Washington, D.C. 20005.

INTERIM AND ANNUAL REPORTS OF THE NATIONAL COMMISSION FOR MANPOWER POLICY

- An Interim Report to the Congress of the National Commission for Manpower Policy: *The Challenge of Rising Unemployment*, Report No. 1, February 1975.
- An Interim Report to the Congress of the National Commission for Manpower Policy: *Public Service Employment and Other Responses to Continuing Unemployment*, Report No. 2, June 1975.
- First Annual Report to the President and the Congress of the National Commission for Manpower Policy: *Toward a National Manpower Policy*, Report No. 3, October 1975.
- An Interim Report to the President and the Congress of the National Commission for Manpower Policy: *Addressing Continuing High Levels of Unemployment*, Report No. 4, April 1976.
- Second Annual Report to the President and the Congress of the National Commission for Manpower Policy: *An Employment Strategy for the United States-Next Steps*, Report No. 5, December 1976.
- An Interim Report to the Congress of the National Commission for Manpower Policy: *Job Creation Through Public Service Employment*, Report No. 6, March 1978.

Reports listed above are available from the Commission at 1522 K St. NW, Washington, D.C. 20005.

BOOKS PUBLISHED FOR THE NATIONAL COMMISSION FOR MANPOWER POLICY

which may be obtained from the publishers
at the addresses indicated below:

- *From School to Work: Improving the Transition*, Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402, August 1976. Stock No. 040-000-00364-9. Price \$3.00.
- *Employability, Employment and Income: A Reassessment of Manpower Policy*, Olympus Publishing Company, Salt Lake City, Utah 84105, September 1976.
- *Jobs for Americans*: Prentice Hall, Inc., Englewood Cliffs, New Jersey 07632, October 1976.