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THE CANADIAN JOB CREATION MODEL AND ITS
APPLICABILITY TO THE UNITED STATES

A STUDY

PREPARED FOR THE USE OF THE
SUBCOMMITTEE ON ECONOMIC GROWTH
OF THE
JOINT ECONOMIC COMMITTEE
CONGRESS OF THE UNITED STATES



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LETTERS OF TRANSMITTAL

JANUARY 19, 1976.

To the Members of the Joint Economic Committee:

Transmitted herewith is a study entitled "The Canadian Job Creation Model and Its Applicability to the United States." This study was prepared for the Subcommittee on Economic Growth as part of the Committee's observance of the 30th anniversary of the Employment Act of 1946. It is one of a number of studies being undertaken to assist the Committee in developing recommendations for more adequately fulfilling the Employment Act goals of "maximum employment, production, and purchasing power."

This study describes the Canadian experience with a program of locally initiated temporary work projects and discusses the possible use of a similar program in the United States as part of an effort to deal with the high unemployment levels which have resulted from the 1974-75 recession. I believe Members of the Joint Economic Committee and other Members of Congress will find this study most helpful and informative.

The views expressed in the study are those of the author and do not necessarily represent the views of the Members of the Joint Economic Committee or of the committee staff.

HUBERT H. HUMPHREY,
Chairman, Joint Economic Committee.

JANUARY 15, 1976.

HON. HUBERT H. HUMPHREY,
*Chairman, Joint Economic Committee,
U.S. Congress, Washington, D.C.*

DEAR MR. CHAIRMAN: Transmitted herewith is a study by Dr. Thomas A. Barocci of the Massachusetts Institute of Technology entitled "The Canadian Job Creation Model and Its Applicability to the United States" together with a comment on the study by Dr. Samuel A. Rea, Jr., of the University of Toronto. This is the second in a series of studies being prepared for the Subcommittee on Economic Growth dealing with economic growth and employment opportunities. These studies form part of the Joint Economic Committee's 30th anniversary study series, in which you have asked all the subcommittees to participate.

Dr. Barocci's study describes and evaluates the Canadian local initiatives program, a program of locally initiated work projects intended to provide temporary employment for those who would otherwise be seasonally unemployed. He concludes that the program has worked well in Canada and that many aspects of the program would lend themselves to an immediate effort in the United States to create

additional job opportunities for those presently temporarily unemployed as a result of the recent recession. In his comment on Dr. Barocci's study, Dr. Rea expresses a more skeptical view of the value of public service employment programs as an element in counter-cyclical economic policy.

I would like to take this opportunity to thank Dr. Barocci and Dr. Rea for the work which they have done to assist the Subcommittee. I believe this study will be of great value to all those who are involved in the evaluation of alternative policy proposals for dealing with the present high level of unemployment.

The views expressed in the study and in the comment are those of the authors and do not necessarily represent the views of the Members of the Subcommittee on Economic Growth.

LLOYD M. BENTSEN, JR.,
Chairman, Subcommittee on Economic Growth.

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THE CANADIAN JOB CREATION MODEL AND ITS APPLICABILITY TO THE UNITED STATES

*By Thomas A. Barocci**

ABSTRACT

A discussion of the legal, philosophical and economic foundations of the Canadian job creation programs is followed by a brief evaluation of these programs. The primary emphasis of the paper addresses the issue of the applicability of the Canadian administrative provisions to the presently operating job creation programs in the United States, funded under the Comprehensive Employment and Training Act of 1973 (CETA). Specific attention is given to the problematic aspects of CETA and how these might be eliminated by incorporation of the Canadian "model" into CETA amendments or entirely new public jobs legislation.

The analysis concludes with a positive, albeit qualified, recommendation for the adoption of the Canadian "model" in the United States.

*Thomas A. Barocci is on the faculties of the Massachusetts Institute of Technology and of the Regional Institute on Employment, Training and Labor Market Policy at Boston University.

INTRODUCTION

With almost 8 million Americans officially counted as unemployed and the likelihood of a return to near-full employment before the end of the decade very doubtful, there are few who question the need for expansion of public jobs programs (PJP'S). Many are calling for a revision of the presently used method of funding and administering of Comprehensive Employment and Training Act (CETA) programs.

PJP's have, in the past, demonstrated substantial employment and economic impact, especially when compared to alternative fiscal tools. Thus, they are likely to be included as at least one component of any countercyclical policy program initiated in Congress. It is equally probable that even the most avid proponents of PJP will argue strongly for revision or complete change in the processes of funding, administration and implementation of the present programs. It is to this "reconstructing" problem with special reference to the Canadian "model" of job creation that this report is addressed.

This report consists of three parts :

1. The legal, philosophical and economic foundation of the presently operating job creation programs in Canada.
2. A brief evaluation of the first three years of the operation of the Canadian programs.
3. The applicability of the Canadian models for use in the United States with special attention given to the problems in operation of current Public Service Employment (PSE) programs in the United States.

The third section also discusses revisions needed to incorporate the Canadian "model" under the existing Titles II and VI of CETA and two optional pieces of legislation.

As a cautionary preface, several relevant differences between the United States and Canada should be pointed out. First, the population (and labor force) of Canada is approximately one-tenth the size of the U.S. Thus, when discussing implementation, funding and administration we must keep in mind that it would take much larger amounts of money and administrative effort to launch a program of similar effectiveness in this country. There are, of course, possible economies of scale to be realized. Secondly, the authorization and funding levels of the Canadian job creation programs are determined by Cabinet decision made as often as twice yearly. Consequently, the funding levels and rules governing the projects (and their administration) are infinitely more flexible than is presently possible under the job creation model we are working with in the United States. The Canadian system is almost elegant in its simplicity while the system under CETA tends to be crushed by its own bureaucratic weight. This problem is addressed in the text.

In 1971 the unemployment rate in Canada was about 6 percent. In response to this situation, the Cabinet made a decision to launch the first of the programs discussed in this study, Local Initiatives Program (LIP), under the aegis of the Department of Manpower and Immigration. The Local Employment Assistance Program (LEAP), the second program described in this study, followed one year later.

THE LOCAL INITIATIVE PROGRAM

As its name implies, the LIP program sponsors projects which originate with the project sponsors themselves. Thus, from the start the various undertakings must have importance and purpose for at least one person in the community and are then subject to approval by a variety of governmental agencies.

In addition to project initiation outside of government agencies, there are two other (and possibly more important) objectives of the program. First, the initial design was to create a program that would reduce the seasonal, regional and area specific unemployment in Canada. Because of certain geographic and industrial characteristics of the Canadian economy, Canada suffers a disproportionate amount of seasonal unemployment. It was at this problem that the LIP program was initially aimed. Secondly, the projects must in some way "enhance the quality of life" in Canada. This is loosely interpreted to mean that the projects must provide a good or service which was previously not available (or unavailable at a reasonable cost) or must utilize facilities which were available but untapped. Projects range from the obvious, such as day care centers, to the innovative, such as provision of tutoring centers for newly arrived immigrants. (A summary list of the types of projects is supplied in Appendix A.)

LIP projects are limited only in that they are not to be profit-making endeavors—any revenue generated from the project is charged against project expenses.¹ Projects can be aimed toward self-support either through revenues generated or support from other funding sources.

Each project application submitted must allow for the provision of at least 15 man-months of employment for persons who would otherwise have been unable to find a job. Projects are accepted only if the type of skill needed on the project is already available among the cadre of unemployed workers in the community. No provision for training is involved—primarily due to the short time span and the availability of alternative training programs through the Canadian Department of Manpower and Immigration.

Every person hired on a project must be referred through the Canadian Manpower Centers—the U.S. equivalent is the Division of Employment Security—and priority is given to those who are receiving unemployment benefits or welfare payments.² Any person who is a citizen or landed immigrant is eligible unless that person is a member of the immediate family of a project sponsor (in this case special permission from the Minister is required.)

¹ There have been, however, proposals to initiate an Entrepreneurial LIP Program so that certain projects with profit-making ability and long-range prospects can be funded for longer periods of time.

² The Unemployment Insurance System in Canada differs from the U.S. system in that the employees, government and employers pay into the system—it is not completely employer-funded, as in the United States.

The LIP wage schedule aims at paying participants the going local wage for similar work (not interpreted as the "Davis-Bacon" wage rate as it often is in the United States). The sponsors and/or project managers can earn up to \$140 per week, while employee participants earnings must average \$115 per week. In addition, the government contributes \$22 per week to cover administrative costs and "employer" contributions for unemployment insurance benefits.

The maximum funding level provided by the government is presently at \$75,000 for an entire project. This has been reduced from a 1971 maximum level of \$500,000 and a 1972 level of \$200,000.³ The funding levels for the first four "seasons" of the LIP project are shown in Table 1.

TABLE 1.—LIP FUNDING, NUMBER OF PROJECTS, MAN-WEEKS OF EMPLOYMENT, JOBS CREATED, AND COST PER MAN-YEAR

	Total funds (millions)	Number of projects	Jobs created	Man-weeks employment	Amount per man-year
1971-72.....	\$190.0	5,567	92,231	1,598,000	\$6,182
1972-73.....	206.0	5,818	85,426	1,824,400	5,871
1973-74.....	72.8	3,401	30,358	626,880	6,038
1974-75.....	85.0	4,191	30,362	624,863	7,073

¹ Includes extra money appropriated for project extensions: \$40,000,000 in 1971-72, and \$36,000,000 in 1972-73.

It has not been made clear why the overall funding level was lowered substantially between 1971-72 and the present program. Representatives of the Canadian Manpower Office indicated that the decision was political and not based on the "worth" of the program. Apparently it was a step taken to eliminate the large efforts communities were proposing as a means to increase their "revenue sharing" pot. Decreasing the maximum for any one project insured the funding of more and smaller projects.

ADMINISTRATION OF LIP

The agency responsible for the administration of the LIP program is the Job Creation Branch of the Department of Manpower and Immigration. The application form consists of *one* page (the flip side is optional) to be filled out by the applicant and forwarded to one of the ten branch offices of the Job Creation Branch. (A copy of the application form is shown in Appendix B). The application sheet asks only for a reasonably detailed budget of salaries and other expenses, along with the expected number of man-weeks of employment and the extra revenues (if any) that the project might generate. The assumption is that the project's justification will come out in the review process and in the active support of the project by the community or province in which it originated.

When the job creation office receives the application it makes photocopies to be sent to the following offices or agencies:

- The member of Parliament representing the constituency,
- The Canada Manpower Center serving the area,
- The Provincial Government,

³ The majority of the projects are funded at a level considerably less than even the reduced maximum of \$75,000. See Appendix A.

Other Federal departments which might have an interest,

The Constituency Advisory Group, and

The applicant, indicating official acknowledgement of receipt.

Each of the above parties submit their opinion of the project to the Job Creation Branch which then forwards all comments to the Constituency Advisory Group (CAG).

The CAG's were first set up with the 1973-74 program in order to insure local consultation on the proposed projects. Each CAG is composed of 11 members (changed from 9 members in 1973-74) nominated by the local member of Parliament, to represent a broad base of community interests. The CAG's take the inputs of all the parties sending comments and arrange the projects in order of priority for funding. The Federal Government has approved approximately 95 percent of the CAG-recommended projects. It should be pointed out that the Member of Parliament does not have to set up a CAG—if this is the case then the project selection is the responsibility of the program officials (usually in consultation with the Member of Parliament).

Sending the proposals to the other Federal agencies that might be interested is done in order to avoid overlap and conflicting projects in an area. For example, the Interior Department may have been planning a fire road, while the local group who proposed a LIP project to do the same was not aware of the plans.

All plans, due to the seasonal design of the program, must be submitted by Oct. 1 of the year and be ready to begin as early as Dec. 1, but not later than Jan. 31. The maximum length of funding for any one LIP project is 26 weeks, although some have been granted "special circumstance" extensions.

If a project is approved, the sponsor officially becomes an "employer" with all the responsibilities for accounting and payment into the Unemployment Insurance fund (for all participants but the sponsor). The sponsor must then use the Canadian Manpower Centers for the recruitment of all staff and make sure the project is in compliance with all Federal and provincial laws in reference to building permits, licenses and wages. The Job Creation Branch offers help on any and all administrative problems.

The funding of the project is made in installments with an initial payment, covering the first two months of operation, sent with the award. The remainder of the payments are made on a monthly basis depending on whether the monthly reports are received and approved by the Job Creation Branch (and sometimes checked in the field by a member of the Job Creation Branch staff). All of the rules and regulations are carefully laid out in a sponsor's handbook, distributed when the project is approved.

The termination of LIP projects is automatic at the end of the 26-week period, unless the project has become self-supporting or the community (or provincial government) includes it permanently in the budget. The participants do not expect to be retained, as the design of the program is to take care of seasonal employment problems. The participants are, however, eligible for unemployment insurance benefits in that the project sponsor has paid into the fund during the 26-week period.⁴

⁴ It is worthwhile to point out that the Job Creation Branch figures out the appropriate rate for each project and takes care of the Workman's Compensation premiums for each project participation.

In sum, the administrative procedures employed in the LIP program appear to be as simplified as possible, while still retaining enough control and review to minimize the possibility of fraud. There are no elaborate rules and regulations, but rather a simple set of guiding principles which are interpreted *ad hoc* when necessary by the staff of the Job Creation Office of the Department of Manpower and Immigration.

ASSESSMENT OF THE PERFORMANCE OF LIP

The information upon which the brief evaluation of the activities of LIP is based is all of a secondary nature. The author has not conducted nor has he been involved in the data gathering. Much of the information used in this section is provided by the Canadian government in the form of published data on participant characteristic and program costs and should be reliable. Value judgments presented are the sole responsibility of the author and not the "official" word from the Canadian Department of Manpower and Immigration.

ALLOCATION OF FUNDS UNDER LIP

The allocation and distribution of funds under the LIP program is a very simple procedure. An estimate of unemployment is made for each of the 41 economic regions. The difference between this number and the expected number of unemployed persons at a 4 percent "full" employment level is calculated. The number of persons counted as "excess" unemployed is then multiplied by the national dollar allocation per unemployed person. In 1974-75, this figure was approximately \$262. Each of the regions is to receive a minimum of \$75,000, enough for at least one LIP project. This system contrasts with the present allocation system employed under CETA which resulted from compromises reached in Congress over rural versus urban areas and States with high versus States with lower population and unemployment.

PROJECT SPONSORS

As indicated above, there are no special provisions for project sponsors—any individual or non-profit group or agency may apply. Following is a list of the 1973-74 project sponsors cross-tabulated with the type of project activity.

TABLE 2.—LIP ACTIVITIES BY PROGRAM SPONSORS, 1973-74

[Percent distribution]

Activity	Sponsor										Total
	Local government bodies	Other government agencies	Indian and Eskimo groups	Cultural groups	Religious groups	Service and welfare organizations	Business and labor organizations	Citizens committees	Recreation and leisure organizations	Individuals	
Building construction.....	3.5	1.3	3.2	0.9	2.3	2.3	0.4	2.8	3.5	1.6	21.8
Nonbuilding construction.....	5.7	.9	1.3	.2	.2	.4	.3	1.5	2.6	2.4	15.5
Lands, parks, and forestry.....	3.1	.8	.8	.4	.1	.2	.3	.4	1.2	1.2	8.5
Artistic and cultural.....	.1	.2	.3	1.9	0	.2	.1	.2	.2	1.7	4.9
Education.....	.2	1.2	.2	.5	.2	2.3	.3	.7	.4	2.5	8.5
Information.....	.1	.1	.1	.2	0	.3	.2	.9	0	.9	2.8
Social services.....	1.0	.7	1.5	.7	.7	6.4	1.1	4.4	1.1	10.7	28.3
Health services.....	0	.2	0	0	0	.5	.1	.1	0	.2	1.1
Sports and recreation.....	.7	.4	.1	.2	0	.1	.2	.4	1.9	.9	4.9
Research.....	.6	.3	0	.6	0	.4	.3	.4	.2	.9	3.7
Total.....	15.0	6.1	7.5	5.6	3.5	13.1	3.3	11.8	11.2	23.0	100.0

Source: Canadian Department of Manpower and Immigration.

The data on the 1973-74 programs shows that individuals are the most frequent sponsors and social services the most frequent activity. A recent conversation with a Canadian LIP official revealed that in the 1974-75 project year, 35 percent of the projects were sponsored by individuals. The stark contrast between LIP and CETA is that only about 21 percent of the LIP projects were sponsored by government agencies. Of those sponsored by government agencies, the majority were related to construction activity. This reflects the fact that LIP funds cannot be used for capital equipment and materials. Governmental units were most able to supply the necessary additional resources. A University of Calgary study of LIP projects showed that 38 percent of the sample projects were receiving funds from other sources—a tangible expression of the willingness of the communities to become directly involved in the LIP projects.

In 50 percent of the cases studied it was found that a public or private agency provided the same or similar services as the LIP project. However, this may not indicate an oversupply since the Calgary study also showed that 81 percent of the users of LIP services knew of no alternative in the community. The bulk of the duplication was in large cities and most of those who were involved in organizations which supplied the same or similar services did not view the LIP projects with disfavor.

An accurate measure of community attitudes toward LIP is difficult to obtain, but a sample cross-section of the communities surveyed showed that about 69 percent were favorable, 25 percent were unaware of the project and 6 percent registered unfavorable opinions.

ECONOMIC IMPACT OF LIP

LIP, by design, is a program to reduce seasonal unemployment in Canada and thus its economic impact cannot be judged by simply listing changes in the overall unemployment rate.

About 70 percent of the LIP jobs lasted 24 weeks or less while 30 percent had a tenure exceeding the "regular" seasonal unemployment span in Canada. Estimates made by Prof. Fred Lazar¹ at York University indicate that the LIP program increased the overall level of employment during the winter months between 1 and 1½ percent and reduced the total level of unemployment by approximately 5 percent. These figures assume that each job created under LIP is a net addition to the employment pool. This may not be true if any of the projects would have been undertaken in the absence of the program. Unfortunately, there is not a direct method of measuring this.

One of the most remarkable aspects of the LIP program is the fact that it has created and filled such a large number of jobs in so short a period of time. For example, in the 1972-73 year there were some 86,000 jobs created and filled in less than two months. The program is not as large now but still operates effectively in the given time frame. In order to duplicate this effort in the United States we would have to create and fill almost 1 million jobs in 2 months.

The LIP projects created one man-year of employment for each \$7,000 expended (see Table 1). There are several reasons for this low figure. First, the wages paid must average \$115/week—about 10 to 20

¹ Fred Lazar, unpublished, nuntitled paper, Dept. of Economics, York University, January, 1975.

percent less than the Canadian national full-time average. Secondly, the administrative costs are minimal, since there is no large public bureaucracy set up to deal with and plan the programs. Thirdly, the projects are labor intensive, and thus only a small percentage of the government funds were used for materials and other operational expenses.

Since the LIP program is specifically designed to take up the seasonal slack in employment, one would expect that most of those who obtained the LIP jobs would come from the ranks of the officially unemployed. The only data the author could obtain relating to employment status prior to a LIP job refers to the 1972-73 year. The information shows a favorable picture, in that 72 percent of the participants were either unemployed or expecting layoff in the immediate future. Table 3 shows the characteristics of the participants by sex and labor force status.

TABLE 3.—LABOR FORCE STATUS AND SEX OF LIP PARTICIPANTS, 1972-73
LABOR FORCE STATUS OF LIP WORKERS IMMEDIATELY PRIOR TO LIP (1972-73)

[In percent]

	Male	Female	Total
Employed steady, full time.....	7.2	6.3	6.9
Employed steady, part time.....	1.7	4.2	2.5
Employed full time, expecting lay off.....	9.8	6.6	8.9
Employed part time, expecting lay off.....	2.1	2.8	2.3
Unemployed.....	67.1	46.1	60.6
Housekeeping.....	.7	22.4	7.3
Retired.....	1.1	.5	.9
At school.....	4.7	5.1	4.9
Other.....	5.6	6.0	5.7
Total.....	100.0	100.0	100.0

The classification "at school" might also indicate a favorable employment addition in that these persons were likely to be entering the labor force and certainly all would not have been able to find jobs in the absence of LIP. Further, the housekeepers and part-time workers who came to the LIP projects may have really needed the full-time positions. These "new entrants" may simply have been discouraged by the job market prospects, and therefore part of the "hidden" unemployed.

Although LIP was not designed as an antipoverty program, it disproportionately benefited those most in need of employment and earnings. Some 67 percent of the males in LIP were collecting unemployment or welfare benefits and 43 percent lived in families who had income levels below the poverty line. Drawing persons from public assistance programs has the additional advantage of savings to direct government transfer payments plus the taxes paid by these persons while they are working. The exact amount of savings to the government in the form of reduced unemployment insurance (UI) benefits and welfare costs is extremely difficult to calculate. Some may return to UI after the program and others to welfare. It is, however, safe to assume that the net costs are substantially less than the full appropriations.²

² Estimates of the net costs of job creation in the United States have recently been supplied by the Congressional Budget Office. The estimates run from 61 to 75 percent for the initial impact and 53 to 72 percent after 24 months. See: "Temporary Measures To Stimulate Employment: An Evaluation of Some Alternatives", Congressional Budget Office, September 1975.

The University of Calgary study found that 62 percent of the males and 70 percent of the females became unemployed after LIP in 1972-73. This suggests that LIP did not really fulfill its goal of getting to the seasonally unemployed, since one would expect them to return to their regular job at the termination of LIP. However, this finding does not diminish the efficacy of using this model as a counter-cyclical device.

SUMMARY

The above discussion only points out some of the highlights of the program characteristics and employment accomplishments. It is not meant to be a detailed evaluation but rather an aid in understanding the model for consideration as an "export" to the United States.

It is fair to say that, with the amount of money available and the time span given, the Canadian Department of Manpower and Immigration set up an efficient network for the creation of jobs. In addition, the projects are visible and undertaken at the suggestion of the community. Before discussing the possibilities for the LIP model in the United States, the LEAP program is discussed and briefly evaluated.

THE LOCAL EMPLOYMENT ASSISTANCE PROGRAM (LEAP)

One year after the initiation of the LIP program, the Canadian Department of Manpower and Immigration launched another program (again without specific law but at the mandate of the Cabinet). This program, designated the Local Employment Assistance Program, is aimed at the problems of chronically unemployed persons rather than the seasonal disparity goal of the LIP program. The program is described by the Job Creation Branch as "low profile" since, rather than solicit proposals from the public, it employs LEAP agents in the various Job Creation offices to take the lead role in project initiation. This process is usually undertaken with the assistance of any private or governmental agency in the area that is concerned with the problems of the disadvantaged population.

Once target groups and a project are identified, the LEAP staff immediately attempts to integrate participants into the final stages of planning and start-up. This period includes the solicitation of additional funds or other support from both private and not-for-profit agencies. In some instances the LEAP projects have involved the startup of a small business specifically designed to offer a needed good or service and, often, with the intention of the project to become self-supporting. The LEAP staff members have indicated that they turn over management to the participants as soon as possible.

Any person who participates in a LEAP project has access to any of the training programs offered through the Department (analogous to the training programs offered under Title 1 of CETA).

The target group for LEAP projects is similar to those defined as "disadvantaged" under present U.S. poverty and manpower programs (that is: people who would likely remain unemployed under "normal" labor market circumstances). The brochure for the LEAP program indicates the following:

. . . the program focuses on the support of a limited number of projects which demonstrate ways of creating long-term employment for persons who are unemployed because—

1. They have limited job skills;
2. They live in a geographic area where job opportunities are limited;
3. They are the subject of racial or cultural prejudices; or
4. They have physical, social or mental disabilities which create barriers to employment, such as chronic dependency, a criminal record, alcoholism, retardation or physical handicaps.

It is obvious that the definition of possible participants for the program can be interpreted as loosely as the Job Creation Branch sees fit. On this count, LEAP is similar to Title II of CETA eligibility criteria.

ADMINISTRATION OF LEAP

Once the Job Creation Branch identifies a geographic area or specific target group, they then work with a local group, a non-profit organization, community or citizen group, voluntary agency, or even an individual is designing a project proposal.¹

The funding level of the LEAP projects cannot exceed \$200,000/year, with a maximum funding of three years: In some instances a startup time of six months and up to \$100,000 is given to the project if longer planning is deemed necessary. The maximum funding level for any one project is \$350,000, although most of the projects are funded at a level considerably less than the maximum allowed.²

Wages paid to participants can be no higher than those prevailing for similar occupations in the area. Federal funds are used for the payment of wages, fringe benefits, employer contribution to unemployment insurance and "reasonable" administrative costs. In some cases, the cost of expert supervision, counseling, evaluation or special training is allowed, as long as it doesn't exceed 20 percent of the total project costs.

Proposals may be submitted at any time of year and the person or group designing the project is encouraged to take time to plan carefully. The project staff of the Job Creation office are assigned to projects to aid in the development as well as participate in the monitoring after the project begins. Close attention is given to each project and a maximum ratio of one monitor to eight projects is maintained.

The LEAP program is basically experimental and funded at a level of approximately \$12 million for the 1974-75 season. This would be equivalent to a funding of approximately \$120 million in the United States—a very small program compared to other social expenditures.

¹ In some instances, spontaneous proposals from groups or committees not identified by the LEAP staff will be considered for funding. This, however, is the exception rather than the rule.

² See Appendix C for a sampling list of LEAP projects and their funding levels.

LEAP SUMMARY EVALUATION

LEAP, as mentioned above, is a small program with an allocation for 1974-75 of only \$12 million, enough to create about 1,700 jobs. LEAP is aimed primarily at the "disadvantaged" and the data available shows that over 70 percent of those hired in a non-managerial role were earning less than the official poverty line. About 14 percent of the non-managers were employed full time prior to LEAP.

The LEAP projects are divided into two categories: "preparation" and "retention" projects. The latter are designed to retain the original participants over the life of the project (up to 3 years) and the former to prepare the participants as soon as possible for re-entry into the regular job market. The funded projects were split about half and half, although the preparation projects had a much larger proportion of managers. This reflects the emphasis on training and transition of the "preparation" projects. The majority of the "preparation" projects were sponsored by community agencies, while the "retention" projects were divided somewhat randomly among native groups, cooperatives, citizen groups, service clubs and the like. Of those who left the projects, over 40 percent immediately secured other employment. The next largest category of turnover shows 13 percent in the "dismissed" classification.

Reflecting the "investment" nature of the LEAP program is the fact that over 70 percent of the projects were expected to become commercially viable over the funding period (i.e., to become revenue producing and independent of outside financial resources). Whether this will happen is not certain since none have been in operation for the full three-year funding period. The "retention" projects are more likely to become financially independent, while the "preparation" projects, almost by definition are not, since they lose their most experienced and able workers as soon as they can place them in other jobs.

LEAP operates on a community development model, in that these "businesses" are funded in the initial stages by government money. They have neither the credit rating nor the certainty of success that is needed to obtain funding in the private market. The outcomes should be watched closely, since this type of project is being proposed in many States in the form of a State-funded development bank. Many models of this have been put forward, but none have been put into operation in the United States.

PUBLIC EMPLOYMENT PROGRAMS IN THE UNITED STATES AND THE EFFICACY OF THE CANADIAN MODEL

This section of the paper discusses the current efforts in the United States to use public employment programs as a counter-cyclical tool. Special emphasis is given to the problems encountered since the passage of the Emergency Jobs and Unemployment Assistance Act of 1974 (Title VI of CETA). The problems are discussed in reference to the possibility of substituting the Canadian job creation model (LIP) for the present structure.

Although antipoverty job creation models with "transition" goals are important and (in the author's opinion) in need of expansion, this discussion centers on counter-cyclical strategies. In addition, it is possible to at least partially achieve the goals of anti-poverty job creation in the context of a counter-recessional program.

The main goals of a counter-recessionary jobs program are: (1) to provide as many jobs as possible for those out of work as a result of cyclical changes in the economy, and (2) to provide stimulus to the economy through increases in purchasing power. There are several secondary but important considerations. Job creation should be done in a manner that will best stabilize the rate of inflation and result in the least displacement of workers already funded under the current State, local and federal budgets. Also important is that the output of the jobs is needed and visible.

Other considerations of PJP's center around the structure and cost of the administrative network and the categories of persons hired. In terms of administration, the simplicity and cost of the operation are most important. In reference to the target groups, the countercyclical strategy considerations are not clear cut since they may conflict with inflation stabilization goals, need criteria and the possibility of prolonging a return to "normal" labor market activity. This will depend on the wages paid and the duration of public jobs. Although detailed discussion of all the above aspects of countercyclical PJP programs is out of the purview of this paper, the factors mentioned above are discussed in reference to the possible use of the Canadian LIP model.

Much of the confusion and criticism of the present PSE programs is misplaced. Those who look at the programs as an antipoverty effort are disappointed. The guidelines are "loose" enough and the pressure for speed of implementation was strong enough to point the program away from an antipoverty stance and in the direction of a purely counter-cyclical posture. On the other hand, those who viewed it as a form of counter-cyclical revenue sharing designed to ease the burden on UI rolls criticize PSE for the attention given to "transition" requirements and selection of those most in need of earnings. The problem originates from the lack of explicit goals offered in the various titles of the legislation. Further, even if the purposes of various

titles of CETA were explicit, the Act allows the option of transferring funds from one title to another. Any additional piece of legislation or additional funding should certainly make clear exactly what the "intent" of the program is, and to whom the positions should be directed. Presently, the water between Title I's goal of assisting the disadvantaged through training, Title II's anti-poverty job creation and Title VI's countercyclical intention, is very muddy.

The main criticisms of the CETA PJP titles center around the administrative framework, the target groups, the "output" of those hired and the "maintenance of effort" provisions. Each of these is considered in turn.

ADMINISTRATIVE FRAMEWORK OF CETA JOBS PROGRAMS

The manpower and anti-poverty programs of the 1960's created on alphabet soup of programs, strategies, delivery systems, and target groups. All were designed with the intentions of providing needed services, income supplements and training while at the same time guarding against duplication and emphasizing coordination. One would be hard pressed to find a student of these programs who would defend keeping the initial format.

The attempt to coordinate categorical programs under the umbrella of "manpower" was carried through in the form of CETA and its amendments. The basic idea behind CETA was that local governments have a better grasp of the problems and needs of their constituents than does the Federal Government. This premise, however, left unanswered the question of administrative capability. Local governments simply lacked sufficient numbers of staff skilled in manpower program management. As a result the initial CETA programs took much time to get underway. Just as the process was gaining some momentum, new funds were appropriated by Congress. The CETA Title II money came available about July 1, 1974, the same time that the \$250 million additional funds authorized under the Emergency Employment Act of 1971 extension came available. Within another 6 months, the allocations under Title VI of CETA were appropriated. The result of this sudden influx of Federal dollars was enormous pressure on local governments to hire PSE enrollees, often in excess of local agencies' capacity to manage.¹

Several points are important:

1. The sheer size of the legislative provisions, guidelines and regulations literally made it impossible for the Prime Sponsor staffs to interpret whether they were to operate by the "law" or under the Labor Department guidelines—often different in "intent" if not in letter.
2. The time frame not only disallowed the possibility of careful planning but also "forced" many public administrative units to come up with "need" immediately.
3. The amount of money available under Titles II and VI and the EEA extension completely overwhelmed the Title I "training" aspects of CETA—designed to be its central focus.

¹ Many Prime Sponsors were not able to "spend" the appropriations within the period of time mandated by the Department of Labor. Many newspaper stories around the country mentioned this fact as an indication of the failure of P.S.E. programs.

4. Following from numbers 1 and 2 above came the problems of inability of the sponsoring agencies to allocate or raise additional money to supplement the wage costs paid by the jobs programs. This simple fact precluded, almost entirely, the use of projects and instead concentrated almost all of the effort in "add ons" to civil service or quasi-civil service rolls. In many cases this led to charges of violation of the maintenance of effort provisions of the law.

The administrative framework of the LIP program offers an attractive alternative to these problems. First, the application forms are one or two pages long and the planning work is done entirely on an *ad hoc* basis by those who will be involved directly in the project. There are no volumes of rules and regulations nor is the likelihood of duplication of effort strong, since all projects go through a Constituency Advisory Group.

Essentially, the LIP program puts the burden of finding community support and other funding on the persons who are proposing a project rather than on bureaucracies already straining under the problems of implementation of CEA titles I and II.

If the U.S. adopted the LIP "public initiative proposal" approach, it would have to be decided whether existing Prime Sponsor administrative networks could or should handle this type of system for PJP. The U.S. Department of Labor would be a logical possibility to be the fiscal agents of the projects. Due to their experience under categorical programs, Labor Department offices already have the expertise necessary for fiscal management and monitoring procedures. In the author's opinion, Prime Sponsors could best carry through their main function—the planning, design and implementation of training programs—in a much more effective manner if they did not have to deal with the temporary burden of counter-recessionary job creation. They should, however, retain the responsibility for the anti-poverty job creation programs, since this is a direct part of the training and placement efforts of their operations.

The simplicity of administration of the LIP program is due to the application itself, to the approval procedures and to the rules and regulations in general. Thus, LIP operates more efficiently than the current Title VI administration network.

Another administrative function is that of transferability of money under one Title to another Title of CETA. In response to the problems of money for tools and equipment in many of the Prime Sponsor networks, the allocations under Title VI were transferred to Title I programs, usually the "work experience" section. (Title I allows 20 percent administrative costs and Title VI, only 10 percent.) The lawmakers, with all good intentions, indicated that if a Prime Sponsor wanted to engage in more training and work experience programs (including OJT) they could transfer the allocations under Title II to Title I. These provisions were in turn used in the transfer of Title VI funds. The two accomplishments of this transfer were both of dubious value. First, it allowed the Prime Sponsors to allocate a larger percentage of money for administrative purposes. In some instances, this was effective in that it enabled the purchasing or leasing of uniforms, tools and equipment, thereby increasing the likelihood of visible and concrete accomplishments under the program. The option was also made

possible to simply hire more staff to administer the program. No explicit evaluation of this can be made. Secondly, if a Title VI hired person is classified as a "work experience" participant under Title I (and is usually performing the same jobs as those created under Title VI), then that person is later categorized as a "former training program participant" and, under current guidelines, is near the top of the list for participation in any other public job program. In extreme cases, a person hired under EEA in 1971 could have been on the payroll in a Title II program, then transferred to a Title I work experience program and then be placed in line for a Title VI slot. There are documented cases of this occurring in Massachusetts. Although this program-hopping is not against the letter of the law of CETA, it certainly does not conform with the spirit.

Separation of the countercyclical job creation programs from CETA would eliminate this problem. The LIP program gives no priority to previous participants. Again the confusion over the counter-recession or anti-poverty nature of the programs of CETA becomes important.

A final administrative problem in CETA was that of "over-hiring." It is not yet clear how common this has been, but a specific case in Massachusetts will bring the problem to light. In the initial stages of Title VI implementation, the "sub-grantees" (a smaller unit, under the Balance of State Prime Sponsor, left over from the administrative network of EEA) were hiring people at a rate in expectation of full year funding, without awareness of funding overlaps and available lag money. As a result, one of the sub-grantees hired 660 persons when in fact the accounting procedures later indicated that there was only enough money to hire about 550. Thus, the Balance of State Prime Sponsor had to supply—and where they got the extra money is not certain—an additional \$100,000 to keep those people on the payroll. The newspapers called it mismanagement, while the Prime Sponsor defended it with the explanation that the director of the subgrantees office had been overzealous in response to the mandate to hire. Again, the LIP framework circumvents this problem by giving a specific grant for a specific period of time for a specified number of people. Over-hiring simply could not be a problem.

TARGET POPULATION

For all intents and purposes, the restrictions on entry into public jobs programs became operationally insignificant with the advent of Title VI. The reasons for this are twofold. First, the "transition" requirements were essentially dropped from the guidelines and, second, the entry requirements for unemployed persons were dropped from 30 to 15 days. The bill gave preference to those who had exhausted their UI benefits (up to 65 weeks in some states) and the long term (15 weeks) unemployed. The lifting of restrictive requirements on entry was directly in line with the countercyclical intent of Title VI. However, even though a countercyclical program is specifically designed to aid those out of work due to the recession, other considerations are still important. Persons out of work are not all in the same situation. Some have assets, eligibility for up to 65 weeks of UI, supplemental unemployment benefits, regular seasonal lay-offs, and so on. In the extreme, one could say that all the persons who are unemployed, save a fractional 3 or 4 percent, would be working if the economy were operating at full

capacity. Thus, the issue of who among the unemployed should be hired is not as simple as it may seem. Methods of selection among the unemployed are tangled with problems. Some are worthy of elaboration, regardless of the model of public job creation.

Nationwide, unemployment insurance benefits average about \$65 per week, with a maximum duration of up to 65 weeks, depending on the state laws. In the United States, UI benefits are paid from state trust funds maintained by employer contributions, and this tax is based on their "experience rating." In addition, employers pay a fixed tax rate to the federal government. This money is used to partially fund federal extensions to the UI program. In the areas of the country which were hit hardest by the recession, the employers' rates are all at or near the maximum possible under the present schedule. Thus, we have witnessed many States which have had to borrow money from the federal trust to pay even the regular state-mandated benefits.

The portion of UI benefits which are funded from the Federal UI trust can be saved, in part, by the funding of a PJP. This represents a net savings to the trust. This "savings" should be considered for use in the funding of PJP slots, possibly by using the Williams amendment to the Social Security Act which allows for use of the federal portion of UI payments to subsidize training endeavors.

Finally, consideration should be given to allowing persons eligible for UI to take their "entitlement" and apply it toward a salary in a PJP slot, if they so choose. If this is not legally possible with the state portion of UI funds, we might conclude that on the basis of *need*, those who are eligible for state benefits should be last in line, rather than first, for any additional PJP slots.

The net savings benefits of PJP programs emerge more clearly when dealing with the welfare population, since all of the savings accrue to federal or state general funds, and thus, represent a net savings to the general tax-paying public.

In terms of countercyclical strategy there are two other considerations which lend support to hiring those most in need of income rather than anyone who is unemployed. First, the net aggregate demand stimulus is higher if the net increase in the person's income is greater. For example, if a person is collecting \$100 per week in UI benefits and is hired for a \$200 per week PJP slot, we see a net increase in the purchasing power of \$100 per week (a bit less, actually, since taxes must be paid on PJP slots while UI is tax-free). But if a person is given a job who is collecting \$50 per week in welfare or has exhausted UI benefits, we see a \$150 or \$200 per week addition to purchasing power.² These arguments, of course, hold only if the increased income is financed by reducing the budget surplus (enlarging the deficit) rather than by raising taxes to pay for the program.

Another important consideration is that the impact of the recession falls disproportionately upon the lower income segments of the economy. This is well-documented in the literature of economics.³ The implication, on equity grounds, is that a disproportionate amount of the available funds should also be targeted to the lower income groups.

² These arguments are more fully developed in a paper entitled "The Equity, Efficiency and Economic Stabilization Aspects of Public Employment Programs," May, 1975, available from the author.

³ See Edward M. Gramlich, "The Distributional Effects of Higher Unemployment," *Brookings Papers on Economic Activity*, Vol. 2, 1974, p. 293 ff.

The problems discussed above are not directly addressed by the LIP program; in fact, almost the opposite is true. Those most skilled in "grantsmanship" are likely to obtain funds and these persons are usually the "most employable" and least needy of the unemployed pool. A provision for employment in LIP is that the person be registered with the employment office, even if not collecting benefits. One possible way to solve this problem is to specify that a certain portion of those to be hired in a PJP project come from the following groups:

Those who have exhausted UI benefits;

Those who are on federally funded extensions of UI benefits;

and

Those who are collecting in any public assistance program.

In addition, applicants should also be screened on the basis of "family income," rather than on personal income. One could find little support or justification for the spouse of a \$25,000/year executive receiving a position in a PJP.

Use of stricter criteria in hiring would not only make the programs more equitable, but may aid in realizing greater net increases in purchasing power. These criteria could be incorporated in the LIP model through use of a simple formula on the percentage of persons from any of the most disadvantaged groups in terms of present and potential transfer income.

All persons hired in LIP make payments to the UI fund and are eligible to collect benefits if they cannot find a job when the project terminates. Thought should be given to including a provision for continuation of federally-funded extensions for participants in any new PP program or strategy. A variation on this theme is put forward by Michael Wiseman, who recommends a lump-sum bonus for those who find a regular job. The "bonus" would increase the incentive to find regular employment and reverse the alledged negative employment incentive of the current UI system.⁴ This suggestion by Wiseman would be an excellent addition to any PJP, even one operating under the LIP model, since it is unlikely that there will be any shortage in applicants for PJP jobs in the next few years.

Even if the LIP model is incorporated into U.S. PJP programs, target group problems will prevail unless more thoughtful and restrictive regulations are included. Special attention should be given to the supplementation of the PJP funding by the federal UI fund and realignment of the priority groups. Family need and availability of alternative sources of income should be considered in assigning "significant segments."

OUTPUT OF PJP PROGRAMS

Job creation in the public sector has been stigmatized by many as "make work," "leaf-raking," and so on. In some instances the criticisms are fair, and in others it is simply the result of not understanding what the persons involved are doing. This stems from "built-in" problems of the CETA program. The "loose" guidelines and Department of Labor pressures to hire quickly often lead the hiring agents, usually local or State government, to "make work" if they have nothing on the agenda prevented by budget problems. The jobs concentrate as addi-

⁴ Michael Wiseman, "On Giving a Job: The Implementation and Allocation of Public Service Employment," Joint Economic Committee, Congress of the United States, August, 1975.

tions to the staffs of service organizations and are essentially invisible to the taxpaying public. Secondly, there have been many cases of nepotism, political rewards or the like. Thirdly, many of the workers (and their output) have not been represented as net additions to the number employed or to the community betterment.

The fact that the vast majority of PSE slots were additions to public sector service organizations is not *per se* negative since the need for public services is still far from saturated. However, the fact that no new money was provided for capital equipment and facilities often precluded the addition of previously unprovided services. The net addition of one or two staff persons to a public sector organization is unlikely to generate any enthusiasm or add to the "output of the agency." This scheme for finding jobs also renders priorities for the function and placement of new personnel to the discretion of the local politicians or bureaucrats. Again, this is not necessarily negative, but certainly not optimal.

The LIP model would take the best of this form of job creation and leave the worst behind. The community organizations and even the public bureaucracies could apply for grants in the same manner as everyone else and, if deemed worthwhile, they would be funded. The LIP model would simply inject a competitive facet into the provision of necessary but absent public services. An additional benefit would be the circumvention of the whole system of civil service, since the jobs would be of limited duration without the polemics of "transition." Much less feather-ruffling of the unions and taxpayers would be provoked.

The issues of "cronyism," "nepotism," and political wards will not be solved by the injection of a new model of PJP. These could be diminished if the projects were smaller in magnitude, if there were no guarantees for continued employment in the public sector, and if projects were subject to a set of rules as simple as those written along with any "breakfast food giveaway" (i.e., any relatives of employees of X company or its advertising agencies may not be etc.). The situation would be further improved if wages paid were less than similar jobs in the private and public sector. In addition, use of target criteria for "long term" unemployed or those under the extended UI benefits would have a minimizing impact on the whole issue.

Most important in relation to the "output" of the PSE programs is the *visibility* question. The lack of popularity of PSE programs, in the author's opinion, centers around the fact that the taxpayers do not see any net addition to the community in terms of facilities or services. The project approach of LIP virtually guarantees visibility by having signs indicating that the work is being carried out under a LIP grant, and by making sure the press is aware of projects. The press then also serves as a built-in monitoring system.

The potential "snowball" effect of visible PJP projects is very large. If one community has renovated old homes, landscaped the park or cleaned up the subway, they are certain to gain favorable publicity. At the same time, the officials in the next town or State are going to be asked what improvements are being carried out in their community. The potential is incredible. One only has to inspect (or use) accomplishments of the PJP's under the New Deal program to realize just how much can be done.

Further, if the projects are planned and initiated by the community (whether by one person or a group) the need must be present. Participation in decisions on the spending of tax money has to be one of the most satisfying experiences that jobless persons can have.

The critics of PSE often argue that the bulk of the projects under any PSE program are projects that the taxpayers would not want badly enough to pay for through increased taxes. This argument is insubstantial on several levels. First, the decisions made in local and state budget committees regarding priorities are certainly not always what the "taxpayers" would choose. Secondly, the tax burden in some cities and states (New York City and Boston, for example) are already so high that even if something in great demand were not already provided, it is highly unlikely that it could be undertaken during the current recessionary period. Finally, those who make decisions concerning the allocation of public funds are not always aware of the real needs. The simple act of project proposal would bring "neighborhood" or individual desires to the attention of at least the advisory group making project decisions.

The use of the LIP model would not contribute to the swelling of public bureaucracies with additions to staffs that often have little marginal impact; it would lend itself to a decrease in the "cronyism" that pervades certain present PSE programs, and would produce visible output in areas deemed important by the general populace, rather than by the local officials or bureaucrats.

MAINTENANCE OF EFFORT

With a recession comes not only a drop in the employment, but also a decrease in the tax revenues of government units. Coupled with this comes an incredible increase in the need for social welfare services, crime prevention, and medical care. The devastating human problems caused by poverty and joblessness are exacerbated by the State and local financial inability to increase services to the necessary extent. In the midst of the fiscal crisis, many of the States sought budget and employment cuts along with tax increases. At the same time they were given large sums of money through the Prime Sponsors to hire persons to work in the public sector. This clearly is not the right fiscal time to inject a massive dose of money and expect strict compliance with maintenance of effort provisions.

As a result, we can easily document the fact that many of the positions created under CETA were simply replacement funding for state or local jobs. There is nothing wrong with revenue sharing, particularly countercyclical revenue sharing but not in the guise of a public jobs program.⁵

The model of adding persons to the public payroll within the confines of the civil service system can be a very effective anti-poverty effort, but it can only hope to be effective in times of expanding employment and general economic prosperity. Clearly, we are not enjoying these conditions now, nor are we likely to for several years.

⁵ Legislation to provide counter-cyclical grants to State and local governments was introduced in the present Congress by Senators Humphrey and Muskie and Representative William Moorhead. At the time this study went to press, this legislation, which had been incorporated into H.R. 5247, was awaiting final House action on the conference report.

The LIP project approach virtually guarantees that each and every one of the jobs will be a net addition to the employment pool since none of the projects had even so much as an organizational structure prior to funding. Further, the persons hired had to be taken from the UI rolls and obviously could not be "transferred" from one job title to another in the same governmental unit.

Estimates vary widely on the use of PSE jobs to finance state and local existing positions; some go as high as 80 or 90 percent. If the states and localities are in need of special temporary loans or additional revenue sharing, this should be (and, as rated, is being) seriously considered in Congress, but not under the aegis of a public jobs program. With an explicit goal of job creation and a tacit goal of revenue sharing, any program is likely to do a poor job on both counts.

IMPLEMENTATION OF THE LIP MODEL

It must be mentioned at the outset that there are no provisions in the current CETA legislation which prevent a Prime Sponsor from taking the LIP model and incorporating it into their distribution of funds allocated under Titles II and VI (possibly even under Title I: "Work Experience"). However, present administrative arrangements, voluminous rules and regulations, planning structures and past experience make it unlikely that the LIP approach would be implemented by Prime Sponsors. In addition, the limited jurisdiction of the Prime Sponsors and the fact that the Federal government is not presently a hiring agent precludes any projects which cross Prime Sponsor or state lines. Most important of all is the simple fact that a change in structure takes an enormous amount of effort and the Prime Sponsors are unlikely to embark in a new direction unless they are legally obligated to do so.¹

Alternatives to offering the existing Prime Sponsor network incentives to implement LIP can take several forms. The first is to draft a new piece of legislation which would incorporate the elements of the LIP program suiting the current economic situation. Secondly, revision of the rules and procedures of planning and hiring could be added to any new appropriations for public jobs programs under CETA. Thirdly, a combination of "emergency appropriations" and guidelines with an experimental flavor could be adapted while drafting and planning of new legislation is occurring. Each of these is discussed in turn.

NEW LEGISLATION

Presently there are at least two bills in committee in the U.S. House of Representatives that directly address the question of programs for the provision of additional public service employment. Rep. Daniels introduced a bill which specifically addresses the issue of enlarging and strengthening the countercyclical aspect of the CETA legislation. Rep. Esch has introduced a bill which takes an even broader approach by calling for far reaching changes in both Titles I and VI of CETA.

Under the original Daniels' proposal private non-profit organizations could apply directly to the Sec. of Labor for a grant to implement a public employment project. Under the initial Esch proposal the same agencies would have to apply through the Prime Sponsor network. The Daniels proposal also allows for the Prime Sponsors to apply to the Secretary of Labor, thereby injecting an element of competition into the process of countercyclical funding. It is obvious that the Daniels bill relies heavily on the Canadian model, although

¹ Despite these difficulties, some successful examples of the use of CETA funds for temporary work projects do exist. Some of these are described in "Creating Jobs Through the Project Approach in New England" by William Spring (Joint Economic Committee, Congress of the United States, forthcoming).

it does not carry this concept to the point where individuals are allowed to propose projects.

Both bills allow for increased administrative expenses—a worthwhile inclusion if the increased funding is used for materials and equipment.

In sum, each of the bills offers a reasonably attractive alternative to the present countercyclical aspect of the CETA structure, but neither goes far enough in explicitly delineating the difference between the manpower responsibilities of the Prime Sponsors and the need for the Federal government to take the lead in administration and funding of countercyclical jobs programs.

ANTIPOVERTY AND LEAP

In addition to the provisions of the bills discussed above, consideration should be given to setting aside a certain portion of the funds appropriated for public jobs programs to be used as the anti-poverty aspect. For this purpose, the LEAP model should be seriously considered. It has all the advantages of the LIP program except that the target groups, the duration and the funding level would be increased with a special emphasis on making the projects ongoing. The posture of a community development effort should be incorporated and funding levels should be raised to at least \$250,000 per year per project. This approach would facilitate interstate or regional projects if it were offered through the Office of the Secretary of Labor and administered through the regional office of the U.S. Department of Labor.

Given that the purpose of a LEAP type program is different from the countercyclical nature of the LIP model, special allocation formulas should be incorporated. These formulas must take into account the *structural* employment problems of an area rather than the *cyclical* problems. Use of this simple criteria would require funds to be targeted at the depressed areas, primarily the cities. Specific provisions of this nature would possibly tip the balance back to the inner cities to counteract the funding problems of CETA which have resulted in a disproportionate flow of funds to the suburbs.

The LEAP model could be incorporated in new legislation or be included as a subsection of the needed amendments to CETA.

AMENDMENTS TO CETA

In order to insure the use of the LIP model in the absence of an entirely new piece of legislation, several provisions of CETA would have to be reworded and/or replaced. The major changes needed would fall into the following categories: 1. "Eligible applicants"; 2. "Manpower Services Council Authority"; 3. priority groups, and 4. capital improvement projects.

1. "Eligible Applicants"

Presently, "eligible applicants" for grants under CETA are Prime Sponsors as defined in Section 102, A, B, & C. This provision prevents the direct application of any unit of government, individual or community group for direct funding of a project proposal. It also eliminates any possibility of the Federal Government taking on the function of a program clearinghouse, agency or employer.

In addition to the present Prime Sponsor definition as eligible applicant the proposed amendments should include provision for an application by any individual, community group, government agency or consortium. This then would facilitate the use of the Department of Labor Regional Offices as monitoring agents in the same manner as Prime Sponsors are now monitored. The Labor Department could also serve as fiscal agent if these provisions were changed. This amendment would not exclude the Prime Sponsor from obtaining control over all of the funds allocated to the specific area but would inject an element of competition into the allocation of funds for the countercyclical employment portion of CETA appropriations. The applications of the Prime Sponsors could be considered for approval in the same manner as the remainder of the redefined "eligible applicants."

Further, to insure the "project" approach (as opposed to the "add-on" model which characterizes the present PSE structure), a limitation on funds expended on any one project should be included. For example, if there were a \$100,000 to \$150,000 limit for each year of a project, a variety of approaches would be assured.²

Inclusion of a new definition of "eligible applicant" would not necessarily disrupt the present operation of CETA; the application for Title I and Title II programs could be operated in the same manner as at present. The change would come in the applications for Title VI funds (or for any further countercyclically oriented funding). The Prime Sponsors would submit, as they do now, plans to the Department of Labor for Titles I and II and prepare and submit separate proposals for Title VI, as would the newly defined group of "eligible applicants."

In order to implement the above, a change in the CETA legislation regarding the transfer of funds from one title to another would have to be altered to render impossible the transfer of countercyclical jobs appropriations to other titles. This would require substantial amendments to Section 99.34 of CETA, particularly subsections "c" and "d".

The above change in "eligible applicant" definition should be viewed as the compromise position, since the most efficient method in terms of approval and administration would be the circumvention of Prime Sponsors altogether in reference to the allocation of countercyclical PJP funds.

2. Manpower Services Council

The most logical screening mechanism which could be employed if the LIP model is incorporated into CETA is in the Manpower Services Council (MSC). The structure of these councils is described in Section 107 of CETA. This council could act as the final screening mechanism for applications for PJP's. The MSC is independent of the Prime Sponsors and incorporates representatives of virtually every interest group in the State. The advantage of using the MSC as the final screening device is two-fold. First, by the time the final screening stage is reached, the staffs and council operations should be in place and able to handle the job quickly. Secondly, the make up and design of the MSC is similar to that of the Constituency Advisory Group of the Canadian situation. Further, the MSC's are already familiar with

² The inclusion of special provisions for larger funding levels is recommended for projects which cross state or prime sponsor jurisdictions.

the process of funding and application review as they have been responsible, in most states, for the allocation of the Governor's five percent discretionary funds. Use of the MSC would also facilitate the desirable goal of final approval responsibility resting with the U.S. Department of Labor.

The above suggestion would require an addition to Section 107 of CETA indicating the broadened responsibility. A spin-off of this amendment to CETA is that an increased interest in membership and in the activities of the MSC's is virtually assured. Although data is not available at this time, the consensus of persons familiar with various MSC appears to be unanimous regarding the underutilization of this legislatively-mandated group.

3. *Priority Groups*

The author's recommendations on needed changes in priority groups is discussed earlier in this report and need not be repeated here. The sections of CETA that would have to be changed to accommodate the recommendations are Sections 99, 36, a, b. For the reasons specified earlier, priority should be given to those who have exhausted their UI benefits, who are collecting public assistance or who are on the UI rolls under the Federally funded portion. In addition, special consideration should be included in the law in reference to family income rather than just to individual situation.³

4. *Capital Improvement Projects*

With the present CETA regulations, the "project" approach in areas other than the provision of services is very difficult because there are special limitations in the Act in reference to the percentage of money which must be allocated to wages and because of references to the Davis-Bacon Act. In order to accomplish the goals of visibility and community betterment, the author believes that these provisions should be changed or eliminated. The most common complaint of persons administering the CETA PSE programs relates to the amount of money available for the purchase of tools, materials and equipment. At present, Title VI allows for only 10 percent of total funds to be used for purposes other than wages. This, as pointed out earlier, has led some of the Prime Sponsors to "transfer" the money to Title I "work experience" programs under which they are allowed 20 percent. This problem should be directly addressed in designing new models for public employment programs.

Few would disagree with the notion that wages must be complemented with some tools, materials and equipment; the question is how much. Ideally, the PSE appropriations would be complemented with countercyclical revenue sharing funds. However, this is unlikely to happen with specific reference to the use of the funds in conjunction with the jobs program.

Expansion of the percentage of funds allowed for administration, tools, materials and equipment to 25 percent of the total wage bill would serve to increase the flexibility of design and value to commu-

³ Michael Wiseman, *op. cit.*, employing a model to maximize the "welfare" impact of PSE programs, concludes that, in a countercyclical program, targeting the jobs to household heads would be the most effective.

nity. Increased purchasing would also provide added stimulus to the private sector. The guideline might be 10 percent maximum for administration and 15 percent for direct purchases or leasing.⁴

Another problem in implementing the "project" approach is the reference in CETA to the wage provisions of the Davis-Bacon Act. Section 99.53 (b) of CETA reads as follows:

Participants in programs or projects of any construction, alternation or repair, including painting and decorating of projects, buildings and works which are federally assisted under this act, shall be paid wages and rates not less than those prevailing on construction in the locality as determined by the Secretary in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276-276a-5).

At the same time, CETA indicates that the maximum rate of pay on the PSE projects is \$10,000 per year. Obviously this provision, if strictly adhered to, precludes the possibility of construction work since there are very few areas in the country where the rates for construction workers are less than \$10,000 per year. There are, however, possible ways to circumvent these restrictive aspects of the current CETA law and remain within its legal boundaries.

A reasonable solution would be to include a provision in CETA that allowed a percentage of the employees on projects to be paid in accordance with the Davis-Bacon Act, even if the wage exceeded the \$10,000 limit. The remainder of people hired could then be termed "learners" or "trainees," and their wage could be calculated in the manner in which apprentices are now paid under formal apprenticeship programs (usually 50 percent of the journeyman's wage rate).

Another possibility, though an unlikely one, is for the Secretary of Labor to use the power given him under Davis-Bacon to waive the requirements. This has been done in certain model cities programs using the justification that the work was year-round and not, therefore, subject to seasonal layoff as is common in the construction industry (and reflected in the negotiated wage).

This section describes what the author believes to be the main road blocks to the implementation of the LIP model under the current CETA legislation. The likelihood of obtaining the necessary amendments to CETA is a matter open to speculation.

EMERGENCY EMPLOYMENT PROVISIONS

A third possibility for the implementation of the LIP model would be carried out under an "experimental" design with the Labor Department taking responsibility for administration and monitoring. The Emergency Employment Act of 1971 was passed and implemented in a very short period of time, and we can learn from the experience.

If the countercyclical jobs program were passed as an emergency piece of legislation with very simple guidelines for implementation, the LIP model could be of use since it would not directly attack the idea of decentralized manpower programs nor "take the money away from them."⁵

⁴ One innovative project undertaken in Massachusetts to clean up the banks of a river solved part of this problem by arranging an agreement with a local military base to utilize the idle equipment (and operators) residing on the base. This model should be discussed with the Defense Department.

⁵ The Joint Economic Committee in its 1975 midyear report recommends emergency legislation to establish a large scale program of locally-initiated temporary work projects. The Committee envisions such a program as a complement to the existing CETA programs, not a substitute.

Administration could be accomplished through the Regional Offices of the Labor Department and publicity to solicit proposals could be achieved through the media—at no real expense. The recent advertising campaign of a well-known oil company regarding ideas for mass transportation illustrate the incredible response that can be generated by using television to solicit ideas. The solicitation of project proposals might be done in the same manner.

If this emergency piece of legislation is adopted, I would recommend that the previously discussed amendments to the CETA be incorporated. In addition, the U.S. counterpart of the Constituency Advisory Groups could be formulated quickly by either using the present Manpower Services Council or by having each Representative (or Senator) immediately establish area committees to screen and finalize the proposals.

Another useful addition which could be made if a specific piece of emergency employment legislation were drafted and passed would be the inclusion of a provision to keep the funding triggered by the unemployment rate within an area, not the national rate. It is unlikely that the various states or regions will recover from this recession in the same temporal framework. The unequal dispersion of unemployment at the present time well illustrates this point. The provision could then serve as the model for a permanent countercyclical jobs program with one year project tenure.

An emergency piece of legislation would have to give consideration to the present CETA program, particularly Title VI. This could be done by simply not requesting any new Title VI appropriations and by continuing the funding levels of the remainder of CETA.

FUNDING LEVELS FOR COUNTERCYCLICAL JOBS PROGRAMS

In a sense, detailed discussion of the needed funding levels for PJP's under the present economic conditions is academic. The amount of money appropriated for these programs is dependent on the willingness of Congress and the White House to engage in deficit spending. The recent report by the Congressional Budget Committee on alternative jobs programs estimates that 80,000-125,000 jobs are initially created by each 1 billion dollar appropriation.¹ Even if the program were aimed at employing one out of every 20 workers officially counted as unemployed the appropriation would have to be in the neighborhood of 4 to 5 billion dollars for each year. There is no need to go into detail regarding the efficacy of public jobs programs in stimulating employment during a recession, since this is well-laid out in the Budget Office report. The important questions center on the model for providing the jobs and the level of funding. As is argued in this report and summarized in the next section, the Canadian LIP model of employment creation offers a means by which we can circumvent the majority of negative aspects of current CETA efforts.

The funding level needed and the level that is likely to be realized are far apart given the present "mood" of Congress and the White House. To operate a program of the same magnitude as the 1975-76 LIP program would require appropriations of about \$2 billion, while a program to employ even 5 per cent of those currently unemployed would cost between \$4 and \$5 billion. According to the Congressional Budget Office study, a program funded at the \$4 to \$5 billion level would employ between 350,000 and 750,000 persons with a net outlay after 24 months of approximately 53 percent of the total appropriation. An investment of this size will certainly not eliminate the current problems of unemployment, but would represent a sound investment in the future economic and social environment of the country.

¹ Congressional Budget Office, *op. cit.*

SUMMARY

The major criticisms of public employment programs under current legislation center on three related areas: maintenance of effort, the output of the programs, and the long-run benefits to those who participate in the programs. The chief criticism of the programs from the fiscal "conservative" viewpoint is indicated in the concluding section of a booklet published by the American Enterprise Institute:

The effect of public employment programs on unemployment and increasing of public services turns out to depend on the extent to which federal funds displace state and local funds. A review of the evidence suggests that in the long run 60 to 90 percent of the public employment program funds would merely displace state and local funds . . . Apparently public employment programs add considerable fewer jobs than the nominal number of slots they fund.¹

The author then goes on to "concede" that displacement is somewhat smaller in "countercyclical programs" than in long-run programs. Without conceding the conservative argument—and the concrete evidence is not yet in—the use of the LIP model would significantly decrease the possibility of substituting federal for local tax dollars.

The success of the LIP program in Canada cannot automatically be duplicated in the United States. The advantages offered by the LIP model, however, can be replicated in the United States with the likely benefits outweighing the costs of altering the current structure of our countercyclical public jobs programs.

On the administrative side of the issue, the Canadian model offers a simple and workable substitute for the cumbersome methods of administration employed under CETA. The responsibility for justification of proposals is placed with the applicants, not with already overburdened public bureaucracies. The limitation on the size of the projects would make the monitoring process less complicated and would also allow for easy cancellation of projects not operating as designed. Further, the problems of ongoing funding and administration are eliminated under the LIP model since all projects must have an automatic termination date. Application or extension are considered along with any new proposals.

The Canadian model also avoids both the problems associated with civil service regulations and the choice of swelling the permanent bureaucracy.

Another side benefit of implementation of the LIP model is that the CETA operation, as presently in place, could concentrate its efforts in the areas of training, retraining and other programs specifically related to anti-poverty efforts. New legislation funding countercyclical programs separate from anti-poverty programs automatically eliminates the "gray" area now present and assures that each "type" of program is run with clear delineation of its goals.

¹ Alan Fechter, "Public Employment Programs," American Enterprise Institute, 1975.

As mentioned above, the maintenance of effort questions are also remedied since the project approach and the application procedures, if strictly adhered to, virtually assure that the positions will be net additions to the employment pool. This development may lead indirectly to more pressure from the states and localities for the Federal government to institute counter-cyclical revenue sharing. This too is desirable and necessary in the current economic climate.

Although the possibility of nepotism and cronyism still exists under the Canadian model, it would be lessened if clear specifications on target groups and eligibility were written into any amendments or new legislation. The Wiseman study demonstrates that there are many factors which must be taken into account in the selection of participants. Even in a strictly countercyclical program, the needs of applicants and their families should be considered.

The costs of the Canadian model would not be any more and would possibly be less per person hired than the present structure. We may find a decrease in administrative costs and even a lower average salary than the \$7,800 per year goal of CETA. The salary levels allowable under new legislation should be carefully considered so as to allow for incentive to return to "normal" work as soon as possible. Even if the target average wage were lowered to \$7,000 per year, this would still exceed the annual earnings of 20 million full-time American workers. On the other hand, the wages must be high enough to induce people to leave the unemployment insurance roles and desire participation in the programs. A wage somewhere in between the UI benefits and that of comparable work in private industry should be the target.

Since the LIP model would allow for public agencies to apply for grants, it would facilitate the added benefit of injecting some competition into the provision of public goods and services. If a neighborhood association can plan and operate a project more efficiently than a state or local government unit, they should be given the opportunity to do so.

LIP also facilitates projects which cross city, state and Prime Sponsor lines. At present this is not possible, save the very unusual circumstances of Prime Sponsor cooperation. The opportunity for special railroad or other regional projects would be possible.

There are few who question the efficacy of public jobs programs as an effective countercyclical tool, but many who justifiably criticize its current implementation. The majority of the problems in the present system of PJP's could be virtually eliminated with the adoption of the Canadian model. Serious attention must be given to the expansion of public jobs programs in general and to the adoption of the Canadian model in particular.

Appendix A. A SAMPLING OF LIP PROJECTS

- Blind River**—General Clean-up Improvement Campaign: \$54,000; 15 P.; AK 11879; K-01.
Contact: John W. Cook, Box 640, Blind River, POR 1B0, 356-2252.
Cleaning and brushing of the parks and beaches in the area, operation and maintenance of the Blind River Arena and painting and improvements to the municipal buildings.
- Bobcaygeon**—Bobcaygeon Community Improvement Programs: \$12,000; 6 P.; AK16571; K-60.
Contact: L. E. Shea, Bobcaygeon, 738-2282.
Improve local community centre, construct park bleachers and tables, improve fire hall and park buildings.
- Bognor**—Elm Tree and Brush Removal: \$12,000; 4 P.; AK10392; K-11.
Contact: W. E. Manning, Bognor, 376-0549.
Removal of dead elms and brush along township roads.
- Bolton**—Bolton Camp LIP: \$11,000; 3 P.; AK10442; K-44.
Contact: E. K. Smith, 22 Wellesley St. E., Toronto, 922-3126.
Improve the facilities of Bolton Camp for underprivileged individuals through conservation measures and maintenance of facilities.
- Bonfield**—Remodeling of recently acquired municipal centre: \$22,000; 8 P.; AK1882, K-50.
Contact: J. Foisy, Town Hall, Bonfield, 776-24.
Remodel municipal centre to provide office space and other required facilities.
- Bracebridge**—Hubbard's Cupboard: \$9,000; 3 P.; AK21688; K-43.
Contact: A. Malton, Box 847, Bracebridge, 645-5378.
Recycle clothing to assist low income persons, provide training facilities for handicapped under auspices of ARC Industries.
- Brampton**—Contract Centre—Telecare: \$22,000; 7 P.; AK18601; K-44.
Contact: Mrs. M. Fulton, 44 Nelson St. W., Brampton, 459-7777.
Establish a 24 hour telephone and walk-in service for those seeking counselling and direction; determine available community services and act as a referral source for these services.
- Hamilton**—Hamilton Activity Prevocational Programme: \$53,000; 17 P.; AK-12000; K-15.
Contact: Frank Hasek, 614 Fennell Ave. East, 385-3977.
Operate a programme of horticultural work therapy for discharged patients of mental institutions thereby promoting their integration with the community.
- Hanover**—Community Adventure Playgrounds: \$16,000; 5 P.; AK12521; K-03.
Contact: William Brown, Box 187, Hanover, 364-3399.
Construct adventure playgrounds at seven schools for use by school children and the community.
- Harriston**—Renovating Interior of Town Hall: \$8,000; 5 P.; AK15797; K-64.
Contact: G. Hubbard, Box 10, Harriston, 338-3404.
Undertake major renovations to the main entrance hallway and auditorium stage of the Town Hall.
- Harrow**—Essex County in Review: \$17,000; 5 P.; AK19187; K-06.
Contact: Robert Alan Burite, P.O. Box 329, Harrow, 738-4368.
Operate in Historical Resources Centre, located at the High School, and to collect and present historic artifacts to the general public.
- Harwich**—401 Harwich Conservation Area Improvements: \$21,000; 6 P.; AK-18478; K-24.
Contact: A. J. Read, 41 Fourth St., Chatham, 354-7310.
Construct camping areas, nature trails, two large fishing docks and a bridge; construct partitions and additional storage space in the service building.

- Hepworth—Environmental Enhancement: \$10,000; 3 P.; AK14519; K-03.
 Contact: W. R. Smith, R.R. #2, Hepworth, 422-1551.
 Clear and brush park lands, establish nature trails, set up picnic areas.
- Hepworth—Whispering Pines Family Camp: \$8,000; 4 P.; AK13131; K-03.
 Contact: James R. MacKay, Box 192, Owen Sound, 371-0838.
 Develop 30 additional trailer sites at Family Campsite and Trailer Park.
- Orangeville—Dufferin Developmental Care Services: \$13,000; 4 P.; AK15060; K-44.
 Contact: Mrs. Barbara Schneider, R.R. #4, Grand Valley, 928-2960.
 Provide services to families having a pre-school retarded member; establish ground-work for a pre-school nursery for the mentally retarded, visit homes of retarded children.
- Oraping Falls—Service to the Elderly: \$11,000; 3 P.; AK22926; K-32.
 Contact: G. Gorham, Box 13, Levack, 966-2713.
 Provide practical services to the elderly.
- Orillia—Helping Hands, Orillia: \$27,000; 8 P.; AK17801; K-54.
 Contact: Betty Forward, 20 Hughes Road, Orillia, 325-1223.
 Care for chronically ill, perform maintenance work in homes of the elderly, provide transportation for the handicapped and elderly, provide services such as snow shovelling, wood cutting etc., provide 24 hr. telephone service.
- Orillia—Halfway House For Alcoholics: \$18,000; 5 P.; AK12802; K-54.
 Contact: Mr. T. S. Parish, 135 West St. S., Orillia, 325-3566.
 Equip a garage-workshop which will provide therapeutic benefits to the residents of the Halfway House; teach skills to facilitate the residents re-entry into society.
- Orillia—Orillia Public Library Local History Project: \$7,000; 3 P.; AK15896; K-54.
 Contact: Katherine McKinnon, 36 Mississauga St. W., Orillia, 325-2338.
 Compile material related to Stephen Leacock, local history; make folders to preserve rare documents; gather information about Orillia and district women who have made notable contributions to the community.
- Orillia—Inter-Reserve Recreation: \$11,000; 3 P.; AK26117; K-54.
 Contact: Mr. Merle Pehahmagabow, Box 636, Orillia, 325-2709.
 Employ persons to help organize recreation committees on the reserves and plan recreation activities.
- Orillia—"Y" Tax-Aid: \$22,000, 11 P.; AK19435; K-54.
 Contact: W. G. Wood, 18 Peter St. N., Orillia, 325-7567.
 Provide assistance to needy persons in filing Federal Income Tax returns; carry out repairs to Orillia YMCA summer camp.
- Sarnia—Community Outreach '75: \$36,000; 10 P.; AK21027; K-51.
 Contact: Ellis Earl Brown, Box 41, Sarnia, 337-3231.
 In a preventative action program, provide group counselling for parents and adolescents; assist the Volunteer Bureau in the co-ordination of its activities.
- Sarnia—Newspaper Index: \$24,000; 7 P.; AK12877; K-51.
 Contact: R. T. Bradley, 124 S. Christina St., Sarnia, 337-3291.
 Produce an historical index of events and happenings in Lambton County for use as a research and to scholars and members of the general public.
- Sarnia—Community Centre Improvement: \$11,000; 4 P.; AK16043; K-51.
 Contact: Richard Chowen, 2109 London Rd., Sarnia, 542-5578.
 Complete the painting of the interior of the Township Community Centre; landscape and plant trees in recently acquired, undeveloped tracts for use as parkland.
- Sarnia—Lambton College Industrial Fire School: \$30,000; 9 P.; AK18098; K-51.
 Contact: G. C. Hansen, 240 N. East St., Sarnia, 344-2445.
 Provide labour for site preparation of a training facility for full time and voluntary firefighters in Lambton County.
- Sarnia—Nursery School Workers Project: \$11,000; 3 P.; AK18056; K-51.
 Contact: Rev. C. W. Lewis, 350 Indian Road, Sarnia, 344-1781.
 Enable Sarnia nurseries to respond to demand of increased service by providing an additional qualified worker.
- Sarnia—Community Inspiration: \$43,000; 12 P.; AK12794; K-51.

Contact : Gerald Maness, 978 Tashmoo Ave., Sarnia, 344-5371.

Provide a weekly newspaper for the community to keep all age groups informed of upcoming events; undertake a renovation of band owned buildings and senior citizen home.

Sarnia—Recreational Park : \$45,000; 15 P. ; AK12505; K-51.

Contact : Gerald Maness, 978 Tashmoo Ave., Sarnia, 344-5371.

Clear additional park area on the Sarnia reserve; construct bridge walks and a building that can be used for the display of Indian crafts.

Windsor—Respond : \$11,000; 3 P. ; AK10319; K-65.

Contact : Gordon S. Smith, 870 Ottawa St., Windsor, 252-2110.

Organize a drop-in centre for the mentally handicapped, providing recreational and social activities; support mentally handicapped persons residing independently in the community.

Windsor—Kayahara Youth Centre : \$11,000; 3 P. ; AK14212; K-65.

Contact : James D. MacDonald, 308 Ramsay St., Amherstburg, 736-5227.

Provide young people of the Windsor area an opportunity to meet socially for participation in recreation programs, physical fitness, health education and other counselling.

Windsor—Native Court Worker Project : \$9,000; 3 P. ; AK23957; K-65.

Contact : Mary Rose Amaro, 1696 Cadillac St., Windsor, 944-3422.

Identify gaps in existing services for native peoples in the fields of justice, probation and corrections; demonstrate the need for continuing full time courtworkers.

Windsor—Partners in Canada : \$17,000; 5 P. ; AK11051; K-66.

Contact : J. F. Johnston, 1485 Janette Ave., Windsor, 253-2481.

Study the contribution of specific ethnic groups to the community and prepare multi-media kits and ethnic artifacts for use in local schools and libraries.

Windsor—Recreation for the Handicapped and Aged : \$36,000; 10 P. ; AK21852; K-66.

Contact : Madeleine Harden, 511 Pelissier St., Windsor, 258-9622.

Provide skill-building and recreational activities for aged and disabled people; promoting a fuller integration into the community.

Windsor—Kontakt : \$11,000; 3 P. ; AK17595; K-66.

Contact : D. Russell Anderson, 1787 Walker Rd., Windsor, 254-5441.

Provide information and assistance to the families of incarcerated persons, creating educational and recreational programmes for its members.

On the reverse side of this page is a Budgeting Worksheet which you may use if you feel it will be of some help in determining your project's total costs. Whether you use the Budgeting Worksheet or not, please complete the entire Financial Summary sheet.

PAGES NOTE - Wages of sub-contractors' employees must not be included here.

Funds to be Worked For Week	Type of Worker	No. of Workers X	Weeks to be worked by each A	Total man-weeks to be worked X	Weekly wage rate S	Total Wages
40	Sponsor (if applicable)	1	24	24	130	3120
40	SECRETARY	1	24	24	100	2400
40	PROGRAM SUPERVISORS SPORTS	2	23	46	100	4600
40	PROGRAM SUPERVISORS HURDICRAFTS	2	19	38	115	4370
40	PROGRAM SUPERVISORS THEATRE	2	19	38	115	4370
20	BOOKKEEPER (PART-TIME)	1	24	12 1/2	115	1438
				(A)		183
						\$ 20298

EXAMPLE

To determine whether your proposed budget satisfies the rules of the program, it will be necessary to work out the allowable amounts for wages and other costs which LIP can pay and compare these to proposed costs:

WAGES	Total Wages (Box B on left)	\$ 20298
	Maximum LIP contribution to wages \$115. X Total man-weeks (Box A on left):	\$ 21045
If the project sponsor is an individual working full-time on his/her project and will be earning in excess of \$115. per week, subtract \$115 from the sponsor's weekly wage (maximum \$140) and multiply the result by the number of weeks the sponsor will work (see guide):		\$ 360
Maximum allowable wages		\$ 21405
LIP will pay the lesser amount which is		\$ 20298
OTHER COSTS	Total other costs (Box E on left)	\$ 4375
	Maximum LIP contribution to other costs \$22. X Total man-weeks (Box A on left):	\$ 4026
	LIP will pay the lesser amount which is	\$ 4026
By adding the amounts in boxes 1 and 2 above (wages and other costs) you will have the maximum allowable LIP contribution to your project which is		\$ 24324

EMPLOYEE BENEFITS		9% Total Wages (see guide) or Box C Work Sheet	(C)	\$ 1575
OTHER EXPENSES	Transportation and Travelling	—		
	Office Rental	850		
	Heat, Hydro and Water	—		
	Equipment Rental	—		
	Materials and Supplies	1500		
	Telephone and Postage	90		
	Insurance	120		
	Bank Charges	90		
	Miscellaneous	150		
TOTAL (D)		\$ 2800		2800
TOTAL OTHER COSTS (ADD C + D)		(E)	\$ 4375	4375
GROSS PROJECT COSTS (ADD B + E)		(F)	\$ 24673	24673

Your project may be receiving funds from sources other than LIP. For example, you may have money on hand to be invested in your project, you may be receiving money from a sale of surplus stock or your project may be charging for goods and/or services, if the preceding applies, list the source and the amount(s) below:

Name of Source	Amount
SALE OF TICKETS - THEATRE PRESENTATION, MAY	500
RIDERU COMMUNITY CENTRE - DONATION	250
TOTAL	\$ 750

REQUESTED LIP CONTRIBUTION	Gross project costs (Box F on left)	\$ 24673
	Deduct total funds from other sources and projected revenue	750
Net project costs		\$ 23923
Allowable LIP contribution (Box J above)		\$ 24324
The requested LIP contribution to your project will be either net project costs or allowable LIP contribution whichever is the lesser.		\$ 23923

MUST NOT EXCEED \$ 23,923

Appendix C. A SAMPLING OF LEAP PROJECTS

LOCAL EMPLOYMENT ASSISTANCE PROGRAM

APPROVED PROJECTS

1. The first project approved and in operation under the Local Employment Assistance Program was the *St. John's Goodwill Centre* in St. John's, Newfoundland. This project is providing employment for six disabled people for six months at a cost of \$10,080. The new employees are sorting and cleaning donated clothing, and repairing donated furniture, for resale at reasonable prices to low income groups. The project is expected to be self-sufficient at the end of six months. 11-0001-1.

2. *The Dundas County Co-operative* is sponsored by Seaway Community Services, Morrisburg, Ontario. Eight people are employed from severely depressed rural communities at an annual cost of \$60,882.

Project workers are concentrating on the establishment of a co-op salvage operation and crafts workshop. The initial development period began on March 27 and the actual project was launched in early June.

Although the group have much to learn about the operation of a co-op business, their progress to date has been satisfying. 31-0013-1.

3. *Springboard Workshop*, sponsored by the Christian Resource Centre in Toronto, has signed a contract for a 12-month period during which 15 day-parolees from the Joyceville institution will operate a workshop in woodcraft production. Special emphasis will be given to experiences which will fully reintegrate the parolees into society as responsible self-supporting individuals. The project itself is expected to become self-supporting in about two years. The contract is for \$118,449.07. 31-0029-1.

4. *Total Education* in Vancouver has signed a contract to employ ten people, eight of them low-income, alienated, school drop-outs, to provide a repair and home maintenance service, transportation and other assistance to low-income homeowners in a depressed area of the city. The contract, covering a period of 52 weeks is for \$74,140. 51-0004-1.

5. A contract is in force with the *Boucoute Bay Oyster Co-operative Limited* of Kent County, New Brunswick, to employ and train twenty-four very low-income people in developing an oyster farming enterprise. The contract covers 24 people for six months and 5 of them for a full year. The rest will undergo training under CMIP during the winter months when work on the oyster beds is not possible. The enterprise expects to become self-sustaining in about thirty months. The cost for the first six months will be about \$80,646.30. 14-0011-1.

6. The St. John's, Newfoundland, *Craft Training and Production Centre* will employ six young socially-handicapped persons, some of them ex-convicts, for an initial six-month development period, to establish a craft production and marketing project. The cost, covering six months is \$20,100. 11-0008-1.

7. A contract has been signed with the *Ward V Resources Council* in the northern part of the City of Halifax, a depressed area. The approved six-month development period will employ and train four long-term unemployed men in rink operation, including ice-making. Supportive counselling services will be provided as required to ensure that the men and their families learn to face the realities of the world of work. The initial contract is for \$14,400. 12-0006-1.

8. Another contract signed with the *Logan Heights Environmental Committee* of Winnipeg involves the employment of thirty people from the low-income core area of Winnipeg. Many could be called multi-problem unemployed. They will redecorate and renovate the houses of pensioners and low-income homeowners in the area and build small items of furniture for these same low-income groups. This is a democratically-managed project which, under the Local Initiatives Program, has had considerable success in integrating its workers into the regular labour force. The contract for the first 10 months is for \$150,000. 41-0011-1.

9. *The Occupational Training Centre* (SNAP) in Charlottetown, P.E.I., a community organization established to meet the special educational needs of mentally and physically handicapped adults, will hire seven mentally-handicapped citizens to paint the homes of people with fixed incomes, senior citizens and welfare recipients. The federal contribution is \$9,048. for a six-month development phase. Former LIP project. 13-0001-1.

10. A project submitted jointly by *Corner Brook After Care Services* and West Coast Council of John Howard Society of Newfoundland proposes to develop employment opportunities for 10 ex-inmates by starting a business which will produce handicrafts as well as collect, salvage and resell items of clothing, household goods and appliances. Businessmen within the area have promised to employ graduates of the project. Total federal contribution is \$63,065. for 1 year. 11-0011-1.

11. A contract has been signed with the *Montreal Co-operative Employment Project*. Staff members will employ those interested in co-operative employment, and send them to a camp to learn the roles involved in an employment co-operative. Participants will include the young, alienated and low-income school drop-outs. With the experience gained, the individual will become involved in setting up and working in a co-operative enterprise in which he/she has been trained. The project involves 24 people with a federal grant of \$129,548. 21-0016-1.

12. In Manitoba, the *Roseau River Indian Band* has begun a *Beekeeper's Course* which will involve the breeding of bees and the production and marketing of honey. This project will benefit nine natives who are at present receiving social assistance. The training and capital equipment expenses are to be supplied by DIAND. Total LEAP contribution is \$17,875. for 19 weeks. A former LIP project M-1296. 41-0029-1.

13. The *Recycling Workshop*, Toronto, contract has been signed for a six-month development phase. The project is to employ unskilled workers in a woodworking shop converting waste material into marketable day-care toys and furniture. This phase does not include marketing but the building of prototypes for experimentation and display. Sales of these will help determine their market potential. It will create 18 jobs with a federal contribution of \$87,275. 31-0061-1.

14. A contract has been signed with the *Kitchener House Automotive Training Centre* for 13 weeks with a fund allocation of \$13,302. This training centre will involve six ex-inmates in automotive work training co-ordinated with training offered at the community college and within the federal penitentiary. Shell Limited is leasing the service station and has offered the graduates of the program employment in other locations with Shell. 31-0007-1.

15. *Operation Mustardseed*, sponsored by the City Centre Co-operative Club of Regina, proposes to hire 30 people in the following areas: painting, carpentry, electrical and small appliance repair, furniture refinishing and upholstery. Recruiting will be from referrals made by CMCs, John Howard Society, Alcoholic Foundation, Provincial Correctional Centre and Welfare Department. With federal assistance of \$149,591. The project plans to reintegrate the chronically unemployed into the work force (alcoholics, the emotionally and physically handicapped, unskilled, uneducated, ex-inmates, etc.). 42-0009-1.

COMMENT ON THE CANADIAN JOB CREATION MODEL AND ITS APPLICABILITY TO THE UNITED STATES

By SAMUEL A. REA, JR.*

Barocci's paper brings to mind two important questions: should public job programs (PJP's) be used as a countercyclical or anti-poverty program and is the Canadian LIP program a desirable model to follow? Barocci takes for granted that PJP's are desirable. The opening statement that "there are few who question the need for public jobs programs" is undoubtedly not true. The advantages of the LIP model depend in part on the specific goals that PJP's are supposed to achieve, and the desirability of PJP's in general. The goals set out for PJP's are discussed in this comment followed by a short discussion of the ability of LIP to meet these goals.

OBJECTIVES OF PUBLIC JOB PROGRAMS

In a paper prepared for the Joint Economic Committee Michael Wiseman describes two primary types of PJP programs, antipoverty programs designed to improve the long run position of the participant, and counterrecession programs designed for income maintenance during contractions of economic activity.¹ The antipoverty type of PJP described by Wiseman is really a form of training program. Work experience is intended to increase the human capital of the participants. This approach to investment and human capital may or may not be effective.

Wiseman's dichotomy emphasizes the income distribution effects of the programs, but the countercyclical programs may also serve as the vehicle by which government transfers are increased so as to offset a decrease in aggregate demand. Consideration of the aggregate demand effects is important because PJP's may be very useful tools for stimulating demand in specific regions. They also may create more jobs per dollar of expenditure than other forms of public expenditure or transfer.

The objectives of PJP's should be expanded to include the following: (1) provide countercyclical income support for those temporarily poor. (2) provide income support for those prematurely poor. (3) increase the human capital of the disadvantaged (the permanent poor). (4) provide a means of increasing aggregate demand in a general recession or in a depressed region. (5) provide public services. (6) maintain work effort of income maintenance recipients. It is quite clear that the objectives may conflict with each other. A program that attempts to provide the best public services will hire the more quali-

*The author is Assistant Professor of Economics at the University of Toronto. He is grateful to Dong Hartle and David Stager for their comments.

¹ Michael Wiseman, *On Giving a Job: The Implementation and Allocation of Public Service Employment*, U.S. Congress, Joint Economic Committee, 1975.

fied applicants rather than those in need of job experience are those with the lowest incomes. A specific project may increase demand in a depressed region but may not be the best project from an output point of view. In regards to the last objective the wage paid in a PJP must be high enough to entice unemployed insurance recipients to work, but not too high that they will never want to work in the private sector. The wage rate will also affect the type of applicant to the program.

THE ADVANTAGES AND DISADVANTAGES OF LIP

I would argue that a PJP is an inferior way to meet the objectives listed above when compared to a tax cut, a government expenditure chosen on the merits of the project, or a well-designed income maintenance program. However, the question discussed by Barocci is whether LIP would be superior to alternative PJP programs in the U.S. Since Barocci evaluates LIP primarily from an administrative point of view, I will concentrate on how it meets the objectives listed above. LIP has three characteristics which make it somewhat unique. First, the projects can be initiated by anyone, including individuals; second, the projects are of short duration; and third, the projects must take place during the winter months. A less unique characteristic is that the projects must employ only those registered as unemployed, at rates of pay that are only slightly greater than the maximum weekly unemployment benefits.

The fact that projects are initiated by the public means that needed services may be provided and imaginative new approaches to social problems may be suggested. This is an attractive characteristic of the program, but in practice it conflicts with the income maintenance objective. Only those with talent at grantsmanship are likely to apply. One Constituency Advisory Group chairman reported to me that a high proportion of the applications came from middle class housewives who were formerly out of the labour force and from unemployed actors. Those not in the labour force could register with the manpower centre after the project was accepted. This experience took place in an urban environment, but it illustrates a problem inherent in the LIP approach.

The short duration of the LIP projects is desirable because it prevents the formation of a constituency that is permanently attached to public jobs. It also implies a short start up time and makes the program timely in terms of its anti-cyclical or anti-seasonal objectives. On the other hand it means that social service projects are unlikely to be of much use. The program is cut off just about the time it has attracted clients. Services such as daycare centres must be provided on a long term basis because they influence a client's long run decision, such as whether to look for work or have a child. If a long run decision is based on the availability of the service, its discontinuation may cause more hardship than the absence of the service entirely.

The LIP program was designed to combat the seasonal and regional unemployment program in Canada. The unemployment problem in the United States is usually thought of as cyclical or structural, not seasonal. This aspect of LIP may not be needed in the United States.

The public is said to support PJP's because the recipients are work-

ing for their income maintenance support and because output is generated. Barocci argues that a more visible PJP program will be more popular. In at least one case in Canada, the Constituency Advisory Group returned some of the funds because the group felt that the money would not be well spent. In other cases opposition members of Parliament felt that it was politically advantageous to have nothing to do with the program. This casts doubt on the political popularity of some of the projects.

The biggest argument against LIP, or any PJP, is the cost. Professor Gregory Jump at the University of Toronto has estimated with the Quarterly Forecasting Model that unemployment would have been .1 percentage points higher if the funds used for LIP were instead used to increase government expenditures on goods and services. The expenditures at an average annual rate were \$168 million in the 1971-1973 period. In the U.S. this would correspond to roughly 16.8 billion dollars, transferred from other programs, to reduce the unemployment rate by 1 percentage point. Part of the reason for the small effect is that many of the participants come from out of the labour force. Jump's estimate suggests that as an unemployment-reducing device the program was inefficient.

CONCLUSION

One can conclude that except for administrative efficiency Canada's LIP program is not a particularly effective method of meeting the objectives set out for public job programs. Furthermore, in order to have an appreciable effect on the unemployment rate it would have to operate on a massive scale and diminishing returns would certainly reduce the quality of the projects undertaken. The primary advantage of LIP when compared to other public job programs may be that it is easier to get rid of.

