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ON GIVING A JOB: THE IMPLEMENTATION  
AND ALLOCATION OF PUBLIC SERVICE  
EMPLOYMENT

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

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AUGUST 21, 1975.

*To the Members of the Joint Economic Committee:*

Transmitted herewith is a study entitled "On Giving a Job: The Implementation and Allocation of Public Service Employment." This study was prepared for the Subcommittee on Economic Growth as part of the Committee's 30th anniversary review of why in recent years the Nation has not succeeded in achieving the goals of the Employment Act of 1946. In the course of this review the Committee and its Subcommittees will examine a wide range of problem areas in an attempt to develop improved means to "promote maximum employment, production and purchasing power." Future studies will focus on employment, inflation, economic growth and planning, monetary and fiscal policies, deficiencies in economic structure, the interrelationship of domestic and international economic activity, and other areas integral to the proper functioning of the Employment Act.

This first study makes a number of recommendations for improved design and administration of public service employment programs. I believe members of the Joint Economic Committee and other Members of Congress will find it most helpful.

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 the committee staff.

HUBERT H. HUMPHREY,  
*Chairman, Joint Economic Committee.*

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AUGUST 18, 1975.

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

DEAR MR. CHAIRMAN: Transmitted herewith is a study by Professor Michael Wiseman of the University of California, Berkeley, entitled "On Giving a Job: The Implementation and Allocation of Public Service Employment." This is the first in a series of studies being prepared for the Subcommittee on Economic Growth dealing with economic growth and employment opportunities. These studies will form part of the Joint Economic Committee's 30th anniversary study series in which you have asked all the subcommittees to participate.

Dr. Wiseman's study stresses the need to distinguish between emergency job creation programs designed to deal with temporary situations of unusually high unemployment and continuing anti-poverty programs. He develops proposed criteria for the effective operation of each type of program and illustrates his conclusions with

empirical estimates of how these criteria would have worked in San Francisco during the 1970-71 recession. This study is especially timely at the present moment, when there is an urgent need to develop effective programs to deal with the emergency situation of high unemployment.

The views expressed in the study are those of the author 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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# ON GIVING A JOB: THE IMPLEMENTATION AND ALLOCATION OF PUBLIC SERVICE EMPLOYMENT

*By Michael Wiseman\**

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## SUMMARY AND CONCLUSIONS

Planning of public employment programs in the United States is complicated by differences of opinion about the appropriate form for such programs and the people for whom jobs are to be provided. In this paper alternative public employment policies are discussed and problems inherent in the programs funded through the Comprehensive Employment and Training Act of 1973 are described. Program options are illustrated using data from San Francisco.

Two types of public employment programs can be distinguished. Antipoverty (AP) public employment programs are proposed by those seeking to provide on-the-job training in the public sector for persons who in the absence of such jobs would be expected to remain poor. A counter-recession (CR) public employment program is designed to preserve skills and maintain incomes during a cyclical downturn. Since the object of an AP program is to move disadvantaged workers into regular civil service jobs, employment provided will resemble ordinary government employment in both content and pay. The object of a CR program is maintenance of skills and incomes of workers made temporarily jobless by a recession. This may be accomplished with special projects not normally undertaken by government. Such activities should serve also to assure that the public employment program does not substitute its jobholders for regular public employees.

CR and AP public employment can also be distinguished on the basis of where employees are expected to end up after the program is finished and the importance attached to rapidity of implementation. Both types of program place emphasis on transition, but for a CR program transition refers to the process whereby workers move back into the private sector as economic conditions improve, while for an AP program transition means movement from subsidized to regular civil service employment. Transition back to the private sector is enhanced for CR programs if the wage paid jobholders is less than what workers can earn in the private sector under conditions of full employment. Rapid implementation is much more important for a successful CR

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\*Michael Wiseman is an Assistant Professor of Economics at the University of California, Berkeley, and a member of the California State Task Force on Emergency Public Employment. He gratefully acknowledges comments on an earlier draft from Kurt Aller, Eli Ginzberg, R. A. Gordon, Sar Levitan, Frank Levy, Courtenay Slater, and the assistance of the staff of the Income Dynamics Project at Berkeley. The research reported here was supported by the U.S. Department of Labor under Research and Development Contract No. 80-06-72-1 and Research Grant No. 42-06-74-04. Since grantees conducting research and development projects under government sponsorship are encouraged to express their own judgment freely, this paper does not necessarily represent the official opinion or policy of the Department of Labor. The author is solely responsible for its content.

program than for an AP program. Even if organization for employment of disadvantaged workers is time consuming, the investment may be justified if the end result is substantial permanent improvement in the employees' future incomes. However, if CR public employment cannot be mobilized rapidly in the face of an economic downturn, it loses much of its *raison d'etre*.

Although the public employment programs funded through the Emergency Employment Act of 1971 (EEA) and the Comprehensive Employment and Training Act of 1973 (CETA) fit neither paradigm exactly, public employment under EEA corresponded more closely to a counter-recession program than did the public employment program funded originally by title II of CETA. Admissions criteria for EEA public employment were quite broad, and the relatively generous wage payments allowed assured cities would have little difficulty in creating and filling jobs. The wage standard incorporated under EEA was more generous than that suggested by the CR model. EEA employees were paid wages equal to those of regular civil service employees and in some cases above wages for similar work in the private sector. This, plus the fact that an EEA jobholder had some chance of moving into a regular civil service job, made transition out of subsidized jobs slow, even after the recession was over. Many EEA employees were carried directly to subsidized employment under CETA in 1974.

The public employment program funded by CETA retained the basic organization of the EEA program. However, admissions guidelines were tightened and emphasis was placed on hiring the long-term unemployed. The maximum wage which could be covered with Federal funds under the program was reduced from the EEA standard of \$12,000 to \$10,000. The reduction in support is greater than the dollar figures indicate because of the substantial increase in prices that has occurred since 1971. Since the minimal overhead expense payments allowed by the Government are tied to the amount of salaries, these payments also declined. Cities were in essence asked to hire and equip persons for public service who were in general less well prepared than those employed under EEA and to do it with less federal support. The result was considerable difficulty in getting the jobs filled. As the recession deepened, the problem was "solved" with relaxation of the hiring guidelines as the Congress appropriated additional money for employment in the Emergency Jobs and Unemployment Assistance Act of 1974. This solution, however, was accomplished at the expense of the long-term disadvantaged and by setting aside the problem of how the program will eventually be brought to a close.

There are several possible approaches to improving the design of the public employment program in order that the objectives of counter-recessionary policy can be better met without sacrificing emphasis on disadvantaged workers.

The program should be split into counter-recession and anti-poverty components with different guidelines, objectives, and financing arrangements for each. Transition of jobholders into regular public employment should be dropped completely as a goal of the CR program; it should be retained and given central

emphasis for AP jobholders. This program division should assure that expansion of temporary employment assistance in response to the recession will not be at the expense of the disadvantaged.

Overhead payments equal to 25 percent of wage costs should be granted to job-creating agencies for CR employment. These funds should be usable for any expenditure demonstrably related to creation and filling of new public service jobs. Assistance should be similarly adjusted for the AP program.

In order to reach as many households as possible and to avoid creation of a permanent class of emergency jobholders, employment under the CR program should be limited to a year. To ease transition to the private job market once the emergency jobs are terminated, some period of unemployment assistance benefits, wholly federally financed, should be guaranteed jobholders. Bonuses should be paid those who find unsubsidized employment prior to exhaustion of benefits or employment termination.

Admission to both the CR and AP public employment programs should be governed by simple, strictly enforced criteria. Data from San Francisco and two other cities indicate that the welfare impact of the CR public jobs could be significantly enhanced if such jobs were restricted to persons unemployed for a month and either (a) heads of households with children or (b) members of households with incomes less than the Department of Labor's "lower income standard" for households in the area in which employment is taking place. For both standards the data indicate an ample pool of eligibles exists.

Consideration should be given to shifting responsibility for certification of persons eligible for subsidized public employment to the State employment services. Available evidence suggests that cities providing public service jobs are approached for jobs by only part of the eligible labor force. Why this is the case is not clear.



## I. INTRODUCTION

During the final month of 1974 national unemployment rose above 7 percent of the labor force. About 6½ million workers were jobless at Christmas, and the number was increasing daily. Congress, with tacit approval from the administration, responded to this rapid increase in two familiar ways. Unemployment compensation was extended to provide benefits over a longer period of time for workers already covered and to provide benefits for some workers, in particular former employees of the State and local governments, not originally eligible. In addition, expenditure of \$875 million was authorized to increase public service employment.

The public jobs money comes in addition to \$585 million already appropriated for public employment in 1975 under title II of the Comprehensive Employment and Training Act of 1973 (CETA), and monies potentially available for public employment from other sources. If wage goals are met and all of the money allocated for public employment is spent to create jobs that would not have otherwise been filled, the impact on the number of unemployed will be minimal—given the unemployment rates prevailing in May, at best 1 person in 30 will get a job. Even this may be an overstatement. As the bill was passed, evidence was appearing that local governments were falling short of employment goals under the original CETA appropriation. Their ability to create the additional employment called for by the Congress appeared a matter of considerable doubt.<sup>1</sup>

In this paper I will discuss several problems with the current public employment program and ways in which the operation might be improved. Where possible, the points are illustrated with data from San Francisco. Before looking at data for a specific labor market and the organization of public employment under existing legislation, it will be useful to review two theories of public job creation. I assume throughout that a public employment program will be implemented in one form or another, and I do not consider the issue of whether or not public employment of any type is a desirable policy.

<sup>1</sup> Wall Street Journal, Jan. 6, 1975, 1. As is discussed later in the paper, some of the doubts initially raised concerning the ability of local governments to create and fill new positions rapidly proved unfounded.

## II. THE THEORY OF PUBLIC EMPLOYMENT

All public job programs (PJP) are designed to give jobs in the public sector to people who otherwise would not receive them. They come in two general classes: (a) *Anti-poverty* programs designed to alter permanently a participant's labor market status, and (b) *counter-recession* programs designed for income maintenance during contractions in economic activity. Both program types enjoy political support in part because it is assumed the net costs to society of such programs (given the product of the participants) is low.

The *anti-poverty* (AP) public employment model is based on the well-known fact that substantial numbers of persons in the labor force never seem to settle into steady jobs paying wages much above minimum legal levels. Traditionally low wages have been attributed to absence of skills, and training has been assumed to be the appropriate anti-poverty strategy for the working poor. Recent labor market studies, however, have emphasized the importance of institutional barriers and discrimination as factors confining some workers to high turnover, low-paying "secondary" jobs.<sup>1</sup> The theory has a dynamic aspect that is particularly disturbing: Once a worker is isolated in secondary jobs, the likelihood of transition to "primary" employment may decline over time. Job instability and poor management techniques found in the secondary sector may reinforce instability among workers themselves. Employers who anticipate that employees will be late, or absent on Mondays, or steal, will get employees who do so, and such behavior will over time become a part of the anticipated norm of behavior. Secondary jobs, in other words, beget secondary workers who eventually are offered, are eligible for, and seek only secondary jobs.

Under the anti-poverty model, jobs in the public sector are used to "retrack" workers and to intervene in the pathological cycle of worker-job instability.<sup>2</sup> Public jobs are, presumably, "primary" employment with good working conditions, pay, and advancement opportunities not found in the secondary sector. Employment in such positions is expected to have a salutary effect on the workers involved and to "certify" them for regular primary employment. While the usefulness of on-the-job training in government for employment in the private sector is a matter of some doubt, the rapid growth of public sector employment and normal turnover among regular public employees mean that ample opportunities should develop within government itself for regular employment of jobholders in an anti-poverty program.<sup>3</sup> The beneficial effects of an anti-poverty program need not be

<sup>1</sup> See Peter B. Doeringer and Michael J. Piore, *Internal Labor Markets and Manpower Analysis* (Lexington, Massachusetts: D. C. Heath and Company, 1971), Chapter 8.

<sup>2</sup> See Bennett Harrison, "Public Employment and the Theory of the Dual Economy," in H. L. Sheppard, Bennett Harrison, and W. J. Spring, *The Political Economy of Public Service Employment* (Lexington, Massachusetts: D. C. Heath and Company, 1972), 41-76.

<sup>3</sup> See Bennett Harrison, *Public Employment and Urban Poverty*, (Washington, D.C.: The Urban Institute, 1971).

confined to persons directly receiving jobs. Such a program could force upgrading of private jobs for those workers not receiving government employment by reducing the supply of labor to the secondary market.

The *counter-recession* (CR) public employment model has its roots in the public employment programs of the Great Depression. The model emphasizes the role of the public sector in expanding the demand for labor to combat joblessness. While the objective of an anti-poverty jobs program is an increase in the permanent incomes of workers hired, the objective of a counter-recession policy is simply provision of short-term work-conditioned income maintenance. Such policies, it is argued, effect a much more direct impact on employment than other types of Federal expenditure increase during a recession.<sup>4</sup>

The contrast between the policy implications of the anti-poverty and the counter-recession public employment models is best drawn by looking at five key program characteristics: (1) The nature of the jobs to be provided, (2) the characteristics of the target group of jobholders, (3) the importance of maintenance of effort to program goals, (4) the importance of speed of implementation, and (5) the required linkages between subsidized and unsubsidized employment. My discussion of these factors is summarized in Table 1.

TABLE 1.—PUBLIC JOBS PROGRAM CHARACTERISTICS

|  | Program type   |   |
|--|--|---|
|  | Antipoverty  | Counterrecession  |
| Jobs provided:   |  |   |
| Resemblance to other government employment.                        | Identical to regular jobs.....   | Not necessary—may involve special projects not normally undertaken, jobs not normally filled. |
| Pay.....   | Same as for similar jobs elsewhere in government.                                  | Low, likely to be step downward for most participants.  |
| Target employees.....  | Secondary workers as described in text.....  | Jobless; other restrictions less severe than for anti-poverty model.                          |
| Maintenance of effort.....   | Not essential.....   | Essential.  |
| Transition linkages with regular government or private employment. | Essential—program designed to propel workers from secondary to primary employment. | Transitions back to private employment expected but not explicit in program design.           |
| Speed of implementation.....                                       | Rapid implementation not essential.....  | Rapid implementation essential.   |

The anti-poverty model requires that *jobs provided* in a public employment program be either identical in pay and content to jobs in regular public service or linked to them by, for example, apprenticeship positions. Any deviation from this standard could reduce the usefulness of the jobs for providing primary job experience. Jobs in a counter-recession program can be of any type and may be created in projects not normally undertaken. Wherever located, such jobs will tend to be "skill-preserving" rather than "skill-enhancing" as is the case for anti-poverty jobs.

While wages paid in an anti-poverty program should be equivalent to wages paid regular employees for the same work, absolute wage equality is not essential to a counter-recession program. The objective in the counter-recession case is provision of interim employment for workers until regular jobs can be regained in the private or public sectors. These transitions are most likely to occur when wages in a

<sup>4</sup> R. A. Gordon, "Statement Presented to the Subcommittee on Employment, Manpower, and Poverty of the Senate Committee on Labor and Public Welfare," U.S. Senate Hearings on *Comprehensive Manpower Reform Legislation*, April 28, 1972, appendices, part 5, 1536.

CR program are sufficiently below market rates for work with comparable skill requirements to encourage movement out of the jobs as economic conditions improve. This contrasts with the anti-poverty model in which wages paid workers should initially be above those available to them outside the public sector.

The *target group* of employees for an anti-poverty jobs program must be those workers expected in the absence of such employment to be confined within the foreseeable future to low-paying secondary jobs. Identifying such people poses difficult problems, but the literature on secondary labor markets provides important clues concerning characteristics for which to look. New hires under an anti-poverty program should be drawn disproportionately from minority groups. Individuals employed will usually have a history of erratic employment at low wages, a high school education or less, and be finished with education. The characteristics of secondary workers and, as a result, the acceptance criteria for public employment, may vary from one labor market to another. In addition to evaluation of future prospects without assistance, some consideration must be given the likelihood of success under the program and services required to assure that successful transition into regular employment is achieved.<sup>5</sup> Strickly speaking, unemployment need not be a criterion for acceptance; the full-time worker earning the minimum wage may be as important a target of an anti-poverty jobs program as the laborer who makes \$3.50 per hour when working but spends 8-10 weeks every year unemployed.

Employee qualifications for a counter-recession program are less stringent. The major qualification, made to assure the first-order impact of the policy is a reduction of unemployment, is that the person must be jobless.<sup>6</sup> This restriction may be supplemented when jobs are in short supply by denying employment to persons with other means of support, or by concentrating employment on persons with dependents.

*Maintenance of effort* determines whether public job program employees substitute for other government employment. The standard for judging maintenance of effort is, unfortunately, unobservable. A local government implementing a public employment program "maintains effort" if the presence of the subsidized job program does not diminish the number of unsubsidized positions filled. Judging whether or not substitution occurs requires an estimate of what employment would have been in the absence of the program. Such estimates are hard to come by.

Since it is assumed that employees in an anti-poverty job program are not people who would otherwise be employed by local government, maintenance of effort is not essential to program success. Presumably employees supplanted by subsidized hires are better equipped to find good jobs elsewhere.

<sup>5</sup> In other words, entrance criteria for the program and services provided participants must be subjected to a cost-benefit analysis. Unfortunately much of the empirical work upon which such an evaluation would rest has not been done.

<sup>6</sup> Since the objective of CR public employment is basically to increase the demand for labor, the joblessness criterion may not be essential—employment of a person with a job will open an unsubsidized vacancy which will eventually be filled itself, and ultimately in the chain of job moves an unemployed person will be picked up. However, if employers "hoard" labor during recessions, vacancies created by movers from unsubsidized to subsidized jobs may not be refilled or the duration of the vacancy, once it is established, will be long. An unemployment restriction should minimize this effect, but no information is available on its importance.

Maintenance of effort is essential to a counter-recession employment policy. To the extent subsidized employees are simply substituted for other workers, the effect on the unemployment rate will be attenuated and the income maintenance objective of the program will be thwarted. Maintenance of effort policing provides an important argument for location of counter-recession jobs in special projects. The greater the distinction between the work done under public employment programs and the normal activities of local government, the less the likelihood that substitution will vitiate the impact of the policy.<sup>7</sup> Such distinction must not occur, however, in an anti-poverty program.

*Transition* is important for both public employment program types, but it means different things in the two cases. For an anti-poverty program, transition refers to the ability of public job holders to move to regular, unsubsidized employment that is an improvement over employment available in the absence of program participation. For counter-recession public employment, transition refers only to the movement of jobholders back into unsubsidized employment as economic conditions improve. For counter-recession policy, transition is a matter of providing incentives for people to leave public employment when it is no longer necessary for income maintenance. For anti-poverty policy, transition is the final step in a career alteration process that should culminate in a job wholly different from employment experienced prior to the program.

If public employment is to be a successful counter-recession policy rapid *implementation* is essential. Jobs must be devised and filled quickly. Rapid implementation is less essential to an anti-poverty program. Indeed, problems of job selection, recruitment, and assuring that linkages between subsidized employment and regular "primary" jobs in the private or public sectors exist are certain to slow implementation of such a program.

A number of institutional and political problems make implementation of a "pure" program of either sort difficult. These difficulties and their consequences for program design and outcome are described in the next section.

<sup>7</sup> However, the fact that a task hasn't been undertaken may indicate that the public doesn't view it as worthwhile. The most worthwhile projects are likely to be in many cases those which public authorities are on the verge of undertaking without assistance. However, it is for such undertakings that maintenance of effort will be most difficult to police.

### III. PUBLIC EMPLOYMENT IN ACTION

Since 1970, two major public job programs have been implemented. The first was the Public Employment Program funded by the Emergency Employment Act of 1971 (EEA). The second, the program funded through titles I and II of CETA serves as the vehicle for the additional job creation authorized by Congress in December. In general the EEA program fits the counter-recession paradigm better than CETA, which in some ways is an anti-poverty policy.

The major purpose of CETA was not to fund public employment but rather to decentralize the design and administration of manpower training programs. The Act authorized the Department of Labor to make grants to local jurisdictions of 100,000 or more for the purpose of conducting a variety of training activities under Federal guidelines with the Federal Government paying essentially all costs. As with other revenue sharing legislation, the idea behind CETA was that within limits local jurisdictions can more efficiently assess manpower needs and allocate training funds than can the Federal Government.

CETA was devised and passed during a period of economic expansion. A public employment program was included in the bill largely because of the insistence of organized labor and others who feared generally weaker labor demand in the 1970's than had been the experience of the preceding decade. The program was expected by some to serve as a backstop to other training programs and to serve as a residual instrument for helping low-earners. The funding model for the CETA public employment program was the Emergency Employment Act. As with EEA, the Federal Government paid all wages for employees under the program and miscellaneous expenditures of local public employers up to 11 percent of the wage bill. No Federal funds were provided under either act for equipment.

On first impression, the public employment title under CETA seems to be simply another facet of manpower revenue sharing. However, aside from the obviously different content of the programs, there are two important differences between public employment and other CETA activities. First, part of the benefits of the public employment program accrue directly to the sponsoring government. Second, the employment programs require more locally provided resources than do the training activities. Both of these factors affect the implementation of the program.

The principal problem faced by the Federal Government in monitoring local expenditures for training is to assure that sound, well-planned programs are selected and that funds are not diverted for uses other than serious training efforts. By and large, local governments can be expected, if given the money, to be interested in successfully increasing the skills of local workers, and this is in the interest of the Nation as a whole. Few costs accrue to local governments from such programs and the benefits are indirect—hopefully lower unemployment and what-

ever political benefits successful jobs programs can garner. But under both EEA and CETA public employment programs, part of the benefits of the jobs accrue directly to government in the form of increased governmental services. At times the local concern over the quality and quantity of the output received may conflict with Federal objectives for the workers involved.

This divergence of interests is exacerbated by the difference in funding. For training activities under CETA, Federal grants can cover all costs. However, the job creation program, like its EEA predecessor, has an implicit "matching funds" requirement. Insofar as the expense of creating a job, locating a jobholder, furnishing materials and equipment, and monitoring the jobholder's performance and placement (plus the required Federal paperwork) exceeds the amounts allocated for incidental expenses under the Federal funding formula, local funds are required for public employment program implementation. This investment will enhance local interest in the product of such jobs and diminish concern about the effect on the jobholder. The required local input increases as the number of jobs expands. At some point new typewriters, gardening tools, and brooms must be purchased to equip the public employees. As these marginal costs increase, the net benefit to job sponsors declines, taking with it sponsor enthusiasm for further job creation.

Jobs provided under both EEA and CETA programs were in general identical to regularly filled positions. However, the skill levels for EEA positions were considerably broader than those permitted under CETA. Under EEA, participant salaries were supported up to a maximum of \$12,000. This made it possible to hire over a relatively broad range of skill classes, although employment was concentrated at entry levels. Three years later under CETA the maximum level of salary subsidization was lowered to \$10,000. The \$2,000 reduction plus inflation served to restrict the number of jobs eligible for public employment without direct wage contribution from local government to the low-skill, entry-level positions consistent with an anti-poverty policy. Since Federal support for program expenses is tied to the wages paid, these allocations also were decreased. However, changes in the target group prevented sponsor costs of the program from also falling, and changes in guidelines for maintenance of effort lowered the value of job output to local government.

The target group for employment under EEA was broad, and the approach used for filling jobs was consistent with the counter-recession job program model. To be eligible, a person had to be jobless for a week—hardly a stringent requirement. Also eligible were persons working full-time at poverty wages or part-time and seeking full-time work. There is some evidence that as much as one fourth of all EEA hires were employed immediately prior to acceptance of the public job.<sup>1</sup> A third of the jobs were to go to Vietnam era veterans. The legislation spoke in general terms about priorities for welfare recipients, disadvantaged persons, members of minority groups, and jobless aerospace workers, but specific requirements for employment of these groups were not set. The looseness of the target definition and the salaries permitted facilitated rapid hiring and reduced administrative problems to a minimum.

<sup>1</sup> See Westat, Inc., *Longitudinal Evaluation of the Public Employment Program and Validation of the PEP Data Bank*, report submitted to the Manpower Administration, U.S. Department of Labor, April 1975.

Under CETA, the regulations defining the target group were tightened. The unemployment restriction was raised to a month and the regulations for implementation emphasized that "special consideration . . . shall be given to unemployed persons who are the most severely disadvantaged in terms of the length of time they have been unemployed and their prospects for finding employment without assistance. . . ." <sup>2</sup> The operational significance of this provision was never made clear, but the Congress' vagueness in defining target priorities contributed to prime sponsors' reluctance to expand employment rapidly. <sup>3</sup>

Regardless of interpretation, the target group for CETA public employment was certain to be more expensive to employ, supervise, and place than were EEA employees. The greater the difference between employees hired under a public job program and the people an agency would normally hire, the larger will be the cost to the sponsor of program implementation and the smaller will be the net benefits perceived from the creation of more jobs. At the same time the target group was refined, the wage restrictions imposed by CETA prevented direct hiring of even lower level supervisory employees with PJP funds unless wages were partially subsidized by the sponsoring agency.

Maintenance of effort provisions written into the Emergency Employment Act had two functions. One was to assure a net increase in employment. The second was to allay fears of job loss by regular public employees. The similarity between the activities of EEA jobholders and regular public employees made maintenance of effort virtually impossible to enforce. Nonetheless, the initial impact of the program in most areas was an increase in employment. Most observers have concluded, however, that this increase was substantially eroded after a year had passed. <sup>4</sup> Although not necessarily required by the shift to anti-poverty emphasis, the public employment provisions of CETA contain even more extensive provisions for maintenance of effort for protection of regular employees than did EEA. Some are clearly unenforceable and inconsistent with other aspects of the legislation. In particular, the law requires that prime sponsors guarantee that jobs provided by the public employment program will "in no way infringe upon the promotional opportunities which would otherwise be available to persons currently employed in public service jobs not subsidized. . . ." <sup>5</sup> But the law essentially provides money only for entry level positions. Since most city governments fill upper level positions from promotion within the ranks, the presence of an expanded base of entry level positions created by subsidized employment must infringe upon the promotional opportunities enjoyed by regular employees if the local governments take their transition responsibilities seriously. This problem can be avoided only if non-entry positions can be expanded proportionately to lower-level ones—something few cities can afford.

The vigilance of local public employee groups concerning maintenance of effort seems stronger under CETA than was the case for

<sup>2</sup> *Federal Register*, Vol. 39, No. 54, Part III (March 19, 1974), 10393.

<sup>3</sup> When the precise nature of the standards by which prime sponsor performance will be judged is vague, the prudent procedure is to retain a supply of unfilled jobs until the standards are clarified. This permits last minute adjustments that would not be possible otherwise.

<sup>4</sup> Sar A. Levitan and Robert Taggart, *Emergency Employment Act: The PEP Generation* (Sale Lake City: Olympus Publishing Company, 1974), 17.

<sup>5</sup> *Federal Register*, *op. cit.*, 10392.



EEA. For example, in San Francisco, as in many other cities, the city and county government regularly budgets employment positions that are not filled due to fund shortages. Local unions have successfully argued that these positions cannot be filled with CETA job program funds, since to do so could potentially deny the jobs to regular employees should funds become available. CETA money goes, as a result, to more marginal jobs than would otherwise be the case. This, too, reduces their desirability from the city's standpoint.

Although EEA was more of a counter-recession policy than an anti-poverty tool, the law included as a goal that 50 per cent of all hires achieve a transition into regular state and local payrolls. This was never accomplished, in part because of lack of positive incentives and, as the program developed, certain definite financial disincentives. For a period in 1972 the Federal Government was not refunding slots opened as PJP employees moved into regular civil service employment. This caused transition rates to plummet. Even though the recession eventually ended, public employment did not and the upshot was that several thousand EEA jobholders were "transitioned" directly to CETA in 1974 or retained in EEA jobs that the Congress continued to fund.

The failure of EEA employment to decline as the economy improved is attributable both to footdragging on the part of local governments and to the EEA wages structure. Unlike the counter-recession model described in the previous section, wages paid for EEA jobs were identical to those in regular government employment. In low-skill categories, local governments in major cities in the U.S. tend to pay more than private employers for the same work.<sup>6</sup> San Francisco, for example, paid clerk typists in 1974 a minimum salary of approximately \$637 per month. The comparable private sector salary was \$587.<sup>7</sup> Also city government jobs frequently have fringe benefits and security that also make them more attractive than comparable jobs in the private sector. This throws the burden of voluntary transition into regular employment wholly onto transition into public sector jobs, something not consistent with the counter-recession model. Finally, there is a political aspect to the transition problem. In the battle for refunding of public employment programs, public jobholders for whom regular employment has not been found play the role of Palestinian refugees. The plight of the dispossessed public jobholders is usefully described and emphasized by local government in efforts to extract more funding from Congress.

Despite difficulties with transition under EEA, the same 50 percent "goal" was included in the guidelines for the CETA program. Although the seriousness with which the Department of Labor planned to push this goal was throughout 1974 a matter of doubt, to cities filling CETA jobs, the problem of transition was always a major concern. Without more money to assist in counseling and placement efforts, most jurisdictions were forced to concentrate on finding clear winners among job applicants satisfying the other CETA entrance requirements. This procedure, while not necessarily consistent with achieving maximum impact on the disadvantaged or rapid implementation, was consonant with local government's concern with product. It also raised

<sup>6</sup> See Stephen H. Perloff, "Comparing Municipal Salaries with Industry and Federal Pay," *Monthly Labor Review*, 94 (October 1971), 46-50.

<sup>7</sup> San Francisco Civil Service Commission, *Preliminary Salary and Wage Report*, December 5, 1974, mimeo.

the cost to local jurisdictions of filling CETA jobs. The incentives at work were nicely summarized by a remark made by an anonymous "big-city official" to a *Wall Street Journal* reporter. "The law essentially tells us we have to hire losers," he said, "but we owe it to our citizens to try to pick out those among the losers most likely to succeed. The rest just fall by the wayside."<sup>8</sup>

In summary, public employment has in the 1970's been operated as a carrot and stick policy. For local governments the carrot is basically the value of the product of public employees whose jobs are subsidized by the Federal Government. The stick is the collection of guidelines and restrictions under which the program operates. For a loose policy like EEA, the carrot is to most local governments well worth the relatively painless application of the guidelines. Despite maintenance of effort and transition problems, the evidence indicates that given such a law local governments can be tempted into increasing employment and doing so rapidly.

However, Congress substantially overestimated the appeal of the "carrot" of subsidized jobs as formulated in CETA. By narrowing the range of jobs eligible for subsidy, lowering the value of the subsidy per job, and targeting the jobs on a group of workers likely to be more costly to employ, supervise, and place than EEA hires, the appeal of the program was substantially diminished.

Undoubtedly if economic conditions prevalent when CETA was passed had persisted, jobs would have been found for thousands of workers despite these drawbacks. The irony is that CETA became law just as the unemployment rate began a steady climb upward. As the recession deepened, attempts have been made to shift its emphasis to income maintenance. These attempts culminated in the Emergency Jobs and Unemployment Assistance Act of 1974 (EJUA).

This law added a new title (VI) to CETA and a billion dollars in additional public jobs to the stock already available. There are only two important differences between the new bill and the old. Under title VI the unemployment restriction to entry was reduced from 30 to 15 days in areas with unemployment rates in excess of 7 percent. The transition guidelines for both the old and new programs were pointedly identified as "goals, not requirements." Provision is made in the law for prime sponsors to request waivers of the transitions requirements wherever necessary to achieve rapid employment increase.<sup>9</sup> Although the bill lowered the period of joblessness required of participants, "preference" in hiring was authorized for those who had exhausted their unemployment benefits, the long-term (15 weeks) unemployed and individuals not eligible for unemployment compensation.

These preferences are operationally meaningless. The real upshot of EJUA is that restrictions on entry to emergency public employment have been relaxed to the point of inconsequence, and transition to regular public employment has been dropped as a matter of concern. While these alternations have undoubtedly served to speed job creation and assured that virtually all emergency public jobs were filled by March, they have also shifted the program entirely away from emphasis on the permanently poor. The problems of transition

<sup>8</sup> *Wall Street Journal*, op. cit., 17.

<sup>9</sup> *Federal Register*, Vol. 40, No. 7, Part IV (January 10, 1975), 2361.

of jobholders back to unsubsidized employment were not addressed at all in the legislation. Since current projections do not indicate a significant reduction in unemployment within the next 12 months, the Congress is certain to face the prospect of firing over one-quarter million public jobholders next December. The only alternative will be to appropriate \$2 billion to keep them employed.

#### IV. VARIATION ON THE THEME: THE COUNTER-RECESSION PROGRAM

With economic conditions what they are, one ventures proposals for reform of public employment only with caution. But such programs, despite Presidential vetoes, remain popular and the opportunity may become available for trying alternative program designs in the near future.

Existing employment legislation attempts to conduct an anti-poverty and a counter-recession program with the same instrument. The result is considerable confusion of guidelines and objectives that hinders rapid job filling for counter-recession purposes. As the pressure mounts for filling jobs rapidly, key elements of an anti-poverty program—selection of the “permanent” poor, extensive counseling, planned transition into regular employment—tend to be lost in the rush.

Probably the best procedure for retaining both objectives is to create two programs, one for counter-recessionary purposes and another for combating poverty.<sup>1</sup> It is possible to design a counter-recessionary program that corrects many of the defects in CETA without doing too much damage to manpower revenue sharing concepts. Such a program might have the following characteristics:

Jobs would continue to be provided by government and non-profit agencies within each CETA prime sponsor area.

The CETA maximum salary of \$10,000 would be retained. However, prime sponsors and/or their contractors would receive an amount equal to 25 percent of the wage bill to be used for any purpose related to provision of new jobs satisfying maintenance of effort provisions.

Jobs would last for 1 year from the date they are initially filled. Unemployment insurance benefits would be guaranteed each jobholder for 8 weeks following termination.

Some portion of unused unemployment benefits would be paid in lump sum to public jobholders who obtain regular private or public employment.

Maintenance of effort would be enforced as strictly as possible. Prime sponsors would be encouraged to fund innovative and unusual activities when such activities can be quickly devised. The special funding provisions should facilitate the undertaking of projects that are out of the ordinary.

Transition requirements or goals would not be part of the program. Participants should have the opportunity to participate in regular competition for civil service jobs, and in many cases experience gained in emergency jobs should give them preferred status. This is a matter for local choice.

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<sup>1</sup> I am hardly the first to propose a “two-tier” public employment program. See Gordon, *op. cit.*

Job applicants would be certified as eligible on the basis of a simplified criterion involving one, or at most two, standards.

Once so certified, additional preferential factors (veteran, minority, sex) could be employed in filling jobs from the certified group.

This program has several advantages over current efforts. The expanded expenses allowance, for example, should increase the program's attractiveness to local employers, provide limited capital resources, and increase flexibility in job design and location. This should improve the productivity of public jobs. The wage limit (which could be set lower) continues to perform a partial selection function for applicants, but it no longer hampers employment of supervisory personnel since such positions can be filled using the expenses money. The program has a definite time limit per job but eases the burden of transition to the private job market with unemployment insurance benefits (perhaps renamed "employment reentry assistance"). The "bonus" is included to accentuate incentives for finding regular employment and to reverse the negative incentive effects of the current unemployment insurance system.<sup>2</sup>

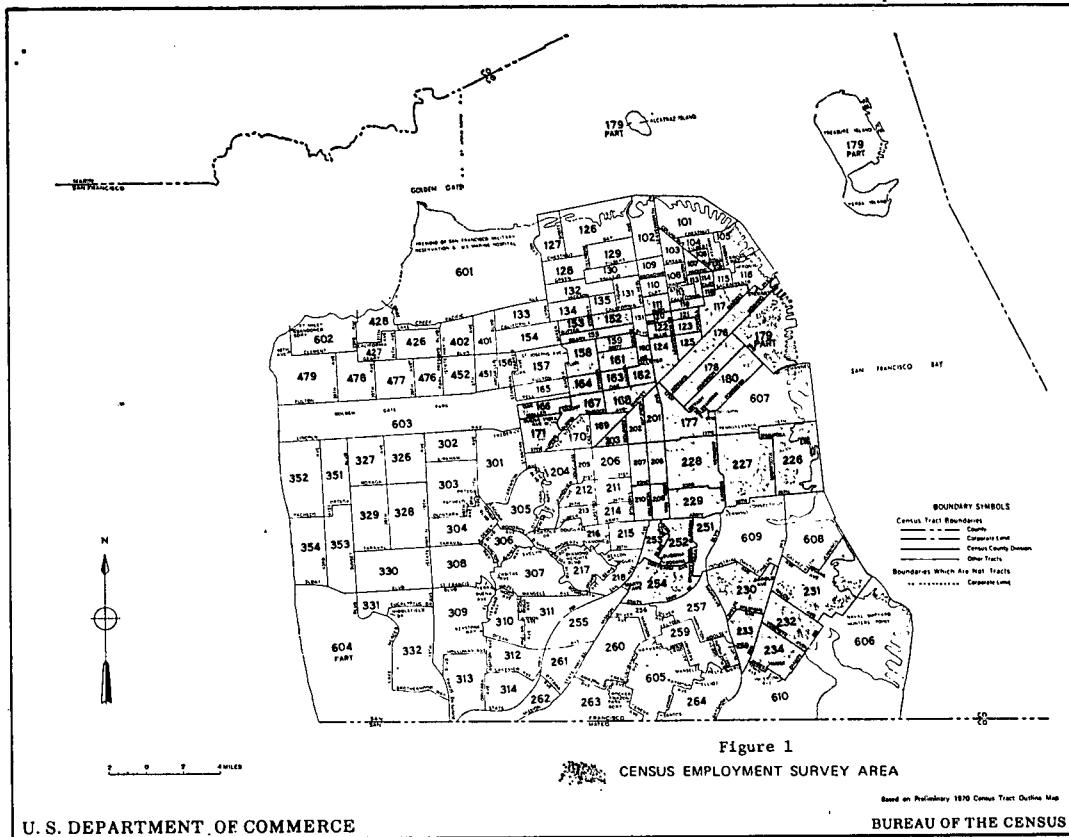
The simplified admissions criterion is essential but difficult to specify. Any restriction is suspect until better information on the potential applicant pool for public employment is available. As a step in the direction of obtaining such information, I have attempted to calculate the number of persons residing in low-income areas of San Francisco who would have been interested in a \$3.00/hour job in the public sector during the recession of 1970-71 and to test the effect on the estimated applicant pool of various program reduction criteria. Such a job would be the rough equivalent of a \$7,800 job (the CETA average wage target) in 1975. The results of this tabulation are of interest both because of the information provided on the suitability of alternative public job program restriction procedures and for reference in evaluating San Francisco's hiring procedures under EEA.

The data source is the Census Employment Survey (CES) for San Francisco.<sup>3</sup> The major deficiency of the source is that it is not comprehensive. The census tracts covered are illustrated in figure 1. Those familiar with San Francisco will recognize that the CES does include most areas of substantial joblessness in the city—the Mission and Tenderloin districts, Chinatown, Hunter's Point, and so forth. In the 1970 census this area accounted for 31 percent of San Franciscans in the labor force and 62 percent of San Franciscans who were jobless. As a result, the numbers I report are likely to understate the total number of public employment eligibles, but not as severely as the ratio of CES area population to total San Francisco labor force might indicate.

The Census Employment Survey has two important advantages over the decennial census for these calculations. First, much more detailed information on labor market experience was collected for the CES than for the regular census. Second, interviewing for the CES was conducted between August of 1970 and February of 1971. As a result, it covers the period of substantial unemployment which in the recent past most closely duplicates current experience. These two features make it useful for analysis of public employment policies.

<sup>2</sup> These are discussed in Martin S. Feldstein, *Lowering the Permanent Rate of Unemployment* (Washington: U.S.G.P.O., 1973), 41-50.

<sup>3</sup> For a description see U.S. Bureau of the Census, *Employment Profiles of Selected Low-Income Areas*, Final Report PHC (3)-23, San Francisco, California (Washington, U.S.G.P.O., 1972).



The following people were assumed to be potential applicants for public employment at \$3 per hour:

All employed persons earning less than \$120 per week;

All unemployed persons who stated they would accept a job that paid \$3 per hour or less; and

All persons out of the labor force who reported "wanting a job" if—

(a) they had looked for work within the past year but couldn't find it,

(b) they cited as a reason for not working lack of transportation (city jobs are easy bus rides from all areas surveyed), or

(c) they cited "lack of sufficient experience or skills" as a reason for withdrawing from the labor market.

I have neither space nor backbone to defend these assumptions adequately. Some people earning less than \$120 per week might not be interested in a city job even though it paid more. On the other hand, some persons earning more in insecure or temporary positions might be anxious to enjoy the stability and prospects for advancement that go with most city jobs and might view an emergency public employment as providing a foot in the door to regular civil service employment. It is not clear what reported "reservation wages" for people interviewed in the survey mean. Surely the *type* of job as well as the pay is relevant to the decision to accept employment. However, any public employment program based on city jobs will offer a variety of positions. It seems likely that if a person says he or she will take "a job" that pays \$2.50 per hour, an acceptable job could be found among those filled by the city. The assumptions made about people out of the labor force are meant to include the "hidden unemployed," but the success of the effort depends on the sincerity of people who report being interested in working but have not recently looked for a job.

Application of these restrictions to the San Francisco CES tape produced 1,200 observations on people who appear by the criteria described above to be potential applicants for jobs in a public employment program providing jobs at \$3 per hour in 1970-71.<sup>4</sup> Since these people were selected at random from the CES area population and the selection probability for any particular area resident is known from the sample design, it is possible to estimate from the sample the number of people satisfying the restrictions in the CES area as a whole. The number is approximately 48,880. The characteristics of the population of potential jobholders are reported in Table 2.<sup>5 6</sup>

<sup>4</sup> In preparing this subsample of eligibles, a number of ambiguous cases arose. Observations on individuals for which data on wages or other factors essential for allocation to the category of potential applicant were missing or ambiguous were examined individually. Difficulties arose primarily with new applicants or persons who were self-employed.

<sup>5</sup> The race division in the table is painfully crude. San Francisco has a substantial Chicano population, and these people are sprinkled through all three racial categories. Given the considerable emphasis placed on ethnic balance in manpower programs, it would be useful to have better data on such distinctions. If we identify as "Spanish" persons who report that Spanish was spoken in their homes when they were children, the race-ethnic composition of the potential applicant pool in table 2 changes to:

|                       | Number | Proportion<br>of total |
|-----------------------|--------|------------------------|
| White.....            | 22,439 | .46                    |
| Black.....            | 11,078 | .23                    |
| Other.....            | 10,349 | .21                    |
| Spanish-speaking..... | 5,014  | .10                    |

<sup>6</sup> The proportions reported from the CES data in table 2 and the tables that follow are estimates; a complete enumeration would undoubtedly cause some to change.

TABLE 2.—POTENTIAL PUBLIC JOB APPLICANTS, SAN FRANCISCO CES AREA

| Characteristic | Number | Proportion of total | Characteristic                | Number | Proportion of total |
|----------------|--------|---------------------|-------------------------------|--------|---------------------|
| Sex:           |        |                     | Vietnam veterans.....         | 3,078  | 0.06                |
| Male.....      | 23,880 | 0.49                | Race:                         |        |                     |
| Female.....    | 24,992 | .51                 | White.....                    | 26,722 | .55                 |
| Age:           |        |                     | Black.....                    | 11,245 | .23                 |
| 16 to 19.....  | 3,138  | .06                 | Other.....                    | 10,913 | .22                 |
| 20 to 29.....  | 18,171 | .37                 | Labor force:                  |        |                     |
| 30 to 39.....  | 8,967  | .18                 | Status:                       |        |                     |
| 49 to 49.....  | 8,108  | .17                 | Employed.....                 | 37,021 | .76                 |
| 50 plus.....   | 10,496 | .21                 | Unemployed.....               | 7,792  | .16                 |
| Education:     |        |                     | Out of labor force, interest- |        |                     |
| 0 to 7.....    | 5,242  | .11                 | ed in employment.....         | 4,067  | .08                 |
| 8.....         | 3,324  | .07                 | Total.....                    | 48,880 | 1.00                |
| 9 to 11.....   | 9,051  | .19                 |                               |        |                     |
| 12.....        | 17,764 | .36                 |                               |        |                     |
| 13 to 15.....  | 7,808  | .16                 |                               |        |                     |
| 16 plus.....   | 5,691  | .12                 |                               |        |                     |

Source: Calculations by author from unpublished Census Employment Survey data.

San Francisco has about 1,000 jobs to fill under public employment programs in 1975. If this number were to be filled from the population described in table 2, there would be 50 applicants for each job. Thus the problem introduced at the beginning of this paper reappears: Which workers are best favored by public employment? How do we select them?

It is not possible to evaluate alternative criteria for choosing among the applicants without some specification of social preferences. For comparisons here I assume that the increase in "social welfare" that results from provision of a job in a public employment program is a function of the ratio of the income of the household in which the person receiving the job resides after the job is provided to income in the absence of the job. I assume that a given dollar change in income will be more desirable (from a social standpoint) for low-income families than for those that are relatively well-to-do and more useful for large households than small ones. If  $W_i$  denotes the contribution of the  $i$ th household to "social welfare,"  $n_i$  the size of household  $i$ ,  $Y_i$  the income of household  $i$  in the absence of the public job,  $Y_i^p$  income given the job and  $\ln(x)$  the natural logarithm of  $x$ , then a function which exhibits these properties is:

$$\Delta W_i = n_i \ln(Y_i^p / Y_i) \quad (1)$$

The total welfare impact of a PJP is assumed to be  $\Delta W$  summed over all program participants.

Expression (1) is meant only as a tentative specification of public preferences. It may place too much weight on family size and too much emphasis on "the greatest good for the greatest number." It does not adequately measure the extent to which public employment maintains living standards established before the recession, although income maintenance may be as important a goal of emergency public employment as income enhancement. No second-order effects are considered, i.e., no allowance is made for income gains accruing to people who obtain non-subsidized jobs more readily because PJP participants are no longer in the market. More significantly, the welfare measure incorporates no factors to identify the costs of the program or the social valuation of public goods output. I am assuming



that program size and payments are fixed, so in choice of the optimum program costs can be ignored. However, a tradeoff may well exist between welfare effects on households and value of output. Those PJP candidates who could be most productive on the job may not come from families most in need of aid.

I consider four possible restrictions on applicants for emergency public employment: (1) Restriction to household heads with dependents under 18, (2) restriction to family members with incomes below a minimum living standard, (3) restriction to persons unemployed for 1 month, and (4) restriction to persons jobless for 15 weeks. The objective in considering these restrictions is to find a method of allocation which is simple and which will focus the jobs on persons who on the basis of expression (1) are most usefully helped.

When resources are limited considerable support can be mustered for concentrating aid on persons with dependents. For example, one of the least controversial aspects of the Family Assistance Program proposed by the Nixon administration in 1969 was its restriction to families with children. Children or not, restrictions of jobs to household heads is controversial, however, since in any household in which both a man and a woman reside the man is generally automatically assumed to be the "head" and is so treated by the Bureau of the Census. For application of the "headship" restriction I have been forced to follow the census convention. I have accepted as "heads" only persons so designated in the CES and who reside in households with children under 18. This means that the wife of a disabled man would not pass the headship "test" for a subsidized job as I have applied it to the data. The household data accompanying each CES observation are not sufficiently elaborate to permit anything else. The effect of this restriction on the pool of female applicants will be discussed below.

Since I am not discussing an anti-poverty program here, a more generous resource standard than the official poverty thresholds is called for. The purpose of a resources restriction for a counter-recession program is to assure that as few jobs as possible go to workers residing in households with adequate resources to live reasonably well without the job, not to concentrate employment on the very poor. Therefore, for a resources standard I have adopted the Department of Labor's "lower" living standard for an urban blue-collar family.<sup>7</sup> This standard varies with family composition and has been adjusted to reflect relative prices of commodities in San Francisco and the general price level in 1970-71. For a family of four with a head aged 35-54, this standard at the time of the survey was \$7,609.<sup>8</sup>

The unemployment standards used are those required or "preferred" under CETA. In assessing whether or not a worker from the survey satisfies these standards, I consider both the duration of a current spell of unemployment if the worker is jobless at the time of the CES interview or the duration of any spell of unemployment during the year preceding the interview. I count a worker as a potential candidate for a job as long as he or she was unemployed the required number of

<sup>7</sup> The standard is described in U.S. Bureau of Labor Statistics, *8 Budgets for an Urban Family of Four Persons, 1969-70* (Washington, U.S.G.P.O., 1972).

<sup>8</sup> The factors employed to adjust the standard for variation in family composition were adopted from U.S. Bureau of Labor Statistics, *Revised Equivalence Scale for Estimating Equivalent Incomes or Budget Costs by Family Type* (Washington: U.S.G.P.O., 1968).

weeks at some time during the year preceding the interview. Public employment jobs are not, after all, filled instantaneously.<sup>9</sup>

Finally, calculation of the increase in the welfare value of public jobs given various applicant restriction procedures according to expression (1) requires an estimate of family income with and without a PJP job. Income without the PJP job was assumed equal to the family's income in the year preceding the CES interview. Income with the PJP job was assumed equal to the family's income in the year preceding the interview *minus* earning by the potential PJP jobholder and income-conditioned transfers *plus* the \$6,000 PJP wage.<sup>10</sup>

I am looking for restrictions which promise sufficient potential applicants to fill 1,000 public jobs and provide some "slack" to account for individuals incorrectly assumed to be interested in public employment. The results of applying each of the four restriction criteria to the population of job applicants described in table 2 appear in table 3. Each cell in the table contains the average value of  $\Delta W$  for each job provided under the combination of admissions criteria identified by the row and column and the number of potential job applicants meeting these criteria among the 48,880 individuals counted in table 2. The cells along the diagonal give the results for each criterion applied alone.

There are a number of results of interest in table 3. First, any of the the restrictions listed is superior to simply allocating the jobs at random among the 48,880 potential applicants. On the basis of the criterion established by expression (1), the best restriction is to limit the jobs to household heads unemployed for 15 weeks or more. However, this restriction is satisfied by only 1,080 people—too few to assure rapid filling of the jobs. Under the assumptions made here, there appears to be some gain in shifting the unemployment criterion from 1 month to 15 weeks. When jobs are allocated at random, however, a restriction based on household resources or headship status is superior to use of an unemployment criterion alone. The most important message in table 3 is that if the assumption about the importance of breadth of impact of PJP wages incorporated in expression (1) is a correct characterization of social preferences, it would be very useful to concentrate the jobs on household heads with dependents under 18. Setting questions of constitutionality aside for the moment, what would the consequences be of this restriction for women?

In table 4, I have tabulated certain characteristics of the applicant pool under four of the alternative restriction criteria that appear from table 3 to produce a feasible number of jobholders. I concentrate on those criteria involving unemployment because of the consistency of these standards with CETA admissions procedures. Compared to the characteristics of all persons potentially interested in such jobs, any of the restrictions raises the proportion of males in the applicant pool. The increase is *smallest* for the household heads/unemployed one month criterion. These results suggest that the addition of a restric-

<sup>9</sup> There is an inconsistency here in the treatment of the unemployment and resource criteria. I consider all people who satisfied the unemployment criterion at any time in the year preceding the CES interview to be potential PJP applicants, yet the resource criterion is applied only at the time of the interview. The data permit nothing else. I suspect that a household's total resources status changes much less frequently than the employment status of its members, so the bias introduced by the method of application of the resources criterion is probably not large.

<sup>10</sup> Income-conditioned transfers include unemployment insurance benefits and welfare payments. In some cases the CES reported that a family received welfare but included nothing on the amount collected. When this occurred the value of payments was imputed.

TABLE 3.—INCREMENTAL "UTILITY" WITH ALTERNATIVE APPLICANT RESTRICTIONS

| Restriction    | Each cell contains <sup>1</sup> |        |           |        |                    |        |                     |        |
|----------------|---------------------------------|--------|-----------|--------|--------------------|--------|---------------------|--------|
|                | Headship                        |        | Resources |        | Unemployed 1 month |        | Unemployed 15 weeks |        |
|                | ΔW                              | Number | ΔW        | Number | ΔW                 | Number | ΔW                  | Number |
| Headship.....  | 1.9                             | 8,103  |           |        |                    |        |                     |        |
| Resources..... | 2.7                             | 5,441  | 1.8       | 18,350 |                    |        |                     |        |
| Unemployed:    |                                 |        |           |        |                    |        |                     |        |
| 1 mo.....      | 3.3                             | 1,926  | 1.9       | 6,266  | 1.2                | 13,380 |                     |        |
| 15 weeks.....  | 4.2                             | 1,080  | 2.3       | 3,305  | 1.7                | 5,728  | 1.7                 | 5,728  |

<sup>1</sup> The first number in each cell is ΔW; the second is the estimated number of applicants satisfying the restriction(s).

Note: Under no restrictions: average ΔW per jobholder, calculated using the expression (1), is 0.93. The estimated number of eligible applicants is 48,880.

Source: Calculations by author from Census Employment Survey data.

TABLE 4.—CHARACTERISTICS OF A PJP APPLICANT POOL UNDER ALTERNATIVE RESTRICTIONS

[Except where otherwise indicated, numbers are proportions of San Francisco CES area population satisfying the restriction. Due to rounding proportions may not sum to 1.]

|  | Potential applicants (table 2) | Unemployed 1 mo. | Unemployed 15 weeks | Unemployed 1 month, household heads | Unemployed 1 month, resource restriction applied |
|--|--------------------------------|------------------|---------------------|-------------------------------------|--|
| Total population.....                        | 48,880                         | 13,380           | 5,728               | 1,926                               | 6,266  |
| Sex:   |                                |                  |                     |                                     |  |
| Male.....                                    | 0.49                           | 0.61             | 0.64                | 0.59                                | 0.63   |
| Female.....                                  | .51                            | .39              | .36                 | .41                                 | .37  |
| Age:   |                                |                  |                     |                                     |  |
| 16 to 19.....                                | .06                            | .08              | .09                 | .02                                 | .10  |
| 20 to 29.....                                | .37                            | .47              | .45                 | .51                                 | .46  |
| 30 to 39.....                                | .18                            | .18              | .19                 | .31                                 | .19  |
| 40 plus.....                                 | .38                            | .27              | .27                 | .16                                 | .25  |
| Education (years completed):                 |                                |                  |                     |                                     |  |
| 0 to 7.....                                  | .11                            | .08              | .06                 | .10                                 | .06  |
| 8.....                                       | .07                            | .05              | .05                 | .02                                 | .05  |
| 9 to 11.....                                 | .19                            | .21              | .33                 | .30                                 | .24  |
| 12.....                                      | .36                            | .37              | .34                 | .38                                 | .37  |
| 13 to 15.....                                | .16                            | .19              | .14                 | .14                                 | .21  |
| 16 plus.....                                 | .12                            | .10              | .07                 | .06                                 | .07  |
| Race:  |                                |                  |                     |                                     |  |
| White.....                                   | .55                            | .57              | .49                 | .38                                 | .55  |
| Black.....                                   | .23                            | .27              | .34                 | .50                                 | .31  |
| Other.....                                   | .22                            | .16              | .17                 | .12                                 | .14  |
| Vietnam veterans.....                        | .06                            | .11              | .07                 | .08                                 | .13  |
| Household heads.....                         | .17                            | .14              | .19                 | 1.0                                 | .17  |
| Duration unemployment at time of survey:     |                                |                  |                     |                                     |  |
| Not unemployed at time of survey...          | .16                            | .52              | .40                 | .43                                 | .29  |
| Unemployed:                                  |                                |                  |                     |                                     |  |
| Less than or equal to 4 weeks...             | 1.30                           | .21              | .15                 | .23                                 | .23  |
| 5 to 15 weeks.....                           | .21                            | .44              | .18                 | .32                                 | .37  |
| 16 to 26 weeks.....                          | .18                            | .17              | .32                 | .12                                 | .17  |
| 27 to 52 weeks.....                          | .15                            | .12              | .22                 | .18                                 | .15  |
| Greater than 52 weeks.....                   | .16                            | .07              | .13                 | .15                                 | .09  |
| Average number of persons per household..... | 2.3                            | 2.1              | 2.3                 | 3.6                                 | 2.4  |

<sup>1</sup> Percentages calculated as proportion of all persons unemployed at time of survey.

tion to household heads to the one month unemployment criterion need not, statistically speaking, be at the expense of women. Nonetheless some women would be denied jobs on grounds of a census convention with little objective basis. Regardless of criterion used, these calculations assume the jobs to be distributed at random among the eligible population. If the employing agencies choose to do so, men can be disproportionately favored regardless of the sexual composition of the applicant pool or the formal admission criterion employed.

Elsewhere I have repeated the experiment described above using different specifications of social preferences and data for CES areas in two other cities, Cleveland and Los Angeles.<sup>11</sup> The results from San Francisco proved to be relatively insensitive to alternative functional specifications of the welfare criterion. The data for Cleveland and Los Angeles confirm the inefficiency of an unemployment criterion and the desirability of using if possible either a resource or headship restriction in addition to one based on unemployment if jobs are in short supply. For Cleveland data a restriction based on both unemployment and resources appears superior to all others, including those based on headship.

These results must be verified using more comprehensive data and information from other labor markets. It is perhaps intuitively obvious that, given the weight I have assumed appropriate for family size in the social welfare function, household headship would be an efficient restriction criterion. What is not so obvious a priori is the efficiency of the generous resources restriction employed here in allocating jobs. These data suggest that the welfare impact of public jobs would be enhanced significantly if they were restricted to workers who have been unemployed for 1 month and who are either household heads or members of households reporting incomes less than the Department of Labor's lower living standard. It should be possible with thought and research to devise better restrictions than these. The important message here is that when jobs are in short supply, joblessness alone is not a sufficient guide for allocating scarce emergency public employment to those most in need.

<sup>11</sup> See Michael Wiseman, *On Giving A Job*, University of California Department of Economics working paper number 58, February 1975.

## V. THE ANTI-POVERTY PROGRAM

Detailed consideration of the companion anti-poverty program cannot be undertaken here. Such a program can be constructed out of a combination of the counter-recession program and monies already available for on the job and other training through title I of CETA. Until a successful formula is found, variation should be encouraged from prime sponsor to prime sponsor. However, programs qualifying for support should have the following characteristics:

Jobs provided must involve tasks also done or which were done prior to program initiation by unsubsidized employees in sponsoring agencies.

Jobs provided must be career-oriented and provide direct access to main line agency/organization promotion ladders. In most cases the positions should be created by job reorganization within the existing civil service or other employment system of the sponsoring agency. If the jobs are placed outside the usual civil service system, a definite transition standard must be developed, and each participant meeting the standard after a specified period of time should be guaranteed regular employment. The planned "transition rate," in other words, should be 100 percent.

A full range of counseling and monitoring activities should be provided for the agencies, the jobholders, and those regular agency employees who deal with persons employed under the anti-poverty program.

Jobholders must be certified on the basis of a criterion related to lifetime earnings expectations of the individuals in the absence of support. While here also the design of screening criteria is a matter for research and may reflect local labor market conditions, the obvious place to begin finding applicants is the welfare roles.

Even in rough outline this program differs substantially from the counter-recessionary public employment model. The emphasis is on job restructure and civil service reform. An ideal model is provided by the State of California's Career Opportunities Development (COD) program, but jobs at all levels of government, not just those provided by States, should be considered.<sup>1</sup>

Even with a subsidy, jobs in an anti-poverty program will be less attractive to employing agencies than those provided by the counter-recession program. In consequence when counter-recession funds become available agencies will tend to shift away from anti-poverty efforts. Implementation can be stimulated by making the subsidy for anti-poverty jobs exceed that for counter-recession employment or by tying allocations for counter-recession jobs to poverty program efforts.

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<sup>1</sup> In the program the State pays its own departments to alter civil service procedures to accommodate long-term welfare recipients. The program has been a success in the sense that the cost of wage and training subsidies has been on average less than welfare costs saved. Ironically, the CETA public employment program has seriously undercut the C.O.D. program, since more money is paid to agencies and the restrictions on applicants are less severe under the Federal program.

Regardless of the details of organization for the anti-poverty program described here, however, there seems to be an important role for the States to play. Of course, State government accounts for an important share of public employment and will provide in most areas a sizable portion of job openings for such a program. But more important is the states' role in coordination and assistance. The success of an anti-poverty effort rests in large part on the ability of local governments to restructure their hiring procedures and job structures. Expertise in these matters is not noticeably overabundant at the local level. Conceivably States could bring together the necessary expertise and experience to assist each local area in implementing anti-poverty efforts. With or without State assistance, it is in the national interest that the Federal Government participate in these efforts.

Consideration should be given to the possibility of assigning to the employment service in each state the responsibility of certifying employees for both counter-recession and anti-poverty public employment. Proposals for expanding the role of the State employment services in this way may not be greeted favorably at this time. In most States the employment service is struggling to keep up with the burden of registering people for and delivering unemployment insurance benefits. The manpower required for certifying all persons eligible for public employment just isn't available. Also, the State employment service system has, since 1970, been undergoing a shift in emphasis away from problems of disadvantaged workers to a more general role in worker placement. Assumption of responsibility for a large-scale anti-poverty program might appear to reverse the trend.

No State employment service will develop the capability to assist local governments and nonprofit agencies in hiring disadvantaged workers over night. But it could be done if sufficient resources are made available. The difference between placement of disadvantaged, low-skilled workers in subsidized primary-type jobs and acting as a clearing house for the low-paying high turnover jobs of the secondary labor market is substantial. Undertaking coordination of an anti-poverty program of this type will hardly signal a return to State employment service policies of the sixties.

Using the employment services to certify workers eligible for subsidized positions has important advantages that may outweigh the difficulties inherent in redirecting these agencies. In the case of a counter-recessionary job program the employment service will presumably be able to consider applicants apart from their likely productivity on the job, thus avoiding the conflict of interest inherent in current procedures. The tendency to "cream" the applicant pool will be reduced, and more extensive verification of the employment records of potential public employees will be possible. The fact that an agency of the State is involved in taking applications for such positions may enhance the reliability of the information used in selecting jobholders.

Although information on this point is unavailable, it is possible that the employment service may have more comprehensive access to potential PJP participants than do the sponsoring agencies. Many of the people eligible for public employment, and from a social standpoint usefully given jobs, may simply never contact agencies filling such positions. Few employing agencies "recruit" employees for public

jobs, yet perhaps they should in order to assure that the target groups for public employment are reached. Evidence on this problem is hard to come by. In table 5, I have tabulated characteristics of all persons from the CES area who applied for public jobs in San Francisco in 1972 under EEA, the characteristics of the target group assuming the jobs were restricted to people unemployed a month or more (see table 4), and the characteristics of San Francisco's EEA hires during this period. The figures indicate that San Francisco emphasized minority employment and tended to hire disproportionately from young (aged 20-29) applicants. City employees from the CES area under the public employment program tended to have on average less education than did the applicant group as a whole, but applicants had on average much more education than did the target group at the time of the CES survey. Over a third of the target group reported less than a high school education, while only 14 percent of the applicants and 13 percent of the people actually given jobs did.

TABLE 5.—COMPARISON OF SAN FRANCISCO EEA APPLICANT CHARACTERISTICS WITH TARGET GROUP AND PERSONS EMPLOYED

|                       | Applicants<br>from poverty<br>area | Population<br>target group<br>from<br>tabulation | EEA hires<br>from poverty<br>area |
|-----------------------|------------------------------------|--|-----------------------------------|
| Total population..... | 1, 322                             | 13, 380  | 342                               |
| Sex (proportion):     |                                    |  |                                   |
| Male.....             | 0. 65                              | 0. 61  | 0. 69                             |
| Female.....           | . 35                               | . 39   | . 31                              |
| Age:                  |                                    |  |                                   |
| 16 to 19.....         | . 11                               | . 08   | . 04                              |
| 20 to 29.....         | . 56                               | . 47   | . 67                              |
| 30 to 39.....         | . 18                               | . 18   | . 17                              |
| 40 plus.....          | . 15                               | . 27   | . 12                              |
| Education:            |                                    |  |                                   |
| 0 to 7.....           | . 01                               | . 08   | . 01                              |
| 8.....                | . 01                               | . 05   | . 01                              |
| 9 to 11.....          | . 12                               | . 21   | . 11                              |
| 12.....               | . 36                               | . 37   | . 43                              |
| 13 to 15.....         | . 26                               | . 19   | . 25                              |
| 16 plus.....          | . 23                               | . 10   | . 18                              |
| Race:                 |                                    |  |                                   |
| Black.....            | . 36                               | . 27   | . 40                              |
| White.....            | . 34                               | . 57   | . 21                              |
| Other.....            | . 30                               | . 16   | . 39                              |

Source: Tabulations by author from the Census Employment Survey and unpublished data furnished by the city of San Francisco.

It is tempting to explain table 5 by assuming that the jobs filled with EEA funds by and large required a high school education and that knowledge of this kept unqualified people away. However, an examination of the EEA jobs filled by the city in 1972 indicates that 53 percent of people hired had education in excess of the minimum requirements, while in only 6 percent of hires did the city employ persons with educational backgrounds less than nominally required by the jobs they filled. In other words, the city provided jobs that could have been filled by members of the target group with less than a high school education, but they didn't show up. The employment service may be both better able and more willing to tap such people as candidates and important targets for public jobs.