COMPTROLLER GENERAL OF THE UNITED STATES
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The Honorable Harrison A. Williams
Chairman, Committee on Human Resources
United States Senate

Dear Mr. Chairman:

Your letter of March 3, 1978, requested our comments on S. 2570. This bill would amend the Comprehensive Employment and Training Act of 1973 to provide improved employment and training services, to extend the authorization, and for other purposes.

Our comments, which are keyed to specific sections of the bill where appropriate, are presented in the enclosure. The Committee may wish to deal with some of the points raised by modifying the proposed bill or may wish to allow the Secretary of Labor to administratively handle them. In general, our comments pertain to the need for:

--Clarification of the Federal oversight role;

--A better management information system which can be used for effective management and administration at all levels;

--Performance standards which would enable measurement of program success and failure;

--Consideration of the project approach in dealing with the fiscal substitution issue;

--Strong provisions regarding the transition of public service employment participants to unsubsidized employment;

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--Consideration as to whether a separate title on private sector involvement is necessary since sponsors' other programs should deal with private employers anyway;

--Strengthening the bill regarding programs for upgrading workers;

--Better local demographic data if the programs are to be targeted to those most in need;

--Consideration of the role of State employment security agencies in program activities;

--More effective coordination and other actions which could improve the effectiveness of employment and training programs;

--Consideration of the effect of certain trade-offs when eligibility for public service employment is based on 5 weeks of unemployment; and

--Clarification as to whether eligibility information for Job Corps applicants is to be verified.

We appreciate the opportunity to comment on the bill and hope that our comments will be useful to the Committee in considering the proposed legislation. If we can be of further assistance, please contact us.

Sincerely yours,

Deputy Comptroller General
of the United States

Enclosure

COMMENTS ON S. 2570

FEDERAL OVERSIGHT

CETA decentralized and decategorized federally supported employment and training programs. The act essentially transferred the main responsibility and resources for these programs from the Federal Government to the States and localities. However, the act did not absolve Labor of the responsibility to insure that Federal funds are expended in accordance with the provisions of the act. CETA, therefore, requires that there be an active Federal role at all stages of CETA activities to assure that a sponsor's program is in compliance with the act.

A difficult issue that has resulted from CETA pertains to the nature of the relationship between Labor and the prime sponsors in the management of the CETA decentralized programs. This relationship is still evolving and unsettled. Under CETA, Labor is accountable to the Congress for how CETA funds are spent. However, sponsors now have the major responsibility for program operations. The roles of Labor and the prime sponsors have been debated since CETA was enacted in 1973. The sponsors have generally viewed most actions taken by Labor to add requirements, such as performance appraisal procedures, as an attempt to centralize and recategorize CETA.

We believe that the Committee should take the opportunity presented by the reauthorization of CETA to clarify what role it expects Labor to play in the administration of CETA.

MANAGEMENT INFORMATION SYSTEMS



Sec. 128 (d) of the bill states:

"The Secretary may require each prime sponsor to prepare, and make available to the public, periodic reports on its activities under the Act. Such reports shall contain such information as the Secretary may require, including--

"(1) a detailed comparison of program performance with approved plan;

"(2) participant and staff characteristics (crosstabulated) including age, sex, race, national origin, handicap, education level, and previous wage and employment experience;

"(3) total dollar cost per participant, including a breakdown among salary or stipend, training, and supportive services, all fringe benefits and administrative costs; and

"(4) the types of placements that participants receive."

The primary purpose of a management information system is to provide necessary information for the efficient and effective management of a program. Existing CETA legislation requires that the sponsors submit reports to Labor in such form and containing such information as the Secretary may from time to time require. Labor's regulations require sponsors to submit quarterly reports.

The quarterly reports are the basic documents used by Labor in reviewing a sponsor's performance. Also, prime sponsor management information systems are generally designed to provide information to comply with Labor's reporting requirements. One report contains, by individual CETA titles, such information as total enrollments, total terminations, and placements in unsubsidized employment. The enrollments for each training activity, such as classroom and on-the-job training, are also shown. However, this report does not provide data on participant terminations and unsubsidized job placements by training activity. Another report does provide expenditures by training activity.

Under the current title I of CETA, sponsors may offer many different types of employment and training services to participants. However, some of the data reported is presented only for overall title I program performance.

This is not an effective reporting format for either Labor or sponsors to use in evaluating the success of individual title I training activities. For example, termination and placement data pertaining to such divergent activities as classroom training, on-the-job training, work experience, and public service employment are being reported together. Therefore, effectiveness of each training activity cannot be evaluated because the sponsor's quarterly reports do not show by individual training activity the number of participants obtaining jobs, the number of training related jobs obtained, and the cost per placement. We believe that the quarterly reports need to be revised to provide Labor and sponsors adequate information on each training activity, on a regular basis, so that the effectiveness of the various training activities offered by the sponsors can be evaluated.

The principal purpose of a national study now being performed for Labor--the Continuous Longitudinal Manpower Survey--is to provide measures of the impact of the CETA programs on participants, particularly participants' earnings. The study is designed to give Labor an overall view of CETA's impact through a periodic national sample of CETA participants. It will not aid Labor in identifying and resolving problems in the individual sponsors' programs.

Labor needs to play a more active role to insure that sponsors develop adequate information systems to provide the needed information. Sponsors are concerned about the paperwork burden of CETA. We agree that paperwork should be kept to a minimum. However, this concern must be balanced with the need for Labor and the sponsors to have adequate information with which to properly manage the programs. Since much of the data is already collected by sponsors for input to the overall program reports, most essential information can be obtained by restructuring the existing reports which will not necessarily require more paperwork.

PERFORMANCE STANDARDS

Sec. 127(a) of the bill states:

"The Secretary may * * * prescribe such rules and regulations, including performance standards, as deemed necessary * * *"

Existing CETA legislation requires a strong and active Federal role in assessing implementation of plans to assure sponsor performance. Although Labor does assess sponsors' plans, there are no standards on which to measure program success. During the first years of CETA, Labor and the sponsors evaluated performance by comparing it to the goals the sponsors established in their plans which were approved by Labor.

The goals established by the sponsors to measure the success of their training activities varied significantly. For example, in our current review of title I training activities, we found that classroom training placement goals varied from 35 percent at one sponsor to 85 percent at another. Sponsors' performance also varied significantly in placing individuals in jobs. In addition, sponsors did not generally have adequate management information systems to measure program effectiveness. (See comments on management information systems.)

Labor has not established performance standards and is not in a position to determine whether sponsors' placement rates or costs to place individuals under CETA are reasonable. Performance standards would give Labor and sponsor officials consistent criteria to evaluate the sponsors' performance and, thereby, improve CETA's management and accountability. The evolving and unsettled nature of Federal versus local government roles in managing the decentralized, decategorized CETA programs is a complex and sensitive issue which we believe has contributed to the Department of Labor's slowness in developing adequate program evaluation measures.

To date Labor has developed performance indicators (not standards) to measure overall title I performance; however, indicators cannot be used to measure the performance of individual title I activities, such as classroom and on-the-job training. We believe that stronger language should be added to the bill to require, rather than permit, the Secretary to establish performance standards.

FISCAL SUBSTITUTION

Sec. 122(d) of the bill states that:

"No person shall be hired or job opening filled (1) when any other person not supported under this Act is on layoff from the same or any substantially equivalent job, or (2) when the employer has terminated the employment of any regular employee not supported under this Act with the intention of filling the vacancy so created by hiring a public service employee."

Sec. 605(a) of the bill states that:

"Funds obligated for the purposes of providing public service employment under this title shall be utilized by prime sponsors for projects and activities, including projects * * * planned to extend for not more than twelve months from the commencement of the project."

The first provision above (Sec. 122(d)) prohibits fiscal substitution and is a special condition in the bill applicable to public service employment. This provision together with the general provisions in section 121 of the bill are similar to provisions in existing CETA legislation. One purpose of CETA public service employment is to create additional jobs. To the extent that State and local governments use CETA funds for existing or budgeted public sector employment rather than State and local funds (called fiscal substitution) the net employment effect of these subsidized jobs will be lessened; that is, new jobs are not created.

Although fiscal substitution is prohibited under CETA, it has occurred. In 1976 and 1977 we issued three reports 1/ dealing with this issue. The types of situations we found dealt with:

--CETA participants filling vacant, full-time positions;

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1/"More Benefits to Jobless Can Be Attained in Public Service Employment", (HRD-77-53, April 7, 1977). "Using Comprehensive Employment and Training Act Funds to Rehire Laid-Off Employees in Toledo, Ohio", (MWD-76-84, March 19, 1976). "Public Service Employment in Delaware Under Title VI of the Comprehensive Employment and Training Act," (MWD-76-61, January 23, 1976).

--Participants filling temporary, part-time, and seasonal positions formerly financed with local funds;

--Laid off employees being rehired with CETA funds; and

--Participants filling jobs normally contracted out.

These types of situations generally do not create additional job positions.

Prior to 1976, CETA job positions did not have a time limit before they were to be phased out. (These positions have come to be known as sustainment positions.) The October 1976 amendments to CETA attempted to deal with the problem of fiscal substitution by requiring that most new job positions be included in projects and limiting the duration of such projects to 12 months. Specific projects which were to be highly visible, carefully planned, and result in a specific product or accomplishment were intended to be a strong deterrent to fiscal substitution. Further, the relatively short term for the projects was intended to discourage local officials from trying to use them to provide traditional local services.

In contrast to the existing CETA legislation, Section 605(a) of the bill permits but would not require that new public service employment positions be included in projects which are to last no more than 12 months.

We have not yet examined the impact of the project approach on fiscal substitution because it is the subject of a study by the National Commission for Manpower Policy as mandated by the October 1976 amendments. The preliminary findings from the study, made by the Brookings Institution for the Commission, indicate that the rate of displacement (fiscal substitution) for project positions is less than half that for sustainment positions (8 percent compared to 21 percent). Thus, the project approach appears to have reduced fiscal substitution.

Fiscal substitution is difficult to detect and substantiate. The creation of short-term identifiable projects appears to be one approach to insuring that jobs created are "new" and that CETA participants are not placed in budgeted or existing positions. Therefore, the Committee may wish to consider adding a provision to the bill mandating that a certain percentage of public service positions are to be project positions. Forcing State and local governments to periodically create new projects may help limit their attempts to use Federal funds for previously budgeted job positions.

TRANSITION

Sec. 122 (i)(2) of the bill states that:

"No wages shall be paid from funds under this Act to any participant for any week of public service employment in excess of seventy-eight weeks if the participant had received public service employment wages under this Act for seventy-eight weeks in the preceding five years."

This section of the bill would limit a new enrollee's participation in public service employment to a maximum of 78 weeks. Placing a time limit on participation reasserts the transitional nature of public service employment under CETA.

We believe a time limit provision is needed. In our report to the Congress on public service employment (HRD-77-53, April 7, 1977), we pointed out that, nationwide, only 28 percent of the individuals served by titles II and VI during fiscal year 1975 terminated from the program. Of these terminations, 25 percent of the individuals were reported by the prime sponsors as having an unsubsidized job upon leaving CETA. At the 12 prime sponsors reviewed we found similar circumstances, and that some persons had remained in federally subsidized public service employment since 1971.

The report pointed out that transition was made difficult because of several factors. Existing CETA legislation states that Labor cannot require any prime sponsor to place into unsubsidized jobs a specific number or proportion of participants. This provision, coupled with high unemployment in the private sector, the tight financial conditions of some sponsors, and little emphasis by sponsors on transition seemed to be the key reasons for the low transition rates.

In a more recent report on public service employment (HRD-78-57, March 6, 1978), we again pointed out that there was limited emphasis on transition. Since public service employment was undergoing a period of rapid buildup, the emphasis appeared to be more on increasing program enrollment. The report also noted one barrier that was affecting transition was that national limits have not been established on the length of time participants can remain in CETA.

We recommended in the April 1977 report that the Congress, in order to encourage participants to seek other employment, amend CETA to limit the time an enrollee can remain in the program. Thus, we support the bill's provision which calls for a time limit on participation in public service employment.

In the April 1977 report, we also recommended that the Secretary of Labor urge prime sponsors to actively seek unsubsidized job opportunities for CETA participants in the public and private sectors. While the 78-week time limit on participation is an appropriate first step, it is essential that participants leaving the program have improved their chances for permanent unsubsidized employment. The responsibility for moving such participants into other employment should be clearly defined so that public service employment is more than an income maintenance program. The bill needs to be strengthened to require prime sponsors to establish jobs that provide maximum potential for transition.

The job search assistance provision in the bill (Sec. 205) should help in that assessment, counseling, testing, and job development are included as services to be provided. Effective administration of job search, however, is critical if the concept is to be effective. It is unclear whether the job search assistance would take place continuously during the 78-week period the participant is in public service employment or only when the time limit has been met. If it is not continuous, this could limit the possibilities of participants moving to unsubsidized employment.

PRIVATE SECTOR INVOLVEMENT

Sec. 701 of the bill states that:

"It is the purpose of this title to secure increased private sector job placement and training for participants through increased involvement of the business community, including small business, and labor organizations in activities under this Act."

Sec. 702 of the bill states in part that:

"The Secretary is authorized to provide financial assistance under this title to be used by prime sponsors for augmenting activities supported under title II * * *."

Eighty percent of the economy's jobs are presently in the private sector. CETA should be concerned with providing individuals with skills which are in demand by the labor market, primarily the private sector. The need for cooperation among Labor, the sponsors and the private employers is readily apparent.

The training activities authorized under title VII of the bill appear similar to those authorized under title II of the bill. Also title VII activities would be locally administered by prime sponsors. Title VII would attempt to increase the involvement of the business community in CETA training activities. A similar effort is presently being made under the Help Through Industry Retraining and Employment Program (HIRE) 1/. HIRE was first announced by the Secretary of Labor in January 1977 and Labor issued the initial directives on the implementation of the program in June 1977. Progress in hiring individuals has been slow and as a result, the emphasis of the program has been changed from focusing only on large employers to also targeting on smaller firms. It appears that this change may result in the HIRE program providing opportunities similar to those already available through programs of local prime sponsors.

Given the results to date of the HIRE program and also the fact that training activities similar to those proposed

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1/See GAO report to Congressman John Conyers, Jr., HRD-78-83, March 9, 1978.

under title VII would be available under title II, the Committee may wish to consider whether there is a need for an additional CETA title to deal with private sector involvement. Language could be added to title II of the bill to show the congressional intent of increased private sector initiatives through existing prime sponsor comprehensive employment and training programs.

Title VII also authorizes the creation of private industry councils consisting of representatives from industry, the business community, and labor. These councils would participate with prime sponsors in the development of the programs authorized under title VII. However, title I of the bill also authorizes the creation of prime sponsor planning councils, which also have representatives of business and labor, and whose role is to participate with prime sponsors in the development of CETA programs. Under existing CETA legislation, each prime sponsor is required to have a planning council. The bill is unclear as to what relationship would exist between these two councils in the process of developing a prime sponsor's plan. It is possible though that the addition of another planning council could unduly complicate the prime sponsor's CETA planning process.

UPGRADING

Sec. 221(a) of the bill states in part that:

"Pursuant to regulations of the Secretary, prime sponsors may conduct occupational upgrading programs, including supportive services, through agreements with public and private employers for employees of such employers. Individuals eligible for such programs shall be those operating at less than their full skill potential, primarily those in entry level positions or positions with little normal advancement opportunities * * *"

Additionally, the bill calls for training that is reasonable and consistent with periods customarily required for comparable training and that successful completion of upgrading shall be expected to result in employment with the employer in the occupation for which the individual has been upgraded.

In a November 3, 1972, letter report to the Assistant Secretary for Administration and Management, Department of Labor, we noted that there were weaknesses in controls over the length of on-the-job training in that procedures were lacking for determining the appropriate period of training and consequently, the Federal Government was not afforded sufficient protection against unnecessary training costs. There will probably be wide variations in the amount of training needed for upgrading participants, and the training needed by some may be no different than the needs of the employer's regularly hired employees. The Committee may wish to consider adding a provision to the bill requiring that procedures be established that authorize periods of on-the-job training that match the actual needs of program participants.

Also, in our November 1972 report we pointed out that Labor had not established procedures to enable it to verify whether employers in providing upgrading services maintained their normal training efforts. Upon successfully completing upgrading, it is expected that the participant will be employed by the employer in the occupation for which he or she has been upgraded. The potential of maintenance of effort violations in upgrading programs is a genuine concern especially in view of the continuing debate over fiscal substitution in the public service employment programs under CETA.

Management controls, including assessment techniques detailing specific factors, are needed to ensure that employers-- both public and private-- maintain their normal training efforts. As one means of improved management control, we recommended in our November 1972 report that Labor require prospective upgrading employers under all programs to provide comparative information on the proposed federally assisted training and their normal training activities. The Committee may wish to consider adding a provision to the bill specifying that for purposes of upgrading, the training provided by employers shall be in addition to that which is normally provided.

Also, regarding those eligible to participate in upgrading programs, there is no mention in the bill of income criteria. Thus, unlike most programs in the bill, it appears that upgrading programs will not be limited exclusively to the economically disadvantaged. In terms of individuals eligible for upgrading, the bill does not adequately explain how it will be determined that such individuals are operating at less than their full skill potential. We believe that more specifics are needed, such as factors that are to be considered in assessing whether an individual is operating at less than his or her full skill potential. This would help to ensure that those individuals interested in participating in upgrading programs are handled in a uniform and equitable manner.

TARGETING EMPLOYMENT AND
TRAINING TO THOSE MOST IN NEED

Section 121 of the bill, in part, reads:

"(s) Employment and training opportunities for participants, shall be made available by prime sponsors on an equitable basis * * * among significant segments of the eligible population giving consideration to the relative numbers of eligible persons in each such segment.

"(t) * * * members of the eligible population to be served shall be provided maximum employment opportunities * * *. Prime sponsors shall make special efforts to recruit and hire qualified persons reflecting the significant demographic segments of the population residing in the area.

"(u) (1) Special consideration shall be given to eligible disabled and Vietnam-era veterans * * *."

Section 122(c) of the bill, in part, reads:

"(2) Special consideration in filling public service jobs shall be given to eligible persons who are the most severely disadvantaged in terms of their length of unemployment and their prospects for finding employment."

In several of our reviews of CETA we have found that prime sponsors have inadequate data on target groups to be served and on what proportion each target group should participate in the program. For example, we reported to the Congress on progress and problems in allocating CETA titles I and II funds for fiscal years 1974 and 1975 (MWD-76-22, Jan. 2, 1976). Our report noted that area unemployment estimates had been criticized by a number of sources as unreliable, and we discussed Labor's efforts to improve area unemployment data collection.

Similarly, we reported on how employment and training plans were formulated for CETA title I during fiscal years 1975 and 1976 (HRD-76-149, July 23, 1976). In reviewing how prime sponsors selected these target groups, we noted that because available data was not adequate some prime sponsors relied heavily on their past experience in selecting target groups.

In our April 7, 1977, report to the Congress on public service employment (HRD-77-53), we noted that it was not always possible to determine if special target populations were served at levels proportionate to their unemployment rates. We found that sponsors generally served the target populations at the levels specified in their plans approved by Labor. Some groups, however, such as special veterans, persons with limited English-speaking ability, and females, were not served as planned. We could not determine if the planned goals adequately responded to the needs of these groups because local data on the groups was inadequate.

The Congress has also recognized problems in collecting accurate employment and unemployment data. Accordingly, the 1976 CETA amendments authorized a National Commission on Employment and Unemployment Statistics to be established to examine the procedures, concepts, and the methodology involved in collecting employment and unemployment statistics; and to suggest improvements. Its activities are to include studies of National, regional, State, and local data collection. The Commission is to report its findings within 18 months after the first five Commission members are appointed. Although the chairman was named in July of 1977, the President did not nominate the other eight members until January 1978. The eight members were confirmed in March 1978. Thus, it will be some time before the commission can report its recommendations, and before the recommendations can be implemented.

In the interim until a better methodology can be identified, we suggest that prime sponsors identify target group data for both successful and unsuccessful applicants and tabulate this data for use in their planning process. Assuming the prime sponsor makes a concerted effort to reach potential participants, this data would be extremely useful since it encompasses those willing to participate. We recognize that this method of identifying target groups may not give an unbiased indication of the relative incidence of unemployment among target groups. Also, all applicants are not necessarily eligible for the program. However, it would, in our opinion, be more accurate than the prime sponsor data collection procedures we have encountered during our reviews. We also believe that this would create only minimal additional paperwork for the prime sponsor since they must process application forms for each applicant anyway.

Since the collection of adequate and accurate data is essential in accomplishing the purposes of this bill, the Committee may wish to add provisions requiring prime sponsors to collect and tabulate demographic data on all CETA applicants.

ROLE OF THE EMPLOYMENT SERVICE



Sec. 205(a) of the bill states:

"Job search assistance * * * shall consist of appropriate services and activities, including, but not limited to-

"(1) the administration, through arrangements with the State employment security agency or other comparable arrangements, * * * of an intake process * * *

"(2) use of a computerized job matching program, where available, pursuant to an agreement with the State employment security agency;

* * *

"(6) job development and related services, to be carried out through arrangements with the State employment security agency or comparable arrangements * * *"

Existing CETA legislation authorizes the Secretary of Labor to "* * * establish and carry out a nationwide computerized job bank and matching program * * * to the maximum extent possible * * *." With the announcement of its Employment Security Automation Plan in 1976, Labor committed itself to systematic implementation of computerized job matching throughout the country. In a February 1977 report to the Congress 1/, we pointed out that the effectiveness of computerized job matching as a means of permitting State employment security agencies to make more timely and accurate job matches has not been demonstrated.

The bill appears to emphasize the role that the State employment security agencies could play in CETA. Although the bill states that other comparable arrangements with other organizations can be made for job search assistance services, State employment security agencies are presented as suggested providers of services such as intake and job development.

In viewing what role State employment security agencies should play, it should be noted that our February 1977 report, stated that these agencies compete with many other placement activities and have emerged as agencies serving a relatively small and specialized part of the labor market--jobs and persons characterized by low pay. Also, in fiscal year 1975, State employment security agencies reportedly placed only 17 percent

1/ "The Employment Service--Problems And Opportunities For Improvement", HRD-76-169, Feb. 22, 1977.

of their 18.5 million job applicants and over half the applicants did not receive any help. In light of these factors, it appears that the ability of these agencies to adequately serve CETA participants could be limited. Prime sponsors have expressed concern that Labor has been acting to increase the role of these agencies in providing services under current legislation. The Committee may want to consider whether it is the intent of this legislation to have State employment security agencies play a predominant role in providing these services.

COORDINATION OF CETA PROGRAMS

Sec. 2 of the bill states in part that:

> "It is the purpose of this Act to provide job training and employment opportunities * * * by establishing a flexible, coordinated and decentralized system of Federal, State, and local programs. It is further the purpose of this Act to provide for the maximum feasible coordination of plans, programs, and activities under this Act with economic development, community development, and related activities such as vocational education, vocational rehabilitation, and social service programs."

The bill contains other references to the need for coordination, but the proposal is lacking in specific mechanisms for facilitating a cooperative and integrated planning approach among Federal, State, and local program administrators.

In a current review of employment and training programs in the Tidewater, Virginia area we found that in fiscal year 1977 there were 44 program activities. These were funded by 8 Federal agencies and the Federal Regional Council. More than 57 delivery agents were involved in these activities. None of the program officials contacted during our review maintained a list or knew of all the programs actually available in the area. While some coordination was taking place, no Federal, State, or local organization was coordinating the efforts of all the programs operating in that area.

Sec. 105 of the bill provides that Governor's coordination and special service activities shall consist of among other things

> "* * * coordinating all employment and training and related services provided by the State, by prime sponsors, and by other providers of such services within the State * * *."

Specifying a leadership role at the State level is an appropriate first step. However, Sec. 301(c) of the bill states that:

> "To the extent appropriate, programs financed under this part [special national programs and activities] shall be coordinated with programs conducted by prime sponsors under this Act. Before funding an employment

or training program under this section in a prime sponsor's area, the Secretary shall afford the prime sponsor's planning council an opportunity to comment."

The Committee should clarify Sec. 301(c) for the following reasons. First, Sec. 105 of the bill gives the Governors responsibility for coordinating all employment and training and related services provided by the State. Second, the State employment and training council (Sec. 105(c)) is to review the Governor's coordination and special services plan--not the prime sponsor's planning council. For Governors to effectively carry out their coordination responsibilities, either the Governors or the State employment and training council should be given the opportunity to review and comment on special national programs and activities.

The frequently proposed solution to the problems resulting from a multiplicity of similar Federal assistance programs is improved coordination of program planning and administration. When programs with similar objectives have fragmented administration or are too restrictive to meet comprehensive needs, the sheer number and variety of programs can be a major barrier to achieving the degree of coordination necessary. Thus, effective coordination may not always be practical or possible and may not be the best method for achieving program effectiveness. As a general rule, it would appear that the consolidation of separate programs serving similar objectives into broader purpose programs should increase, in many cases, the efficiency and effectiveness in the delivery and administration of Federal assistance.

In the original CETA legislation, relatively few categorical programs were mandated. Since the enactment of CETA in 1973, some recategorization has occured. The bill adds new language specifically authorizing the Secretary of Labor to establish more categorical programs. For example, under title III of the bill, Labor is authorized to establish programs for displaced homemakers, and title VII of the bill proposes a new private sector initiative program. There appears to be a trend toward recategorizing CETA.

The variety of employment-related problems that exist may well demand some separate programs. However, the Committee should consider how the employment and training delivery system can be organized to effectively deal with these problems. In our view, coordination must be viewed as a short range objective. The real key to significantly improved administration of fragmented programs is the legislative consolidation of separate programs with similar objectives into broader categories of assistance.

ELIGIBILITY CRITERIA FOR PARTICIPATION IN PUBLIC SERVICE EMPLOYMENT

Sec. 607 of the bill states that:

"An individual eligible to be employed in a position supported under this title shall be a person who has been unemployed for at least five weeks * * * and who is economically disadvantaged * * *, except that family income shall be determined based on the three-month period (instead of the six-month period) prior to the person's application for participation."

One of the most important aspects in defining who will be eligible to participate in the proposed title VI program for public service employment is the qualifying period of unemployment. The qualifying period is important in helping define the potential number of eligible individuals, and in easing possible fiscal substitution practices.

As shown below by recent Bureau of Labor Statistics unemployment data, the shorter the qualifying period the larger the number of potential participants. (It should be recognized that only a part of the unemployed would meet the economically disadvantaged criteria.)

| Duration of unemployment (weeks) | February 1978 (Numbers in thousands) | |
|---|---|---|
| | Number unemployed (note a) | Percent of total unemployed |
| Less than 5 | 2,586 | 43.3 |
| 5 to 14 | 1,820 | 30.5 |
| 15 and over | 1,568 | 26.2 |
| Total | 5,974 | 100.0 |

a/ Seasonally adjusted

On the other hand, we believe that the shorter the qualifying period for CETA public service employment eligibility the easier it is for State or local governments to lay off permanent employees paid with non-Federal funds and rehire them with CETA funds (fiscal substitution). In some

circumstances, lay-offs and subsequent rehires were undoubtedly done for bona fide reasons and thus, in accordance with program regulations. Nevertheless, the extent of fiscal substitution, based on the current study being made for the National Commission for Manpower Policy, seems to have been reduced as a result of eligibility requirements being changed by the 1976 amendments from hiring the short-term unemployed to hiring long-term unemployed. This change, together with emphasis placed on the project approach, had a definite impact on fiscal substitution. Although the bill requires participants to be economically disadvantaged, fiscal substitution could still take place since the family income (for determination of economically disadvantaged) would presumably be based on average income during the 3-month period prior to application.

The Committee may want to consider the trade-offs between maximizing the potential number of participants, and the possibility of fiscal substitution and its effect on achieving the bill's purpose.

ELIGIBILITY CRITERIA FOR
PARTICIPATION IN JOB CORPS

Sec. 452 of the proposed bill states in part that:

"To become an enrollee in the Job Corps, a young man or woman must be an eligible youth who--

"(1) requires additional education, training, or intensive counseling and related assistance in order to secure and hold meaningful employment, participate successfully in regular school work, qualify for other suitable training programs, or satisfy Armed Forces requirements;

"(2) is currently living in an environment so characterized by cultural deprivation, a disruptive homelife, or other disorienting conditions as to substantially impair prospects for successful participation in other programs providing needed training, education, or assistance; [i.e., must be removed from his/her environment to successfully participate]; and

"(3) is determined, * * * to have present capabilities and aspirations needed to complete and secure the full benefit of the Job Corps * * *"

Therefore, the bill proposes that each applicant be interviewed to determine whether educational and vocational needs can best be met through Job Corps or an alternative program in the home community and to obtain necessary background data to determine eligibility.

Existing CETA legislation has essentially the same eligibility requirements. Additionally, however, the current act (29 U.S.C. 914(a)(2)) provides for "* * * the conduct of a careful and systematic inquiry concerning the applicant's background for the effective development and, as appropriate, clarification of information concerning his age, citizenship, school and draft status, health, employability, past behavior, family income, environment, and other matters related to a determination of his eligibility." The CETA bill, as proposed, deletes this requirement.

The Department of Labor has informally told us that the deletion of this provision is not intended to change that part of the screening process in which eligibility information obtained from the applicant is verified. Labor

believes that other language in Sec. 453(a) of the CETA bill which requires the Secretary to prescribe procedures for "* * * necessary consultation with other individuals and organizations, including court, probation, parole, law enforcement, education, welfare, and medical authorities and advisers * * *" essentially requires that the necessary information will be verified. It should be noted that identical language is contained in the current CETA legislation (29 U.S.C. 914(a)). We believe, however, that this existing provision is unclear and could be interpreted as requiring consultation with others solely to obtain background information on individuals to be accepted into the program rather than obtaining and verifying information to determine eligibility.

Without a stringent verification process, it is difficult to understand how Job Corps can determine whether an applicant is truly eligible to participate in the program. Accurate information on many of these items such as school status, employability, past behavior, family income, and environment seems essential for Labor to assure that Job Corps is serving its target population. Our current review of the Job Corps program indicates that it is highly questionable whether the program is serving its intended population due to Labor's (1) broad interpretation and application of criteria used to determine whether youths need to be removed from their environment, (2) failure to provide recruiters of Job Corps candidates with information on alternative programs, and (3) failure to monitor the recruiting process.

The bill, as written, seems to delete some elements of the verification process. We do not believe that this should be done. We believe that the bill should include provisions similar to existing legislation (29 U.S.C. 914(a)(2)) to provide for development and clarification of information related to a determination of eligibility.