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REPORT BY THE

Comptroller General

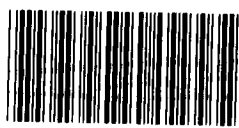
OF THE UNITED STATES

Moving Participants From Public Service Employment Programs Into Unsubsidized Jobs Needs More Attention

This report shows that, after spending \$12 billion over 4 years, Comprehensive Employment and Training Act programs have had limited success in moving participants from public service employment jobs into unsubsidized employment. Many persons stay in the programs for a long time. Department of Labor reports show that only about one-third had unsubsidized jobs when they left their public service employment positions.

The 1978 amendments to the act provide a better framework for moving participants into unsubsidized jobs. But the amendments, alone, will not guarantee the improvements needed. Labor needs to take a stronger and more active oversight role to assure that State and local governments effectively carry out transition efforts. Labor generally concurs with GAO's recommendations.

This report was requested by the Senate Committee on the Budget.



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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

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To the Chairman and
the Ranking Minority Member
Committee on the Budget
United States Senate

In response to your July 18, 1978, request and later meetings with your office, we are reporting on the public service employment programs authorized under titles II and VI of the Comprehensive Employment and Training Act, as amended. This report discusses the extent to which the act's public service employees have moved into unsubsidized jobs and the efforts the prime sponsors and the Department of Labor have made to assure that the transition goal of the act is being met.

As arranged with your office, we are sending copies of this report to the Director, Office of Management and Budget; the Secretary of Labor; and other interested parties. Copies will also be available to others on request.


Comptroller General
of the United States



D I G E S T

The Labor Department needs to take a stronger, more active oversight role to assure that State and local governments effectively carry out efforts to move public service employment participants into unsubsidized jobs.

Nationwide, according to Labor data for fiscal year 1978, most participants did not have jobs in the public or private sector when they left public service employment programs.

The Congress recently reemphasized the temporary nature of public service employment and the importance of moving public service jobholders into unsubsidized employment. Amendments enacted in 1978 to the Comprehensive Employment and Training Act provided an improved framework for achieving this objective. However, moving more participants into unsubsidized jobs will require stronger and more active Federal oversight to ensure effective transition plans are developed and carried out.

Titles II and VI of the act, as amended, authorized Labor to fund locally administered programs to provide unemployed people with public service jobs. The jobs were to be temporary and lead to unsubsidized employment. The act gave State and local authorities, called prime sponsors, a large role in planning and managing the programs. Labor makes grants to these sponsors based on its approval of their plans. Labor is also responsible for monitoring the programs' implementation and for evaluating the sponsors' performance.

About \$12 billion was spent for public service employment programs under titles II and VI during fiscal years 1975-78.

GAO reviewed five prime sponsors' programs to move public service employment participants into unsubsidized jobs. These sponsors, located in Connecticut, Ohio, Oklahoma, Texas, and Washington, spent about \$116 million on their titles II and VI programs during fiscal year 1978.

WHAT HAPPENS TO PUBLIC SERVICE
EMPLOYMENT PARTICIPANTS?

During fiscal year 1978, about 575,000 persons left the public service employment programs. Statistics reported to Labor show that about 35 percent of them were classified as having unsubsidized jobs when they left the programs. Transition rates for participants obtaining unsubsidized jobs had not improved during fiscal years 1976-78. (See p. 8.)

The average transition rates for the five prime sponsors GAO reviewed were about the same as the national rates. Individually, however, fiscal year 1978 transition rates, based on terminations, ranged from 9 percent at one sponsor to 42 percent at another. (See p. 9.)

Many participants had remained in their public service jobs for a long time. (See p. 12.)

Unsubsidized jobs that were obtained were largely in the public sector and with the participants' former public service employers. The private sector accounts for about four of every five jobs in the United States. However, based on the records that were available, only 43 percent of GAO's sample of participants who had unsubsidized jobs when they left the program got their jobs in the private sector: about 25 percent obtained jobs with private for-profit organizations and 18 percent with private nonprofit organizations. The other 57 percent obtained jobs in the public sector. (See p. 13.)

Most of the participants who got unsubsidized jobs in the public and private nonprofit sectors said they were hired by their former public service employers. Most who got jobs in the private for-profit sector said they secured these jobs on their own initiative. (See p. 13.)

SPONSORS HAD NOT DEVELOPED
SYSTEMATIC PROCEDURES TO
MOVE PARTICIPANTS INTO
UNSUBSIDIZED JOBS

Labor's regulations required prime sponsors to design their public service employment programs to enable all individuals to move into unsubsidized, full-time jobs. However, the prime sponsors reviewed had not developed systematic ways to do this. GAO found that:

- Few sampled active participants said that their employment needs had been identified or that a required plan had been developed which detailed job experiences and services to be provided. As a result, GAO believes the prime sponsors had no assurance that the public service jobs and any training provided were consistent with participants' goals and needs and eventual movement into unsubsidized employment. (See p. 16.)
- Most sampled active participants said that they had not received formal training, either related or unrelated to their public service jobs. Also, proportionately more sampled participants with a college education said they had received formal training than those having less than a high school education. (See p. 16.)
- Required procedures had generally not been developed to identify job-ready participants so that they could be referred to job placement organizations. (See p. 18.)

--Most sampled active participants said they were not actively looking for unsubsidized jobs even though they believed they could find other suitable employment. Most said that they liked their public service jobs and were hoping to be hired permanently by their employers. Prime sponsors and public service employers had neither encouraged most participants to seek other jobs nor required them to accept referrals to interviews for suitable employment. (See p. 19.)

--National statistics show that 47 percent of the participants who obtained unsubsidized jobs found their own jobs rather than being placed by the prime sponsors or the public service employers. Many participants GAO sampled had not been provided placement assistance, such as job-search training or job referrals. For example, over three-fourths of the active participants sampled said they had not been referred to unsubsidized jobs in the previous 12 months. (See p. 23.)

The October 1978 amendments to the act will affect prime sponsors' transition systems. Changes made include limiting the length of stay in public service jobs to 18 months, providing funds to be spent specifically for training, reducing the wage levels of participants, and requiring employability plans for title II participants. (See p. 29.) GAO believes that, while these changes provide a better framework by which participants can be moved into unsubsidized employment, the amendments alone will not guarantee improved performance. Sponsors will have to develop systematic procedures in order to effectively implement these amendments.

LABOR'S OVERSIGHT
HAS BEEN INADEQUATE

Labor did not effectively carry out its oversight responsibilities regarding the transition of public service employment participants into unsubsidized jobs. Specifically, Labor:

- Failed to assure that prime sponsors had developed reasonable transition goals and planned adequate systems to move participants into unsubsidized employment. (See p. 32.)
- Inadequately monitored the implementation of prime sponsors' transition plans and of Labor's instructions. (See p. 37.)
- Lacked sufficient and accurate data to evaluate prime sponsors' transition performance. (See p. 39.)

In addition, Labor and prime sponsor officials generally had not emphasized transition to unsubsidized employment. Other program concerns, particularly the rapid buildup of public service positions in 1977 and 1978, left transition as an acknowledged, but relatively unimportant, program objective. (See p. 41.)

Recent actions, including the 1978 amendments, have emphasized transition. (See pp. 43 and 44.) By the end of GAO's fieldwork, some sponsors were planning significant improvements in their transition systems. These are positive steps, but continued emphasis on transition, coupled with more effective Federal oversight, is necessary to balance this objective with other program objectives and to promote it as much as practicable.

RECOMMENDATIONS

The Secretary of Labor should assure that all prime sponsors plan and carry out systematic

approaches to move public service jobholders into unsubsidized jobs. Specifically, the Secretary should

- revise instructions for completing grant applications to require prime sponsors to address important aspects of transition that are not now covered;
- approve only grant applications that adequately describe effective transition systems;
- assure that employability plans are developed, as required by the 1978 amendments to the act, for all title II participants and require that employability plans be developed for title VI participants who can benefit from such plans;
- assure that prime sponsors have developed placement methods and services that adequately consider private sector job opportunities as well as opportunities in the public sector;
- issue guidance on methods for determining when participants should be moved into unsubsidized employment;
- establish an effective monitoring effort aimed at assuring that prime sponsors fully implement both the transition provisions set forth in their grant applications and other transition requirements established by Labor; and
- assess the adequacy of prime sponsors' systems for collecting transition performance data and take corrective action necessary to assure that public service employment programs can be managed and evaluated on the basis of reliable and consistent information. (See p. 47.)

Labor generally agreed with GAO's recommendations. Both Labor and those sponsors

who commented on this report stated that they had taken action to improve their transition systems. (The remaining sponsors did not provide comments.) However, GAO has some concern as to whether its recommendations will be effectively implemented. (See p. 48.)

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ABBREVIATIONS

CETA	Comprehensive Employment and Training Act of 1973
GAO	General Accounting Office
PSE	public service employment

CHAPTER 1

INTRODUCTION

The Senate Committee on the Budget asked us to review certain aspects of the public service employment (PSE) programs funded by the Comprehensive Employment and Training Act of 1973 (CETA) (29 U.S.C. 801). CETA's PSE programs are the largest federally financed employment and training programs. (They are administered at the Federal level by the Department of Labor and at the local level by certain State or local governments (called prime sponsors). Each prime sponsor is assigned a Labor staff member (called the Federal representative), whose responsibilities include monitoring the sponsor's CETA programs and providing technical assistance to the sponsor.)

The Committee was concerned that relatively few PSE participants have moved from their federally subsidized PSE jobs into unsubsidized jobs in the private or public sector. Since the PSE program had reached its planned enrollment level of 725,000 participants during fiscal year 1978, the Committee felt more attention should be focused on the program's goal of transition. In the Committee's opinion, without increased emphasis on transition, the program would provide only a short-term remedy to the problems of the poor.

The Committee was specifically interested in:

1. To what extent transition had actually taken place.
2. To what types of employment such transition was being made (i.e., private versus unsubsidized public employment).
3. To what extent transition resulted from prime sponsor placement activity versus the employee's own placement efforts.
4. Whether such transition was taking place as much as practicable.
5. Whether improvements were needed to stimulate more movement out of subsidized PSE and, if so, what improvements.

PUBLIC SERVICE EMPLOYMENT--
A BRIEF HISTORY

CETA was enacted on December 28, 1973. Its purpose was to

"* * * provide job training and employment opportunities for economically disadvantaged, unemployed, and underemployed persons, and to assure that training and other services lead to maximum employment opportunities and enhance self-sufficiency * * *."

Titles II and VI of the act, as amended December 31, 1974, authorized PSE programs to provide transitional, federally subsidized employment for unemployed and underemployed persons in public service jobs that would enable these persons to move into unsubsidized employment. Although both programs had the same basic purpose, they differed in one important respect. Title II was enacted in 1973, during relatively low national unemployment, and was designed to deal with the chronic structural unemployment ^{1/} that persisted in some areas. Title VI, on the other hand, was enacted in 1974, when national unemployment was increasing dramatically. It was designed as a countercyclical measure to combat severe unemployment resulting from the recession. However, the experience of the titles II and VI programs demonstrated that sponsors generally used both as countercyclical employment programs.

The PSE programs were again changed in 1976. The Emergency Jobs Programs Extension Act (Public Law 94-444) provided that the number of jobholders on June 30, 1976, would constitute a sustainment level. The act further provided that funds made available in excess of those needed to sustain the June 1976 level would be used to create employment in new public service projects. The projects were to be limited to 1 year's duration and were to result in a specific product or accomplishment. Therefore, the act provided for two categories of PSE jobs--sustainment and project.

In October 1978 CETA was amended and reauthorized. The act retained as its purpose to provide economically disadvantaged, unemployed, or underemployed persons with

^{1/}Structural unemployment refers to the chronic difficulty that persons with limited education, skills, and work experience have in becoming and remaining employed.

training and employment programs which lead to maximum employment opportunities. The act also retained two separate PSE programs--title II, part D, targeted at the structurally unemployed, and title VI, targeted at the countercyclically unemployed. The purpose of title II, part D, is to provide economically disadvantaged persons with transitional PSE jobs and related training and services to enable them to move into unsubsidized employment or other training programs. The purpose of title VI is to provide temporary PSE jobs when the national unemployment rate exceeds 4 percent.

In maintaining the two PSE programs, the Congress added emphasis to the two different tasks of employment and training programs: (1) creating jobs, with a training component, to enable unskilled individuals to obtain skills and move into unsubsidized jobs and (2) creating new temporary jobs during recessionary periods to sustain the job-ready and skilled individuals until they can find unsubsidized jobs. In the past, countercyclical objectives tended to overwhelm the structural objectives; as a result, disadvantaged individuals received less service.

The 1978 amendments also added certain provisions that can provide a better framework for moving title II and title VI participants into unsubsidized jobs. These provisions include limiting how long participants can hold PSE jobs, establishing minimum funding to be spent on training, reducing the average PSE wage levels, and developing employability plans for each title II participant. These are discussed further in chapter 3.

Both title II and title VI are decentralized programs, administered at the local level by prime sponsors. A prime sponsor may be (1) a State, (2) a unit of local government serving a population of at least 100,000, (3) a combination (consortium) of local government units, one of which serves a population of at least 100,000, (4) a local government or combination thereof that the Secretary of Labor determines to have "special circumstances," or (5) a concentrated employment program grantee serving a rural area of high unemployment. During fiscal year 1978 there were 447 prime sponsors.

During fiscal years 1975-78, almost \$12 billion was spent for PSE programs under titles II and VI, as shown below.

	Fiscal year				Total
	1975	1976 (note a)	1977	1978	
(000,000 omitted)					
Title II	\$561	\$ 996	\$ 880	\$1,022	\$ 3,459
Title VI	308	1,892	1,562	4,734	8,496
Total	<u>\$869</u>	<u>\$2,888</u>	<u>\$2,442</u>	<u>\$5,756</u>	<u>\$11,955</u>

a/Includes the transition quarter from July 1 to September 30, 1976.

As shown, over two-thirds of the PSE expenditures were made during the last 2 fiscal years. This largely resulted from the Economic Stimulus Appropriation, 1977 (Public Law 95-29), which provided funds to greatly expand these programs. In fact, between December 1976 and March 1978, their combined enrollment levels, as shown by Labor reports, more than doubled--from about 259,000 to about 752,000. By the end of fiscal year 1978, the combined enrollment had dropped to about 589,000 participants. The level dropped further to about 522,000 participants by December 31, 1978. Labor officials attributed this drop in enrollment to the uncertainty of PSE funding levels among the sponsors before CETA's October 1978 reauthorization.

SCOPE OF REVIEW

We examined the effectiveness of PSE programs--in terms of participants being placed in unsubsidized jobs when they leave the program--authorized under titles II and VI of CETA. In response to the issues raised by the Committee, our review focused on (1) the performance of sponsors in placing participants in unsubsidized jobs, (2) the effectiveness of the systems developed by sponsors in placing participants in unsubsidized jobs, and (3) the effectiveness of Labor's monitoring and program evaluation.

We reviewed (1) CETA and its legislative history, (2) Labor regulations, policies, and operating procedures, and (3) records and documents, including placement records, participants' files, and reports maintained by Labor and sponsors. We also reviewed CETA, as amended and reauthorized in October 1978, and Labor's implementing regulations.

Our fieldwork was done between July and November 1978 at five CETA sponsors in five States and at Labor's regional

offices in Boston, Chicago, Dallas, and Seattle. We also visited Baltimore County, Maryland, a program agent of the Baltimore Metropolitan Manpower Consortium, to look at the transition system the county had developed. The sponsors reviewed were located in various parts of the Nation and included such different types as a State, a consortium, and local governments. The list of locations follows.

<u>State</u>	<u>Prime sponsor</u>	<u>Sample location</u>
Connecticut	Hartford Consortium	Hartford
Ohio	City of Cincinnati	Cincinnati
Oklahoma	Balance of Oklahoma	Muskogee County
Texas	City of Dallas	Dallas
Washington	King-Snohomish Manpower Consortium	Seattle and King County

These sponsors spent about \$116 million on titles II and VI during fiscal year 1978.

At each location, we selected two random samples of CETA participants: an "active" sample and a "terminated" sample. The active sample consisted of 460 persons who occupied PSE positions as of July or August 1978, depending on the location. All of the sampled active participants were interviewed using a structured questionnaire to show their efforts in seeking unsubsidized jobs and the assistance provided to them. The terminated sample consisted of 438 persons who, according to prime sponsor records, had left their PSE positions to take unsubsidized jobs between October 1977 and August 1978. Certain information, such as the CETA title and type of placement, was taken from the sponsors' files for each terminated person. In addition, a subsample of 121 terminated participants was then randomly selected for the purpose of administering a structured questionnaire similar to that administered to active participants.

At each location, we interviewed active and terminated PSE participants and prospective employers--both public and private. The interviews with employers were intended to determine to what extent potential employers would judge the sampled active participants "competitive" for open or normally recurring job openings based on such factors as each participant's education level, PSE job, and previous work history.

We discussed each sponsor's transition system and performance with sponsor and Labor officials. We also

discussed Labor's monitoring and evaluation efforts with Labor officials. To provide a national perspective on transition, we interviewed Labor headquarters' officials, reviewed national reports dealing with transition, and reviewed various nationally scoped reports, such as Labor's "Continuous Longitudinal Manpower Survey" and the Brookings Institution's "Monitoring Study of the Public Service Employment Program" done for the National Commission for Manpower Policy.

PREVIOUS GAO REPORTS

We have discussed the lack of emphasis on moving participants out of the PSE programs into unsubsidized jobs in other reports. In our report to the Congress, "More Benefits to Jobless Can Be Attained in Public Service Employment" (HRD-77-53, Apr. 7, 1977), we pointed out that relatively few participants had obtained unsubsidized jobs and that some sponsors had made little effort to place participants in such jobs. Also, in a report to the Senate Committee on the Budget, "Information on the Buildup in Public Service Jobs" (HRD-78-57, Mar. 6, 1978), we noted the limited emphasis that sponsors had placed on moving participants into unsubsidized jobs.

CHAPTER 2

MORE PARTICIPANTS SHOULD BE MOVED

INTO UNSUBSIDIZED JOBS

A primary objective of PSE programs is to move participants into unsubsidized employment. Labor statistics show, however, that most participants did not have unsubsidized jobs when they left PSE--the fiscal year 1978 PSE transition rate to unsubsidized jobs, based on those who left PSE, was 35 percent. About another 8 percent of the participants who left went back to school or into non-CETA training programs. The rest, however, were reported not to have obtained unsubsidized jobs and were classified as "nonpositive" terminations. Although Labor's transition statistics are not totally reliable, other studies also indicate that substantial room exists for improving transition results. One key factor that hampered the movement of participants into unsubsidized jobs was the long time many participants have been allowed to stay in their PSE jobs.

When participants have successfully obtained unsubsidized jobs, these jobs were largely in the public sector with the participants' former PSE employers. The private sector accounts for about four of every five jobs in the Nation. However, only 43 percent of our sample of successful terminees obtained their unsubsidized jobs in the private sector--about 25 percent with private for-profit organizations and 18 percent with private nonprofit organizations. Most of the sampled participants who had jobs with private for-profit organizations said they found the jobs on their own initiative.

MANY PARTICIPANTS DID NOT HAVE UNSUBSIDIZED JOBS WHEN THEY LEFT PSE

Although PSE programs had as a primary objective the transition of individuals into unsubsidized jobs, Labor's reports show that most participants who left the program did not have unsubsidized jobs at the time. Labor's PSE regulations in effect during our review set an annual goal of either (1) placing half of the participants who left the program in unsubsidized employment or (2) filling half of the vacancies occurring in the employing organizations' work force with PSE participants. However, this provision had little force because the Congress, in amending CETA in 1974, prohibited Labor from imposing these goals as program requirements. (This prohibition is no longer in force.)

National transition rates

In reviewing title II and title VI data reported to Labor for fiscal years 1976-78, we found that transition rates had not improved during this period. The fiscal year 1978 transition rate to unsubsidized jobs, based on individuals terminated, was 35 percent--slightly down from the previous 2 years. The 1978 rate, based on individuals served, was 17 percent--about the same as the average for the previous 2 years. The following table shows the 1978 transition rates for titles II and VI combined and other selected PSE information.

Individuals served during fiscal year	<u>1,214,437</u>
Individuals terminated during fiscal year:	
Obtained unsubsidized jobs (note a)	198,358
Other positive terminations (excluding transfers to other titles) (note b)	43,526
Transfers to other CETA titles (note c)	50,891
Nonpositive terminations (note d)	<u>332,602</u>
Total terminations	<u>625,377</u>
Net served during fiscal year (note e)	1,163,546
Net terminations during fiscal year (note e)	574,486
Transition rate to unsubsidized jobs based on net served (note e)	17%
Transition rate to unsubsidized jobs based on net terminated (note e)	35%

a/Individuals whom sponsors placed in unsubsidized jobs or who found such employment on their own.

b/Individuals who left their PSE jobs to go to school or to enroll in non-CETA employment and training programs.

c/Individuals whom sponsors classified as terminations but who did not leave the CETA program--they were transferred into programs operated under different CETA titles.

d/Individuals who did not have unsubsidized jobs when leaving their PSE jobs and who were not otherwise classified as other positive terminations or intertitle transfers.

e/Net served and net terminated are derived by subtracting the number of individuals who were transferred to other CETA titles from "individuals served" and "individuals terminated."

This performance level was achieved during a time when the U.S. employment situation was improving significantly. The national unemployment rate had dropped from 8.6 percent in June 1975 to 5.8 percent in October 1978. Also, the 1976-78 period was characterized by a sharp expansion in employment. For example, calendar year 1977 saw an increase of over 4 million jobs--the largest annual increase since World War II. The other 2 years--1976 and 1978--also showed strong gains of nearly 3 million jobs each year. Employment has generally increased between 1 and 2 million persons a year since World War II.

Although transition rates based on both those terminated and those served are discussed above, we believe the rate based on those terminated is more meaningful during the 1976-78 period. During this period, the numbers served under titles II and VI increased greatly as the result of the 1977-78 buildup. (See p. 4.) We believe this condition distorts the yearly comparability of placement rates based on those served because of the large influx of new participants that could not have been expected to move out of the program in a short period of time.

Selected sponsors' transition rates

The average 1978 transition rates for the five sponsors we reviewed were similar to the national rates shown above. In these sponsors' jurisdictions, the labor market situations had also improved during the period covered by our analysis. As shown by the following table, the sponsors' combined fiscal year 1978 transition rates for both titles, based on those served, was 19 percent--slightly above the national rate. This rate ranged from 3 percent at Hartford to 30 percent at Muskogee County. Based on those who terminated, the rates averaged 34 percent--slightly below the national rate. This rate ranged from 9 percent at Hartford to 42 percent at King-Snohomish.

Individuals served during
fiscal year 24,950

Individuals terminated during
fiscal year:

Obtained unsubsidized jobs (note a)	4,295
Other positive terminations (excluding transfers to other titles) (note b)	931
Transfers to other CETA titles (note c)	1,914
Nonpositive terminations (note d)	<u>7,539</u>

Total terminations 14,679

Net served during fiscal year (note e) 23,036

Net terminations during fiscal year (note e) 12,765

Transition rate to unsubsidized jobs
based on net served (note e) 19%

Transition rate to unsubsidized jobs
based on net terminated (note e) 34%

a/Individuals whom sponsors placed in unsubsidized jobs or
who found such employment on their own.

b/Individuals who left their PSE jobs to go to school or
to enroll in non-CETA employment and training programs.

c/Individuals whom sponsors classified as terminations but
who did not leave the CETA program--they were transferred
into programs operated under different CETA titles.

d/Individuals who did not have unsubsidized jobs when
leaving their PSE jobs and who were not otherwise
classified as other positive terminations or intertitle
transfers.

e/Net served and net terminated are derived by subtracting
the number of individuals who were transferred to other
CETA titles from "individuals served" and "individuals
terminated."

Reliability of Labor data

The above national and local transition rates, however, are not totally reliable. In chapter 4 (see p. 39), we discuss various problems with these statistics that limit their usefulness to determine the extent of movement into unsubsidized jobs.

Problems with the completeness of prime sponsor transition information, for example, led the Brookings Institution 1/ to say, "It is difficult to determine how much transition actually takes place." However, despite the data problems, the vast majority of the Brookings researchers concluded that actual transition rates were "low."

Labor's "Continuous Longitudinal Manpower Survey" 2/ similarly shows information that adversely reflects on the reliability of Labor's reported transition statistics. Labor's statistics reflect the participants' status at the time of termination. The longitudinal survey, which is based on a national sample of CETA participants, reports information on how participants have fared at various times after leaving the program. This report shows, for example, that 65 percent of the sampled participants were employed 1 day after leaving their PSE jobs, and that 57 percent were employed 3 months after termination. These are much higher rates than the rates based on Labor reports, which reportedly show the status of participants upon termination. (See p. 8.)

The survey report also shows, however, that substantial room exists to improve transition results. For example, the study data indicate that the program may not have substantially helped participants with employment barriers to overcome them. Persons who were predominantly unemployed during the 12 months before being involved with CETA had a substantially lower transition rate than the group that was predominantly employed before being involved with CETA.

1/"Monitoring the Public Service Employment Program: The Second Round." Brookings Institution Monitoring Study for the National Commission for Manpower Policy, March 1979.

2/"Continuous Longitudinal Manpower Survey, Follow-up Report No. 2." Study Prepared by Westat, Inc., for U.S. Department of Labor, March 1979.

MANY PARTICIPANTS STAYED
IN THEIR PSE JOBS A LONG TIME

The PSE jobs are meant to provide temporary employment; however, many participants in our sample had held their PSE jobs for more than 18 months. Before the 1978 CETA amendments, the legislation did not limit the length of time participants could stay in PSE. However, two sponsors we reviewed, King-Snohomish and balance of Oklahoma, did set such limits. However, these sponsors did not strictly enforce their limits.

We sampled 460 active participants--221 sustainment participants and 239 project participants. Sixteen percent of the total sample had been in PSE for more than 18 months. However, nearly one-third of the sustainment participants had been in PSE jobs for over 18 months, and most of these had been in PSE for over 3 years.

Labor's "Continuous Longitudinal Manpower Survey" showed a similar portion of PSE sustainment participants had been in the program for at least 18 months. In a sample of about 222,000 participants who had enrolled between July 1975 and June 1976, 35 percent were still in the program after 18 months.

On the other hand, only 2 percent of our sample of project participants had been in the program over 18 months. Two factors bear on the shorter length of stay of project participants. First, the use of projects in PSE was relatively new. Although the October 1976 CETA amendments authorized projects, most did not start until after May 1977. At that time, money became available under the Economic Stimulus Appropriation, 1977, to rapidly expand the number of PSE jobs. Thus, individuals hired into PSE project jobs could generally not have been in PSE for much more than 1 year at the time we selected our sample. Second, the CETA amendments limited the length of projects to 1 year. ^{1/} Although the participants could be transferred to other projects, Labor established policies to limit this practice.

Locations varied in the proportion of participants who have remained in PSE for a long time. For example, the proportion of our sampled sustainment participants who held PSE jobs for over 18 months ranged from 4 percent in Muskogee County to 66 percent in Cincinnati.

^{1/}The 1978 CETA amendments now limit title VI projects to 18 months. No such limitation was placed on title II PSE projects.

As noted above, CETA had no provision limiting the length of time a participant could stay in PSE for the period included in our sample. However, the October 1978 amendments imposed an 18-month limitation (in a 5-year period) on an individual's PSE participation. As noted by House Report (H. Rept. No. 1124, 95th Cong., 2d sess. (1978)), this limitation is intended to " * * * encourage participants to seek unsubsidized employment and to encourage the prime sponsor to place participants in unsubsidized employment * * * ." Under certain circumstances, Labor can extend this limit for another 12 months. However, the House report added that it did not intend that the extension of participation beyond the 18-month period should be broadly granted. The 1978 amendments made other changes in the program dealing with transition. (See ch. 3.)

MOST POST-CETA JOBS WERE IN THE PUBLIC SECTOR

Although the private sector accounts for about four out of five jobs in the Nation, most sampled participants were moving into unsubsidized jobs in the public sector. Because Labor's management information system did not provide information about where participants leaving the program obtained unsubsidized jobs, we sampled 438 participants who moved from PSE to unsubsidized jobs. We were unable to determine from the sponsors' records into what sector of the economy 90 participants moved. Of the other 348 participants, 57 percent entered the public sector, 18 percent entered the private nonprofit sector, and 25 percent entered the private for-profit sector. Movement by location into the private for-profit sector ranged from 14 percent in Muskogee County to 39 percent in Dallas.

One reason that a relatively high proportion of participants have found unsubsidized jobs in the public and private nonprofit sectors is that many PSE employers, which must be public or private nonprofit agencies, were hiring their PSE employees into their regular work force. Over 60 percent of the 121 terminated participants we interviewed, who had obtained unsubsidized jobs, said that they obtained the jobs with their PSE employer; most said they were doing the same work they did as PSE participants. At the five sponsors we reviewed, the portion of sampled participants obtaining unsubsidized jobs with their PSE employer ranged from 48 percent in Cincinnati to 79 percent in Muskogee County.

This trend toward public sector placements is also reflected by sampled participants' comments on how they found

out about their unsubsidized jobs. Of those who got public or private nonprofit sector jobs, only about 30 percent told us they secured the jobs on their own initiative. In most cases, these participants said they learned about the jobs from their PSE employers. However, of those who got private for-profit sector jobs, 68 percent of the participants told us they secured the jobs on their own initiative.

CHAPTER 3

SPONSORS' TRANSITION PROGRAMS NEED TO BE BETTER DESIGNED AND IMPLEMENTED

Labor regulations require that prime sponsors, to the extent feasible, design their PSE programs to enable all persons to move from their subsidized jobs into unsubsidized, full-time jobs.

However, prime sponsors' programs generally were not designed to facilitate transition because systematic approaches to transition had not been developed. Only a small portion of our sampled participants received a diagnosis of their employment needs and had plans prepared to help them accomplish their employment goals. Formal training to improve participants' employability was usually not provided. Sponsors had not developed procedures to identify job-ready participants, and most of them had not been helped to obtain unsubsidized jobs. Also, most sampled participants told us they had not been encouraged to seek unsubsidized employment by either their supervisors or the prime sponsors and, in fact, were not actually looking for unsubsidized jobs.

The CETA amendments of 1978 reemphasized the temporary nature of PSE jobs and the importance of moving PSE participants into unsubsidized employment. However, the new legislation does not guarantee increased transition, but provides only a better framework for it to be accomplished. Movement to unsubsidized employment will be improved only if prime sponsors effectively design and implement systematic approaches to transition.

PRIME SPONSORS DID NOT ADEQUATELY ADDRESS PARTICIPANTS' GOALS AND NEEDS

Participants frequently enter CETA with little education, low skill levels, or other employment barriers, such as poor work attitudes. An effective transition system to help these people should begin with an assessment of their goals and employment barriers.

However, prime sponsors generally had not developed or implemented effective transition systems to assess participants' needs and provide appropriate training and services. Participants' employment goals and barriers generally had not been identified or addressed, and few had received formal training. Also, job-ready participants had not been identified so they could be referred to placement services.

Employability plans were not prepared

For fiscal year 1978 Labor required sponsors to prepare employability plans for all PSE participants. An employability plan identifies the participant's employment needs and goals and details the training, job experience, and services to be provided to help the person to be competitive in the job market. In May 1978 Labor issued a field memorandum to emphasize movement of PSE participants into unsubsidized employment. This memorandum reminded prime sponsors of their responsibility to complete employability plans for all participants who did not have an immediate plan for movement into unsubsidized employment.

The five sponsors we reviewed had developed plans for very few sampled active participants. During our interviews, only 6 percent of the participants sampled told us that their needs had been identified and a plan developed. This percentage ranged from 1 percent in King-Snohomish to 12 percent in Dallas; at three sponsors the percentage was under 4 percent.

Because employability plans had generally not been prepared, we believe prime sponsors did not have reasonable assurance that the PSE jobs and any other training provided were consistent with the participants' goals and needs and eventual movement into unsubsidized employment. This situation may improve in the future. At all locations visited, either a sponsor or a regional Labor official indicated that the extent of developing employability plans would be significantly increased.

Most participants were not provided formal training

The CETA legislation allows prime sponsors to provide participants with formal training, either related or non-related (cross-training) to their PSE jobs, to better enable them to move into unsubsidized employment. However, most sampled participants at each location told us they had not received such training. Reasons given by sponsor officials for the limited use of formal training included (1) PSE was not a job training program because participants were generally placed on PSE jobs they were qualified to perform and (2) formal training would not enhance a participant's likelihood of getting another job.

We asked the sampled active participants if they had received formal job-related training or formal cross-training. Less than one-third of them said they had received formal job-related training--the percentage at each sponsor ranged from 5 percent in Muskogee County to 45 percent in Dallas. In addition, only 7 percent of the participants told us they had received formal cross-training--the percentage at the sample sites ranged from 1 percent in Cincinnati to 18 percent in Dallas. Four percent or less of the participants at three sponsors said they had received cross-training.

Although Labor's national transition statistics show that participants with less education were less successful in obtaining unsubsidized jobs at the time they left the program, we found that sampled participants with lower education levels generally received less formal training. For example, our interviews with sampled participants revealed that over one-third of them that received formal job-related training were college graduates, even though they comprised only 25 percent of the participants in the sample. In contrast, 13 percent of the participants that received formal job-related training had less than a high school education, even though this group comprised about 21 percent of the participants. The following table shows that, according to interview data, the group that had the least education generally received the least formal training.

<u>Years of formal education completed</u>	<u>Percent of participants in group</u>	<u>Percent of participants receiving training in group</u>	
		<u>Formal job-related training</u>	<u>Formal cross-training</u>
1-8	6	4	0
9-11	15	9	9
12	31	23	38
13-15	23	30	25
16	17	24	25
over 16	<u>8</u>	<u>10</u>	<u>3</u>
Total	<u>100</u>	<u>100</u>	<u>100</u>

Formal training is important for many participants, particularly the educationally disadvantaged. Through such training, participants can increase their education attainment levels, complement the experience received from their PSE jobs, and develop new job skills. The limited use of

formal training and the imbalance of training provided to different education levels are, in our opinion, attributable in part to the limited use of employability plans. (See p. 16.)

Procedures were not established to identify job-ready participants

In May 1978 Labor required sponsors to identify all job-ready participants so that they could be registered with the local employment services' offices and be referred to unsubsidized jobs.

However, officials at all five sponsors said they had not developed methods to identify job-ready participants for placement in unsubsidized employment. For example, according to a Cincinnati sponsor official, PSE counselors' duties included identifying job-ready participants; however, as a practical matter, their caseloads were too large to allow them to be effective. Thus, only those who requested to leave their PSE jobs received placement assistance. A Dallas prime sponsor official said the sponsor did not pay much attention to identifying job-ready participants; instead, the employers were expected to absorb them in their work force. A Muskogee County CETA official told us that procedures to identify job-ready participants did not exist, because the program was managed as an employment program, not a transition program.

We noted that Labor and sponsor officials differed regarding the definition of a "job-ready" participant. A Labor headquarters official said that a job-ready participant is a person who has a skill which is transferable to another position. Several prime sponsor officials, however, defined participants as job ready if they were nearing the end of their enrollment. For example, an official for Muskogee County told us that a job-ready participant is not well-defined, and as a result, participants are deemed job-ready as they approach their enrollment time limit.

To assure timely efforts can be taken to move participants into unsubsidized jobs and to comply with Labor's requirement, sponsors should develop procedures to identify job-ready participants. Also, as Labor required, the employment service should be used as a referral source. However, as discussed on page 26, prime sponsors generally had not complied with Labor's requirement to use the employment service for this function.

PRIME SPONSORS WERE NOT ADEQUATELY
ASSISTING PARTICIPANTS TO OBTAIN
UNSUBSIDIZED JOBS

Labor regulations specify that prime sponsors and PSE employers are responsible for efforts to place all PSE participants into unsubsidized jobs. However, sponsors generally had not assisted most participants to obtain such jobs. We found that most efforts were largely aimed at placing the participant with the PSE employer. Most participants had not been motivated to seek unsubsidized employment. Sampled participants generally told us they had not been encouraged to find other jobs and, in fact, were not looking for unsubsidized employment. In addition, many participants had not been provided placement services to facilitate their job search. Many participants who had moved into unsubsidized employment had obtained jobs on their own rather than having been placed by the prime sponsor or PSE employer.

We believe that transition efforts which rely on persons to find their own jobs can be effective if the participants are given appropriate support services (e.g., employment counseling and job-search training) and are encouraged by sponsors and employers to find other jobs. However, sponsors had not developed adequate transition systems to help persons find their own jobs.

Prime sponsors were not motivating
most participants to look for
unsubsidized jobs

Most active participants sampled told us that they were not actively seeking non-PSE jobs, even though they believed they could find other suitable jobs and were rated "competitive" for one or more job openings by local employers. Prime sponsors and employers had neither encouraged most sampled participants to seek other jobs nor required them to accept referrals to interviews for suitable jobs.

At each location we asked five local employers and an employment service job developer whether our locally sampled active participants (460 at all sites combined) were competitive for open or normally recurring job openings. They judged the participants on their education levels, degrees attained, PSE jobs, recent non-PSE jobs held, and other factors (e.g., typing speed, business/trade schools attended, and licenses/certificates). Nearly all the participants were judged competitive for a job by at least one employer or the job developer. Most participants at each location were judged

competitive for at least one job by three or more employers. However, some jobs paid less than the participant was earning under PSE.

Also, we asked all active participants whether they could obtain another suitable job. Fifty-seven percent told us that they thought they could. Only 6 percent told us they definitely could not find another suitable job.

Although most sampled participants felt they could obtain another suitable job, only about 25 percent of them told us that they were actively looking for one. About 64 percent of the active participants sampled said they had not contacted any employers or placement organizations or made any job applications in the previous month, and 43 percent of those participants who had been in PSE for at least 1 year said they had not made any such contacts or applications in the previous 12 months.

We asked participants who had not contacted any employers or placement organizations or made any job applications in the previous month for the primary reason they had not sought unsubsidized job opportunities. Sixty-seven percent of these participants told us that they were not looking for another job because they either liked their PSE job or hoped to be absorbed in their PSE employer's permanent work force. Although the pay in the PSE jobs was not frequently brought out as a primary reason why participants were not looking for other jobs, we believe that PSE pay is tied into why participants generally preferred to stay in their present position. Under the act, PSE participants must be paid the higher of Federal or State minimum wages or the prevailing wages of others in the organization employed in similar occupations. At most locations, sponsors and/or Labor officials said that wages of the PSE jobs were factors adversely influencing participants' efforts to look for other jobs.

Following are some case examples of participants not looking for other jobs.

--In Cincinnati, a participant with a bachelor's degree had been working under the PSE program as a police dispatcher for about 40 months. The participant told us that she had no definite plans to find an unsubsidized position and that she did not want to leave the CETA job. She was happy with the PSE job because it provided a regular paycheck. She saw an end to this job only when the Federal Government put an end to the program.

--In Muskogee County, a participant with a bachelor's degree was working as a school planner. The participant had been working in the PSE position for about 19 months and had not applied for any other unsubsidized positions during the 12-month period prior to our interview. He said he hoped to be hired as a permanent staff member.

--In King-Snohomish, one participant had held a PSE job as a secretary for about 42 months. However, she still had no definite plans to find an unsubsidized job. She was sure she could get another job, but she was not sure that another position would pay as well as the PSE position. Therefore, she had no motivation to seek out and apply for non-PSE jobs.

A primary reason why many participants were not actively looking for unsubsidized jobs relates to the lack of encouragement to do so. Over 63 percent of the participants sampled felt they had not been encouraged to seek non-PSE jobs by either their employers or the prime sponsors. Only 8 percent felt their employers had strongly encouraged them to seek non-PSE jobs. Some participants felt their employers actually discouraged them from looking for unsubsidized employment.

A greater portion of participants who had been encouraged by their employers were actively seeking non-PSE jobs compared to those who had not been encouraged. Less than 30 percent of the participants who told us they had been neither encouraged nor discouraged by their employer had contacted another employer within the past month. However, about 49 percent of those who felt they had been encouraged by their employers had applied for another job, while over 65 percent of those who felt strongly encouraged by their PSE employers had applied for other jobs.

We talked to several participants' supervisors about the encouragement they had provided. Some told us they actively encouraged their participants to find unsubsidized jobs. However, others told us that they provided limited encouragement or none at all. Examples of reasons why supervisors did not encourage participants include:

--A Dallas supervisor said she did not encourage or assist participants to find unsubsidized jobs because she believed she was not responsible for doing so.

--A Cincinnati supervisor said it was all right for participants to look for other jobs but he did not believe he was responsible for helping them.

- A Seattle supervisor said that if transition had been an important goal, she would have encouraged and helped the participants. She would have looked for job opportunities for them rather than leaving it up to the participants to find their own jobs. She said that, if she had been accountable for transition, she would have handled her participants differently.
- A PSE supervisor for a city department in Cincinnati said she would never encourage her CETA employees to look for outside employment, because "They would think I was trying to get rid of them."
- A supervisor of a Seattle participant said he had not encouraged his PSE employee to seek another job during the 1-1/2 years the participant had been in his CETA job. He said, "If a guy is doing a good job, I don't ask him to look for another job." He expected that his department would eventually hire the participant permanently. Six months after our interview with the participant's supervisor, we were told the participant still had not been hired permanently by the city. A city official told us, however, that he expected the participant would be permanently hired in about 5 months (by September 30, 1979) because of the time limits imposed by the 1978 CETA amendments. He said the city would be required to either absorb him into its work force or terminate him by that date.

Another necessary element in motivating participants to seek unsubsidized jobs involves requiring participants to accept interview referrals for suitable jobs. Labor regulations allow sponsors to terminate participants if they reject referrals to interviews or offers for suitable jobs. In May 1978 Labor required prime sponsors to "judiciously enforce" this provision. However, during our review, none of the sponsors we visited had established procedures to monitor participants' referrals and job offers and take disciplinary action if needed. The importance of enforcing this provision was evident at two sponsors. At King-Snohomish, an attempt to place participants was disbanded because they would not accept interview referrals for unsubsidized jobs. In Dallas, we found many examples of participants not accepting referrals, not attending scheduled interviews, or not accepting job offers.

Prime sponsors were providing
little placement assistance

Many participants had not been provided placement assistance services, such as job-search training or referrals to non-PSE jobs. Instead, many have had to find unsubsidized jobs themselves. For example, Labor's fiscal year 1978 reports show that, nationally, 47 percent of the participants who had obtained unsubsidized employment found their own jobs, rather than being placed with help from the prime sponsors or PSE employers. Similarly, 37 percent of our sampled terminees told us they found their own unsubsidized jobs.

Placement services, according to Labor guidance, should provide job-ready participants with career potential jobs. Placement services include providing participants with job-seeking procedures, assessing their skills and job potential, and referring them to jobs. According to Labor guidance, such services enhance the employability of PSE participants. Labor has suggested that prime sponsors, together with local employment service offices, provide participants with those services.

The importance of providing placement services was emphasized by the increased job-search activity among our sampled participants who had received these services. Generally, participants who told us they had been provided placement services more actively sought non-PSE employment than those who said they had not received such services. For example, about 59 percent of the participants who stated they had received job-search training had contacted employers or filled out applications for non-PSE jobs in the month before our interview with them. However, only 33 percent of those who said they did not receive such training applied for unsubsidized employment. Likewise, 45 percent of the participants who said they had received employment counseling had applied for non-PSE jobs in the month before our interview, whereas only 34 percent of those who said they had not received counseling were actively seeking unsubsidized employment.

Placement services may also increase participants' confidence that they can find acceptable non-PSE jobs. About 55 percent of the participants who told us they had not received job-search training felt they could find acceptable non-PSE jobs if they did not have their PSE jobs. This percentage increased to almost 73 percent for participants who said they had received such training. An increase in confidence was also noted among those who said they had received employment counseling.

In spite of the importance of placement services, we found that sponsors had not ensured these services were provided to participants. Most participants sampled said they neither received job-search training nor had an employment counselor assigned to them to assess their job potential. Most participants said they had not been referred to any non-PSE jobs in the past year, and many believed they could not take time off from their PSE jobs for job searches or interviews by prospective employers.

Submitting applications directly to employers has been identified by a Labor technical assistance guide as the most successful method to obtain employment. The success of this method, however, depends upon actions taken by jobseekers themselves. Therefore, the best employability development strategy includes an effective job-search component. The Labor publication states that emphasis on increasing the participants' job-search skills would significantly improve placement statistics.

Despite the importance of job-search training, only 26 percent of the participants believed it was available to them, and less than 13 percent of them said they had actually received it. Prime sponsor officials agreed that job-search training had not been provided to most participants. Muskogee County officials told us that job-search training was not provided because the PSE training and on-the-job training experience are sufficient to help persons find unsubsidized employment. According to King-Snohomish officials, PSE has emphasized hiring as many people as possible with the available funds. Therefore, funds spent for job-search training would mean less money available for PSE wages.

Labor's technical assistance guide also suggests that counseling participants to realistically assess their needs, abilities, and job potential is another job placement service that can be provided to job-ready participants. This counseling involves guiding participants in developing vocational goals and the means to achieve them. It is an ongoing process which helps individuals solve a variety of problems that may occur during participation in PSE. Counseling can also provide information about the availability or nonavailability of placement services.

As was the case with job-search training, prime sponsors had not provided employment counseling to most participants. About 36 percent of the participants interviewed knew counselors were available, but only about 18 percent said they

had actually received services. We believe that this lack of counseling is one reason why many participants at each location did not know if services, such as formal training, job-search training, and time off for interviews, were available. A CETA official for Muskogee County said that participants did not receive much counseling because few counselors were available. He added that counseling and placement functions were not a primary function of his office. Cincinnati sponsor officials stated that participants who expressed interest in transition were sent to the Ohio Bureau of Employment Security for job counseling, but most participants did not want to leave their PSE jobs.

According to Labor guidance, developing employment opportunities and matching participants with them demand prime sponsors' attention if placement goals are to be achieved. Although most participants believed they could find other suitable employment, prime sponsors had not referred most of them to jobs. As shown in the following table, 79 percent of the active participants sampled said they had not been referred to unsubsidized jobs in the last 12 months.

<u>Prime sponsor</u>	<u>Percent of participants referred in last 12 months (note a)</u>		
	<u>No referrals</u>	<u>1 to 2 referrals</u>	<u>3 or more referrals</u>
Cincinnati	92	7	1
Dallas	69	14	17
Hartford	78	13	9
King-Snohomish	77	17	6
Oklahoma (Muskogee County)	78	10	12
Average	a/79	12	9

a/About 71 percent of the active participants had been in PSE for less than 1 year. In these instances, only the number of referrals while in PSE was counted. Eighty-two percent of the participants who had been in PSE for at least 1 year said they had not been referred to any unsubsidized jobs.

Further, our interviews with a sample of persons who left PSE showed that in most cases the PSE employers, not the prime sponsors, referred participants to jobs. In only a few cases did the participants identify the prime sponsors as the

source of the referrals. We believe that sponsors' reliance upon PSE employers may be a major reason why most participants obtained unsubsidized jobs with their employers, rather than in the private sector, as discussed in chapter 2. This opinion is further supported by the fact that nearly 70 percent of the participants who obtained private for-profit sector jobs told us that they found the jobs through their own initiative, rather than through referrals from their employers or the prime sponsors.

To broaden placement opportunities for job-ready participants, in May 1978 Labor required that prime sponsors take steps to register all job-ready participants with the employment service so that they could be referred to job opportunities. Prime sponsors were required to ensure that their agreements with the employment service included arrangements to refer job-ready participants for placement. Prime sponsors, however, generally had not complied with either Labor's requirement to register job-ready participants with the employment service or the requirement to develop referral agreements with it.

Most prime sponsor officials told us they had not established agreements mainly because they were not satisfied with the effectiveness of the employment service placement services. For example, according to King-Snohomish officials, not all job-ready participants are registered with the employment service because the agency has been ineffective in placing people. A Cincinnati sponsor official told us he presumes the employment service's main function regarding PSE is placing participants in subsidized jobs rather than in unsubsidized jobs. Although the sponsor has established a contract with the employment service to place participants, we were told that only those participants who desired to move into unsubsidized employment were referred for placement. Other participants, whether job-ready or not, were not referred for placement. According to a Dallas sponsor official, the sponsor planned to rely on a private placement company because of the employment service's low placement rate. The official said that the sponsor had neither a formal agreement with the employment service for referrals nor a systematic registration system for job-ready participants.

If participants are to obtain non-PSE jobs, obviously they must be able to take time off from their PSE jobs to conduct job searches and to have interviews with prospective employers. Nevertheless, many participants at each sponsor felt they could not take time off for interviews, and many did not know whether their employer would let them do so.

Labor regulations do not require that participants be given time off for job interviews, and Labor does not require prime sponsors to establish formal policies in this regard. In the absence of guidance from Labor, most prime sponsors and employers had not established formal policies to allow time off for job interviews.

BALTIMORE COUNTY--PROCEDURES
THAT SEEM TO HAVE MERIT

During our review we also visited Baltimore County, a program agent of the Baltimore Metropolitan Manpower Consortium, which had been nationally recognized by the National Association of Counties for its efforts to place participants in unsubsidized jobs. Baltimore County had generally performed better than our selected five sponsors in moving participants into unsubsidized employment--particularly with respect to the private sector. Of those participants who obtained unsubsidized employment during fiscal year 1978, nearly 60 percent of Baltimore County's PSE participants reportedly obtained private for-profit sector jobs, whereas only about 25 percent of the PSE participants sampled at the other sponsors we reviewed obtained private for-profit sector jobs. Baltimore County's unemployment rate was generally higher than the rates for the other five sponsors we reviewed.

The Baltimore County officials said their program was based on the following principles.

Time limit on participants' participation--Baltimore County established a time limit on PSE participants from the outset of the PSE program in 1974. The county had established and strictly enforced a 15-month participation limit at the program's beginning, which was in effect for 3 years before it was changed to 18 months. The limit was extended when it appeared that the Congress was likely to mandate an 18-month limit in the 1978 amendments.

Baltimore County's limit made it clear to the participants that their PSE jobs were not permanent and that the goal of PSE was unsubsidized employment. Also, the limit clearly focused the county's efforts to move participants into unsubsidized jobs within a given period of time. Two of the five sponsors we reviewed had a time limit on participation for their participants at the time of our fieldwork; however, officials at these two sponsors told us that they did not strictly enforce it.

Private sector placement goal--Due to the county's fiscal condition, its ability to place PSE participants on its permanent staff was limited. The county staff stressed to the participants that they had the greatest opportunity for finding an unsubsidized job in the private sector. Also, the county encouraged the participation of the private sector by inviting local business and trades representatives to workshops on careers. This served two purposes. First, the county was given an opportunity to acquaint local business representatives with the CETA program, and second, the private sector employers were given the opportunity to explain to CETA participants the qualities they are looking for in prospective employees.

Close supervision of participants--The county's CETA officials conducted workshops for CETA participants' supervisors to inform them of the purpose of CETA and the importance of successful transition. According to a county official, this was done because the supervisors are the participants' trainers and teachers. As a result, the participants' supervisors generally helped to motivate the participants to seek unsubsidized employment and often provided them with the lead for unsubsidized jobs. This situation appears to contrast with the five other sponsors, considering that most of our sampled participants responded that they had not been encouraged to find unsubsidized jobs by their employers or the sponsors.

Job placement workshops--The county developed a series of job placement workshops designed to help participants identify their interests and aptitudes, in addition to developing job-search skills such as resume writing and job interviewing. The county's policy was that all PSE participants were to attend at least some of these workshops and were given paid release time to attend. At the workshops it was made clear to the participants that they share with the sponsor the responsibility of finding unsubsidized jobs. The county officials stressed that they would help the participants any way they could, but the participants had to realize that they also had to help themselves.

Participants were also given paid release time to interview for unsubsidized jobs. As noted previously, job-search training was not usually given to PSE participants at the five sponsors we reviewed. Also, many participants at the five sponsors felt that they could not take time off for interviews.

Placement under unfavorable labor market conditions-- Baltimore County officials told us that their participants can find unsubsidized jobs even when the employment situation is unfavorable. At any given moment, a small portion of the total jobs in the community are vacant--due to factors such as turnover and retirement--and they stated that anyone with the right job-search skills can get one of those vacant jobs. This positive attitude towards finding jobs is expressed to the participants in their employment workshops to convince and encourage them that they could find other jobs.

CETA AMENDMENTS WILL PROVIDE A
BETTER FRAMEWORK FOR TRANSITION

Amendments to CETA were enacted on October 27, 1978 (Public Law 95-524). These amendments will affect the transition from PSE in several important areas, such as preparing employability development plans, providing training, limiting jobholders' wages, limiting how long participants can stay in PSE jobs, and providing job placement services. We believe these changes provide a better framework for implementing a successful transition program; however, significant improvements will occur only through improved implementation and management of CETA's transition objective.

Employability development plans--The previous CETA legislation did not require prime sponsors to prepare employability development plans for PSE participants. However, Labor required prime sponsors to prepare them. Nevertheless, most active participants in our sample told us that they did not have such plans. (See p. 16.) The amendments now require prime sponsors to prepare and review employability development plans for all economically disadvantaged persons enrolled in title II. The amendments are silent on such a requirement for title VI participants. Title VI does, however, recognize the need to assess title VI participants to provide them with the additional training and services needed to obtain unsubsidized jobs.

Formal training--The amendments also provide for training PSE participants. Most participants in our sample had not received formal training related either to their CETA jobs or for different kinds of jobs. (See p. 16.) Under the amendments, title II jobs must be combined with formal training so long as such training is reasonably available in the area. Further, the law provides for increasing the percentage of title II funds that must be spent on training--from not less than 10 percent in fiscal year 1979 to not less than 22 percent in fiscal year 1982. Although all title VI PSE

jobs need not be coupled with training, not less than 10 percent of title VI funds for fiscal year 1979, and 5 percent for subsequent years, must be spent for training, employability counseling, and other services to participants. We believe this will assure that more disadvantaged and counter-cyclical participants will receive training, thereby assisting them to move into unsubsidized employment.

Limitations in PSE wages--To employ the most participants with funds available, the amendments limited the annual average Federal wage paid to PSE participants to the equivalent of \$7,200. The previous legislation requested Labor to target the average annual Federal wage to \$7,800. The maximum Federal wage paid to any participant was maintained by the amendments at \$10,000 per year, although provisions were added to adjust this limit for high-cost areas. The amendments also stated that employers could not supplement the Federal wage for title II participants and limited the extent of supplementation for title VI participants. Previously, there was no limit on the extent of supplementation for either title.

These actions should reduce average wages paid PSE participants at many locations. Average wage levels for our sampled participants, including supplementation, were \$9,836 in King-Snohomish, \$9,264 in Cincinnati, \$9,199 in Hartford, \$7,282 in Dallas, and \$7,072 in Muskogee County. As previously discussed on page 20, sponsors and Labor officials told us that high PSE wages paid relative to wages paid for other locally available unsubsidized jobs was a factor hampering the movement of PSE participants into unsubsidized jobs.

Length of time in job--CETA did not previously limit how long participants could remain in their public service jobs. Many participants, particularly sustainment jobholders, had held their PSE jobs a long time--many for over 3 years at the time of our fieldwork. The 1978 amendments imposed an 18-month participation limit in a 5-year period. The limit can be extended 12 months for certain participants, but only if Labor determines that the sponsor has faced unusually severe hardships in placing participants into unsubsidized jobs. According to House Report 95-1124, a major purpose of the limit is to encourage participants to seek unsubsidized employment and to encourage the prime sponsors to place them into unsubsidized employment.

Providing job placement services--The previous CETA legislation did not require prime sponsors to provide job placement services, such as employment counseling, job-search training, and time off for interviews. Most sampled active

participants told us that they had not received job placement services. (See p. 23.) The amendments, in addition to providing training, now specify that prime sponsors may provide title II participants with job-search assistance, counseling, and referral to appropriate employment opportunities. Also, the amendments require that a portion of title VI funds be used for training, employability counseling, and other services.

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We believe that these amendments will provide a better framework for implementing successful transition programs. However, we believe the amendments will not automatically result in improved performance. Although prime sponsors have previously had the responsibility to develop effective transition systems, they have not done so. The amendments hold promise to improve transition performance, but only if Labor does a much better job at ensuring that sponsors implement effective transition programs.

CHAPTER 4

LABOR'S MANAGEMENT OF PRIME SPONSORS'

TRANSITION PERFORMANCE NEEDS IMPROVEMENT

Labor has a broad management role in implementing the CETA PSE programs. This role includes responsibilities for reviewing and approving prime sponsors' plans, monitoring implementation of the plans, and evaluating performance. We found, however, that Labor had not effectively handled these oversight responsibilities.

We also found that transition had not been emphasized by most Labor and prime sponsor officials interviewed. Other program concerns, particularly the rapid buildup of public service positions in 1977 and 1978, left transition as an acknowledged, but relatively unimportant, program objective.

LABOR'S OVERSIGHT WAS INADEQUATE

Although CETA was designed as a decentralized program, Labor retains important oversight responsibilities. We found the following weaknesses in Labor's oversight responsibilities pertaining to transition:

- Labor has not assured that prime sponsors have developed reasonable transition goals and planned adequate systems to move participants into unsubsidized employment.
- Labor performed inadequate monitoring of the implementation of prime sponsors' transition plans and of Labor's instructions.
- Labor lacked sufficient and accurate data to evaluate prime sponsors' performance.

Transition plans were inadequately developed

As discussed in chapter 3, prime sponsors had not developed or implemented effective transition systems. Labor had approved these sponsors' plans even though they did not contain sufficient information to adequately evaluate the sponsors' transition systems. At one sponsor, Labor had approved an unrealistic transition goal. These problems were caused in part by limited Labor guidance regarding plans'

contents on transition, short time periods to prepare and review plans, and a lack of standards for Labor to evaluate sponsors' planned performance levels.

Transition approaches
not specified

Labor requires prime sponsors to specify in their grant applications the approach that will be used to meet their planned performance goals. However, the approved grant applications we reviewed did not adequately describe approaches which seem fundamental to a systematic transition process. For example, they generally did not address the prime sponsor's methods for

- developing employability plans (see p. 16 for problems relating to preparing these plans),
- encouraging and motivating participants to search for and find unsubsidized jobs (see p. 19),
- informing participants of placement services and other means of assistance available to them (see p. 24),
- determining participants' job-ready status and when efforts would be taken to place them in unsubsidized jobs (see p. 18),
- providing participants time off for job interviews (see p. 26), and
- assuring that participants accept suitable job referrals or job offers (see p. 22).

Labor and prime sponsor officials we interviewed noted problems with grant applications. A prime sponsor planning director told us that grant applications generally do not fully describe prime sponsors' methods for moving participants into unsubsidized jobs. He explained that prime sponsors view the application as a "hurdle" and tend to write as little as possible and in generalities. Yet, he said, rarely has he received substantive review comments from Labor. A Labor representative responsible for another prime sponsor also noted that prime sponsors often write very general, vague statements about their approach that do not fully answer the questions of: "What, why, how, when, and by whom?"

Several factors have contributed to uninformative grant applications regarding transition. First, Labor's grant application instructions lacked specific requirements for describing transition systems. Our review of the instructions in effect for fiscal year 1978 showed that they did not clearly require prime sponsors to fully describe their basic approach and specific methods for moving participants into unsubsidized jobs. A regional Labor official said that past Labor instructions did not effectively deal with transition approaches. He explained that the instructions were very broad and did not require prime sponsors to describe their approaches to transition in a specific, systematic way. However, he said that Labor's proposed instructions to prime sponsors for preparing fiscal year 1980 grant applications are much improved and require more specifics on transition approaches.

We reviewed the proposed and subsequently issued final instructions and found them to be much improved. However, they still lacked detail in certain areas important to transition. For example, of those areas listed on page 33, only the one dealing with employability plans was covered.

Although better instructions should help improve the quality of grant applications, basic improvements are also needed in Labor's planning process. For example, one Federal representative told us that ideally the representative should work with each prime sponsor to assure that grant applications fully describe their approach. However, he said that in practice this is not usually done because of limited grant preparation and review time and pressures to approve applications.

These concerns were echoed by both Labor officials in Seattle and prime sponsor officials at King-Snohomish. The prime sponsor officials told us Labor typically gives them only a 30-day notice for when the grant applications are due. They said there is no way to prepare a quality plan in that length of time. Regional Labor officials in Seattle agreed that prime sponsors do not have sufficient time to prepare quality plans. In addition, they added that they have insufficient time to review the plans once they are submitted. For example, they said they would receive 98 plans on December 26, 1978, which had to be reviewed and approved within 30 days. They stated there was no way they could perform a quality review of those plans and, at the same time, handle their normal workload.

Transition goals may
be unrealistic

Labor also requires prime sponsors to specify in their applications for title II and title VI funds specific transition goals that they intend to accomplish. Labor is responsible for assuring the performance goals specified by the prime sponsors are reasonable in light of such factors as past performance and the sponsor's labor market condition. However, we found that approved transition goals are not always reasonable.

Significant differences were found among the five prime sponsors in planned transition rates for moving PSE participants into unsubsidized jobs. For example, the planned title VI transition rates for fiscal year 1978, based on terminations, ranged from less than 1 percent at Hartford to 60 percent at Cincinnati.

Hartford's planned level of performance appeared unrealistic. In this case, Hartford's goal, as established by a grant modification, was to move only three title VI participants into unsubsidized jobs. This represents less than 1 percent of the 1,441 planned terminations during fiscal year 1978. In our opinion, this planned outcome is not consistent with the intent of CETA. It also precludes making a meaningful comparison of actual versus planned performance. Hartford's report to Labor covering 1978 results showed it accomplished 1,666 percent of its transition goal.

Two regional Labor officials agreed that Hartford's placement goal was unrealistic. One of these officials said it reflected Hartford's lack of commitment to transition at that time. While neither official was able to explain why the goal was approved by Labor, one official said the goal was probably viewed to be of lesser importance than other problems at the sponsor that Labor was attempting to remedy. He explained that the prime sponsor had a variety of management problems, was unable to meet planned enrollment levels, had an inaccurate management information system, was fighting Labor's attempt to establish maximum time limits for participants, and was suffering from significant staff turnover. He said the regional office was working closely with the prime sponsor on these problems.

Hartford's new CETA director told us that the 1978 transition goal was not reasonable. He said the fiscal year 1979 goal is that 40 percent of the participants will have unsubsidized jobs upon termination from PSE.

In our opinion, widely varying and unrealistic goals have been caused in part by a lack of Labor guidance on how to prepare them. Prime sponsor officials at two locations told us they did not use any systematic method when preparing planned termination and transition goals. Information such as the area unemployment rate and its expected changes were not considered. Instead, they described the goal as "educated guesses," based in part on past performance. These officials said they would like to have guidance from Labor on how to compute expected performance levels. Labor instructions for completing fiscal year 1978 grant applications contained no guidance on how planned levels of performance were to be estimated. The instructions simply required the estimates to be entered on appropriate forms.

Labor representatives for the Hartford and Dallas prime sponsors told us they have problems in reviewing planned results for reasonableness. They said they do not have performance standards against which the planned results could be compared to determine reasonableness, and as a result, they have little basis for questioning goals. According to one representative, he uses a "rule of thumb" that about 50 percent of total terminations should be placed in unsubsidized jobs. However, he agreed that this may or may not be reasonable for any given prime sponsor. He added that this problem, coupled with limited review time, pressure to approve applications, and limited emphasis on transition in the past, has contributed to cursory review of planned results. Both representatives believed the development of performance standards for transition would better enable them to determine the reasonableness of planned results and permit more meaningful performance evaluations.

The 1978 CETA amendments should enhance Labor's ability to evaluate the reasonableness of planned results and make more meaningful evaluations of actual performance. The amendments authorize Labor to develop performance standards that recognize such factors as local labor market conditions. Additionally, they require Labor to evaluate each sponsor's proposed placement goals in accordance with these standards. The amendments also require each sponsor to address how its placement goals relate to the performance standards.

As of June 1979, according to a headquarters official, Labor was developing the transition performance standards for possible use in reviewing the sponsors' fiscal year 1980 grants. We believe priority should be given to their development and implementation.

Labor's monitoring of prime sponsors was weak

Another of Labor's responsibilities is to monitor the implementation of prime sponsors' programs. According to Labor, primary responsibility for assessing plan implementation and assuring performance in accordance with the act rests at the Federal level. Labor's Regional Office Handbook states:

"* * * the Secretary may not rely on certification alone to insure that Federal funds are expended in accordance with the law. He is expected to look behind the certifications of compliance, primarily through a process of routine spot-checking and follow-up on complaints of interested parties."

However, we found that Labor needs to substantially strengthen its monitoring effort to assure that prime sponsors carry out their approved plans and implement other Labor requirements.

The need for increased monitoring is illustrated by our followup of a May 1978 Labor policy directive. This directive specified several actions relating to transition that prime sponsors were to implement immediately. For example, each participant's employability plan was to be reevaluated (it was assumed that they were being prepared), job-ready participants were to be registered with the local employment service agencies, and the regulation requiring participants to accept suitable job offers was to be enforced. However, none of the prime sponsors had fully implemented the required actions. (See pp. 16, 22, and 26.) According to officials at three prime sponsors, the lack of Labor followup on this directive was one reason they did not take the specific actions.

The importance of more effectively monitoring the implementation of transition programs, as defined in grant applications, was illustrated by our fieldwork. Prime sponsors do not always implement provisions of their grants. For example, Hartford's fiscal year 1978 grant stated that employability plans would be prepared for all participants. However, only 9 percent of the participants sampled told us such plans were prepared. Labor's Hartford representative stated that, until after the grant year was over, he was unaware that the sponsor was not preparing such plans. Also, a Dallas grant application said that by October 15, 1976, the prime sponsor would establish a separate unit dedicated to

moving participants into unsubsidized jobs. However, the prime sponsor's director of planning told us that the unit was never established. The Labor representative for Dallas said he was not assigned to the sponsor at that time but that his review of Labor's files showed no information on the sponsor's failure to establish this unit.

Similar problems were noted at other prime sponsors. A Cincinnati grant application stated that PSE participants would be given time off for job interviews; however, 33 percent of the active participants we sampled in Cincinnati told us they could not take time off or did not know if they could. A prime sponsor official said that while many nonprofit agencies allowed time off for job interviews, PSE participants working for the city government could not take paid time off and had to use their vacation leave. A King-Snohomish grant application said that "program agents are providing comprehensive transition assistance service." Actually, however, most active participants we sampled were not receiving transition assistance services, such as job referrals, job-search training, and employment counseling. Further, many participants told us that such services were not available to them or that they did not know whether they were available.

We also found that some of Labor's monitoring was not effective. For example, Labor required its regional offices to randomly sample participants' records to determine the extent to which employability plans were being prepared. In Cincinnati, however, Labor's monitor did not select a sample, but only reviewed some completed forms. She was unaware that employability plans had been prepared for only a small number of participants--those that had expressed an interest in obtaining other jobs.

Labor officials cited problems bearing on Labor's ability to effectively monitor the program. Federal representatives have the primary responsibility to monitor prime sponsors' programs. The two Federal representatives covering Dallas and Hartford told us they cannot effectively monitor operations because of competing demands for their time. These demands include heavy paperwork requirements, responsibility for multiple CETA grants and sometimes two prime sponsors, and following up on complaints and grievances. Other Dallas regional officials cited personnel cuts and a general staff shortage as key reasons why they have not developed specific, planned approaches for encouraging or ensuring transition of participants by prime sponsors. Also, Seattle regional officials said that, because of staff shortages and heavy paperwork requirements, they were unable to provide the necessary

technical assistance and monitoring that should be done. Labor headquarters officials were also concerned about the ability to more effectively monitor operations in view of pending personnel cuts.

Labor lacked sufficient and accurate data to evaluate sponsors' performance

The act authorizes Labor to require sponsors to submit periodic reports that can be used to monitor and evaluate the PSE programs.

Labor instructions require prime sponsors to determine the employment status of participants at the time they leave their PSE jobs. These statistics are important because Labor uses them to evaluate the prime sponsors' performance in moving participants into unsubsidized employment. Labor uses the accumulated statistics from all prime sponsors to report national transition performance. However, we found many problems dealing with the accuracy of these data which make their use for management and evaluation purposes questionable.

Participants reported placed did not actually get jobs-- We talked with a sample of former PSE participants who had been classified by the sponsors as having unsubsidized jobs when they left the program. At the Cincinnati sponsor, 17 percent of these participants told us they did not have jobs when they left CETA. We noted the same problem in Muskogee County, although the error rate was not as high.

Placed participants not reported--Some individuals who had obtained unsubsidized jobs after leaving CETA were apparently not so classified by prime sponsors. The March 1979 Brookings report stated that a majority of the 33 jurisdictions sampled had inadequate data on how much transition took place. The report further stated that many locations had information on the number of PSE participants placed in State and local government positions, but none had adequate information on the extent to which participants found their own jobs. Consequently, the researchers concluded that it is difficult to determine how much transition actually took place.

Some terminees not reported--The Hartford sponsor was not routinely following up on the employment status of persons who had left their CETA jobs. These persons were not

shown as terminations in required reports to Labor but were placed in a "holding status" by the sponsor. Thus, the reports were useless as a tool to monitor and evaluate the prime sponsor's transition results. For example, the sponsor's titles II and VI reports for the 9-month period ended June 30, 1978, showed 20 terminees left CETA with unsubsidized jobs. In fact, at least 70 participants had obtained unsubsidized employment.

Some "active" participants were not active--At the Cincinnati, Dallas, and King-Snohomish sponsors, we found many individuals who were classified as "active" participants, whereas they had actually left the CETA program. In many cases this may have been caused by a short timelag to update files; however, in other cases the individuals had been terminated for several months and, in some cases, for over 1 year. This situation resulted in inaccurate termination and onboard statistics being reported to Labor. In some cases, such inaccuracies can significantly distort the reliability of the reports. For example, at Dallas the number of active PSE participants reported to Labor for the quarter ended June 30, 1978, overstated onboard participants by about 140.

Inconsistent practices for reporting terminations--Prime sponsors use widely varying practices in developing transition statistics. This condition adversely affects the accuracy of the transition data and their usefulness for evaluation purposes. For example, Labor's "Continuous Longitudinal Manpower Survey" reported that some sponsors continued to carry participants as "enrolled" until they were placed in employment or until a specific period elapsed after the participants were involved in the program. This practice can inflate the number of participants reported to Labor as having obtained unsubsidized jobs upon leaving the program. Because of this and other variations in sponsors' termination practices, Labor's study said that the reliability of some of its estimates was adversely affected.

Inaccurate PSE starting dates--The 18-month time limit for holding PSE jobs (see p. 30) creates a need for systems that track how long participants have remained in their PSE jobs. Such systems obviously require accurate basic data on when participants enroll in PSE. However, we found at the Hartford and King-Snohomish sponsors that incorrect PSE starting dates were recorded for many sampled participants. At the Hartford sponsor, 7 of the 25 terminated participants we interviewed had entered PSE significantly

earlier--an average of 590 days--than their files indicated. Sponsor officials said these discrepancies resulted from the failure of their computer systems to carry forward participants' original starting dates in instances where they were transferred between CETA titles.

The problems cited above limit the usefulness of reported transition data as a means to manage program operations and evaluate performance.

TRANSITION WAS NOT EMPHASIZED

Until recently, little emphasis was placed on transition by many Labor and prime sponsor officials. Other program objectives, particularly the rapid buildup of CETA jobs during 1977 and 1978, left transition as an acknowledged, but unemphasized, goal at many locations. However, recent actions by both Labor and the Congress have provided the opportunity to put transition into better balance with other program objectives.

Although prime sponsor officials and sponsors' grant applications generally acknowledged that transition is an important goal, most sponsors have not stressed this goal in the actual operation of their programs. We base this conclusion in part on the lack of systematic approaches to transition, as discussed in chapter 3, and comments of officials from regional Labor offices and prime sponsors pertaining to the lack of emphasis they placed on transition.

The Brookings Institution has also reached this conclusion. The March 1979 Brookings report noted little emphasis had been placed on transition. The researchers concluded that moving participants into unsubsidized employment was of no importance in 18 of the 33 sampled jurisdictions studied.

We discussed reasons for the lack of past emphasis on transition with both prime sponsor and Labor officials. Consistently we were told that transition had taken a backseat to other program objectives viewed as higher priority. For example, regional Labor officials at one location said that, year after year, they have had problems emphasizing transition and that something always has come up to put transition in a backseat. They told us that they have never had an aggressive transition program or transition effort.

In a March 1978 report of the Brookings Institution's monitoring study, 1/ the following eight potential objectives for PSE programs were identified. We have observed that each of these objectives has been reflected in the operation of CETA to some degree:

- Economic development to assist distressed areas.
- Fiscal relief to assist State and local governments.
- Income maintenance to redistribute income to needy families and individuals.
- Job creation to stimulate the economy and reduce unemployment in a recession.
- Service provision to supply needed additional services in the public sector.
- Social targeting to aid disadvantaged persons through employment.
- Training to upgrade the skill levels of the labor force through work experience.
- Transition to relieve dependency through permanent employment.

A problem with such multiple objectives is the potential for conflict between them, particularly when one is over-emphasized compared to others. Such conflicts between transition and other objectives reduce or eliminate an emphasis on transition.

At the Hartford sponsor, for example, a conflict existed between the (1) fiscal relief and service provision objectives and (2) transitional objectives. Since 1976, Labor regional officials had attempted to have Hartford and other sponsors in their region establish maximum time limits for participation in PSE jobs. This was to encourage the transition of PSE participants into unsubsidized jobs so that more people could be served. The Hartford sponsor successfully fought

1/"Job Creation Through Public Service Employment." Brookings Institution Monitoring Study for the National Commission for Manpower Policy, Vol. II, Mar. 20, 1978.

Labor's attempt to establish a limit. Sponsor officials said they were using PSE workers to perform important services that could not otherwise be afforded. They contended that a maximum time limit, which would force the PSE work force to be replaced periodically, would have a bad effect upon efforts to maintain essential services in the face of substantial revenue shortfalls.

While similar pressures working against transition have undoubtedly developed in other financially troubled locations, the most frequent conflict with transition involved the job creation objective of PSE. In May 1977, \$6.6 billion was made available from the administration's economic stimulus package to rapidly expand the titles II and VI work force from 310,000 participants to 725,000 participants nationally. The expansion was intended to counteract the effects of the recession.

Labor imposed substantial pressures on prime sponsors to assure that the rapid buildup occurred as planned. Hiring schedules were developed for each sponsor and Labor closely monitored each sponsor's actual versus planned performance in achieving the higher enrollment levels. In addition, Labor threatened to reallocate funds if planned enrollments were not met.

At most locations visited, both Labor and sponsor officials told us that the emphasis on the PSE buildup adversely affected transition. Several officials also pointed out the apparent contradiction of moving participants out of the program while simultaneously increasing enrollment levels.

The March 1979 Brookings report similarly noted that the emphasis on transition was reduced during the buildup period. The report stated in part:

"At the time of the second-round observation [December 31, 1977], there was a push to meet the enrollment levels prescribed in the expansion regulations. Not much attention was given to transition policy in that environment. * * *"

* * * * *

"* * * An Associate [researcher] noted that for one large city, 'Transition may be important but it is not the primary goal, and DOL has not been pushing transition as hard as they have been pushing employment.' In another large city, an official was quoted as saying, 'The pressure is now on the buildup; when it's over, we'll probably be pressured on transition--then we'll have to do something.'"

After the PSE buildup was completed in March 1978, both Labor and the Congress took actions that tended to increase the emphasis on transition.

In May 1978, Labor issued what we believe to be the first broadly encompassing policy directive covering transition from PSE since CETA was established in 1973. This document said that the "ultimate" objective of PSE is to move participants into unsubsidized jobs. It also specified actions to be taken by sponsors, local employment agencies, and regional Labor offices to aid the successful transition of PSE participants. Although we found that these actions were not fully implemented by prime sponsors we reviewed, we believe the directive helped create an increased awareness of the importance to be placed on transition.

The next significant event was the October 1978 amendments to the CETA legislation. Several changes were made (see p. 29)--such as time limits for holding PSE jobs and increased training for PSE jobholders--that offer opportunities for improving transition performance.

At each location we visited, both Labor and sponsor officials generally acknowledged an increased emphasis on transition. By the conclusion of our fieldwork in November 1978, some sponsors were planning significant improvements to their transition systems.

These actions are encouraging signs. However, we feel continued emphasis on transition by Labor, coupled with more effective Federal oversight, is necessary to balance the importance of transition with other program objectives. We question whether this balance will be achieved.

In March 1979 Labor updated its policy guidance for managing PSE programs during fiscal year 1979. This directive stated that PSE enrollment levels had decreased much more rapidly than expected. Labor concluded that actions were

needed to stop the reduction and to increase the enrollment levels by about 120,000 persons in order to employ 625,000 participants nationally. To accomplish this objective, several actions were specified to achieve full PSE employment levels by June 30, 1979. The actions are similar to those taken to achieve the rapid buildup for the economic stimulus program. (See p. 43.)

Labor headquarters officials said that they did not see any conflicts in balancing this effort to build up the combined PSE enrollment level to 625,000 participants while at the same time moving participants out of the program and into unsubsidized jobs. However, regional office officials at one location told us that this policy directive did not balance the emphasis on achieving higher enrollment levels with other program goals, such as transition. They said the emphasis on transition is being hurt again by this buildup. They also said Labor has not developed a balanced program emphasis--it emphasizes one issue, then another.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

Experience has shown that the transition of PSE participants into unsubsidized employment has not occurred to the extent practicable. Many participants did not obtain jobs upon leaving PSE. Many others remained in their PSE jobs for a long time. When transition did occur, the unsubsidized jobs they obtained were largely in the public sector even though the majority of jobs are in the private sector.

Prime sponsors had not effectively carried out Labor's transition requirements. Although sponsors were required to design programs that would enable all individuals to move into unsubsidized, full-time jobs, key elements of transition systems were missing at all locations we visited. Prime sponsors had neither assessed participants' employment needs and goals nor developed employability plans for them. Also, sponsors had not encouraged many participants to find unsubsidized jobs or given them placement assistance. Therefore, the necessary steps were not taken to logically link the PSE jobs and other services, such as formal training, to eventually place participants in unsubsidized employment.

The responsibility for these shortcomings rests largely with the Department of Labor. Simply stated, Labor did not assure prime sponsors had designed and implemented effective transition programs. It approved prime sponsors' grant applications that did not discuss important aspects of transition systems. It did not effectively monitor the implementation of prime sponsors' programs. Also, transition data are not reliable for program management and evaluation purposes.

The lack of emphasis placed on transition by both Labor and prime sponsors hampered performance. Other program concerns, particularly the rapid buildup of PSE jobs in 1977 and 1978, left transition as an acknowledged, but relatively unimportant, goal at many locations.

After completion of the buildup, both Labor and the Congress took actions that should put transition into better balance with other program objectives. In May 1978, Labor described transition as the "ultimate" objective of PSE and specified some actions to be taken by prime sponsors.

Although these actions were not fully implemented, they supplied some badly needed emphasis to transition. In October 1978 the Congress made several changes to CETA that will aid transition. These changes, such as a maximum time limit and increased training requirements, provide a better framework for carrying out transitional programs.

While recent actions are positive steps, they will not guarantee better transition performance. The Department of Labor must apply more effort to effectively implement transition programs. This must include not only issuing regulations and instructions, but also assuring that the regulations and instructions are carried out.

RECOMMENDATIONS

We recommend that the Secretary of Labor assure that all prime sponsors plan and carry out systematic approaches to move PSE participants into unsubsidized jobs. Specifically, the Secretary of Labor should:

- Revise the instructions for completing grant applications to require prime sponsors to address important aspects of transition not now covered, such as methods for
 1. encouraging and motivating participants to find unsubsidized jobs,
 2. informing participants of placement services and other means of assistance available to them,
 3. determining the job-ready status of participants and when efforts will be undertaken to place them in unsubsidized jobs,
 4. providing participants time off for interviews, and
 5. assuring participants accept suitable job offers or job referrals.
- Approve only those grant applications that adequately describe effective transition systems and conform with all other program requirements.

- Assure that employability plans are developed, as required by the 1978 CETA amendments, for all title II participants and require that employability plans be developed for title VI participants who can benefit from such plans.
- Assure that prime sponsors have developed placement methods and services that adequately consider private sector job opportunities as well as opportunities in the public sector.
- Issue guidance on methods for determining when participants should be moved into unsubsidized employment.
- Establish an effective monitoring effort aimed at assuring that prime sponsors fully implement both the transition provisions set forth in their grant applications and other transition requirements established by the Department of Labor.
- Assess the adequacy of prime sponsors' systems for collecting transition performance data and take corrective action necessary to assure that PSE programs can be managed and evaluated on the basis of reliable and consistent information.

LABOR AND SPONSOR COMMENTS
AND OUR EVALUATION

Labor, in an August 10, 1979, letter (see app. I), generally concurred with our recommendations to move more participants out of PSE programs and into unsubsidized jobs. Notwithstanding this general agreement, we have concerns as to whether or not our recommendations will be effectively implemented. In its response Labor either cited recent changes made to its regulations or grant instructions as evidence of corrective action or stated that the regulations or guidance in effect adequately addressed the recommendations. However, we believe that (1) in some instances the regulations or guidance are too general to adequately address our recommendations and (2) in other instances, where adequate regulations are in place, Labor needs to see that regulations are effectively implemented. Details on our evaluation of Labor's comments follow.

Labor concurred with our recommendation that grant instructions should be revised to require sponsors to address in their applications the five specific aspects of transition

we identified. However, Labor believes that its current guidance is adequate in that certain of our points were included in its May 1979 grant instructions and that others were addressed in the regulations.

We disagree for two reasons: (1) Labor's requirements--either in the grant instructions or in its regulations--are often very broad and do not adequately address the specific aspects of transition we identified and (2) certain requirements in the current regulations, cited by Labor, were in the regulations at the time of our review and the findings in this report show that they have not been effectively implemented. There is nothing wrong with keeping these requirements in the regulations. But, we believe the specific points we identified should be listed in the grant instructions so that the sponsors' applications state specifically what their transition plans are. Also, Labor would have more specific criteria on which to evaluate sponsors' performance.

Labor concurred that it should approve only those grant applications that adequately describe effective transition systems and conform with all other program requirements. Labor noted that regional offices must assure that all plans meet the requirements of the act, the regulations, and grant instructions before approval. This includes assuring that a prime sponsor's plan satisfies the requirements relating to an effective transition system.

While the regulations define what is to be reviewed to assure a satisfactory plan, they cannot assure that an effective review does in fact occur or that the resulting approved plan adequately describes the sponsor's transition system. We believe that Labor needs to take steps to see that its regional offices have adequately reviewed the sponsor's grant applications before approving them. However, Labor did not mention specific actions it would take in this regard.

Labor concurred that it should (1) assure that sponsors develop employability plans for all title II participants and (2) require the sponsors to develop employability plans for title VI participants who can benefit from such plans. Labor cited the current regulation that requires sponsors to develop employability plans for all title II participants. However, this regulation does not guarantee that sponsors will develop such plans. As we point out in chapter 3, Labor had previously required the sponsors to develop employability plans for PSE participants, but the plans generally had not been developed. Labor needs to assure that sponsors implement the requirement--that the regulation exists is clearly not enough.

Regarding title VI participants, Labor cited another section of the regulations which requires the sponsors to periodically assess each title VI participant to determine any additional needs (for example, training and counseling) to obtain unsubsidized employment. However, this assessment does not constitute an employability plan. Labor should identify the characteristics of title VI participants who can benefit from employability plans, issue the requirements necessary to develop such plans, and follow up to assure that sponsors implement the requirements.

Labor agreed that sponsors should develop placement methods and services that adequately consider private sector job opportunities as well as those in the public sector. Labor cited recent grant application instructions that require sponsors to describe their plan for soliciting or developing unsubsidized jobs in the public and private sector so that participants have opportunities to enter employment upon leaving the program. However, Labor did not comment on how it will assure that sponsors' placement methods adequately consider private sector opportunities. Again, the issue here is adequacy of implementation, not adequacy of the regulations.

Labor concurred with our recommendation to issue guidance for determining when participants should be moved into unsubsidized employment. Labor agreed that the development of general guidance for planning PSE training and for helping to determine a participant's job readiness should be encouraged. However, Labor did not state what steps the Department would take to develop this guidance.

Labor agreed that it needs an effective monitoring effort. According to Labor, it will carefully review its monitoring systems to determine whether the systems are appropriate and are designed to assure that all CETA programs are achieving the goals set forth in the act and the annual plans. Such a review is warranted.

Labor concurred that it should assess sponsors' systems for collecting transition performance data and take necessary corrective action to assure that PSE programs are managed on the basis of reliable and consistent information. Labor stated that it has in process a long-term plan for improving and increasing the types of data available. This plan will take 3 to 4 years to completely implement.

Notwithstanding this long-term effort, we believe that Labor should take immediate action to improve the accuracy and consistency of data now collected. As a possible approach Labor could perform an initial analysis of sponsors' systems through the independent monitoring unit established at each sponsor under the 1978 CETA amendments. The results of these analyses could improve data for the short term as well as benefit Labor's long-term plans.

The two sponsors who provided formal comments generally agreed with our findings and recommendations and stated that they had taken steps to improve their transition systems. (See apps. II and III.) However, one of these sponsors--King-Snohomish Manpower Consortium--took exception to our finding that sponsors were deficient in not placing more participants in unsubsidized jobs in the private sector. In commenting, the sponsor stated

"It is recognized that one of the goals of PSE has been the absorption of participants by the employing agency either in the public or private non-profit sector. However, neither the Act nor DOL regulations set private sector placement as a goal for PSE programs. We feel, therefore, that this is an unjustified criticism."

We disagree. Labor's regulations in effect at the time of our review stated that

"Public service employment programs under the Act shall, to the extent feasible, be designed to enable all individuals to move from such employment programs into unsubsidized full-time jobs in the private or public sector * * *."

Labor's regulations made the sponsors responsible for efforts to place PSE participants in unsubsidized jobs in both the private and public sector. We believe the goal of private sector placement was quite clear and given that the private sector accounts for the vast majority of jobs in the Nation, it should not be ignored as a source of placement for PSE participants. (The current CETA regulations put even more emphasis on the placement of participants in the private sector.)

The lack of understanding of where PSE participants could be placed in unsubsidized jobs, as shown by the King-Snohomish Manpower Consortium's comments, demonstrates once

again a primary finding of this report--transition has not been emphasized as a goal of PSE programs. Without a concerted effort by both Labor and the prime sponsors to move participants into unsubsidized jobs, the PSE programs may be providing only a short-term remedy to the needs of the participants.

U. S. Department of Labor

Inspector General
Washington, D.C. 20210



AUG 10 1979

Mr. Gregory J. Ahart
Director
Human Resources Division
U. S. General Accounting Office
Washington, D. C. 20548

Dear Mr. Ahart:

Enclosed are the Department of Labor's comments concerning the draft GAO report entitled "Public Service Employment Programs--Moving Participants Into Unsubsidized Employment Needs Much Greater Emphasis."

The Department appreciates the opportunity to comment on this report.

Sincerely,

A handwritten signature in cursive script that reads "Marjorie Fine Knowles".

MARJORIE FINE KNOWLES
Inspector General

Enclosure

DRAFT GAO REPORT -- PUBLIC SERVICE EMPLOYMENT PROGRAMS --
MOVING PARTICIPANTS INTO UNSUBSIDIZED EMPLOYMENT NEEDS MUCH
GREATER EMPHASIS

We recommend that the Secretary of Labor assure that all prime sponsors plan and carry out systematic approaches to move PSE participants into unsubsidized jobs. Specifically, the Secretary of Labor should:

- Revise the instructions for completing grant applications to require prime sponsors to address important aspects of transition not now covered, such as methods for
 - encouraging and motivating participants to find unsubsidized jobs,
 - informing participants of placement services and other means of assistance available to them,
 - determining the job-ready status of participants and when efforts will be undertaken to place them in unsubsidized jobs,
 - providing participants time off for interviews, and
 - assuring participants accept suitable job offers or job referrals.

RESPONSE. We concur. In fact, the grant funding instructions, as contained in the Forms Preparation Handbook (FPH) issued in May of 1979, require prime sponsors to include the following in their annual plans:

- Information on special activities or programs to orient participants toward and prepare them for the responsibilities of jobs not subsidized by CETA.
- Information on exposing participants to information about non-CETA jobs, to screen and refer them to appropriate job opportunities, and to provide pre-interview counseling, followup and other assistance necessary to effect placement.
- Information on soliciting or developing unsubsidized jobs in the public and private sectors so that participants have opportunities to enter employment upon leaving the program.

With respect to determining job-ready status, the regulations already require, Section 675.6, that prime sponsors assess every individual to determine whether CETA can offer the individual those services or activities which will enable the individual to obtain unsubsidized employment and increase earned income. Further, Section 675.6 requires all prime

sponsors to develop goals and provide maximum efforts for transitioning participants into unsubsidized employment. The prime sponsors must periodically assess the participant's progress toward these goals in accordance with specific procedures depending upon the program in which the individual is participating.

The assessment of the individual will result in the development of an Employability Development Plan for all individuals enrolled in programs under Title II which will be developed, taking into consideration the participant's skills, interest, career objectives and barriers to employment or occupational advancement faced by the participant.

With respect to providing individuals time off for interviews, Section 676.25-5 of the regulations includes job search assistance as an allowable activity.

Finally, the regulations also provide (Section 676.30) that when a job offer or offer of referral to a suitable job is made to and rejected by a participant, the prime sponsor may terminate the participant regardless of how long the individual has been in the program.

-- Approve only those grant applications that adequately describe effective transition systems and conform with all other program requirements.

RESPONSE. We concur. Our Regional Offices must assure that all plans meet the requirements of the Act, the regulations and the grant planning instructions as contained in the FPH before approving a prime sponsor's annual plan. This would include assuring that the prime sponsor's present plans will satisfy all of the requirements related to an effective transition system.

-- Assure that employability plans are developed, as required by the 1978 CETA amendments, for all Title II participants and require that employability plans be developed for Title VI participants who can benefit from such plans.

RESPONSE. We concur. Section 677.2 of the regulations requires the development of an employability plan for all individuals enrolled in programs funded under Title II. Section 678.3 of the regulations requires prime sponsors to periodically assess each public service employment participant under Title VI to determine whether the participant needs additional training, employability counseling or other services in order to obtain unsubsidized employment.

- Assure that prime sponsors have developed placement methods and services that adequately consider private sector job opportunities as well as opportunities in the public sector.

RESPONSE. We concur. As previously indicated, the annual plan must include the prime sponsor's plan for soliciting or developing unsubsidized jobs in the public and private sectors so that participants have opportunities to enter employment upon leaving the program.

- Issue guidance on methods for determining when participants should be moved into unsubsidized employment.

RESPONSE. If the intent of this recommendation is to encourage the development of general guidance and generic methodologies for planning PSE training and for helping to determine job-readiness, we concur. The Employability Development Plan, mentioned above, represents an important means of achieving these goals. The services needed to make an individual job ready and the time schedule for providing these services will be detailed in this plan.

It should be emphasized that the speed which an individual develops the skills necessary to qualify for unsubsidized employment will vary. Therefore, the determination of the individual's readiness for employment should be a matter to be negotiated between the individual and the local program through the Employability Development Plan. We would not concur with a recommendation which advocated the development of predetermined, absolute job readiness criteria which would apply in each individual's case.

-- Establish an effective monitoring effort aimed at assuring that prime sponsors fully implement both the transition provisions set forth in their grant applications and other transition requirements established by the Department of Labor.

RESPONSE. We concur. The Employment and Training Administration intends to carefully review its already extensive monitoring systems to assure that these systems are appropriate and are designed to assure that all CETA programs are achieving the goals called for by the Act and the annual plans.

-- Assess the adequacy of prime sponsors' systems for collecting transition performance data and the corrective action necessary to assure that PSE programs can be managed and evaluated on the basis of reliable and consistent information.

RESPONSE. The Employment and Training Administration already has in process a long-term plan for improving and increasing the types of data available. The goal of this plan is the development by every prime sponsor of an effective management information system (MIS) which can truly be used for management purposes. At the same time, the new system, which we estimate will take 3 to 4 years to completely implement, will provide ETA with the information it needs to both effectively administer CETA programs and to respond to congressional information requests.



City of Cincinnati

OFFICE OF THE CITY MANAGER

CINCINNATI, OHIO 45202

August 6, 1979

Mr. Gregory J. Ahart, Director
United States General Accounting Office
Human Resources Division
Washington, D.C. 20548

Dear Mr. Ahart:

We have received your draft of a proposed report to the Senate Budget Committee regarding the transitioning of Public Service Employees into non-PSE jobs. You have asked for comments on your proposed report. We are pleased to do so.

First, we wish to comment on some of the factors that led to the problem of a poor record of transitioning PSE participants into unsubsidized jobs.

Historically, whenever job market conditions have been unfavorable (e.g., 1974-75), there has been a great deal of difficulty in trying to place large numbers of PSE workers into unsubsidized employment. At such a point in time (1974-75), the greater pressure is to place large numbers of unemployed workers into Public Service Employment and to maintain them in the program simply because unsubsidized employment opportunities are not available. However, as the economy improves and employment opportunities become more readily available (as in the 1978-early 1979), larger numbers of PSE workers transition from PSE to unsubsidized employment as a matter of course.

Since your audit of our PSE program, there have been significant changes in the Cincinnati PSE program: On January 1, 1979, we had approximately 1906 PSE participants on board. As of June, 1979, 1187 participants have been terminated from the program. The remaining will be terminated September 28, 1979.

Of the 1187 who have been terminated so far, 362 have obtained unsubsidized employment by being absorbed by the agencies where they were working or by self-placements or by otherwise being placed in unsubsidized jobs; 27 have been enrolled in other CETA

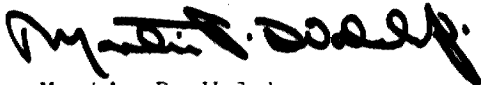
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titles for on-the-job training or other training such as STIP; 23 returned to school; 1 entered military service. Thus, a total of 413 or approximately 35% have been positively terminated. There have been 161 non-positive terminations. The remaining 613 are eligible for unemployment compensation and have been enrolled in job search status so as to receive employment assistance by the Ohio Bureau of Employment Services, if they so desire. Additionally, Employability Development Plans have been developed on nearly all PSE workers--this has been a real aid in helping these employees find suitable jobs. Thus, many of the suggestions in your report have been implemented and employment efforts are continuing in full stride.

Unfortunately, however, economic and job market data indicate that the U. S. is now moving into a recession; therefore, some of the problems that most prime sponsors faced in the 1974-75 recession may inhibit the placement of large numbers of PSE workers into unsubsidized jobs. Nevertheless, our efforts will continue unabated, even though the employment market will probably shrink.

I must say that both of the GAO representatives who interviewed us regarding transitioning efforts were quite intelligent, perceptive and thorough in their audit. We hope that with the more concerted transitioning efforts that we now are making, we will attain a greater degree of success in placing our PSE participants into unsubsidized jobs.

Respectfully,



Martin P. Walsh
Acting City Manager



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August 7, 1979

Mr. Gregory J. Short
Director
Human Resources Division
United States General
Accounting Office
Washington, D.C. 20548

Dear Mr. Short:

Thank you for your letter of July 2 and the copy of the draft report, Public Service Employment Programs - Moving Participants Into Unsubsidized Employment Needs Much Greater Emphasis. Consortium staff have reviewed the report and we generally agree with the General Accounting Office recommendations.

However, there is one area of concern with the findings. Chapter 2 of the report implies that prime sponsors and program agents were deficient in not transitioning more participants into unsubsidized employment in the private sector. It is recognized that one of the goals of PSE has been the absorption of participants by the employing agency either in the public or private non-profit sector. However, neither the Act nor DOL regulations set private sector placement as a goal for PSE programs. We feel, therefore, that this is an unjustified criticism.


Nevertheless, KSMC and its program agents have taken the following steps to develop a system to improve transition services and rates for participants:

1. KSMC's management and information system has been redesigned to insure that program agents and employers track participants' length of time in CETA.
2. Program agents have negotiated contracts with subcontractors to provide job search and skills training. In addition, the Consortium is presently involved with its program agents in a comprehensive analysis of training needs and available services.
3. The Consortium has begun a Private Sector Initiative Program to assure increased placement in the private sector.

4. KSMC has set system-wide placement goals of 64% for Title II-D and 60% for Title VI and private sector placement goals of 30%.
5. Employability Development Plans have been written for all participants.

We hope this information will be useful in finalizing your report. If you need any further information, please contact me.

Sincerely,


Lee T. Pasquarella
Director

RM:LTP:bl

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