

## DOCUMENT RESUME

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Report to Sen. Edmund S. Muskie, Chairman, Senate Committee on Budget; Sen. Henry Bellmon, Ranking Minority Member; by Elmer B. Staats, Comptroller General.

Contact: Human Resources Div.

Organization Concerned: Department of Labor.

Congressional Relevance: House Committee on Education and Labor; Senate Committee on Budget; Senate Committee on Human Resources. Sen. Edmund S. Muskie; Sen. Henry Bellmon.

Authority: Comprehensive Employment and Training Act of 1973, title VI, as amended (29 U.S.C. 961). P.L. 95-29.

Under title VI of the Comprehensive Employment and Training Act of 1973, as amended, programs were designed to provide temporary employment assistance to the rapidly increasing number of unemployed persons in the Nation. October 1976 amendments provided for the reservation of funds to employ long-term unemployed and low-income persons in title VI project jobs. The impact of these 1976 amendments on long-term unemployed and low-income individuals was reviewed.

Findings/Conclusions: The amendments may be having a positive influence on absorbing more income transfer recipients, particularly those receiving welfare payments. However, the ability to absorb welfare recipients and unemployment beneficiaries into title VI has been limited -- approximately 2.6% of this universe was employed in title VI jobs as of September 30, 1977. Skimming of the best qualified has occurred in the program, with lower-skilled and lower-educated participants obtaining proportionately fewer jobs than those with higher education and skill levels. The eligibility determination system relies largely upon certification of statements made by the applicants; very little of the data is verified by prime sponsors. The net financial incentives for accepting a title VI job varied by location and by type of income transfer beneficiary. Most of the participants were employed in projects categorized as public works, environmental quality, social services, education, or parks and recreation.

(RRS)

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REPORT BY THE

# Comptroller General

OF THE UNITED STATES

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## Information On The Buildup In Public Service Jobs

The Senate Committee on the Budget requested a review on the impact of the 1976 amendments to title VI of the Comprehensive Employment and Training Act on long-term unemployed and low-income persons. This report contains data on the

- extent of participation by welfare and unemployment insurance beneficiaries,
- hiring of the best qualified rather than the most needy,
- effectiveness of the eligibility verification system,
- financial incentives or disincentives for participation by welfare and unemployment insurance beneficiaries,
- types of projects and jobs established,
- extent of recent movement from subsidized to unsubsidized employment, and
- how affected programs and agencies interrelate.





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

B-163922

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

In your July 29, 1977, letter, you asked us to review certain aspects of the public service employment program authorized by title VI of the Comprehensive Employment and Training Act of 1973, as amended (29 U.S.C. 961). We had previously issued a report on this program entitled "More Benefits to Jobless Can Be Attained In Public Service Employment" (HRD-77-53, Apr. 7, 1977). In your request, interest was centered on the impact of the 1976 amendments to the act concerning the targeting of title VI jobs to long-term unemployed and low-income persons. These amendments were enacted subsequent to our previous report.

Specifically, you requested that we consider eight issues in our current review: (1) the ability of the title VI program to absorb recipients of publicly funded income transfer programs, (2) the extent to which "skimming" of the best qualified, rather than the most needy, takes place, (3) how well the eligibility verification system is working, (4) the impact of financial incentives or disincentives on the decision of income transfer beneficiaries to enter the title VI program, (5) the types of projects and jobs being created and the capacity to create them, (6) the experience in transitioning title VI participants into unsubsidized employment, (7) the relationship of various activities involved in the title VI program, and (8) the extent to which fiscal substitution is taking place. (See app. II.) It was agreed with your office that work on the fiscal substitution issue would be deferred pending the results of a study of this area being made by the National Commission for Manpower Policy.

Our review consisted of interviews with prime sponsor, Employment Service, Work Incentive Program and local welfare agency representatives, examination of a statistical sample of title VI participant records at eight prime sponsors, gathering and analyzing national level data, and coordination with the Department of Labor audit agency in its review of eligibility determinations. The prime sponsors were selected on the basis of (1) geographic distribution, (2) a mix of the different types and sizes of prime

sponsors, and (3) consideration of the unemployment rates. Data was collected at the prime sponsors during the period September to November 1977. Our findings are summarized below.

### BACKGROUND

The Comprehensive Employment and Training Act of 1973, as amended, establishes a flexible and decentralized system of Federal, State, and local programs to assure that training and other services lead to maximum employment opportunities and enhance self-sufficiency. Title I of the act provides financial assistance grants by formula to over 440 State and local governments (prime sponsors) to design and operate comprehensive employment and training assistance programs to help meet area needs. Services authorized include institutional and on-the-job training, work experience, vocational education and counseling, remedial education, job placement services, and transitional public service employment. Titles II and VI of the act provide added financial assistance grants to prime sponsors for programs of transitional public service employment.

Other titles of the act provide national program employment and training assistance to special segments of the population such as Indians, migrant and seasonal farmworkers, and economically disadvantaged youths.

Title VI public service employment programs were added by amendments to the act in December 1974. The programs were designed to provide temporary employment assistance to the rapidly increasing number of unemployed persons in the Nation. In October 1976 the authorization for the temporary employment assistance was extended and the act was amended to provide for the reservation of funds to employ long-term unemployed and low-income persons in title VI project jobs.

### ABSORPTION

Our analysis of the fiscal year 1977 changes in the composition of title VI jobholders indicated that the 1976 amendments may be having a positive influence on absorbing more income transfer recipients, particularly those receiving welfare payments. Whereas about 20 percent of the jobholders at September 30, 1976, were recipients of the Aid to Families with Dependent Children program and the Unemployment Insurance program, about 35 percent of those hired since the 1976 amendments were from this group.

Furthermore, the relative proportion of new hires from the welfare recipients, generally considered more needy than unemployment insurance beneficiaries, more than doubled.

However, the ability to absorb from the total universe of welfare recipients and unemployment beneficiaries into title VI has continued to be very limited--approximately 2.6 percent of this universe was employed in title VI jobs at September 30, 1977. This has occurred principally because (1) the title VI program is not large enough in terms of jobs to significantly affect the total universe of welfare recipients and unemployment insurance beneficiaries and (2) most of the jobs created under title VI since the 1976 amendments continue to be filled by other eligible applicants who receive neither welfare nor unemployment insurance benefits.

### SKIMMING

Within the universe of eligible applicants, skimming of the best qualified has occurred in the title VI program in the sense that the lower-skilled and lower-educated title VI participants obtained proportionately fewer jobs than those with higher education and skill levels. This was particularly apparent for welfare recipients who were identified by the eight prime sponsors we visited as among the most needy of groups eligible for title VI. Nationally, through September 1977, about twice as many unemployment insurance beneficiaries as welfare recipients had obtained jobs under the new eligibility criteria.

Labor's data on fiscal year 1977 changes in the composition of title VI jobholders shows that the 1976 amendments have resulted in an increased targeting of jobs to economically disadvantaged persons. Whereas 44 percent of the jobholders at September 30, 1976, were economically disadvantaged, about 85 percent of the hires under the new eligibility criteria were economically disadvantaged.

### ELIGIBILITY

The eligibility determination system relies largely upon certification of statements made by the applicants. Very little of the data is verified by prime sponsors. This tends to minimize hiring delays, but it also presents a degree of risk in assurance of eligibility. Preliminary findings of a nationwide review of prime sponsor eligibility determination systems, conducted by the Department of

Labor's audit agency, indicates that the rate of ineligibles for the title VI program may be as high as 10.8 percent for those hired under the new title VI eligibility criteria.

### FINANCIAL INCENTIVES

The net financial incentives for accepting a title VI job varied by location and by type of income transfer beneficiary. After considering average wages and loss or retention of benefits, we found that for jobs we sampled at the eight prime sponsors, net quantifiable incentives ranged (1) from \$1.46 to \$1.00 an hour for welfare recipients and (2) from \$1.36 to a loss of \$0.48 an hour for former unemployment insurance beneficiaries (but see limitations on the preciseness of these figures discussed on p. 27 of app. I). Although there were some variations by location, we found that generally (1) former unemployment insurance beneficiaries received higher wages in their title VI jobs than former welfare recipients and (2) former unemployment insurance beneficiaries lost their benefits when they went to work, whereas former welfare recipients retained some benefits.

### PROJECTS AND JOBS

A wide variety of public service projects and jobs have been created under title VI. Nationwide, most of the participants were employed in projects categorized as public works, environmental quality, social services, education, or parks and recreation. The size of projects at the eight prime sponsors we visited varied considerably, ranging from many that had 3 or fewer participants to some with more than 200. Most of the project jobs created nationally were in maintenance or community service functions. With one exception, the eight prime sponsors we reviewed generally were able to create and fill a sufficient number of jobs to meet their fiscal year 1977 planned hiring levels.

### TRANSITION

About 22 percent of the individuals served nationwide by the title VI program during fiscal year 1977 had terminated the program at September 30, 1977. Forty-three percent of those terminating were reported by the prime sponsors as having unsubsidized jobs upon leaving the program. At the eight prime sponsors we reviewed, we found similar circumstances and also found that most of the unsubsidized jobs were in the public, rather than the private, sector. Sufficient time has not elapsed since the implementation of the new title VI effort to accurately compare

the relative success rates of "new" versus "old" criteria participants in getting unsubsidized jobs.

RELATIONSHIPS

The relationship between the various groups involved in implementing the title VI program at the eight prime sponsors we visited seemed to be good.

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Further details on each of the seven issues are contained in appendix I. At the request of your office, we did not obtain written comments from the Department of Labor. The matters covered in the report, however, were discussed with Labor officials and their comments were considered in the preparation of the final report.

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

  
Comptroller General  
of the United States

C o n t e n t s

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ABBREVIATIONS

AFDC	Aid to Families with Dependent Children program
CETA	Comprehensive Employment and Training Act of 1973
GAO	General Accounting Office
PSE	public service employment
UI	Unemployment Insurance
WIN	Work Incentive Program



INFORMATION ON IMPLEMENTATION OF THE  
PUBLIC SERVICE EMPLOYMENT PROGRAM  
UNDER TITLE VI OF THE  
COMPREHENSIVE EMPLOYMENT AND TRAINING ACT  
INTRODUCTION

The purpose of the Comprehensive Employment and Training Act of 1973 (CETA) 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 by establishing a flexible and decentralized system of Federal, State and local programs."

Titles II and VI of the act, as amended December 31, 1974, authorized public service employment programs intended to provide transitional, federally subsidized employment for unemployed and underemployed persons by means of public service jobs, and to enable these persons to move into unsubsidized employment. Although both programs have the same basic purpose, they differ in one important characteristic. Title II was enacted in 1973, during a period of relatively low national unemployment and was designed to deal with the chronic unemployment that persisted in some areas at that time. Title VI, on the other hand, was enacted in 1974 during a period of dramatic increases in national unemployment. It was designed as a countercyclical measure to combat severe unemployment resulting from the recession.

Over \$13 billion have been made available to fund CETA titles II and VI public service programs. More than half of these funds were provided by the Economic Stimulus Appropriation, 1977, Public Law 95-29, approved May 13, 1977. This act more than doubled the size of the programs by providing funds to build up the existing title II public service employment enrollment level from 50,000 to 100,000 by the end of fiscal year 1977, to further expand to 125,000 by the end of the first quarter of 1978, and to maintain that level throughout the fiscal year. The existing title VI public service employment enrollment level was provided funds to build up from 260,000 to 500,000 by the end of fiscal year 1977, to further expand to 600,000 by the end of the first

quarter of 1978, and to maintain that level through the fiscal year.

Both title II and title VI are decentralized programs, administered at the local level by prime sponsors. A prime sponsor may be either (1) a State; (2) a unit of local government with a population of at least 100,000; (3) a combination (consortium) of units of local government, one of which has a population of at least 100,000; (4) any local government or combination thereof which the Secretary of Labor determines to have "special circumstances;" or (5) concentrated employment program grantees serving rural areas of high unemployment. During fiscal year 1977 there were 445 such prime sponsors, as follows:

Table A

Prime Sponsors FY 1977

	<u>Number</u>	<u>Percent</u>
Counties	179	40
City/County consortia	141	32
Cities	66	15
Balance of State	51	11
Concentrated employment program grantees	4	1
Statewide consortia	<u>4</u>	<u>1</u>
Total	<u>445</u>	<u>100</u>

THE 1976 AMENDMENTS

Title VI was amended in 1976 in three important respects. First, the eligibility criteria for individual participation was changed. Existing eligibility criteria was based on residency and length of unemployment with preferred consideration to be given to those who had exhausted their Unemployment Insurance (UI) benefits, those who were ineligible for UI, and those who had been unemployed 15 or more weeks.

The 1976 amendments, however, required that the participants' family income not exceed 70 percent of the lower living standard 1/ and meet one of the following criteria:

1. Have exhausted UI benefits.
2. Be ineligible for UI benefits and be unemployed 15 or more weeks.
3. Be eligible for UI benefits for 15 or more weeks.
4. Be a member of a family receiving assistance under the Aid to Families with Dependent Children (AFDC) program.

Second, the 1976 amendments provided that the number of job-holders on June 30, 1976, would constitute a sustainment level and that 50 percent of the future title VI job vacancies created within this sustainment level need not meet the new eligibility criteria. Third, applicants for all new title VI jobs that were created to expand beyond the number of sustainment-level jobs must meet the new eligibility criteria and must be part of a project. A project must (1) be completed within a definite time period, not to exceed 1 year; (2) have a public service objective; (3) result in a specific product or accomplishment; and (4) not otherwise be done with existing funds. Therefore, the 1976 amendments created three types of job positions: sustainment--old eligibility criteria, sustainment--new eligibility criteria, and project--new eligibility criteria. We will use these three terms in describing our findings throughout this appendix.

#### SCOPE OF REVIEW

In a July 29, 1977, letter (see app. II), the Chairman and the Ranking Minority Member, Senate Committee on the Budget, asked us to review implementation of the new targeting requirements for the title VI program as provided by the

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1/The term "lower living standard income level" means that income level (adjusted for regional, metropolitan, and urban differences, and family size) determined annually by the Secretary based upon the most recent "lower living standard budget" issued by Labor's Bureau of Labor Statistics.

1976 amendments. The letter specified eight issues to be addressed by the review

- absorption by the program of recipients of income transfer programs;
- so-called "skimming" of the best qualified, rather than the most needy in filling job slots;
- the eligibility verification system;
- financial incentives or disincentives for participation by income transfer beneficiaries;
- types of projects and jobs;
- transition from the title VI program to unsubsidized employment;
- relationships of programs and agencies involved; and
- fiscal substitution, that is, the substitution of Federal funds for local tax effort which reduces the number of additional jobs created by public service employment funds.

In subsequent meetings with the Chairman's office, it was agreed that our review of income transfer beneficiaries would be limited to AFDC and UI recipients. It was also agreed that work on the fiscal substitution issue would be deferred pending the results of a review of this area being made by the National Committee for Manpower Policy.

Our review consisted of interviews with prime sponsor, Employment Service, Work Incentive Program and local welfare agency representatives, examination of records for statistically selected samples of title VI participants at eight prime sponsors, gathering and analyzing national level data, and coordination with the Department of Labor audit agency in its review of eligibility determinations. The prime sponsors were selected on the basis of (1) geographic distribution, (2) a mix of the different types and sizes of prime sponsors, and (3) consideration of the unemployment rates. Data was collected at the prime sponsors during the period September to November 1977. Following is relevant data on the eight prime sponsors included in our review.

<u>Prime sponsor</u>	<u>Type</u>	<u>Planned title VI expenditures FY 77 (note a) FY 78</u>	<u>Title VI participants on board 9/30/77</u>	<u>Unemployment rate (note b)</u>
		(millions)		(percent)
Charlotte, N.C.	City	\$ 2.8	620	4.5
Columbus, Ohio	City/county consortium	4.6	1,044	5.8
Connecticut	Balance of State	17.7	3,207	7.3
Dallas, Tex.	City	4.4	496	4.2
Idaho	Statewide consortium	6.6	1,336	6.6
King-Snohomish County, Wash.	Two-county consortium	16.2	3,161	6.5
Newark, N.J.	City	10.1	1,664	14.5
Omaha, Nebr.	Two-county consortium	2.8	728	4.9

a/Period covered is 1/1/77 to 9/30/77.

b/Most current monthly rate (July/August 1977) available at the time of our fieldwork.

ABSORPTION

1. "What has been the experience to date regarding CETA's ability to absorb recipients of publicly funded income transfer programs?"

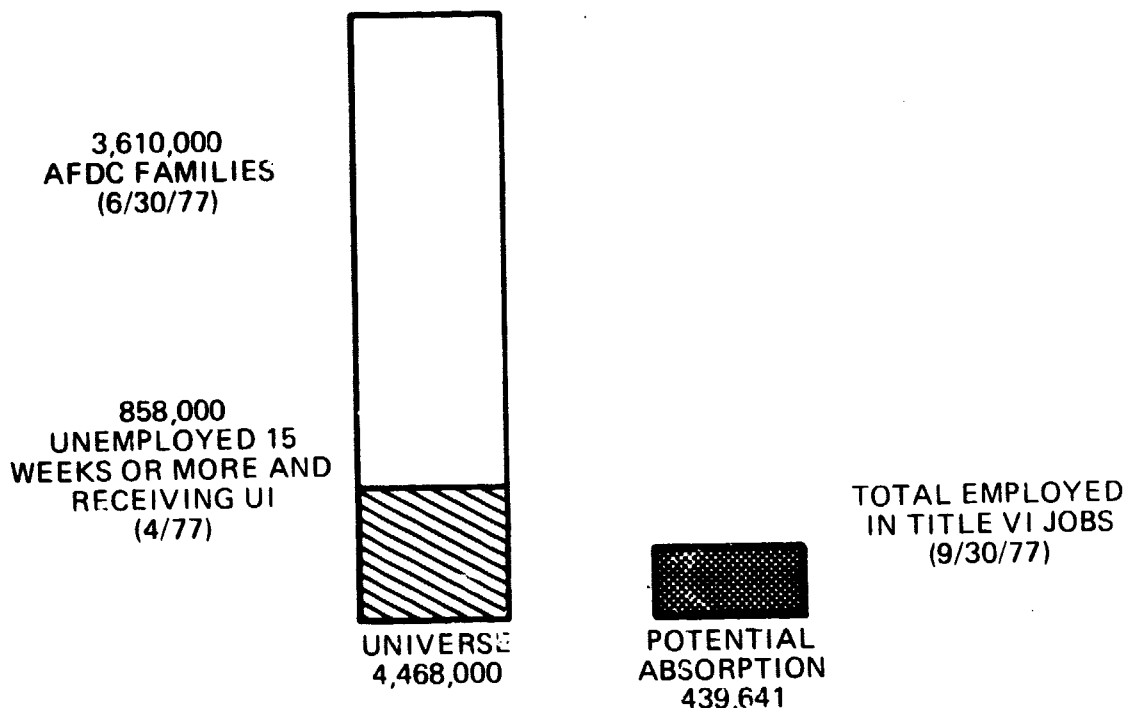
Our analysis of the fiscal year 1977 changes in the composition of title VI jobholders indicates that the 1976 amendments may be having a positive influence on absorbing more income transfer recipients, particularly those receiving welfare payments. Whereas about 20 percent of the jobholders at September 30, 1976, were recipients of the Aid to Families with Dependent Children program and the Unemployment Insurance program, about 35 percent of those hired since the 1976 amendments were from this group. Furthermore, the relative proportion of new hires from the welfare recipients, generally considered more needy than unemployment insurance beneficiaries, more than doubled.

However, the ability to absorb from the total universe of welfare recipients and unemployment beneficiaries into title VI has continued to be very limited--approximately 2.6 percent of this universe was employed in title VI jobs at September 30, 1977. This has occurred principally because (1) the title VI program is not large enough in terms of jobs to significantly affect the total universe of welfare recipients and unemployment insurance beneficiaries and (2) most of the jobs created under title VI since the 1976 amendments continue to be filled by other eligible applicants who received neither welfare nor unemployment insurance benefits.

LIMITED SIZE OF THE TITLE VI PROGRAM

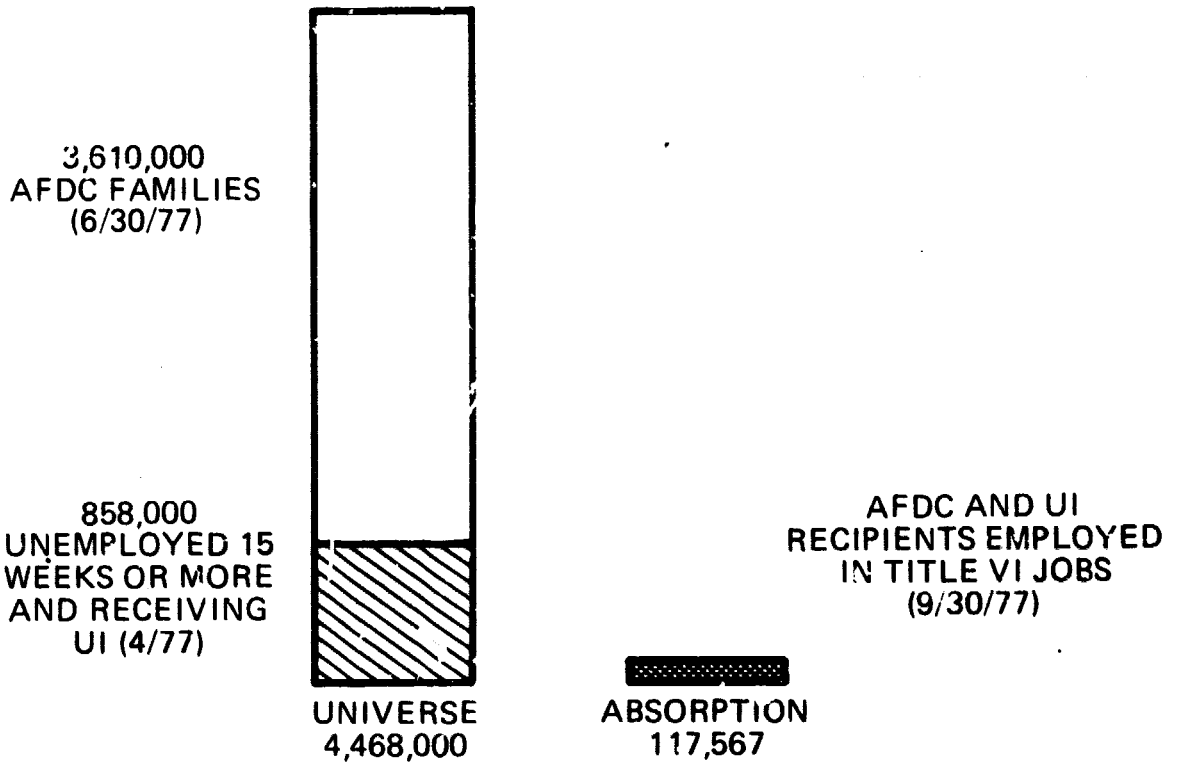
The size of the title VI program itself limits the ability to provide a significant number of AFDC recipients and UI beneficiaries with subsidized jobs. This limitation is demonstrated in figure 1.1, which compares national data on the universe of AFDC and UI recipients with the total number of persons employed in title VI jobs.

Figure 1.1  
National Level Comparison of  
AFDC and UI Recipients to  
Total Employed in Title VI Jobs



In considering this potential absorption rate of about 10 percent, it is important to recognize that not all AFDC recipients would normally be expected to work (e.g., mothers with children under age 6). In addition some UI beneficiaries might not be eligible for the title VI program because of the family income criteria. On the other hand, AFDC and UI recipients do not represent all eligible participants. In fact 73.2 percent of all title VI jobs were filled at September 30, 1977, by other eligibles, such as UI exhaustees, unemployed persons not drawing UI for one reason or another, or recently separated veterans (see fig. 1.3). Recognizing this factor the absorption rate of income transfer beneficiaries was 2.6 percent (as shown in fig. 1.2) at September 30, 1977.

**Figure 1.2**  
**National Level Comparison of**  
**AFDC and UI Recipients to AFDC and UI**  
**Recipients Employed in Title VI Jobs**





IMPROVEMENTS IN THE ABSORPTION RATE

Our analysis of the composition of title VI jobholders at September 30, 1976, and September 30, 1977, and those hired under the new eligibility criteria (June-Sept. 1977) indicates that the 1976 amendments may be having some influence on improving the absorption rate. Figure 1.3 shows that, whereas about 20 percent of the jobholders at September 30, 1976, were AFDC and UI recipients, about 35 percent of those hired under the new eligibility criteria were from this group. Furthermore, figure 1.3 shows that the relative proportion of new hires from the AFDC recipients, generally considered more needy than UI beneficiaries, more than doubled. Even with this emphasis, however, the number of AFDC and UI participants at September 30, 1977, was less than 27 percent of the total title VI participants.

If the Department of Labor's March 1978 goal of 600,000 title VI jobs is realized, an additional 160,000 jobs will be created from October 1977 to March 1978. However, even if the improved 35-percent rate of absorption continues, this would have little impact on AFDC and UI recipients because of their large universe.

OBSERVATIONS AT THE EIGHT PRIME SPONSORS

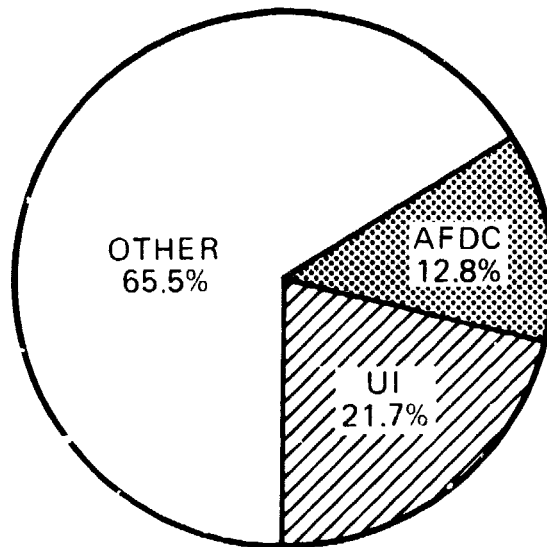
Similarly statistics for the eight prime sponsors we reviewed showed the relatively small extent of AFDC and UI recipients participating in title VI compared to "other" participants. At the eight prime sponsors, we also compared the extent to which UI and AFDC recipients got project versus sustainment positions. Our analysis of sample participant files at the eight prime sponsors showed that

--AFDC recipients' participation in project positions is about the same as their participation in sustainment positions (about 9 percent) and

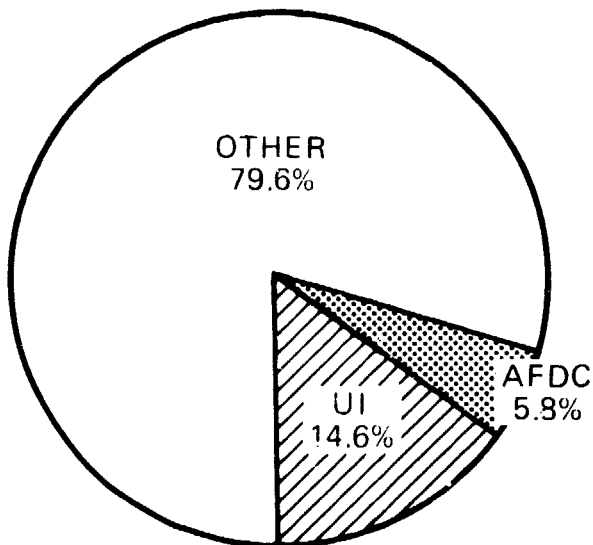
--UI recipients' participation in sustainment positions (about 31 percent) is higher than their participation in project positions (about 23 percent).

In addition to the size of the title VI program and the serving of "other" participants, additional barriers exist that limit income transfer recipients' participation in title VI. Such barriers, identified by prime sponsor and other local officials involved with title VI, include the following.

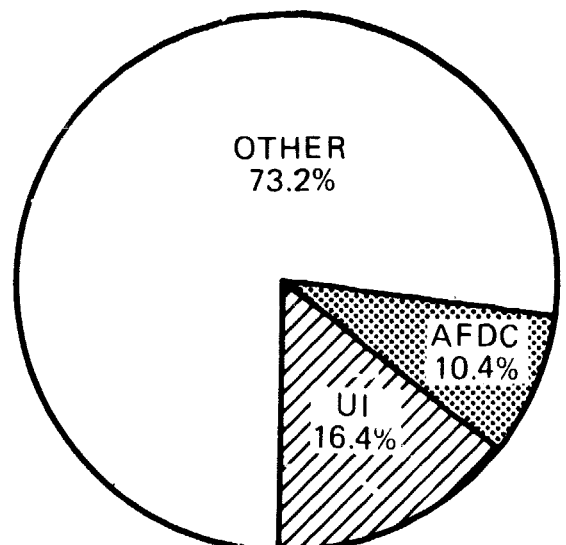
**Figure 1.3**  
**National Level Analysis of**  
**Title VI Jobs by Type of Participant**



NEW HIRES<sup>a/</sup>  
JUNE 1, 1977 TO SEPTEMBER 30, 1977



TOTAL ENROLLMENT  
AS OF SEPTEMBER 30, 1976



TOTAL ENROLLMENT  
AS OF SEPTEMBER 30, 1977

<sup>a/</sup> SEVENTY PERCENT OF PRIME SPONSORS REPORTING.

AFDC recipients

- Relatively low skill levels of AFDC recipients coupled with the relatively high skill level requirements for many title VI jobs.
- Lack of or potential loss of support services such as childcare, medical coverage, or transportation.
- Questionable financial incentives in leaving welfare for a CETA job (see also question no. 4).
- Male orientation of most CETA jobs, whereas most AFDC recipients are females.
- Lack of motivation of some AFDC recipients to change lifestyles.
- Desire to wait for a better job rather than to take a short-term subsidized title VI job.

UI beneficiaries

- Relatively low title VI wages compared to what UI beneficiaries were previously accustomed.
- Questionable financial incentives in leaving UI benefits to take a title VI job (see also question no. 4).
- Stigma of CETA in some locations as a government-make-work program.
- Desire to wait for a better job rather than to take a short-term subsidized CETA job.

SKIMMING

2. "Has there been skimming of the best qualified rather than the most needy by prime sponsors? What has been the mix of unemployment compensation beneficiaries and welfare recipients?"

Within the universe of eligible applicants, skimming of the best qualified has occurred in the title VI program in the sense that the lower skilled and lower educated participants obtained proportionately fewer title VI jobs than those with higher education and skill levels. This was particularly apparent for AFDC recipients who were identified by the eight prime sponsors we visited as being among the most needy of groups eligible for title VI.

Nationally, through September 1977, almost twice as many UI beneficiaries as AFDC recipients obtained jobs under the new eligibility criteria. This subject is covered in more detail in question 1 concerning absorption.

Labor's data on the fiscal year 1977 changes in the composition of title VI jobholders shows that the 1976 amendments have resulted in an increased targeting of jobs to economically disadvantaged persons. Whereas 44 percent of the jobholders at September 30, 1976, were economically disadvantaged, about 85 percent of the hires under the new eligibility criteria were economically disadvantaged.

CHARACTERISTICS OF AFDC RECIPIENTS

We discussed the general characteristics of AFDC recipients with prime sponsors and gathered statistics on various groups eligible for title VI employment. The results indicated that AFDC recipients, relative to other groups, are

- among the most needy,
- predominantly female,
- lower skilled,
- lower educated, and
- unemployed longer.

Figure 2.1 shows that AFDC recipients were unemployed for longer periods before getting a title VI job than either UI recipients or other eligibles. For example 74 percent of AFDC recipients had been unemployed for more than 1 year compared to 18 percent and 27 percent, respectively, for UI beneficiaries and other eligibles. Other eligibles are unemployed individuals not drawing AFDC or UI benefits but who are still eligible for CETA under the new title VI eligibility criteria.

#### PARTICIPATION BY AFDC AND UI RECIPIENTS

To assist prime sponsors in the title VI buildup, State employment security agencies were responsible for establishing pools of potentially eligible applicants consisting of (1) AFDC recipients, (2) UI claimants of 15 weeks or more, (3) UI ineligibles who have been unemployed for 15 weeks, and (4) UI exhaustees.

For the eight prime sponsors, we compared the extent to which AFDC and UI recipients, and other eligibles obtained title VI jobs, with their respective representation in the public service employment (PSE) pool. We found that AFDC recipients and, to a lesser extent, UI recipients obtained a smaller proportion of jobs compared to their representation in the PSE pools. For the eight prime sponsors, AFDC recipients received 9 percent of the jobs, whereas their representation in the PSE pool was 21 percent (see fig. 2.2).

Department of Labor officials told us, however, that PSE pools tend to understate the number of other eligibles, that is, UI ineligibles and UI exhaustees and, therefore, they believe it is quite possible that AFDC and UI recipients obtain an equitable share of title VI jobs. The fact remains, however, that pool data was the only source from which information on potential eligibles by target group could be readily obtained to indicate the characteristics of those who (1) were potentially eligible, (2) were referred to jobs, and (3) actually obtained title VI jobs.

**Figure 2.1**  
**Chart Comparing Periods of Unemployment**  
**Prior to Getting a Title VI Job – Eight Prime Sponsors**

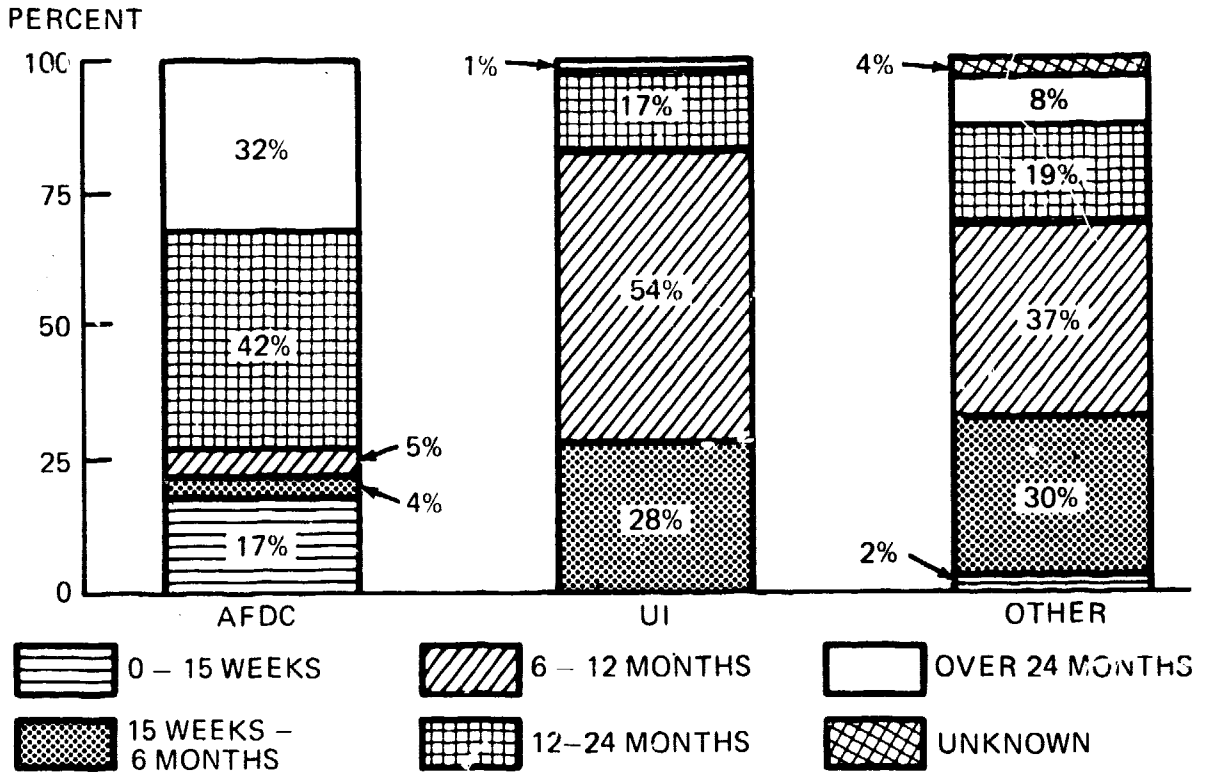
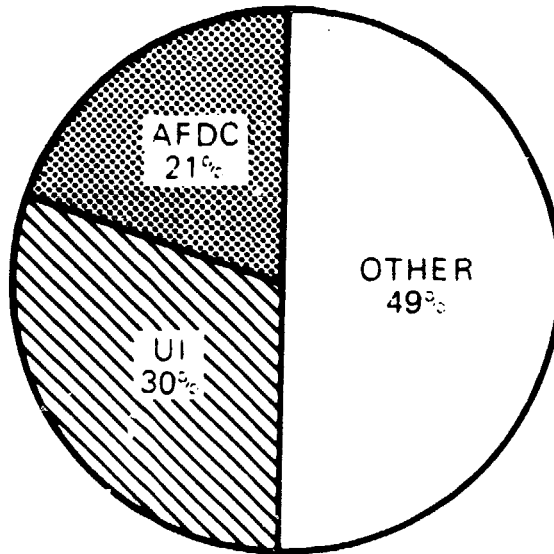
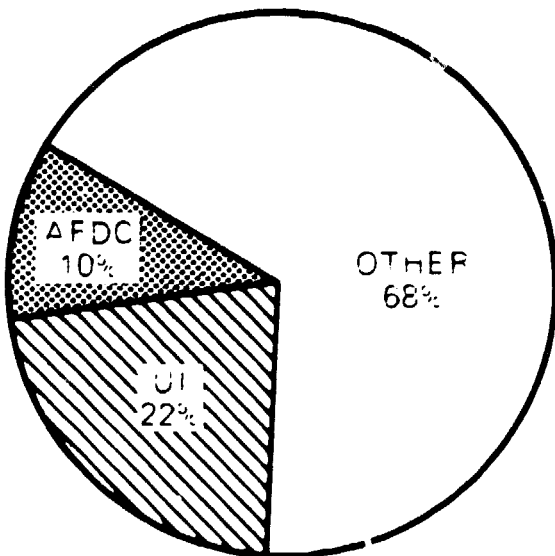


Figure 2.2  
Comparison of Make Up of PSE Pool to  
Title VI Jobholders – Eight Prime Sponsors  
September 30, 1977

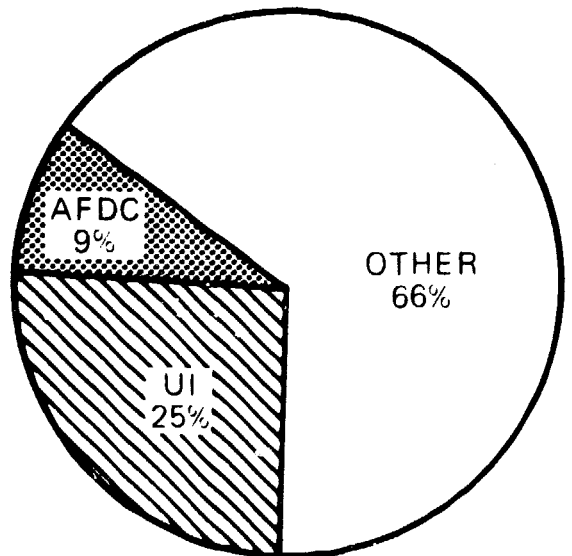
-- PSE POOL --



OLD CRITERIA PARTICIPANTS  
ON BOARD



NEW CRITERIA PARTICIPANTS  
ON BOARD



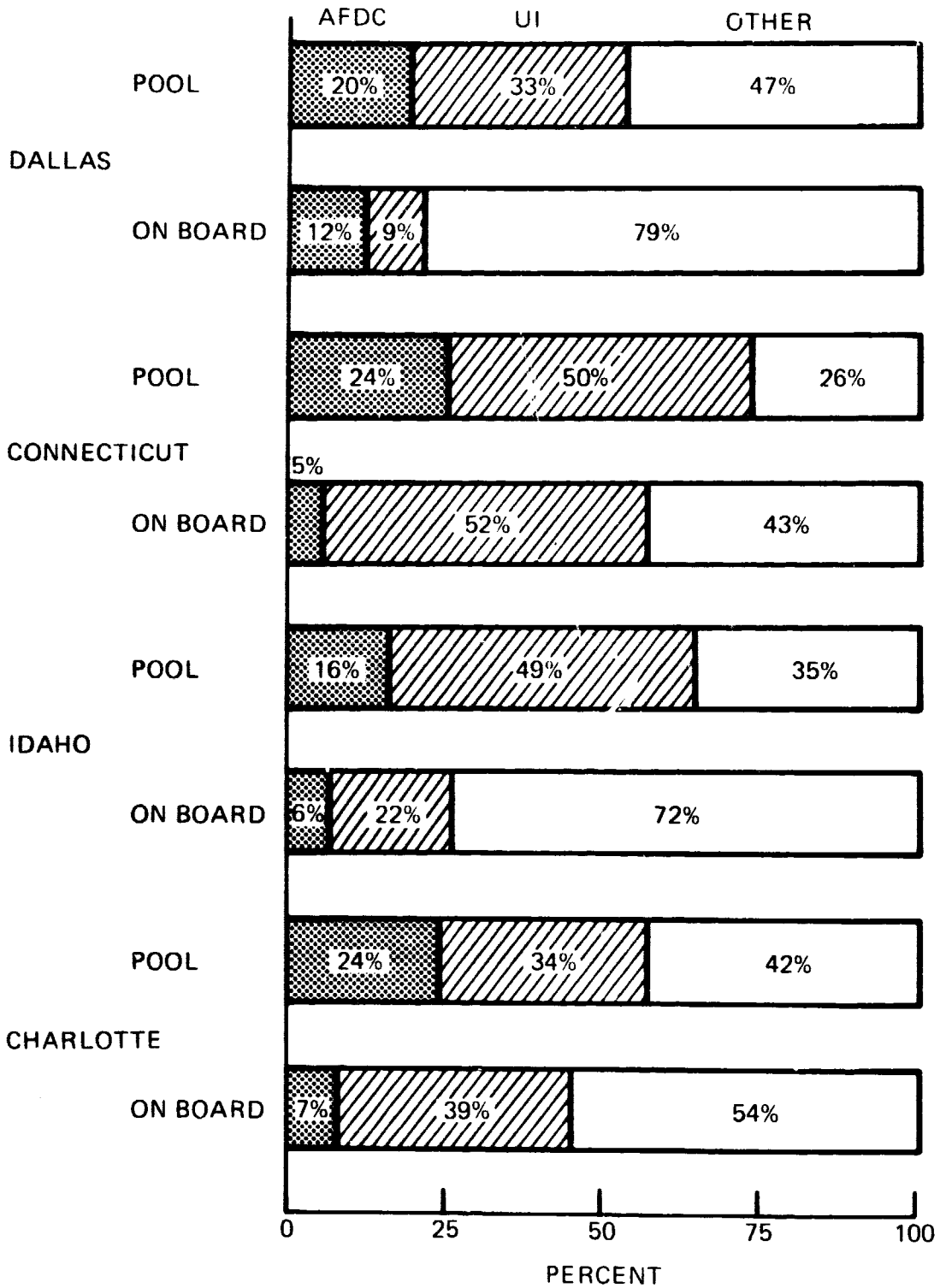
Statistics for each individual prime sponsor reflected a similar pattern for AFDC recipients. In seven of eight cases, the proportions of jobs they obtained were less than their representation in the PSE pools. The pattern for UI recipients, however, was not consistent. Figure 2.3 shows PSE pool versus onboard statistics based on our sample at four of the prime sponsors.

Based on conversations with prime sponsor officials, it appears that AFDC recipients' relative lack of skills is the primary reason why they obtained fewer jobs than their representation in the PSE pools would suggest. However, other reasons (discussed under question 1 on absorption) also appear to limit their ability to compete. In the case of UI recipients, prime sponsor officials considered them to have skill levels higher than AFDC recipients. Reasons for situations where UI recipients received fewer jobs than pool statistics would suggest appear linked more to lack of motivation than to skimming. For example, in Dallas, which has a low unemployment rate and a positive labor market, local officials told us that UI recipients do not want title VI jobs because they pay less than what they are accustomed to earning.

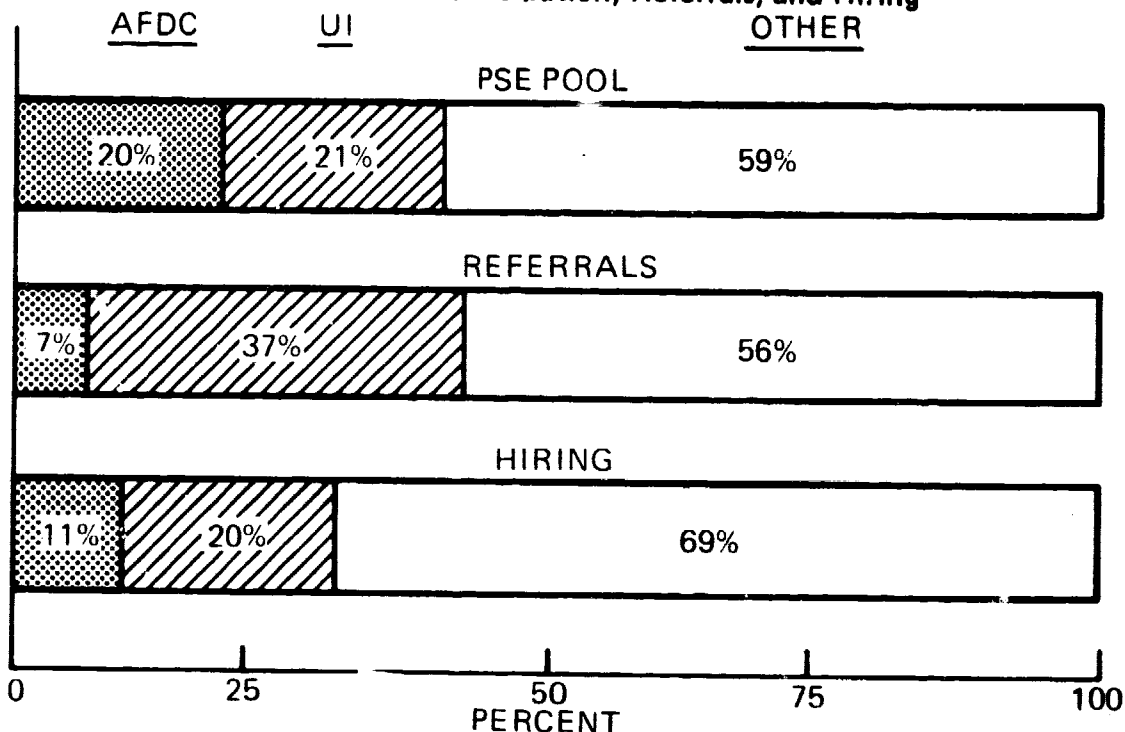
Statistics and comments from the King-Snohomish prime sponsor provide additional insight into the impact that motivation may have on participation in title VI. At this location, statistics on job referrals were developed in addition to those on the PSE pool and jobs obtained. As shown in figure 2.4, the extent to which AFDC recipients obtained jobs was less than their representation in the pool; however, their share of jobs obtained was higher than their share of referrals. The situation for UI recipients was much different. Their rate of referrals was much higher than their representation in the pool but their share of jobs obtained was much lower than their share of referrals.



Figure 2.3  
 Comparison of PSE Pool to  
 Title VI Jobholders for Four Prime Sponsors  
 September 30, 1977



**King-Snohomish Prime Sponsor Rates  
of PSE Pool Participation, Referrals, and Hiring**



King-Snohomish sponsor officials attributed the lower rate of AFDC referrals to the relatively low skill levels of this group. The higher hiring rate, compared to referrals, was related to the motivation and coaching of AFDC recipients to "do their best" during job interviews. The higher referral rate of UI recipients was attributed to their relatively higher skill level and the requirement to accept referrals in order to protect their eligibility for UI benefits. The lower hiring rate, as compared to referrals, was related to a desire by UI beneficiaries not to get the title VI jobs because of such factors as wages lower than those they were used to in the past and their wishes for more desirable jobs.

The relatively high hiring rate, as compared to referrals of other eligibles, was again attributed to motivation. That group, according to officials, may be the most motivated of all because they lack sources of income such as AFDC or UI payments.

#### PARTICIPATION BY LEVEL OF EDUCATION

Nationwide statistics on the education levels of various groups show that title VI participants generally have a significantly higher education level than AFDC recipients and the unemployed population but about the same as the general workforce. Figure 2.5 shows:

- About 31 percent of the workforce and those enrolled in title VI have over 12 years of education, whereas only 7 percent of AFDC recipients and 18 percent of the unemployed have over 12 years of education.
- Percent of persons with exactly 12 years of education did not vary significantly among the various groups, ranging from 33 percent for AFDC recipients to 42 percent for title VI participants.
- Only 27 percent of the title VI participants and 29 percent of the workforce have less than 12 years of education, whereas 42 percent of the unemployed and 60 percent of the AFDC recipients have less than 12 years of education.

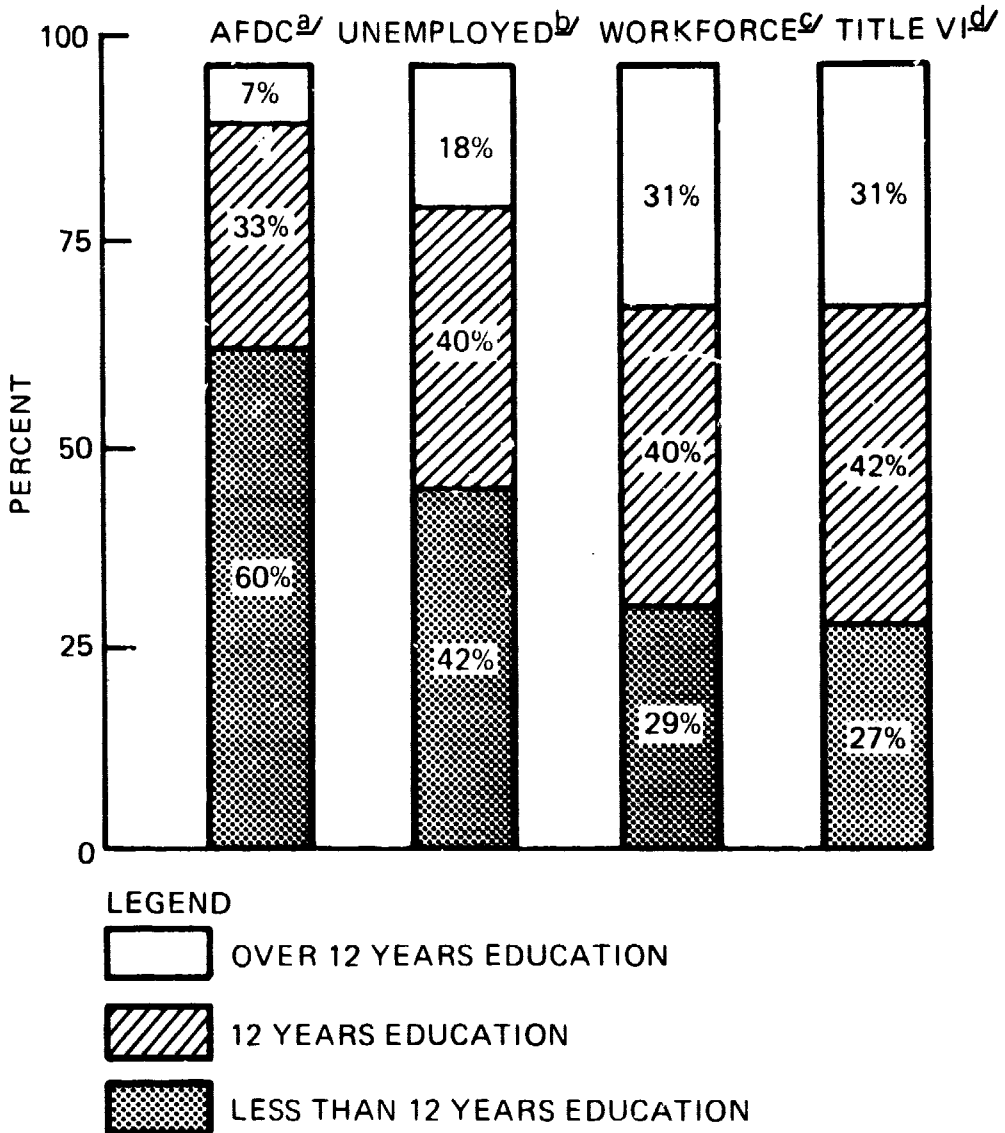
#### REASONS FOR SKIMMING

Based on discussions with prime sponsor officials, we concluded that there are several reasons why skimming of the best qualified occurs.

- Title VI job qualifications are often too high to allow low-skilled individuals to qualify for a job referral. Job qualifications are established by the employers.
- Criteria for selecting those to be referred is often the "best qualified."
- Title VI employers tend to hire the best qualified of those referred.
- Department of Labor has established a goal of serving 35 percent veterans in title VI, and prime sponsors are under pressure to meet this goal. Veterans were generally considered to have skill levels higher than those receiving AFDC benefits.

Labor officials said that job qualifications being too high was a problem early in the title VI buildup, but that Labor and the prime sponsors are now correcting this problem. Labor officials also said that hiring the "best qualified" is more of a problem with local government employers than with nonprofit agencies because nonprofit agencies have more concerns for the needy.

**Figure 2.5**  
**Comparison of Various Groups**  
**by Education Levels**



<sup>a/</sup> FISCAL YEAR 1976 REGISTRANTS FOR THE WORK INCENTIVE PROGRAM, WHICH IS DESIGNED TO EMPLOY CERTAIN AFDC RECIPIENTS.

<sup>b/</sup> BUREAU OF LABOR STATISTICS SPECIAL REPORT, MARCH 1976.

<sup>c/</sup> 1974 BUREAU OF CENSUS DATA.

<sup>d/</sup> REPRESENTS PERCENTAGES APPLICABLE TO ALL PROGRAM PARTICIPANTS AS OF SEPTEMBER 30, 1977, AS WELL AS NEW CRITERIA PARTICIPANTS. PERCENTAGES FOR BOTH GROUPS ARE BASICALLY THE SAME.

ELIGIBILITY

3. "Is the eligibility verification system working effectively? Has the new eligibility process caused delays in hiring?"

Preliminary findings of a nationwide review of the CETA eligibility determination system, conducted by the Department of Labor audit agency at about the same time as our review, indicates that there may be an ineligibility rate as high as 9.8 percent for title VI participants-- as high as 10.8 percent for those hired under the new eligibility criteria established by the 1976 amendments. At the eight prime sponsors reviewed, we found that the systems used rely largely on certification of statements made by the applicants, with very little verification of the accuracy of these statements. As a result, eligibility is not assured, but on the other hand the system does not cause hiring delays.

THE ELIGIBILITY SYSTEM

Department of Labor regulations state that prime sponsors are responsible for assuring the eligibility of all title VI participants. However, with some exceptions, decisions on whether to verify eligibility and on the method of verification rest with the prime sponsor.

To facilitate rapid implementation of title VI, the regulations allow prime sponsors 60 days to determine eligibility of individuals enrolled. Prime sponsors are not held liable for wages and benefits paid to participants found ineligible during this period. The regulations encourage prime sponsors to develop arrangements with State employment security agencies and welfare agencies for the verification of data on title VI participants. The prime sponsors are not held liable for any costs resulting from relying on such agreements, regardless of the time elapsed.

As suggested by the regulations, the eight prime sponsors we visited generally had developed arrangements with State employment security agencies and other groups to determine the eligibility of title VI participants. We did not find these systems to be delaying title VI hiring. However, the systems were largely based on the accuracy of applicants' certified statements, and generally, the information was not verified against other sources.

Table 3.1 (see p. 23) shows the reliance on certification versus verification of various eligibility factors at the eight prime sponsors we visited.

Labor officials told us that most prime sponsors have arrangements with State employment security agencies to determine title VI eligibility; therefore, one's UI status should have been verified at all eight prime sponsor locations. However, this was not the case for six of the eight prime sponsors we visited.

### EXTENT OF INELIGIBLES

Because of the Department of Labor's review of the CETA eligibility determination system, we did not attempt to assess the extent of ineligibles at each of the eight prime sponsors. Labor's review was designed to allow a nationwide projection of the findings. The review covered participants enrolled in CETA during the period May 13, 1977, through August 31, 1977, and included 46 prime sponsors and over 1,800 participants. Labor reviewed participants' files, examined State employment security and welfare agency records, checked work history information with former employers, and interviewed selected CETA participants.

The preliminary findings related to the sample of title VI participants showed that as many as 12.3 percent were either ineligible (9.8 percent) or there was insufficient information available to determine eligibility (2.5 percent). Most of the ineligibles found were hired under the new eligibility criteria established by the 1976 amendments-- 13.4 percent were either ineligible (10.8 percent) or there was insufficient information available to determine eligibility (2.6 percent). Reasons why these title VI new criteria participants were determined ineligible are shown in table 3.2. (See p. 24.)

Table 3.1

Reliance on Verification Versus  
Certification at Eight Prime Sponsors

<u>Prime sponsor</u>	<u>Unemployed 15 weeks--no UI</u>		<u>Unemployed 15 weeks--UI</u>		<u>UI exhaustee</u>		<u>AFDC family</u>		<u>Residency</u>		<u>Lower standard income level</u>	
	<u>Vfd.</u>	<u>Ctf.</u>	<u>Vfd.</u>	<u>Ctf.</u>	<u>Vfd.</u>	<u>Ctf.</u>	<u>Vfd.</u>	<u>Ctf.</u>	<u>Vfd.</u>	<u>Ctf.</u>	<u>Vfd.</u>	<u>Ctf.</u>
Charlotte	x		x		x		x		x		x	
Columbus	x		x		x		x			x		x
Connecticut	x		x		x		x		x		x	
Dallas	x		x		x		x		x		x	
Idaho	x			x		x		x	x		x	
King-Snohomish	x		x		x		x		x		x	
Newark	x		x		x		x			x		x
Omaha	x		x		x		x			x		x

Vfd.-- Eligibility status verified.

Ctfd.-- Eligibility status certified.

Table 3.2Reasons and Frequency for Determination of Title VI New Criteria Ineligibles

	<u>Cases</u>
Participant obtained full-time, permanent unsubsidized employment after application.	5
Participant was employed at time of application.	8
Participant was employed at time of application <u>and</u> was not long-term unemployed or a member of a family receiving AFDC.	12
Participant was employed at time of application <u>and</u> was not long-term unemployed or a member of a family receiving AFDC <u>and</u> family income exceeded the minimum income level.	7
Participant was not long-term unemployed or a member of a family receiving AFDC.	55
Participant was not long-term unemployed or a member of a family receiving AFDC <u>and</u> family income exceeded the minimum income level.	8
Family income exceeded the income level.	<u>36</u>
Total	<u><u>131</u></u>

The review identified two major system weaknesses. First, most prime sponsors do not require participants to provide supporting documents necessary to verify eligibility information shown on their applications. Second, Labor has not specified procedures for verifying the accuracy of information on the applications, and the procedures used by the State employment security agencies and prime sponsors need to be improved.

The preliminary report on the review suggests a number of specific recommendations designed to correct these weaknesses, including the following:

- Analyze eligibility requirements to determine which should be substantiated (provide supporting documents) by participants and which should be independently verified by prime sponsors.



--Develop procedures to assist prime sponsors in obtaining adequate documentation from participants and independently verifying application information.

FINANCIAL INCENTIVES

4. "What financial incentives or disincentives are faced by income transfer beneficiaries in making a decision to accept a public service job?"

"To what extent have welfare and unemployment compensation beneficiaries continued to receive income maintenance benefits after taking CETA jobs?"

"What are the differences in CETA wages paid to former income transfer recipients as compared to other CETA jobholders? What are the differences in wages paid to low-income welfare recipients as compared with unemployment compensation beneficiaries?"

We found that, compared to former AFDC recipients, former UI recipients received higher title VI wages. We also found that other participants' wages generally fell between these two groups. Table 4.1 shows the average annual wages for these groups at each of the eight prime sponsors, as determined from our analysis of a sample of current title VI participants hired under the new criteria established by the 1976 amendments.

Table 4.1

Average Annual Wages--New Criteria Participants

	<u>AFDC</u>	<u>UI</u>	<u>Other</u>
Charlotte	\$6,911	\$7,809	\$7,564
Columbus	7,772	8,563	8,402
Connecticut	8,301	8,397	7,939
Dallas	6,218	7,229	6,922
Idaho	6,800	8,388	8,269
King-Snohomish	7,753	8,911	8,642
Newark	7,304	8,840	7,631
Omaha	7,271	8,130	7,872
Composite	<u>\$7,441</u>	<u>\$8,327</u>	<u>\$7,960</u>

Using these average annual wages and a given set of assumptions as to family size and makeup (see p. 28), our analysis showed that UI beneficiaries would generally lose their benefits when accepting title VI jobs, but AFDC recipients would retain some of their benefits. Table 4.2

is an overview of the continuation of benefits, under these circumstances, for the first 90 days after accepting title VI employment. After 90 days, certain adjustments are made in child care and Medicaid benefits, as shown in table 4.3.

Table 4.2

Continuation of Benefits

	<u>UI beneficiaries</u>		<u>AFDC recipients</u>			
	<u>UI</u>	<u>Food stamps</u>	<u>AFDC</u>	<u>Food stamps</u>	<u>Child care</u>	<u>Medicaid</u>
Charlotte		x			x	x
Columbus					x	x
Connecticut					x	x
Dallas		x		x	x	x
Idaho			x	x	x	x
King-Snohomish			x	x	x	x
Newark			x	x	x	x
Omaha			x	x	x	x

We calculated the net financial incentive for taking a title IV job, considering the average wages shown in table 4.1, food stamp support, and loss of AFDC and UI benefits. We found that there were considerable differences among the eight prime sponsors but that overall the net financial incentives for

--AFDC recipients (assuming a mother with two children) ranged from \$1.46 to \$1.00 an hour, and

--UI beneficiaries (assuming a family of four) ranged from \$1.36 to \$.94 an hour for those drawing average UI payments, and from \$.95 to a loss of \$.48 an hour for those drawing maximum UI payments.

There are, however, limitations on the preciseness of the above figures. First, our calculations were based on assumed family sizes and income levels. These, of course, can vary significantly and variances from our assumptions would produce differences in the calculation of net financial incentive. Second, a title VI job may result in significant job-related expenses for transportation, clothing, and meals. We did not include these costs because we were unable to quantify them for a typical job. Third, we did not include the value of the retention or loss of AFDC-related benefits such as free medical care (Medicaid) and child care.

ANALYSIS OF FINANCIAL BENEFITS

In making our analysis of the incentives for accepting a title VI job, we made the following assumptions.

1. For AFDC recipients, we assumed a family of three-- a mother and two children.
2. For former UI beneficiaries, we assumed a family of four--mother, father, and two children.
3. For AFDC recipients, we assumed the quantifiable benefits to be monthly AFDC payments and food stamps. Additional benefits/disbenefits considered but not quantified were the retention or loss of free medical care under Medicaid and the cost of child care.
4. For former UI beneficiaries, we assumed the quantifiable benefits to be monthly UI payments and food stamps only.
5. For both groups, we assumed the net take-home pay, as reflected by the average gross pay determined from our sample of AFDC and UI recipients at each location, minus the withholdings for Federal, State, and local taxes applicable to each location for the assumed family size.
6. For former AFDC recipients, work-related expenses (e.g., transportation, meals, and clothing) are allowed as deductions when determining eligibility for AFDC and amount of entitlement. These, however, are to be determined on a case-by-case basis. We excluded these costs from our analysis since we were unable to determine how much these costs would be for a typical person. But inclusion of these costs could tip the balance as to whether title VI jobholders stayed on AFDC rolls or not, and thus maintained eligibility for AFDC-related benefits such as Medicaid.

The results of our analysis are shown in the following three tables. Table 4.3 shows the financial benefits for the AFDC family if not working, if working on a title VI job, and the net difference.

Table 4.3

Quantifiable Benefits Per Month  
AFDC Mother and Two Children

	Not working			CETA job			Net benefits--working Inc. in income (note a)
	AFDC	Food stamps	Total	Net wage	AFDC	Food stamps	
Charlotte	\$183	\$ 88	\$271	\$494	\$ 0	\$ 0	\$494
Columbus	215	76	291	528	0	0	528
Connecticut	327	46	373	589	0	0	589
Dallas	116	107	223	459	0	18	477
Idaho	301	52	353	484	24	18	526
King-Snohomish	355	40	395	551	37	18	606
Newark	310	46	356	510	21	18	549
Omaha	310	46	356	514	16	18	548

a/ Disbenefits considered but not quantifiable include limited continuation of free medical care under Medicaid and child care while working.

This table shows that AFDC payments varied considerably, but that food stamp benefits, which are based upon monthly income, tended to somewhat modify this variation. The net take-home pay for former AFDC recipients holding title VI jobs did not vary as greatly. In some cases small monthly AFDC payments were continued. This is based on an AFDC formula which considers the difference between the net wage and the former AFDC payments. The less the difference, the more likely AFDC benefits could be retained. For example, AFDC benefits were lost in the case of Dallas (\$116 benefits, \$459 wages), but retained in the case of King-Snohomish (\$355 benefits, \$551 wages). Similarly, minimum food stamp benefits were retained in all cases where AFDC benefits were retained or where net wages were below a certain level (as in the case of Dallas).

The net increase in income by holding a title VI job thus ranged from \$173 to \$254 a month. However, two additional factors should be considered--free medical care and child care while working. Prime sponsors and other local officials said the loss of these benefits would be considered a significant financial disincentive by many AFDC recipients.

For the prime sponsor locations where small AFDC payments continue, Medicaid benefits also continue. In the four cases where one loses AFDC because of increased earnings, Medicaid benefits continue for 4 months. After 4 months, in two of the four cases, individuals may qualify as medically needy depending on their family income, size, and cost of medical expenses. If a prime sponsor location is a medically needy program, however, it might be less of a disincentive to take a CETA job.

The Work Incentive (WIN) program will pay AFDC recipients' child care expenses up to 90 days after taking a title VI job. After this period child care becomes a work-related expense which may not be covered through any program. Coverage depends upon a number of circumstances such as the State in which the recipient resides and continued AFDC payments.

Turning now to the UI family, table 4.4 shows the financial benefits if not working, if working on a title VI job, and the net difference.

Table 4.4  
Quantifiable Benefits Per Month,  
UI Married Couple With Two Children

	No job		CETA job		Net benefit--working
	UI	Food stamps	Net wages	Food stamps	
Charlotte					
Average	\$325	\$81	\$579	\$24	\$603
Maximum	485	30			\$ 88
Columbus					
Average	386	66	615	0	615
Maximum	698	0			(83)
Connecticut					
Average	399	57	631	0	631
Maximum	568	0			63
Dallas					
Average	312	81	551	24	575
Maximum	364	66			182
Idaho					
Average	309	87	622	0	622
Maximum	477	39			106
King-Snohomish					
Average	354	75	664	0	664
Maximum	516	24			124
Newark					
Average	349	75	640	0	640
Maximum	451	39			150
Omaha					
Average	368	66	612	0	612
Maximum	390	57			178

Both average and maximum UI benefits are shown because many individuals draw the maximum UI payments. As can be seen UI benefits varied considerably and in two cases were high enough to disqualify the families for food stamps. The average net take-home pay for former UI beneficiaries who obtained title VI jobs was enough that in only two cases did they continue to receive food stamp benefits. And finally, the net quantifiable benefits of working are shown based on both average and maximum UI benefits--ranging from \$235 to a loss of \$83 a month.

Table 4.5 compares the net financial benefits of working on an hourly basis--a range of from \$1.46 to \$1.00 an hour for AFDC recipients, and from \$1.36 to a loss of \$.48 an hour for former UI beneficiaries.

Table 4.5

Net Hourly Benefits of Title VI Participants

	AFDC recipients (note a)	UI beneficiaries	
		<u>Average UI</u>	<u>Maximum UI</u>
Charlotte	\$1.28	\$1.13	\$ .51
Columbus	1.37	.94	(.48)
Connecticut	1.24	1.01	.36
Dallas	1.46	1.05	.83
Idaho	1.00	1.31	.61
King-Snohomish	1.22	1.36	.71
Newark	1.11	1.25	.87
Omaha	1.11	1.03	.95

a/All receive Medicaid for first 4 months after starting work and child care for up to 3 months.



PROJECTS AND JOBS

5. "What types of projects and jobs have been created by prime sponsors in the recent expansion of CETA Title VI? Have there been any geographic differences in the capacity to create such jobs?"

A wide variety of public service projects and jobs have been created under title VI. Most of the participants were employed in projects categorized as public works, environmental quality, social services, education, or parks and recreation. The size of these projects varied considerably, ranging from many small projects to some having over 200 people. Most of the project jobs created were in maintenance or community service functions. With one exception, the eight prime sponsors we reviewed generally were able to create and fill a sufficient number of jobs to substantially meet fiscal year 1977 planned hiring levels.

CREATION OF PROJECTS

As of August 1977 the Department of Labor had analyzed more than 12,000 planned projects involving almost 84,000 participants and categorized the participants by project type, as follows:

Table 5.1

Labor Categorization of Title VI Project Participants

Public works	18%
Environmental quality	17
Social services	13
Education	12
Parks and recreation	11
Housing	5
Health and hospitals	5
Arts	4
Fire protection	4
Transportation	3
Law enforcement	3
Miscellaneous and other:	<u>5</u>
	<u>100%</u>

The size of projects varied widely. We analyzed data on the type and size of 1,090 active and planned projects at the eight prime sponsors. As shown in the table below, the projects ranged in size from 1 to 258 participants, with an average of 7--the same average project size nationwide.

Table 5.2

Ranges in Project Sizes at  
Eight Prime Sponsors

	<u>Projects</u>	<u>Participants per project</u>		
		<u>Minimum</u>	<u>Maximum</u>	<u>Average</u>
Charlotte	21	1	100	12
Columbus	91	1	82	11
Connecticut	97	6	258	14
Dallas	38	2	241	28
Idaho	204	1	47	4
King-Snohomish	382	1	55	4
Newark	47	1	28	6
Omaha	<u>210</u>	<u>1</u>	<u>100</u>	<u>8</u>
Total	<u>1,090</u>			<u>7</u>

Many of the projects were designed to employ small numbers of persons. Two prime sponsors' guidelines attempted to limit the minimum size of projects. In Connecticut a project had to employ six people to be approved. An official in Charlotte told us that they established a minimum project size of five participants; however, this minimum was disregarded when the prime sponsor had difficulties meeting its hiring schedule. Table 5.3 shows that about one half of the 1,090 projects were planned to employ three or fewer participants.

Table 5.3Extent of Small Projects  
at Eight Prime Sponsors

	<u>Projects</u>	
	<u>Total</u>	<u>Three or fewer participants</u>
Charlotte	21	6
Columbus	91	22
Connecticut	97	0
Dallas	38	6
Idaho	204	111
King-Snohomish	382	264
Newark	47	15
Omaha	<u>210</u>	<u>115</u>
Total	<u>1,090</u>	<u>539</u>

The following are examples of projects of different sizes.

--In King-Snohomish, one person was to be hired to work as a project assistant with Seattle's Department of Human Resources. The project was entitled "Social Services Management Analysis." Its purpose was:

"To improve the administrative and management processes within the department as well as providing better data with which to prepare the annual budget and individual grant budgets."

--In Caldwell, Idaho, 25 people were planned to be hired as pest control laborers. The project, named "Gopher II," involved gopher eradication for Canyon County.

--In Dallas, 200 people were planned to be employed by the Dallas School District to improve public buildings.

CREATION OF JOBS

The Department of Labor had analyzed almost 84,000 planned project jobs as of August 1977 and categorized them as follows:

Table 5.4Categorization of Jobs Created

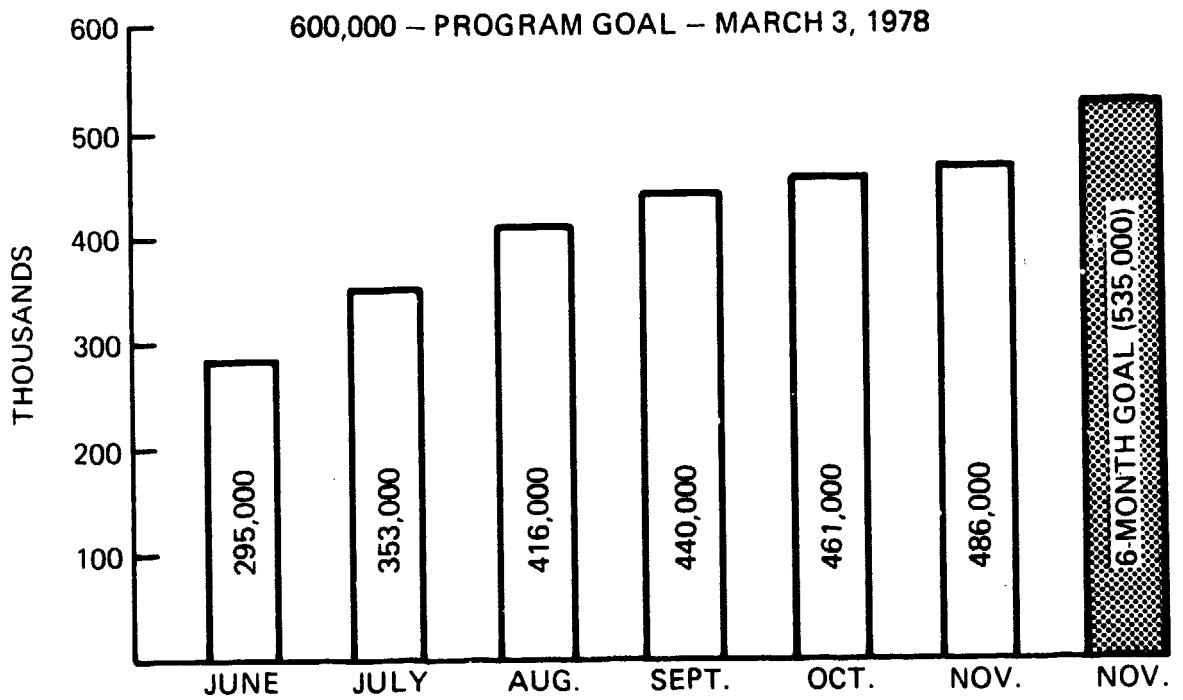
Maintenance	37%
Community services	25
Service occupations	9
Clerical and office work	8
Professional/technical/managerial	8
Conservation	7
Teaching/instructing	3
Arts	1
Other	2
	<u>100%</u>

Comments by the eight prime sponsors we visited indicate that some differences may exist between project and sustainment positions. Although our sample showed that the average wages paid project and sustainment employees were about the same, most prime sponsors told us that sustainment positions require slightly higher skill levels. For example, a King-Snohomish official told us that projects typically involve jobs such as laborers, utility aides, and shop aides, while sustainment positions involve jobs such as teacher aides, planners, and program coordinators. Some officials also told us that sustainment positions offer more training and better potential for long-term employment. We did not do any analysis of jobs to confirm the prime sponsor statements. Labor officials said that the prime sponsor statements were probably made based on their dislike of the project approach rather than actual observations.

CAPACITY TO CREATE JOBS

Nationally, the Department of Labor has established a program-hiring goal of 600,000 title VI jobholders by March 3, 1978. To reach this goal, employment was expected to be about 535,000 by November 30, 1977. About 486,000 people were employed in title VI positions at the end of November, 91 percent of the goal at that time. Figure 5.1 shows national hiring progress and a comparison of the progress to the hiring goal at November 1977.

**Figure 5.1**  
**Chart Showing Increases in**  
**National Title VI Employment Levels**



The eight prime sponsors combined had achieved similar progress in meeting their hiring goals. Compared to planned September 30, 1977, levels, 90 percent of project positions were filled, 94 percent of all title VI positions (project and sustainment positions combined) were filled, and 88 percent of planned funds were spent. Individually, the eight prime sponsors had achieved differing results, as shown by figure 5.2.

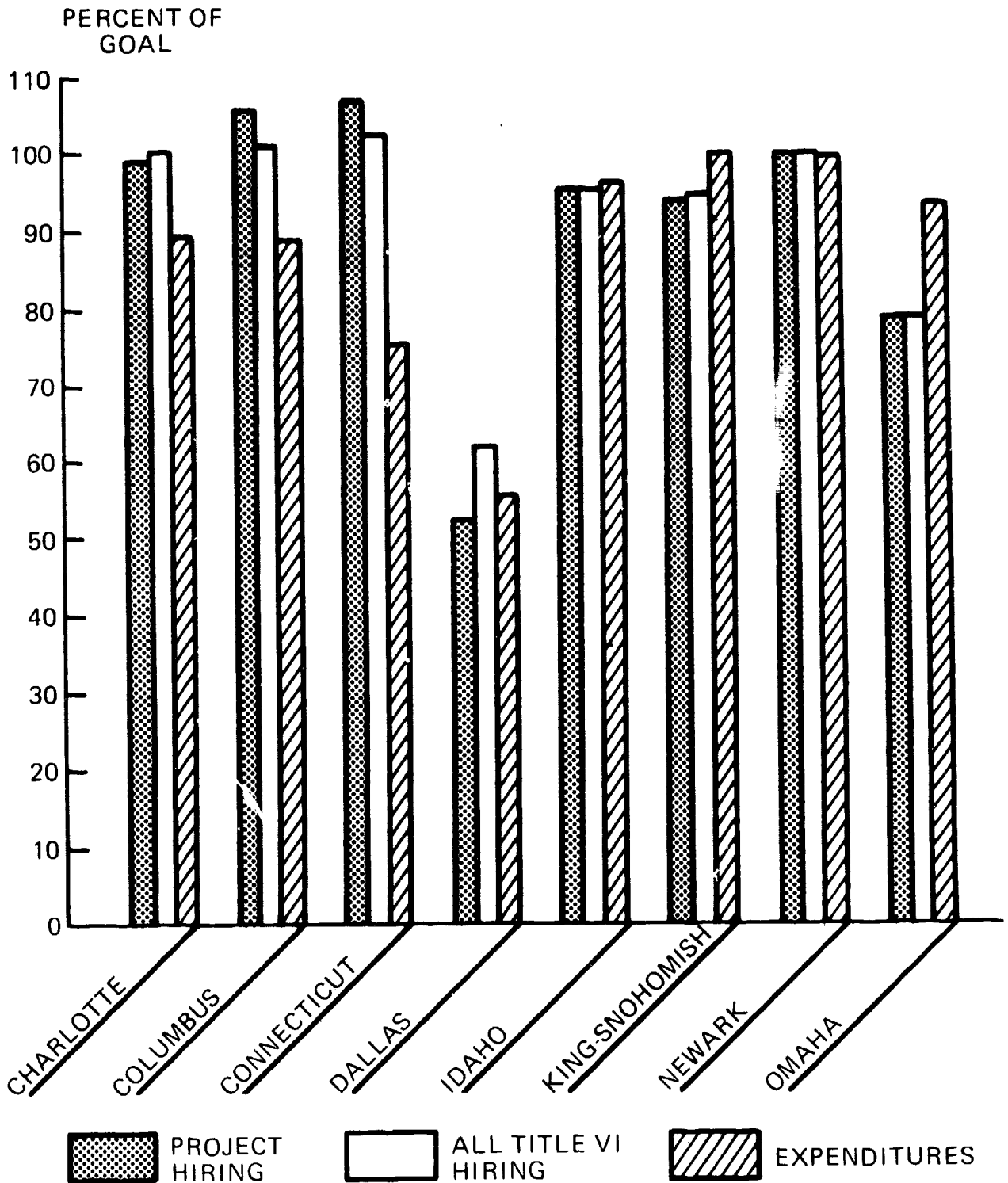
As shown by figure 5.2 (see p. 39), most of the prime sponsors were able to create and fill a sufficient number of jobs to nearly meet fiscal year 1977 planned hiring levels. Newark, however, was the only location that met both project and overall title VI hiring levels and spent at least 95 percent of its planned funds. In contrast, Dallas was significantly below the other prime sponsors in meeting planned performance levels.

Generally, the prime sponsors noted three types of problems in meeting their hiring schedules: (1) program startup problems, (2) mismatches between applicants' skills and the skills needed for the jobs, and (3) insufficient eligibles. Labor officials told us that insufficient eligibles was not a national problem.

Officials in Charlotte and Connecticut told us that there had been confusion over the timing of funding. Some hiring schedules anticipated hiring the first employees in May 1977, but funds were not received until mid-May because the Congress did not appropriate the funds until May 13, 1977. Delays in starting the projects, such as referring and hiring applicants, put programs behind schedule. King-Snohomish officials told us that they experienced administrative delays caused by the local project solicitation, review, and approval process. They told us that they were also delayed because some employees were hired from civil service registers. Hiring delays also occurred because some employers were allowed up to 30 days to make a hiring decision.

Omaha, Charlotte, Idaho, and King-Snohomish officials told us that they had difficulties matching the applicants' skill levels with the minimum qualifications in the job orders. In Charlotte, for example, the first projects approved established positions such as painters, plasterers, and sheet rock finishers. Applicants with these skills were not found, so the positions were lowered to trainee positions in order to find eligible applicants.

Figure 5.2  
Achievement of September 30, 1977  
Goals for Eight Prime Sponsors



Officials in Idaho and Dallas told us that they had difficulty finding a sufficient number of eligibles. In Idaho the required increase in title VI hiring coincided with the regular seasonal decline in unemployment, which made meeting the hiring goals more difficult. Dallas officials attributed problems in meeting hiring goals to the city's favorable economy and low unemployment (4.2 percent as of Aug. 1977). This made the filling of title VI jobs with eligible applicants more difficult. For example, the Dallas employment security officials told us that many people were able to find a job before drawing 15 weeks of unemployment insurance. Furthermore, they said that many of those unemployed for 15 or more weeks were ineligible for title VI because they did not meet family income limitations. Dallas sponsor officials told us that despite intensive outreach efforts, they were not able to locate a sufficient number of title VI eligibles that could be matched with the qualifications needed for planned jobs.

The Department of Labor allocated title VI stimulus funds based on data for the 3 consecutive months within calendar year 1976 that prime sponsors had the highest number of unemployed persons. In Dallas' case it received its allocation of \$10.5 million in May 1977 based on the area's unemployment rate of 5.6 percent from January to March 1976. However, unemployment was on a decline in Dallas during 1976 and into 1977. The unemployment rate had dropped to 4.3 percent for January to March 1977. Had the allocation of stimulus funds been based on the January-March 1977 data, Dallas would have received about \$5.8 million--\$4.7 million less than what was actually received.

Labor officials said that calendar year 1976 was used because it contained the most recent 12-month data available. They acknowledged that prime sponsors with declining unemployment benefited from Labor's method of allocating title VI stimulus funds.

Officials in Newark questioned the allocation system for the stimulus funds. They believed that it was inequitable that some locations were not able to spend all their allocated funds when they believed that Newark could use more funding. Newark officials estimated that they could create sufficient projects and jobs to spend double the funding they received.



TRANSITION

6. "What has been the recent experience of low-income public service employees seeking private sector jobs?"

Nationwide, 22 percent of the individuals served by title VI during fiscal year 1977 terminated from the program. Of these terminations, 43 percent of the individuals were reported by the prime sponsors as having an unsubsidized job upon leaving CETA. At the eight prime sponsors we found similar circumstances and that most of the unsubsidized jobs were in the public rather than the private sector.

Sufficient time has not elapsed since the implementation of the new title VI effort to accurately compare the relative success rates of "new" versus "old" criteria participants in getting unsubsidized jobs.

TERMINATIONS

A primary goal of CETA is to move people from the subsidized CETA jobs to unsubsidized jobs in the private or public sector. However, as shown in table 6.1, less than a quarter of the individuals served in fiscal year 1977 terminated from the program by the end of the year.

Table 6.1Terminations From Title VI During FY 1977

	Reported as of September 30, 1977 nationwide		Reported as of September 30, 1977 eight prime sponsors	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Total enrollment	592,883	100	17,532	100
Total terminations	128,563	22	4,084	23
Transfers (note a)	33,098	5	1,191	7
Still on board	431,222	73	12,257	70

a/Includes individuals leaving CETA to go to school or to the military and individuals transferring to other CETA titles or subsidized employment programs.

There appears to be several reasons why terminations from title VI are not greater. These include the rapid buildup of title VI, a limited emphasis on transition, and the long time that participants remain in CETA.

### 1977--a period of rapid buildup

The availability of money in May 1977 from the Economic Stimulus Program kicked off a rapid expansion of the title VI program. For example, onboard participants at the eight prime sponsors we reviewed increased from about 10,800 in June 1977, to over 17,500 by the end of September. It appears that title VI terminations during this rapid buildup phase would be lower than when the program has stabilized. Most of the buildup is occurring in projects that can run up to 1 year. Since most projects were planned to terminate after September 30, it is not surprising that our sample of title VI participants of eight prime sponsors showed few terminations from project positions through the time of our review.

### Limited emphasis on transition

We did not detect a significant emphasis on moving people from title VI jobs into unsubsidized employment. The emphasis appeared to be more on increasing title VI enrollment. Hiring schedules for each prime sponsor were established, and onboard enrollment levels were closely monitored by Labor. This emphasis on building up title VI may have adversely affected transition. For example, one prime sponsor official told us that local transition goals had to be relaxed to get enough people onboard to meet the hiring schedule. At another prime sponsor, we were told that title VI hiring into nonprofit organizations was increased in order to meet the hiring schedule, even though there were less opportunities in these organizations to move individuals into unsubsidized jobs. The Department of Labor was criticized by another prime sponsor official because of Labor's emphasis on hiring, with much less attention to moving people to unsubsidized jobs.

### Length of participation in title VI

CETA does not contain provisions which establish a maximum length of time individuals can remain in subsidized public service employment. As shown in table 6.2, many persons had been in CETA for 2 or more years at the eight prime sponsors we reviewed.

Table 6.2Percent in CETA for 2 or  
More Years in GAO Sample

Charlotte	5%
Columbus	18
Connecticut	(a)
Dallas	6
Idaho	0
King-Snohomish	10
Newark	42
Omaha	0

a/Not available.

In both Idaho and Omaha, where we found no one in CETA for 2 years or more, maximum limits of 24 and 15 months, respectively, were established to encourage transition.

A limit of 12 months was attempted in Connecticut; however, prime sponsor officials told us that this limit was not strictly enforced because of union and media pressure. They said CETA workers gained seniority rights under union agreements and laying them off might necessitate laying off other non-CETA jobholders as well. They told us that some individuals had been in their subsidized public service employment jobs for over 5 years and were drawing longevity pay.

UNSUBSIDIZED JOBS

Less than half of the individuals terminated during fiscal year 1977 were reported by the prime sponsors as having an unsubsidized job upon leaving title VI employment. The remaining people were reported as "nonpositive" terminations, which includes such categories as laid off, refused to continue, and administrative separations. We did not include transfers, as shown on table 6.1.

Table 6.3Termination Results for Persons Leaving  
Title VI During FY 1977

	Reported as of September 30, 1977 nationwide		Reported as of September 30, 1977 eight prime sponsors	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Entered unsub- sidized employment	54,976	43	1,731	42
Nonpositive termination	<u>73,587</u>	<u>57</u>	<u>2,353</u>	<u>58</u>
Total	<u>128,563</u>	<u>100</u>	<u>4,084</u>	<u>100</u>

These statistics show only the status of individuals upon leaving title VI jobs. They do not reflect situations where the participant did not retain the unsubsidized job and again became unemployed. They also do not reflect those who did not have jobs upon leaving title VI employment but subsequently found one.

In regard to the latter qualification, however, one prime sponsor we visited followed up on the status of its 175 nonpositive terminations for fiscal year 1977. For the 67 individuals they were able to contact:

--25 percent were employed,

--75 percent were still unemployed, and 12 percent of those unemployed were receiving AFDC or UI benefits.

Labor officials told us that a soon to be published Continuous Longitudinal Manpower Survey shows that for those who terminate from CETA public service employment jobs, the transition rate is higher than prime sponsors' fiscal year 1977 reported data. The survey results will reflect Labor's first comprehensive data on CETA transitions and was based on followup checks made 18 months after the enrollees entered CETA. According to Labor, the survey will provide transition data for those who were newly enrolled in titles I, II, and VI public service employment jobs from January to June 1975. The percent of enrollees with unsubsidized jobs ranged from about 58 percent 1 month after termination to about 65 percent 12 months after termination.

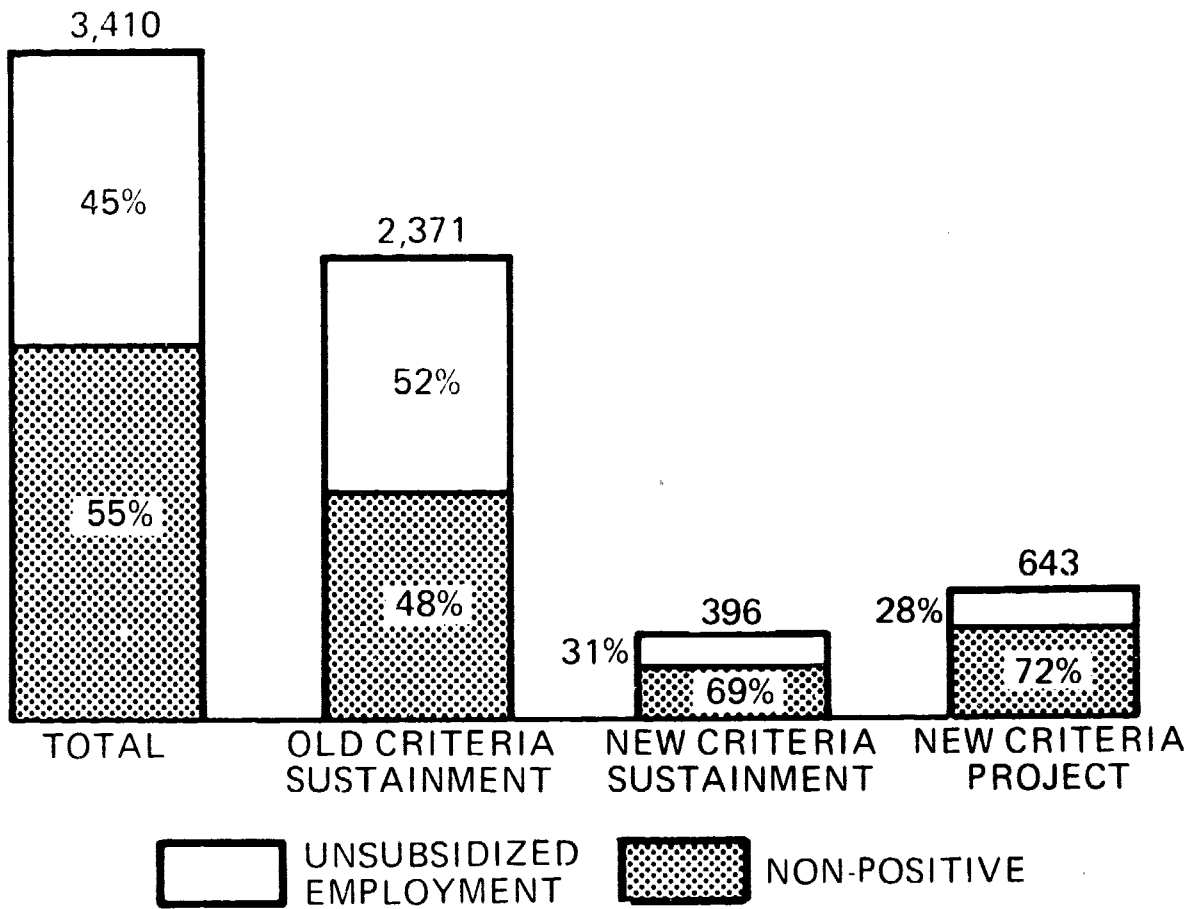
IMPACT OF NEW TITLE VI PROVISIONS  
ON UNSUBSIDIZED JOBS

The prime sponsor's reports to Labor do not classify participant termination information by the eligibility criteria under which participants entered the program. In order to compare unsubsidized placements for "new" versus "old" criteria title VI participants, we projected our sample results to the total fiscal year 1977 terminations at the eight prime sponsors we visited. This projected data included in figure 6.1 shows that relatively few terminations of "new" criteria people have occurred. For this reason, we do not believe that sufficient time has elapsed since the implementation of the new title VI effort to accurately compare relative success rates of "new" and "old" criteria participants in getting unsubsidized jobs. However, this data together with responses from prime sponsors seems to indicate that people in project positions may not do as well as people in sustainment positions in getting unsubsidized jobs upon termination from title VI employment. Prime sponsor comments include the following:

- Project participants are not as competitive as sustainment participants, because project people are generally less skilled and have poorer work records.
- Sustainment jobs offer better transition potential within the employing agency than do project jobs. Sustainment jobs are viewed as a more permanent part of the agency and provide better visibility to the participants. Also, in some cases, the sustainment jobs are at the entry level position to the agency's career ladder and the agency is under pressure to absorb sustainment participants into its regular work force.

Labor officials said that some prime sponsors' critical comments regarding projects were probably made based on their dislike of the project approach rather than actual observations.

**Figure 6.1**  
**Comparison of Unsubsidized Placements for "New"**  
**Versus "Old" Criteria Title VI Participants**  
**(Projected Based on GAO Samples at Eight Prime Sponsors)**  
**During FY 1977**

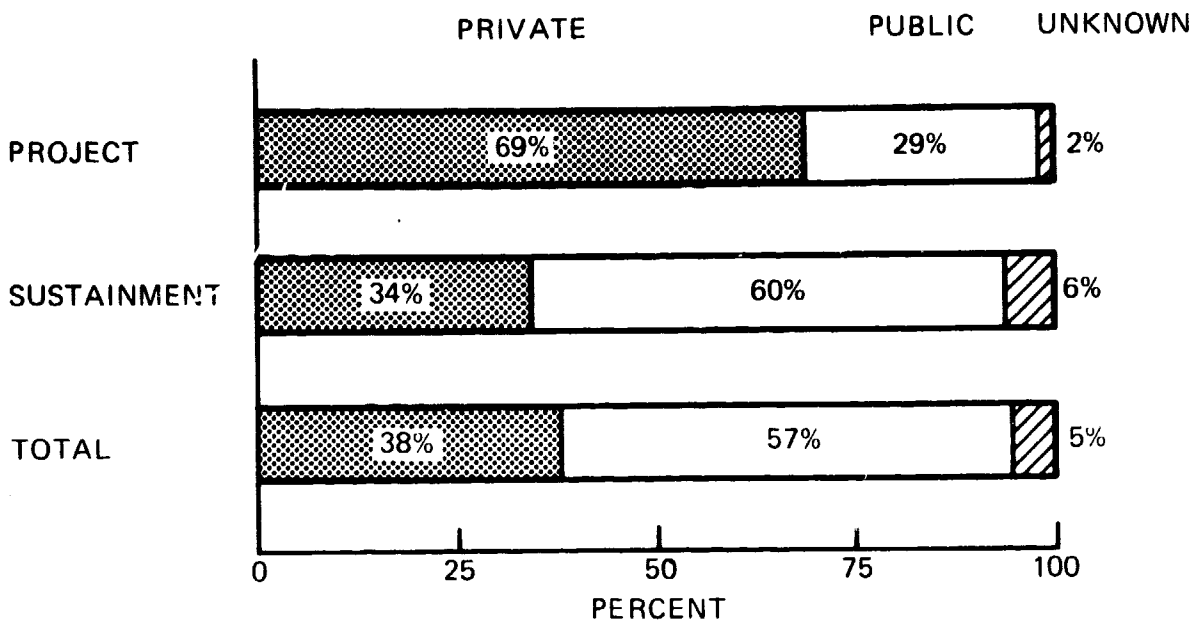


UNSUBSIDIZED JOBS IN THE PUBLIC  
VERSUS THE PRIVATE SECTOR

Our sample showed that most of the unsubsidized jobs people found upon leaving title VI employment were in the public sector. Prime sponsors we asked attributed the higher public sector rate to the fact that title VI jobs are generally in a public agency to begin with, and they believe that the best opportunity for finding an unsubsidized job is within that agency.

In contrast to the overall finding, people terminating from project positions were reported to have obtained more jobs in the private sector. However, we believe that it is too early in the project approach to tell whether this trend will continue. There were relatively few projects planned for termination prior to completion of our fieldwork and relatively few individuals terminated from project positions.

Figure 6.2  
Comparison of Private Versus  
Public Sector Jobs for People Leaving Title VI Employment  
(From GAO Sample at Eight Prime Sponsors)  
During FY 1977



BARRIERS TO UNSUBSIDIZED PLACEMENT

Based on comments from prime sponsor officials and other data gathered during our review, there appears to be several barriers that limit moving title VI participants into unsubsidized jobs.

First, national limits have not been established on the length of time participants can remain in CETA. As discussed earlier, we found that many people have been in CETA 2 years or more. The lack of time limits applies to both sustainment and project participants. Even though the projects are limited by law to 12 months, the participants may move into other CETA-funded jobs. However, it is too early to tell the extent to which project participants will remain in CETA more than 1 year.

Second, several prime sponsor officials noted that there are limitations on the ability of the public sector to absorb large numbers of additional employees, particularly the low skilled. This is particularly significant because most unsubsidized placements of title VI people have been in the public rather than private sector.

Third, several prime sponsors noted that there are considerably more job opportunities for the low skilled in the private compared to public sector. However, title VI jobs are largely in only the public sector and generally provide little experience in private industry skills.



RELATIONSHIPS

7. "What is the relationship of the Title VI program in terms of eligibility determination, referral, and coordination to the Work Incentive Program, the Employment Service, and the State and local welfare agencies?"

Based on discussions with prime sponsor and Employment Service officials at each of the eight locations, we found (1) that prime sponsors relied on the Employment Service for referral and for eligibility determination, (2) that agreements existed for these services, and (3) that the parties involved were generally pleased with the way the agreements were working. Similarly, we found no serious problems regarding the relationship with the WIN program and welfare agencies. WIN and welfare agencies were generally involved in referring AFDC recipients to the PSE pool or specific job openings and/or were involved in verifying the welfare status of AFDC recipients applying for CETA title VI jobs.

We would like to stress that these findings are our reactions to the general area of coordination based on work done on the previous six questions and are not based on a detailed review. The concerns which have been expressed in the preceding six issues appear to be more of a programmatic nature rather than the result of any possible coordination problems.

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## United States Senate

COMMITTEE ON THE BUDGET  
 WASHINGTON, D.C. 20510

July 29, 1977

The Honorable Elmer B. Staats  
 Comptroller General of the United States  
 General Accounting Office Building  
 441 G Street  
 Washington, D.C. 20548

Dear Elmer:

The April 7, 1977 report of the General Accounting Office on public service employment programs (More Benefits To Jobless Can Be Attained In Public Service Employment) has been useful to Congress in its consideration of public service job programs. However, the report predates the implementation of requirements in Title VI of CETA to target jobs on low-income applicants and the long-term unemployed. This letter requests a review by the General Accounting Office of the implementation of these new targeting requirements.

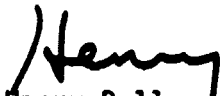
The following issues should be addressed by your investigation:

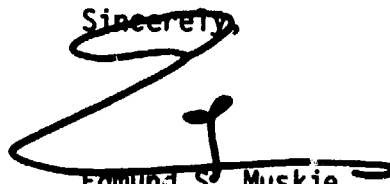
- (1) What has been the experience to date regarding CETA's ability to absorb recipients of publicly funded income transfer programs?
- (2) Has there been "skimming" of the best qualified rather than the most needy by prime sponsors? What has been the mix of unemployment compensation beneficiaries and welfare recipients?
- (3) Is the eligibility verification system working effectively? Has the new eligibility process caused delays in hiring?
- (4) What financial incentives or disincentives are faced by income transfer beneficiaries in making a decision to accept a public service job? To what extent have welfare and unemployment compensation beneficiaries continued to receive income maintenance benefits after taking CETA jobs? What are the differences in CETA wages paid to former income transfer recipients as compared to other CETA jobholders? What are the differences in wages paid to low-income welfare recipients as compared with unemployment compensation beneficiaries?
- (5) What types of projects and jobs have been created by prime sponsors in the recent expansion of CETA Title VI? Have there been any geographic differences in the capacity to create such jobs?

The Honorable Elmer B. Staats  
Page 2

- (6) What has been the recent experience of low-income public service employees seeking private sector jobs?
- (7) What is the relationship of the Title VI program in terms of eligibility determination, referral and coordination to the Work Incentive Program, the Employment Service, and the State and local welfare agencies?
- (8) Using the methodology of your earlier study, to what extent is there substitution under the Title VI program as re-authorized this year? How do your findings for Title VI compare with the overall CETA substitution problem?

In order to ensure the availability of this information prior to the Committee's work on the FY 1979 budget, we would like to receive the information requested by December 1, 1977. A formal report will be needed by February 15, 1978. The Committee staff will be available to clarify necessary details and interim reporting schedules. Your efforts will be greatly appreciated.

  
Henry Bellmon  
Ranking Minority Member

Sincerely,  
  
Edmund S. Muskie  
Chairman