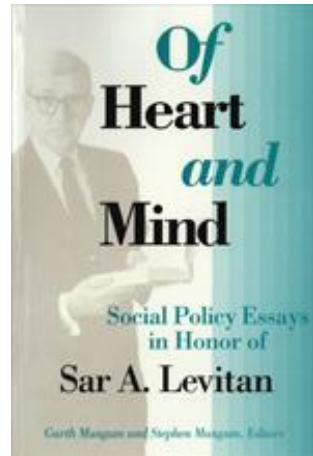


Upjohn Institute Press

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# Public Sector Job Creation: A Review of Its Past Experience and Its Relevance to the Future

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Chapter 10 (pp. 217-238) in:  
**Of Heart and Mind: Social Policy Essays in Honor of Sar A. Levitan**  
Garth L. Mangum, and Stephen Mangum, eds.  
Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, 1996  
DOI: 10.17848/9780585280295.ch10

## Public Sector Job Creation

### A Review of Past Experience and Its Relevance to the Future

William Grinker

The notion of using the public sector for job creation is, to put it mildly, not a popular idea these days. When President Clinton introduced his economic stimulus and deficit reduction package in early 1993, the modest public sector job creation effort called for in the public works portion of the package was unceremoniously shot down as a needless government pork barrel. The potential for major welfare reform under the Clinton plan of “two years and out” was thwarted by the specter of a large-scale government public job creation effort to get people off welfare. More recent plans for restricting welfare under the Republicans’ “Contract With America” have avoided the jobs problems entirely by simply dictating that the states will be free to take care of the problem within a five-year time limitation. While both friends and foes of the North American Free Trade Agreement and other free trade initiatives recognized the serious potential for worker displacement, very few took seriously the idea of government-created jobs as part of an alternative, concentrating instead on support for retraining and relocation schemes.

There are exceptions, of course, such as Senator Paul Simon of Illinois who advocated a large-scale public jobs creation program to deal with both structural and cyclical employment issues as part of his abortive presidential bid in 1988. (See, *Let’s Put America Back to Work*, Paul Simon, 1988; see also Remarks of Senator David Boren, *Congressional Record*; January 27, 1993.) But to this point, their views have not entered the mainstream of public debate about the future of the American workforce.

In part, this lack of serious consideration for public sector job creation either as a tool for redressing long-term structural unemployment or as a shorter-term response to cyclical economic problems, no doubt reflects a general distrust of government's ability to solve problems. And the fact that, unlike many other employment and training or social interventions, very little analytic attention has been paid to public sector job creation, leaves the public and policy makers alike prey to the perception—often encouraged by political leadership—that government work is essentially nonproductive. Finally, compounding this distrust and lack of information is the strong residue of the concerted effort by neo-conservatives in the 1970s to paint public sector job creation specifically as a gigantic boondoggle. Thus, by the election of Ronald Reagan in 1980, to paraphrase an oft-repeated *Fortune Magazine* article of the late 1970s, Public Service Job Creation (sic CETA) had become a “dirty word.” The perception of incompetence and ineffectiveness, despite strong evidence to the contrary, enabled the Reagan administration quickly to dismantle the existing public sector employment program. And the idea of resurrecting it in some form to deal with today's exacerbated worker displacement and increasingly difficult structural employment issues, where the prospects of going down below a 5.5 percent unemployment rate creates great trepidation in the financial markets, is not seriously considered.

The purpose of this paper is to reexamine the primary experiences that have led to this state of affairs, and to ascertain whether there are lessons that can be applied to the future. The two most prominent government initiatives aimed at curbing unemployment through federally subsidized job creation programs were the Works Progress Administration (WPA) introduced during the Great Depression and the Public Service Employment program (PSE), the major job creation program inaugurated under the Comprehensive Employment and Training Act (CETA) in the 1970s.

## The WPA

The WPA was the biggest and best known of Franklin Roosevelt's New Deal programs. Begun with funds appropriated under the Emergency Relief Appropriation Act of 1935, the WPA went on to employ over eight million people in its six-year history. The WPA, however, was not the first job creation project launched under the New Deal. It grew primarily out of two previous job creation efforts, the Federal Emergency Relief Act (FERA) and the Civil Works Administration (CWA). An examination of how FERA and CWA merged to form the WPA provides some interesting insights into many of the problems and policy issues facing any federally subsidized employment program.

Chronicled in Irving Bernstein's 1985 book, *A Caring Society: The New Deal, the Worker, and the Great Depression*, the forging of the WPA was a political battle in which powerful opposing ideologies were pitted against one another. On the one hand, Harold Ickes, head of the CWA, focused on improving the nation's infrastructure through physical projects that could be constructed through federally subsidized employment. Ickes believed that bridges, roads, dams, and other projects should be the backbone of any federally designed public employment policy. This approach stressed the need for a long-term federally subsidized effort that would stimulate the economy by increasing government spending on goods and materials needed for large-scale infrastructure building projects. On the opposing side, Harry Hopkins, at the time the head of FERA, was concerned primarily with creating jobs quickly. He considered large-scale public works projects as unnecessarily costly and not well suited to a comprehensive employment mobilization effort. He stressed stimulating the economy by boosting consumer purchasing power and an overall strengthening of the demand side of the economy. Hopkins prevailed, and went on to run the WPA. Of the \$61 per worker the WPA spent each month, 76 percent went to wages, while only about 18 percent went to materials. Furthermore, of that \$61, only \$2 (or about 3 percent) went to a relatively small administrative staff of 30,000. (See Briscoe 1972).

At its zenith, the WPA employed 31 percent of the unemployed, a figure unprecedented to date. Approximately two million families were provided with \$1.4 billion per year for six years, or approximately \$10

billion per year in today's dollars. And while it was obviously of psychological benefit to a country reeling under the weight of massive unemployment, the longer-term impact of the WPA as an economic stimulus is harder to discern. For, of course, it was *not* the WPA, or any other New Deal social program, that brought the country out of recession; it was a war economy that finally spurred production and brought the nation back to full employment. Therefore, while the WPA undeniably provided temporary relief for many, its longer-term impacts are difficult to assess.

One way to measure its impact is to return to the Hopkins-Ickes debate. Ironically, what the WPA is most recognized for today is the lasting contribution made through WPA-sponsored projects: 651,000 miles of roads, 24,000 bridges and viaducts, 120,000 buildings, and countless aesthetic and artistic projects. Some would argue, therefore that it was precisely the WPA's contribution to the nation's infrastructure that laid the groundwork for the postwar economic boom. (See Noah 1982; Simon 1988). Bringing back WPA-type projects, they suggest, would not only put significant numbers back to work, but would also put the economy in a position to keep workers employed in the future. A highway built today, for example, has a multiplying job creation effect in the future, not only employing maintenance crews and toll operators, but also attracting various service industries such as gas stations and fast food restaurants.

Several factors, however, make the WPA experience less than apposite for today's economy. Obviously, the Great Depression was a unique time, with unemployment rates reaching 25 percent. The bulk of the WPA workforce were white male family heads who had worked before and came to their jobs with basic skills. Labor unions were only just achieving respectability under the protection of the Wagner Act, and the idea of large numbers of government workers being organized in public employee unions was not even on the horizon. So concerns about public worker displacement were muted. Finally, since the WPA was aimed at putting large numbers back to work fast, the majority of projects were low-skill construction projects with minimal training value or skills requirements.

In sum, the WPA experience surely belies the conventional wisdom that government, and especially the federal government, is unable to undertake large programs quickly and efficiently (but then again so

does the Gulf War). While its short-term effects are difficult to measure, its long-term value for improving the nation's infrastructure cannot be gainsaid. Yet, so much has changed in the economy and the nature of the workforce in the last three score years that, attempting to recreate a federally run WPA type of undertaking seems a far fetched dream, or nightmare, depending on one's political perspective. Much closer to home is the post-World War II experience with public sector job creation, PSE under CETA, the largest back-to-work strategy since the WPA.

### **Public Service Employment and CETA**

An extension of President Nixon's experimental Public Employment Program (PEP) of the early 1970s, PSE grew from a modest program within CETA with \$370 million in 1973, to CETA's main component designed to combat both structural and cyclical unemployment with an annual budget of \$4.1 billion in fiscal year 1979, again about \$10 billion in today's dollars. Only two years later, in 1981, CETA was gutted by the Reagan administration, with little opposition. (See Cook, Adams, and Rawlins 1985)

PEP, inaugurated under the Emergency Employment Act of 1971, after initial rejection, was endorsed by Nixon as an answer to recession and a growing unemployment rate of 6 percent. CETA, on the other hand, enacted once recession had ebbed, was originally concerned with structural unemployment. It was created amid fears of workers being displaced by automation and technology, a fear that had proved unfounded in the 1960s and would be again in the 1970s, but which appeared again threatening in the early 1990s. Almost immediately, however, an economic downturn and a steadily ascending unemployment rate changed the original plans, and another federal emergency was declared. This time, the Emergency Jobs and Unemployment Assistance Act of 1974 (EJUAA) established Title VI under CETA, which was explicitly countercyclical. Whereas eligibility under the original jobs program (Title II) was restricted to those underemployed or unemployed for at least 30 days, Title VI loosened eligibility to fif-

teen days in areas of high unemployment—then characterized as being 7 percent or more.

In 1976, as the economy began to recover, and reacting to criticism that PSE was not counterstructural enough—those being helped were those least in need of help, and the jobs being appropriated were merely displacing regular government jobs—Congress passed the Emergency Jobs Program Extension Act. Under this legislation, funding for PSE was increased, but the program reverted back to a counter-structural focus by increasing eligibility standards to target the long-term unemployed. This time the structural issue was less about job loss due to automation and more directed toward those segments of the labor force without any skills and with limited work histories. This was a much more disadvantaged population and had a much larger minority cast, as large numbers of unskilled blacks, forced off the land by the civil rights struggle and the agricultural revolution, were again migrating from the rural South in search of economic security in the nation's urban centers.

To discourage displacement, these new workers were to participate in new projects set up by administrators outside of regular government. President Carter's first years revealed a heightened financial commitment to PSE, and by 1977, enrollment reached a peak of 750,000. But this flood of money had negative repercussions for CETA's image, which was irreparably tarnished by accusations in the popular press and media of widespread abuse and fraud. These accusations, coupled with the fear of many economists and labor union leaders, that CETA was still displacing workers and was little more than an inefficient revenue-sharing program, prompted the federal government to act once again. In 1978, Congress beefed up restrictions for the last time, severely tightening eligibility criteria, placing limits on how long PSE workers could remain on the payroll, and placing ceilings on how much workers could earn. But from a public and political perspective, these changes were too little too late. Ronald Reagan campaigned mightily against this great "boondoggle," and by 1981, PSE and CETA were totally dismantled.

## Lessons from Public Service Job Creation Under CETA

The thumbnail history of public sector job creation set forth above contains several closely related questions that are at the heart of any analysis of public sector job creation: Should a program help the structurally unemployed or those who are more “employable” but experiencing hard times? If the focus of such a program is designed to alleviate the burdens of recession, and is therefore a countercyclical program, can the displacement of local government workers be avoided? Should displacement be avoided, or because of its revenue-sharing effects, should it somehow be factored in as an economic benefit for locally strapped governments facing their own budget crises? Similarly, if the focus of public sector job creation should be on combating structural unemployment, can the low-wage, low-skill jobs that are inevitably provided to the structurally unemployed prove viable training grounds for workers hoping to someday make the transition to unsubsidized employment? The debate as to whether PSE was to be a countercyclical or counterstructural program is seen by many to be at the crux of any discussion of the viability of public jobs programs. For it is precisely the lack of a focused vision on this issue that eventually made PSE under CETA a political impossibility. (See Nathan, Cook, and Rawlins 1981; Baumer and Van Horn 1985.)

There were three distinct periods in the life of PSE under CETA that provide a framework to view its success and failure. (Cook, Adams, and Rawlins 1985, pp 46-49). The first, beginning with PEP and extending through the first three years of CETA, is defined by lax eligibility requirements, decentralized state and local administrations, and service-oriented employment programs.

The second period, from 1976 to 1978, was characterized by increasing demands from the federal government that PSE participants be disadvantaged, and that more emphasis be placed on training. Most commentators agree that during this period, enough of a balance was created between the service objectives of local governments and the federal emphasis on combating structural unemployment, that this was a relatively successful period for PSE. While the federal government was intent on targeting the most severely disadvantaged populations in order to combat structural unemployment, local administrators were



primarily interested in implementing PSE programs in ways that were beneficial to their communities, in terms of relieving fiscal pressures, creating needed community service jobs, and relieving the social ills associated with unemployment. State and local officials implementing PSE programs, guided both by federal guidelines and their own interests, hired workers who had enough skill to be placed in community service jobs with minimal training, and at the same time avoided hiring higher-skilled and educated workers in an effort to remain faithful to federal objectives of employing the disadvantaged.

The third period, characterized by heightened federal restrictions on eligibility, upset this precarious policy balance. State and local governments were unable and unwilling to employ the uneducated and unskilled in service jobs, and large numbers of workers were either passed on to nonprofit agencies or given token jobs of little service to the community.

The work of Nathan, Cook, and Rawlins makes a convincing argument that, as a countercyclical program, PSE was relatively effective, but as a structural program, it was doomed to failure. As Nathan said in a subsequent *New York Times* article,

The program was set up to be counter-cyclical...[but] when the 1976-77 recession ended, supporters of the program...hit on helping the disadvantaged....But state and local governments resisted the new requirements for selection and training. Because the CETA workers were hard to place and supervise and often lacked job experience, most were farmed out to nonprofit organizations that provided social and community services. Some organizations did work of marginal value. Such jobs—for sex therapy clinics, experimental art and drama groups, yoga centers—fed the critics. The result: the CETA program bit the dust. (Op. Ed. in *New York Times*, January 31, 1994)

Most others who have reviewed the PSE experience under CETA agree. Baumer and Van Horn (1985) point out that efforts to target the structurally unemployed through criteria such as lower wages and tougher eligibility requirements *did* change the composition of the PSE workforce, but program administrators lost sight of the programs themselves. “While everyone made sure that the right people were enrolled in programs, that no one was paid too much for a public service job, and that proper forms were completed...local program design and per-

formance goals were often swept aside, and local political support for employment and training initiatives eroded” (p.12).

Thus, the crucial component of PSE was the value of community service that employees were able to provide. As long as state and local administrators could focus on employing the cyclically unemployed, or those with some work experience, they were able and willing to put employees to good use. Why then, if PSE seemed to be an effective way to ease the burdens of recessionary unemployment, did the federal government revamp it to target the structurally unemployed? One answer lies in understanding some of the inherent organizational difficulties in designing and implementing a countercyclical program.

In designing a countercyclical approach to jobs programs, one must take into account the time lag between actual program implementation and stimulation to the economy. Because employment trends generally trail behind other economic indicators in a recessionary economy, by the time the government and Congress are sparked into action by high unemployment levels, the economy may actually be on the rebound. Further delays inevitably result from political debate, authorization, and implementation. Under these circumstances, the countercyclical objective of targeting and hiring those temporarily out of work until the economy can support them is undermined. As Clifford Johnson has pointed out, this is precisely what happened under CETA as the federal government responded to the 1974-76 recession.

Although the national unemployment rate remained high in 1976 and 1977, federal outlays for local public works projects and expanded public service employment did not add significant stimulus to the national economy until more than 2.5 years after the trough of the business cycle. (Johnson 1985)

The obvious political repercussions resulted in heightened public pressure to restrict targeting to more disadvantaged segments of the population.

Another issue deserving of more attention than it has received is the issue of scale. PSE's problems under CETA did not become really apparent until its volume expanded suddenly during the Carter administration and the Labor Department began to put local governments under pressure to fill the emerging slots. When many recipients turned out to be of doubtful eligibility, the program's enemies had a field day.

Would lessened ambition or slower expansion have achieved more acceptable results?

The other key problem associated with implementing a successful countercyclical employment program is the substitution of federal funds for state and local funds. Substitution can take place in a myriad of ways, but the most common and most obvious is the displacement of regular government workers, normally paid by state and local taxes, with federally funded public service employees. State and local governments, many argue, are especially vulnerable to substitution in a recession as budgets become increasingly difficult to balance. A study conducted by William Mirengoff and Lester Rindler found that net job creation under CETA had a direct relationship to fiscal pressures faced by state and local governments. The governments facing the severest fiscal pressures were the least likely to see employment increases through PSE, while governments with few fiscal concerns had the highest rates of net job creation. These findings would seem to support critics of public sector job creation who claim that because of displacement, such programs are little more than an inefficient kind of revenue-sharing. (See Mirengoff and Rindler 1978; see also, for example, "Why CETA is in Trouble" 1978; "How CETA Came to be a Four Letter Word" 1978; and "Lotsa Buck, Little Bang" 1977).

But the displacement issue, which caused CETA much political grief among program opponents, is extremely difficult to analyze, and some who have examined it closely, such as Nathan, Cook, and Rawlins, believe that it is, upon close scrutiny, "relatively insignificant." They found, for example that, "roughly one PSE worker in five was doing a job that would have been filled even if the local government had not received PSE money." Rather than displace local jobs with CETA workers, they found state and local governments either creating new projects or subcontracting jobs to outside agencies. Furthermore, it is important in assessing substitution not to confuse displacement with "program maintenance"—the attempt by fiscally strapped state and local governments to save government services that without CETA funds would necessarily be eliminated.

Perhaps the most serious issue relating to countercyclical public service employment programs is how much net job creation is possible over the long run through the use of short-term public job creation programs set up during a contracting economy. For even if new jobs

are being created temporarily, are these jobs merely training workers for jobs that in the best-case scenario are already filled and, in the worst-case scenario, will not otherwise exist? Optimistic studies found up to 94 percent of PSE dollars had a stimulating effect on the economy, through the paying of salaries and the stabilizing of taxes. However, neither the CETA nor the WPA experience cast much light on the real economic stimulus effect of such efforts (Johnson 1985, p. 32)

These issues, especially displacement, discussed above in the context of countercyclical programs, also have implications for counterstructural job creation efforts. And CETA contains other lessons about public sector counterstructural job creation programs as well. These are especially important in light of the only serious discussion about public sector job creation currently extant—that related to employing large numbers of welfare recipients in public sector jobs after two years on the welfare roles.

Perhaps the most obvious lesson to be learned from CETA is that local government can target the severely disadvantaged without great difficulty and create work for them. By 1980, as a result of tightened eligibility requirements for PSE participants (such as raising the required length of unemployment from ten days to fifteen weeks), increased restrictions on the length of time PSE participants could stay on the job, and lower ceilings on the amount of money workers could earn, 92 percent of PSE enrollees were found to be from low-income households with very limited work histories.

What is more problematic, however, is how well PSE was able to help the structurally unemployed beyond providing a small, temporary paycheck. While it can validly be argued that *any* job, regardless of its skill level, is valuable training for someone who has never held a job, research on the impact of CETA jobs programs on wage earning power finds no appreciable gains being made as a result of PSE participation. As Clifford Johnson (1985) concluded,

earnings data [regarding CETA] indicate that work experience alone is perceived by future employers as being of relatively little value and that marked improvements in the future employability of disadvantaged adults can be achieved only when work opportunities are combined with meaningful education and training initiatives.

Furthermore, the more eligibility criteria were tightened to reach the more disadvantaged, the more program managers perceived the workers they were getting as being of extremely low productivity, and the more they tended to create jobs that had little substantive content, and to provide little supervision for its performance. For the participants, this tended to undercut the inherent value of the work experience itself. It also, of course, fed the public criticisms of make-work jobs and shiftless workers which eventually doomed PSE. Thus, while only giving large numbers of the structurally unemployed with little work history or skills a job might hold a whole host of societal benefits; in terms of getting people permanently off welfare and back into the employment sector, it was clearly not the answer.

### **The Western European Experience**

Since World War II, Western Europe has not ventured into a massive public sector job creation effort like PSE. Of course, until the most recent recession, the growing economies of most of these countries were characterized by labor shortages and the importation of “guest workers” to meet labor demands. Many of these countries, such as Denmark, the Netherlands, and the United Kingdom, have set up some relatively modest efforts directed at a specific subset of the population, such as youth, the disabled, or the aged. These programs usually incorporate a significant training element designed to upgrade worker skills. (See Balkenbol 1981; Karsten 1981). Others, such as Belgium and West Germany, have more broad-based job creation programs as an integral part of government fiscal policy, with triggers built into legislation to spur increased public sector hiring when downturns in the economy raise unemployment rates.<sup>6</sup> Programs in European countries also differ significantly from one country to another on issues such as private sector involvement, requirements for community benefits, and the duration of participation.

The Netherlands represents a fairly typical example of the variety of public sector job creation activities in a Western European country. Since 1977, the government has sponsored a temporary public sector jobs program for difficult-to-place unemployed. Temporary employ-

ment for those unemployed for at least six months is provided for up to six months for those under age 45, and for up to a year for those over age 45. In 1979, the program was expanded to include nonprofit organizations as sponsors of worksites. In 1980, the government created a special temporary work agency to provide jobs for certain workers, primarily youth, classified as having poor employment prospects. The government also has set up a Corporation for Industrial Projects to promote employment through the creation of industrial enterprises subsidized by the government. Other countries, such as the United Kingdom, Italy, and France have also focused their job creation efforts on economic development and community enterprise in order to create and subsidize businesses that will employ the unemployed.

In the 1980s, as recession created seriously higher unemployment rates in Western Europe for the first time in decades, some of the countries with targeted public sector employment programs began to expand their efforts. These expansions also were highly targeted towards specific structural employment problems. Thus Denmark, for example, began a public job creation program for handicapped workers. By 1982, this effort had been considerably broadened with a special emphasis on youth employment. Ireland, Greece, and the United Kingdom, are other countries that created public sector jobs programs primarily for unemployed young workers in the early 1980s. Other countries expanded existing programs targeted to youth. These programs generally were characterized as being relatively short-term—up to six months on the job allowed—with wages fixed at a fairly low rate to encourage transition. Often these programs try to link the job to economic development, entrepreneurial, or other more permanent job creation activities. This is done, either directly through the program itself or indirectly through mandating linkages to other economic development/job creation initiatives.

Generally, discussions in Western Europe about strategies for dealing with structural and countercyclical employment problems mirror those in the United States. Issues about targeting, appropriate wage levels, program duration, and competition with the private sector appear to be the focus of most debates on public sector job creation. (See Bekemans 1983; Faulkner 1977). And in fact, most of these countries cite the United States experience with CETA's PSE program when denigrating the notion that public sector job creation can be a major

part of a strategy to increase employment and retrain the workforce. (See Beharrell 1992).

Typically, Sweden appears to have the most comprehensive and successful full-employment policy. Swedish labor exchanges, set up by the government to fill job vacancies, tightly regulate private industry by requiring all firms to notify them of job openings that are filled with apparent efficiency. Workers whose lack of skills prevent them from getting jobs through the labor exchanges are provided with intensive government-managed training or retraining, and 70 percent find jobs within six months of completion. For those who do not immediately find jobs through the training system or who may not qualify for such training, the government provides short-term work in “socially useful” types of jobs. These jobs pay prevailing wage, but are strictly time-limited, usually to ten months, and workers are encouraged to find private employment during this period. If a worker has not found an employment alternative by the conclusion of the time limit, support ceases.

These labor market policies are combined with other macroeconomic strategies designed to increase productivity, protect Swedish goods, and steady currency values. Critics claim that Sweden has traded off its policy to require a tight labor market with an unnecessarily high inflation rate. But the country has been willing to make this trade-off to protect full employment, and preserve wage levels.

It is clear that the highly integrated and occasionally draconian measures Sweden has adopted would not be practical either politically or economically in a larger and more diverse economy such as the United States. And that nation’s current economic and political problems reduce its motivational value. Nevertheless, the Swedish example does support those who would argue that governments can encourage fuller and more productive employment, and that public sector job creation has a legitimate role in this process.

### **Current Activities and Future Prospects**

There is no likelihood of an effort to reintroduce public service job creation as a major instrument of public policy on the horizon, with one significant exception. That exception is for welfare recipients who,

under various proposals for reform, will be subject to stringent time limitations for staying on welfare. For example, President Clinton's original two-year limitation with a job guarantee at the end is being tested on a demonstration basis in a number of states. Other states are struggling with various strategies to limit welfare and encourage or require some kind of job creation strategy to employ welfare recipients who are unable to find jobs on their own. And the federal intent is apparently to make welfare reform a state responsibility, with lessened federal dollars but without total hands off from federal restrictions.

Most commentators would agree that the reasons for a basic lack of policy interest are more political than substantive. The perception that this policy strategy was ineffective under CETA is firmly embedded in the public mind, regardless of the reality of what actually happened and why.

Liberal supporters of public job creation, such as the late Sar Levitan, are a voice in the wilderness when they argue that,

Jobs programs have made and can make a tangible difference in alleviating hardship, supplying valued services (including labor intensive public works), and promoting the work ethic. Past mistakes justify improving—not abjuring—future efforts. (Levitan and Gallo 1991)

As the above quotation indicates, even most supporters recognize that there are legitimate concerns with how public service employment has operated in the past. Their argument is that these problems can be corrected to make such a program more efficacious, and that the nation's most massive effort, WPA, was, in fact, highly efficient and effective.

Theoretically, there could be an opportunity to resurrect the good name of public job creation in current welfare reform efforts. Unfortunately, the essentially punitive rationale imbedded in the various initiatives to restructure welfare almost certainly doom them to failure as a public service employment strategy. Even at its most stringent, PSE and more targeted European initiatives make six months the minimum that a person must be out of work before qualifying. Yet, most proposed welfare reform strategies make such jobs available only to those who are unable or unwilling to find regular employment within a minimum two-year or five-year period while they are on welfare. This



makes it likely that the population that will eventually come to public service jobs will be the least prepared to function effectively in the labor market. As the CETA experience illustrates, public sector job creation began to fall apart when it became a structural strategy designed to target the most difficult to employ. This made the creation of legitimate jobs most difficult and led program managers to search for ways to put people in jobs with little supervision and little substantive content so as not to detract from the primary missions.

The lessons from WPA and CETA should show that unemployment is not a single problem with a single solution. Individual strategies targeting specific populations have succeeded over the years, and in fact, a substantive body of knowledge exists that can provide guidance to policy makers on how to design an effective program. Cyclical unemployment can be responsive to publicly created jobs that either fill a service void that can be tailored to meet local needs or can be targeted to large-scale public works projects such as those most remembered from the WPA. These jobs can work because the population targeted for this type of program have a demonstrated work history and they understand the rigors of the working routine. They may need some retraining or orientation to a new job, but they are accustomed to work. However, these are not the people for whom jobs would be created under current proposals.

Lessons have also taught that the hardest nut to crack, the long-term welfare recipient, the most unemployable segment of society—including those who lack work experience, education, or work skills—cannot be helped by just providing a job. Many can, however, be helped by training, remedial education, or a job that has been restructured to manageable size, in which essential close supervision is provided. Unfortunately, therefore, the very populations that are likely to be targeted for public service employment under current welfare reform initiatives are those who will continue to give public service job creation a bad name because of the lack of thought being given to overcoming their job disabilities in conjunction with the job creation effort.

Exacerbating this problem are provisions in some proposals for welfare reform that require prevailing wages to be paid when jobs are created that parallel the job content of existing positions. This requirement, made in response to labor union pressures and concerns about possible displacement effects, will further likely reduce job con-

tent and supervision for most of those who would be required to participate.

Finally, because the population will be almost entirely female, the types of jobs will be limited. Efforts to create opportunities for women in nontraditional employment such as construction have been mostly unsuccessful, in large part because most women are not interested in performing such work. Thus low-skill, labor-intensive infrastructure building projects, which characterized WPA at its best, would not be a significant part of such public sector job creation efforts. To add content to welfare reform plans would require significant expenditures in areas of training, supervision, and management—expenditures that are highly unlikely, given current budget stringencies.

In sum, unless significant changes are made in current proposals under the welfare reform rubric, public sector job creation, in and of itself, is unlikely to be a successful strategy to secure longer-term, non-subsidized employment for those who are forced to participate. And, to the extent it is used as a strategy, it is likely to be viewed by the public primarily as a make-work effort designed as a less obnoxious, more equitable alternative to long-term welfare dependency.

In addition to welfare reform, there are a few relatively modest demonstration projects recently launched by the federal government that encompass principles of public sector job creation, although not advertised as such. These projects are directed at youth, with the most notable being YouthBuild, sponsored by the U. S. Department of Housing and Urban Development, and Youth Fair Chance, sponsored by the U. S. Department of Labor. Each is being operated in twenty to thirty competitively selected communities across the country. As of the fall of 1995, YouthBuild has survived federal budget cutting, but Youth Fair Chance has been zeroed out in FY 1996.

YouthBuild is designed to give poor youth training and work experience in the construction trades, primarily through the rehabilitation of housing stock in poor neighborhoods (where there is little labor union interest). The program is carried out by nonprofit sponsors who are allowed to pay the youths at the minimum wage as part of the work experience phase of the demonstration. It appears similar in many respects to a number of programs of community rebuilding and short-term job creation that are being carried out in Western European countries. Youth Fair Chance, a more comprehensive youth training and

employment demonstration, also includes a work experience component where youth are allowed to receive a weekly “stipend” of up to \$100 while carrying out any of a variety of locally selected work activities (the normal allowable Labor Department training stipend is \$30). These examples indicate that the concept of public sector employment, when dealing with structural employment problems, if packaged and marketed creatively, can still garner support, although certainly not, at present, on a large scale.

Thus, building up experience with effective employment strategies that focus on both structural and countercyclical problems and include a public sector job creation component would certainly seem feasible and useful as long as the public sector component is targeted at the population that can benefit from it and structured in a way to be useful to the community at large. The components of such a strategy should focus on building understanding and effectiveness around a number of issues that would need to be resolved, if such programs are to regain the confidence of the public. In his work on public sector job creation, Sar Levitan pointed out many of the areas that would be critical to success. Included are:

1. Defining each segment of the population to be targeted and developing an appropriate strategy for each, including eligibility standards and wage levels
2. Structuring the jobs that are created to maximize content and minimize the likelihood of substitution
3. Adjusting the level of supervision and other support services required to maximize the value of the job for participants and sponsoring agencies
4. Establishing the right sequence and mix of work experience and training or re-training and the duration of program participation necessary to provide real long-term opportunities for participants

Without attempting to be definitive, as examples of how the above requirements could be implemented, a two-tier system might be created. For persons with little or no work history, emphasis would be placed on learning how to function in the workplace. Duration would be limited to one year. Jobs would be low-skill and entry-level, with

close supervision. Wages would be at or near the minimum wage. Opportunities for remedial education and skills training through classroom instruction would be included for the first six months, so that actual time on the job might be limited to twenty hours per week. Opportunities for advancement to higher skill levels and higher wages would be afforded after six months of successful participation.

For persons with significant prior work experience and/or higher education levels who had been out of work for at least six months, the emphasis would be on training or retraining through on- the-job work experience. Jobs would be of a higher skill content, wages would be set at 80 percent of the prevailing wage for similar occupational categories up to \$10 per hour, and duration would be limited to six months. Job creation would focus on occupations where there were significant opportunities for achieving permanent placement in either the private or public sector.

Experiments in public sector job creation to refine program techniques and develop a stronger knowledge base need not be large-scale efforts. Given the current willingness of numerous state and local jurisdictions to develop new strategies for dealing with issues of unemployment, it is likely that support could be found for a series of modest efforts to enhance learning about what works and what doesn't in targeting the structurally unemployed. Perhaps building on the experience of several European community development/job creation strategies and the opportunities afforded by recent federal enterprise and empowerment zone legislation, projects could be developed which would more directly link economic development efforts to short-term public sector job creation strategies involving both government and not-for-profit organizations as program sponsors. Such projects could be targeted at population groups with specific needs, such as youth and welfare recipients, or geographically, as in depressed areas with histories of long-term and continuous levels of high unemployment.

If the federal government could be persuaded to reenter the field, programs could also focus on cyclical issues by tying short-term public service to unemployment insurance, and by focusing initiatives in areas of high worker displacement brought about by government policies such as the downsizing of defense industries, base closings, or federal regulations such as those related to environmental protection.

To recapture public and political support, it would be advisable to assure that any experiments that were developed would include a mix of populations that included both workers with basic skills such as those employed through the WPA, and workers with more serious employment disabilities such as those targeted in the last days of CETA and PSE.

Public sector job creation has proved to be a valuable tool in the past in providing work experience, training, and retraining. It has helped to build and rebuild the country's infrastructure, and provided useful government services. At least among state and local governments searching for new strategies under the impetus of federal block grant plans, it would appear to be an opportune time to once again take a page from past experiences and begin the process of developing new strategies for using public sector job creation as a technique for dealing with the serious dislocations that are going to continue to confront so many trying to make it in the workforce.

Sar Levitan frequently reiterated the view that a PSE program of some size should be a permanent component of the portfolio of employment and training programs. Obviously we need to experiment and know much more before adopting that as general policy. But for now the issue is obviously politically moot.

This paper is an updated version of a report originally prepared for the Pew Charitable Trusts. The author wishes to acknowledge the assistance of Joshua Grinker, who carried out a substantial amount of the historical research and analysis of the WPA, CETA, and European experiences; and Suzanne Trazoff, who provided a valuable critique and edited the earlier version. The Paper itself and its findings and conclusions are solely the responsibility of the author.

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