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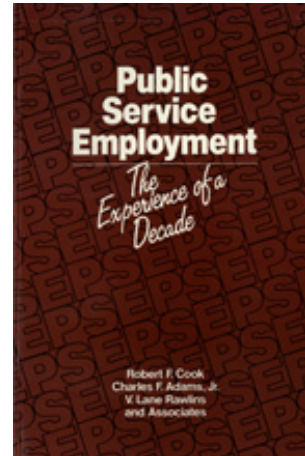
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# The Public Service Employment Program

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# 1

## The Public Service Employment Program

At various times during the 1970s, public service job programs were seen by various people as a solution to long term unemployment among technologically displaced and/or unskilled people, as a strategy to combat short term unemployment caused by economic downturns, as an alternative to welfare, and as a scandal-ridden failure.

The programs were none of these things, yet each view has an element of truth. Public service jobs programs could be viewed from many different perspectives for two main reasons. First, they had multiple objectives, and different observers could judge the programs by different criteria. Second, the programs were undergoing almost continuous change. Information gathered in one year might not apply to the program in the following year.

This chapter describes the objectives and design of the Public Employment Program (PEP) of 1971 and its successor, the Public Service Employment (PSE) components of the Comprehensive Employment and Training Act of 1973 (CETA). It begins by sketching the background to these programs, as set in the 1930s and 1960s.

### Background

The Works Progress Administration (WPA), begun in 1935 as one of Franklin D. Roosevelt's responses to the Great Depression, established the precedent of direct federal

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government involvement in countering widespread unemployment. At its peak, it employed more than 3 million people while more than 9 million were unemployed. It distributed an average of \$1.4 billion per year until its end in 1943.<sup>1</sup>

Partly because WPA set a precedent by involving the federal government in efforts to directly reduce unemployment, it was a controversial program. Its opponents castigated it as “leaf raking” and “the dole,” but since that time many have come to appreciate the amount of productive output the program supported.<sup>2</sup>

Despite its obvious similarities to the public service employment programs of the 1970s, WPA differed from them in two important respects. First, its primary objective was to replace household income lost when a breadwinner was laid off. (Unemployment compensation was not provided nationwide until 1938.) Only one worker in a family could hold a WPA job; workers did not receive ordinary wages, but were given an amount equal to the difference between any other income and what the government determined to be their “need.” Second, WPA was administered directly by the federal government, with a federal administrator in each locality, rather than by state or local governments.

### *Programs of the 1960s*

Mobilization for World War II eliminated the unemployment problem of the depression, and for a decade after the war joblessness was not a major issue. The government provided a year’s worth of unemployment compensation to returning veterans; a business boom absorbed civilians thrown out of work in defense industries; and the Korean War, which began in 1950, ended a mild recession that had started in late 1948. The end of the Korean conflict in 1953 brought a downturn, but it turned out to be brief.<sup>3</sup>

Calls for government efforts to stimulate the economy and create jobs began to be heard, however, when a sluggish economy from 1957 through 1960 brought persistently high unemployment levels. Further impetus for action arose from concerns that many people would be thrown out of work by the effects of automation resulting from the technological advances of the previous two decades.

Soon after the Kennedy administration took office, Congress in 1961 approved the Area Redevelopment Act. It combined loans and other incentives for firms to expand industrial facilities in economically depressed areas with vocational education programs intended to assure industries of a trained workforce in those areas. With a new economic downturn in 1961, however, the program proved to be too small to create many jobs, and the training component never exceeded 12,000 persons through the program's end in 1965.

A much more ambitious effort began in 1962, when the Kennedy administration won passage of the Manpower Development and Training Act (MDTA). It focused on training, especially the retraining of workers whose skills did not fit the changing needs of the economy. The largest part of the training was done by educational institutions and local community agencies; the number of persons receiving such training rose from 32,000 in fiscal year 1963 to a peak of 177,500 in fiscal year 1966. The program also made an effort to place unemployed people in jobs with private firms where they could receive on-the-job training. The firms were given subsidies to cover the extra costs of hiring unskilled workers. Private social action organizations received grants to find firms that were willing to participate. This portion of the MDTA program grew at first, but the Johnson administration's 1964 declaration of a War on Poverty gave MDTA a new focus on the poor rather than the more general mandate to meet the training needs of the unskilled and technologically displaced.

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The opening salvo of the war on poverty came with the passage of the Economic Opportunity Act of 1964. This act and its subsequent amendments brought about an explosion of new training programs, each designed for a particular segment of the poverty population. Following are the major categories of people and the programs designed to help them gain skills and jobs:

- ***Welfare Recipients:*** One of the nation's most vexing problems of the sixties was the growing number of households dependent on Aid to Families with Dependent Children (AFDC). In 1962, a two-year experiment called the Community Work and Training Program offered work experience to AFDC recipients. This was expanded in 1964 into the Work Experience Program (later renamed the Work Experience and Training Program). This effort evolved in 1967 into the Work Incentive Program (WIN), with the Department of Health and Human Services providing such support services as medical care and child day care, and the Department of Labor providing training and job placement for women receiving AFDC with children above age six.
- ***Youths:*** The Job Corps set up residential centers, often in rural areas, for young people from inner cities, providing them with remedial education and job skills training. The Neighborhood Youth Corps, which operated in the cities where youths lived, provided part-time work experience, remedial education, and limited job training for high school dropouts and potential dropouts.
- ***Rural Elderly:*** Operation Mainstream provided work experience and income maintenance for workers over fifty-five in rural areas, where job opportunities are particularly scarce.
- ***Disadvantaged Adults and Out-of-School Youths:*** The New Careers Program was begun in 1966 to train paraprofessionals in such public service fields as health,

education, welfare, neighborhood redevelopment, and public safety. It was subsumed and expanded in 1970 by the Public Service Careers Program, which added an effort to facilitate placement and eliminate barriers to employment.

The federal government has also made efforts to involve private firms in programs to train the unemployed and create jobs for them. The Job Opportunities in the Business Sector (JOBS) program, started in 1967, was a joint effort of the public and private sectors to develop on-the-job training programs for the disadvantaged. Later, tax credits were offered to firms that hired people who were eligible for job training programs. Relatively few employers used this tax credit, however, and a General Accounting Office study found that about 70 percent of the workers for whom tax credits had been granted were already employed prior to the credit allowance. The Economic Recovery Tax Act of 1981 included provisions to restrict credits to newly hired employees.

### **The Public Employment Program**

Although the programs of the 1960s were numerous, they did not involve the federal government in providing subsidized public service jobs. The idea of doing so was considered in 1969 when recession put an end to the prosperity of the previous decade. Congress responded by passing a general public employment program in 1970, but President Nixon vetoed it. The following year, when the unemployment rate reached a peak of 6 percent (a high figure for the time), Congress and the president reached agreement on another bill: the Emergency Employment Act of 1971, which authorized the Public Employment Program (PEP).

PEP was considered a pilot program, and was intended to last only two years. It was, however, a sizable effort to counter cyclical unemployment. Funding was \$1 billion for fiscal year 1972 and \$1.25 billion for 1973. At its peak in July 1972, it provided employment for about 185,000 persons.<sup>4</sup>

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In keeping with the Nixon administration's philosophy of "New Federalism"—that is, increasing the role of state and local governments in the operation of social programs that had previously been operated primarily by the federal government—PEP put responsibility for operations in the hands of state and local governments. Funds went to states and to municipalities or counties serving populations of 75,000 or more. The bulk of the money was allocated to governments in areas with unemployment rates higher than 4.5 percent; additional money was distributed to areas with rates of 6 percent or more.

The federal government imposed very few restrictions on the state and local governments receiving funds. They could hire anyone who had been out of work for a week or more (later changed to two weeks), or who was underemployed. Underemployment was defined as working less than full time involuntarily, or working full time at wages that provided less than a poverty-level income. Preference was to be given to Vietnam veterans, youths and older workers, migrants, workers who did not speak English, welfare recipients, disadvantaged persons, and displaced scientists and engineers. Such broad "targeting" amounts to none at all. With so few rules, the federal government in effect "put the money on the stump and ran," a characterization of many of the intergovernmental grant initiatives of this period. This approach followed the philosophy of the early New Federalism, and was close to the design of the general revenue sharing program, passed in 1972. The approach did, however, enable participating governments to hire subsidized workers quickly, which was a primary goal of the program.

State and local governments naturally tended to hire workers who fit easily into established workforce patterns. Large percentages of participants were white (64 percent), male (72 percent), and between the ages of 22 and 44 (64 percent). Forty-three percent had gone to school through twelfth grade, and another 31 percent had education after

high school.<sup>5</sup> PEP participants were better educated and less disadvantaged than participants in the more structurally oriented programs begun in the sixties, and fewer were minorities.

Although the act authorized training, little money was spent for this purpose; an estimated 94 percent of the money was spent on compensation of participants.<sup>6</sup> The state and local governments that directly received PEP funds could subcontract to other units of governments, but little of this was done. Although data were not collected on this point, probably no more than 10 percent of the positions were sub-contracted, and those were mostly to independent school districts.

### **Start and Growth of Public Service Employment**

PEP was an addition to the collection of training programs that preceded it, not a replacement. These older programs, which had various clienteles and different operating organizations, were criticized for being uncoordinated and sometimes duplicative. Partly in response to this concern and partly in response to the Nixon administration's continued support of the concept of New Federalism, Congress in 1973 passed the Comprehensive Employment and Training Act (CETA).

As originally passed, CETA had three main components. First, Title I established a formula to distribute money for training programs to state and local governments, and gave these governments the power to determine what particular kinds of programs they would operate. The state or local governments that received the funds directly, called "prime sponsors," could choose which agencies—public or non-profit—would run the training programs. Second, Title II established a relatively small public service employment program that would operate in areas of "substantial unemployment," defined as unemployment of 6.5 percent or more.



The initial appropriation for Title II was \$370 million; an additional \$250 million was allocated to phase out PEP until July 1974, when Title II took over. Finally, Title III allowed for direct federal operation of some national training programs aimed at special groups, such as Indians, migrants, and youths, and Title IV continued the Job Corps.

Title II was primarily designed to combat structural unemployment; the need for a program to alleviate cyclical joblessness was not strongly felt in 1973, since the peak of unemployment associated with the recession of 1969-71 had passed two years earlier. Those eligible for jobs under Title II were those who had been unemployed for 30 days or more, or were underemployed.

No sooner had programs started operating under Title II in the summer of 1974, however, than the nation began to suffer another major recession, this one largely brought on by sharply rising energy costs associated with the Arab oil embargo. Unemployment rose rapidly, eventually reaching a peak of 8.7 percent in the spring of 1975. In December 1974, Congress reacted to the joblessness problem by passing the Emergency Jobs and Unemployment Assistance Act of 1974, which added Title VI to CETA. Title VI established a PSE program that was explicitly countercyclical. Funds were to be given to prime sponsors in all areas. To be eligible for a Title VI job, a person had to be unemployed for 30 days, or for 15 days if the local unemployment rate was more than 7 percent. Originally authorized for just 18 months, Title VI began with an appropriation of \$875 million.

Implementation of Title VI brought rapid growth to the PSE program. As of December 1974, about 56,000 people were enrolled in Title II. Grants under Title VI went out to prime sponsors starting in January 1975, and by the end of June 1975 enrollments stood at about 155,000 for Title II and 125,000 for Title VI. The total enrollment in public service jobs programs (including participants in the PEP program's final months) stood at 310,000 in May 1975.<sup>7</sup> Figure

1-1 shows the changes in enrollment levels in the various programs and titles over the decade.

The rapid buildup of Title VI enrollments strongly affected the nature of the PSE program in its early months, as well as perceptions of it in Congress. The emphasis during this period was on hiring participants quickly to combat the effects of the recession. As had happened earlier with PEP, state and local governments were quickest to hire participants with good educational and work backgrounds. As a result, the first report on the characteristics of PSE participants, based on a sample taken between January and March 1975, showed that large proportions were white (66 percent), male (71 percent), of prime working age (63 percent between ages 22 and 44), well educated (76 percent had 12 years of schooling or more), and not economically disadvantaged (64 percent).<sup>8</sup>

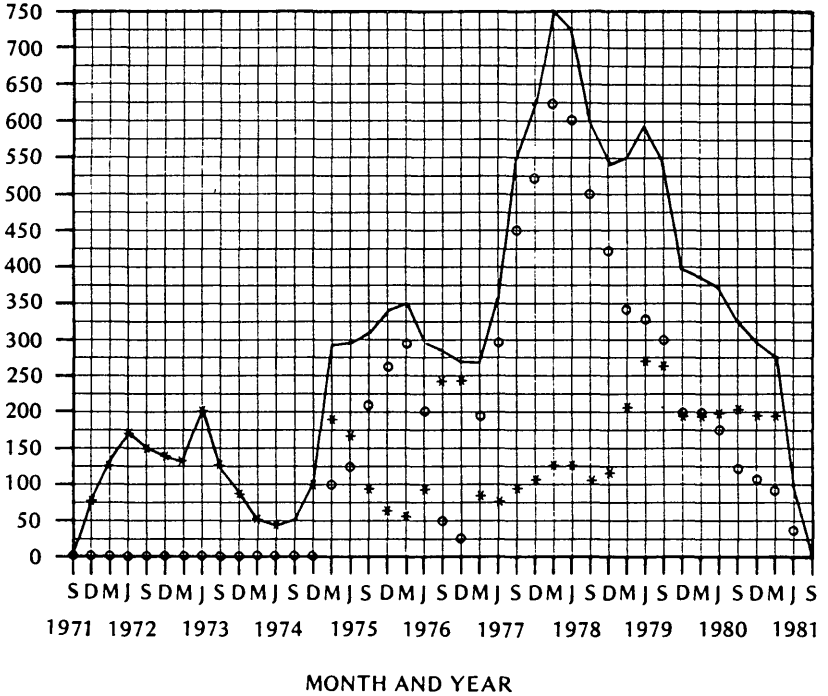
These figures made the initial group of PSE participants look quite similar to regular employees of state and local governments. This perception, in combination with a Labor Department paper from 1974 suggesting, in theory, that PSE might have the effect of displacing many locally paid workers with federally subsidized workers,<sup>9</sup> led many in Congress to conclude that such displacement was in fact happening on a large scale.

This conclusion led to the first of several major congressionally-mandated shifts in the design of the PSE program. Title VI was due to expire on June 30, 1976. Unemployment remained relatively high—it averaged 7.7 percent during 1976—so as that date drew closer there was considerable pressure for renewing the title. The Senate, however, refused to approve a new Title VI authorization until changes were made. A stopgap appropriation in April carried Title VI participants on the Title II payroll until new legislation could be worked out. On October 1, 1976, Congress passed the Emergency Jobs Program Extension Act, providing new funds for Title VI, retroactive to June 30.

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**Figure 1-1**  
**Enrollments in Titles II and VI**  
**and Total PSE, by Quarter**  
**September 1971 to September 1981**

THOUSANDS



LEGEND

- = Total Enrollments
- oooo = Title VI Enrollments
- \*\*\*\* = Title II Enrollments
- S = September, D = December, M = March, J = June

NOTE: PEP enrollments are included in Title II enrollment figures through June 1976.

The new legislation made two major changes in Title VI:

1. It required that all newly-hired Title VI workers beyond the number needed to “sustain” state and local governments at their previous level of PSE workers be assigned to special projects that would last for no more than a year. In effect, the PSE program now consisted of two components: “sustainment” positions, funded under Title II and part of the Title VI appropriation, and “project” positions, funded with the rest of the Title VI appropriation.
2. The act also imposed new restrictions on eligibility. Half of the vacancies arising under the sustainment portion of all the new positions created under the project portion were to be filled with people who had been unemployed for at least 15 out of the preceding 20 weeks. The previous rule required no more than 30 days of unemployment.

The idea behind the “projects” approach was to remove PSE employees from the regular operation of the state or local government. The one-year projects were supposed to consist of specific tasks that would not otherwise be performed. The result, Congress hoped, would be to make displacement more difficult. The new eligibility rules were intended to target the program on the long term unemployed and on low-income people. (The rules also stated that during the previous three months, participants had to earn no more than 70 percent of the “lower living standard” set by the Bureau of Labor Statistics. However, people who met the unemployment criterion generally also met the income criterion.)

Although Title VI was supposed to be the countercyclical element of PSE, the 1976 amendments gave it eligibility rules more appropriate to a structural program aimed at the long term unemployed while leaving Title II, the original structural element, with rules more appropriate for a countercyclical program. The net effect of the changes, however,

was to shift the overall PSE program to a greater structural emphasis. Even though the amendments allowed prime sponsors to fill half of the sustainment vacancies with people who met the old eligibility rule, in practice most prime sponsors applied the new rule to all new participants. This practice allowed program operators to shift participants from one title to another if funding levels for the two titles changed substantially, as had happened in 1976 while Title VI was temporarily suspended.

### *The 1977 Buildup*

In May 1977, shortly after President Carter took office, Congress passed his administration's economic stimulus program designed to provide jobs in the midst of continuing economic stagnation. An additional \$4 billion was pumped into PSE for 1977 and 1978, much of it going to Title VI projects. Enrollment in the two titles rose rapidly, from roughly 300,000 in May 1977 to a peak of 755,000 in April 1978.

During this period, prime sponsors increased the number of PSE positions that were subcontracted to community-based organizations. The 1976 amendments to the act recommended that a "substantial" portion of PSE funds be channeled to such groups; the Department of Labor later defined "substantial" as one-third of the positions.<sup>10</sup> When the Brookings field evaluation team made its first observation in July 1977, it found that 10 percent of the sustainment positions and almost one-fourth of the project positions were subcontracted to nonprofit organizations.<sup>11</sup> By the time of the second observation in December 1977, when total enrollment stood at 610,000, one-fourth of all participants were assigned to work in nonprofit organizations; the proportion for "sustainment" positions was 10 percent, and for the "project" portion 43 percent.<sup>12</sup>

### *The 1978 Amendments*

In October 1978, Congress made further substantial changes to the PSE program when it passed new legislation

reauthorizing CETA. Eligibility rules were again tightened, requiring applicants to have been unemployed for 15 weeks in the case of Title II or 10 weeks for Title VI (see table 1-1). Limits were tightened on the amount PSE workers could be paid, and new limits were imposed on the length of time any worker could remain in the program. These changes were designed to focus the program on the long term unemployed and to further limit prime sponsors' ability to displace regular workers with PSE workers.

Just as important, Congress required prime sponsors to set aside a certain percentage of funds to provide formal training for PSE participants. Helping state and local governments provide services was no longer one of the objectives of PSE. This goal, in fact, was no longer mentioned in the law. Instead, the primary focus was now on training the unemployed who had low levels of skills.

As it turned out, 1978 was the beginning of the end for PSE. The shift in goals mandated by the congressional amendments made local governments less enthusiastic about participating in the program, as chapter 2 will explain. Talk in the Carter administration of converting PSE into a welfare reform program cast further doubt on the ability of local officials to meet service goals through PSE; proposed was a "Better Jobs and Income Program" that would have provided minimum-wage public service jobs to heads of households receiving public assistance, and would have been administered through prime sponsors by the federal government.

Enrollments in PSE dropped by 150,000 between September 1978 and August 1979. When the limits on the amount of time a person could stay in the program began to have an effect in September 1979, program operators began to terminate participants and not replace them. This brought enrollments down by another 150,000. Funding for PSE dropped from \$4.1 billion in fiscal year 1979 to \$3.2 billion in fiscal year 1980.

**Table 1-1  
Summary of Legislative Changes in Public Service Employment**

Public employment program	Original CETA Legislation, 1973	
	Title II	Title VI
<b>Eligibility</b> Unemployed or underemployed persons	Participants must (1) reside in an area of substantial unemployment <i>and</i> (2) be unemployed at least 30 days before application, or be underemployed.	Unemployed for 30 days (15 days in areas of substantial unemployment) or be underemployed.
<b>Training</b> Up to 15 percent of the funds could be used for training and supportive services.	No requirement	No requirement
<b>Duration</b> No limit	No limit	No limit
<b>Wages</b> No limit on wages or local supplements. Limit of \$10,000 annually in federally funded wages.	<i>Maximum</i> of \$10,000 annually to any participant. Employers <i>may supplement</i> wages with own funds. Labor Department may "make general recommendations to prime sponsors" in effort to keep national average to \$7,800.	Maximum of \$10,000 annually with a national average of \$7,800 per participant.

1976 amendments Title VI projects	1978 amendments	
	Title II-D	Title VI
Half of “sustainment” participants must be unemployed 30 days before application (15 days in areas of high unemployment). Other half of “sustainment” participants must (1) have low income (defined as 70 percent of lower living standard) and (2) be unemployed for at least 15 weeks or receiving AFDC.	Participants must (1) be unemployed at least 15 weeks and be economically disadvantaged, or (2) receive Aid to Families with Dependent Children or Supplemental Security Income benefits.	Participants must (1) be unemployed at time of determination and for at least 10 of the previous 12 weeks, and (2) have low income (defined as 100 percent of lower living standard) or receive AFDC or SSI.
No requirement	At least 15 percent of funds should be used for classroom training or individual instruction. Informal on-the-job training does not count.	At least 5 percent of Title VI funds should be used for training, counseling, and services to participants.
No individual limit. Projects were to last no more than 12 months.	Participants limited to maximum 18 months in PSE out of a 5-year period. Labor Department may grant waivers for up to 12 months over limit to jurisdictions with at least 7 percent unemployment rate and “unusually severe hardship” in shifting participants to unsubsidized jobs.	Same as Title II.
Essentially same as Title II	<i>Maximum</i> \$10,000 can be adjusted to as high as \$12,000 for high-wage areas. Employers <i>may not supplement</i> wages of those hired after 9/30/78. National <i>average</i> should be \$7,600. Average wage in individual jurisdictions is adjusted according to a geographic wage index.	Maximum and average limits same as Title II.



The end of PSE came in 1981, when the Reagan administration took office. Citing continuing charges of fraud and abuse by local governments, the high cost per participant, and low rates of placement in unsubsidized jobs as reported by prime sponsors, the administration persuaded Congress to rescind the program's spending authority for fiscal year 1981 and to eliminate any authorization for fiscal year 1982. As a result, PSE ended on September 30, 1981.

The primary vehicle for job training became the Job Training Partnership Act (JTPA), which replaced CETA as of October 1, 1983. Unlike CETA, JTPA does not channel federal money directly to local governments; instead, funds go to each state governor, for allocation within the state. Also, JTPA puts a much heavier emphasis than CETA did on cooperation with the private sector. (The principal mechanism for such interaction under CETA had been Title VII.) At the local level, each area's JTPA program is run under an agreement between local government and a Private Industry Council (PIC), which includes a majority of representatives from private business. JTPA programs focus on training; they can include little work experience or payment of stipends to participants. JTPA explicitly prohibits public service employment. Finally, JTPA contains a component to retrain dislocated workers—that is, experienced workers who have lost jobs in declining industries or whose skills have become obsolete because of technological advances. This final aspect of JTPA is quite similar to the emphasis in the Manpower Development and Training Act of 1962, where large-scale federal training efforts had their start in the postwar era.

## Appendix to Chapter 1 Summary of Legislative Provisions

### The Emergency Employment Act (PEP)

#### *Purpose*

The act's stated goal was "to provide *unemployed* and *underemployed* persons with *transitional employment* in jobs providing *needed public services* during times of high unemployment and, wherever feasible, *related training and manpower services* to enable such persons to move into employment or training not supported under this act."<sup>13</sup>

The legislation suggested "transitional" employment during periods of high unemployment that was to lead to unsubsidized jobs. In fact, there was no limit on tenure in the program, and during the life of the program the unemployment rate never went below the trigger, thus providing continuous funding to the program agents.

The program also emphasized "needed public services" and allowed the program agents to indicate in their plans what these needed public services were.

#### *Eligibility*

Eligibility was limited to the "unemployed and underemployed." Unemployed meant those who were looking for work. This also came to mean those who had been out of the labor force or who were new entrants. Underemployed was defined as working part time involuntarily or earning below poverty-level wages. As the program was implemented, this included persons working at wages that put them above the poverty line, but in jobs that were below those for which they were qualified.

The legislation also provided for equitable service to "significant segments of the population."<sup>14</sup> The significant segments included disabled Vietnam veterans and special

veterans; young people (ages 18 to 22) entering the labor force; older persons (45 years of age and older); migrant and seasonal farm workers; those with limited English-speaking ability; people unemployed because of technological change or cutbacks in federal expenditure (particularly defense, aerospace, or construction); minority group members; ex-offenders; and the physically or mentally handicapped. Excluded from participation were employed white males between the ages of 22 and 45 who were not veterans or in affected industries. There was essentially no targeting in the program.

### *Wages*

No restrictions were put on local supplementation of wages. There was, however, a limit on federal-funded annual wages of \$10,000 per year.

### *Types of Jobs*

Program regulations included guidelines for the types of jobs that participants could hold. These were defined by functional area—that is, the job was defined by the function of the agency rather than by the specific occupation. For example, a janitor in a school was defined as fulfilling the function of education. The approved functional areas were law enforcement, education, public works, health, environmental quality, fire protection, parks and recreation, social services, and other. (“Other” turned out to be one of the largest categories.) In essence, the suggested types of jobs included all the functions of local and state government. Thus, there were essentially no limits on the types of jobs into which participants could be placed.

### *Training*

The legislation provided that up to 15 percent of the funds could be used for training and supportive services. However, the program guidelines reduced this amount and specified that it be used only when absolutely necessary.

## **CETA Title II**

### ***Purpose***

The legislative statement of purpose for the original Title II was the same as for PEP; it emphasized transitional employment and the provision of needed public services.

### ***Eligibility***

To be eligible for Title II, a person had to reside in an area of substantial unemployment and have been unemployed for 30 days or be underemployed. Significant segments of the population that were to be given equitable treatment were the long term unemployed, Vietnam veterans, AFDC recipients, and former employment and training program participants.

### ***Types of Jobs***

Sponsors were to establish a goal of limiting participation in PSE to 12 months. Sponsors were required to pay wages comparable to unsubsidized workers in similar jobs. A maximum wage of \$10,000 was continued, along with an average wage of \$7,800. There was no limit on the extent to which local sponsors could supplement the PSE wage. There were also no restrictions on the types of jobs that Title II participants could hold.

### ***Training***

No less than 90 percent of the funds were to be used for wages; the remaining funds were to be used for administration, training, and supportive services. Given the small percentage of funds involved, administration took precedence over training.

## **CETA Title VI**

### ***Purpose***

Same as Title II.

### ***Eligibility***

To be eligible, participants had to have been unemployed for at least 30 days or be underemployed. If they lived in an area of excess unemployment (having an unemployment rate of 7 percent for three consecutive months), they had to have been unemployed for 15 days. Special attention was to be given to persons who had been unemployed for 15 weeks or more, those who had exhausted their unemployment benefits, and those who were unemployed but not eligible for unemployment benefits. Also to receive special consideration were welfare recipients, veterans, and former employment and training participants.

### ***Types of Jobs***

Employing agencies were required to pay wages comparable to prevailing rates for other jobs with the same employer. Wages were limited to a maximum of \$10,000 per year, with a \$7,800 national average. With regard to the types of jobs that could be held, individuals were to be employed in projects with a duration of 12 months or less, although there was no limit on the duration of tenure in the PSE jobs.

### ***Training and Transition***

Ninety percent of the funds were to be used for wages and benefits. The remaining 10 percent included administration, leaving little for training and support services. Sponsors were to place 50 percent of their participants, but this was only a goal and waivers were readily accepted.

## **Title VI Projects**

### ***Purpose***

To sustain the PSE jobs under Titles II and VI that existed as of June 1976 and require that any jobs above that level be used in projects of short duration.

### *Eligibility*

Half of the vacancies in the existing “sustainment” Title VI and all additional participants had to meet the new eligibility requirements. People filling these vacancies had to (1) have a family income in the preceding three months that was at or below 70 percent of the BLS lower living standard, and (2) be unemployed for 15 weeks or have exhausted their unemployment benefits, or be in a family that was receiving AFDC benefits. This had the effect of requiring both a history of unemployment and low household income, though the income requirement was diluted somewhat by limiting it to three months prior to application, the same period as the unemployment requirement.

### *Types of Jobs*

Participants were to be employed in projects of a one-time nature that had a duration of 12 months or less. In addition, a “substantial portion” of these jobs were to be in nonprofit organizations.<sup>15</sup>

### *Training*

Eighty-five percent of the funds were to be used for wages and benefits, the rest being used for administration. There was no rule that agents set aside any share of the funds for training or support services.

## **Title II-D**

### *Purpose*

With the reauthorization of CETA in October 1978, the purpose of Title II was amended to include training and related services to enable participants to move into unsubsidized employment or training. Title II-D was now to be a structural program.

### *Eligibility*

Eligibility was tightened considerably to require that an individual be economically disadvantaged and unemployed for 15 of the prior 20 weeks or be a member of a family that was receiving public assistance. "Economically disadvantaged" meant a family income less than or equal to 70 percent of the BLS lower living standard. Households with a governmentally supported foster child, a handicapped person, or a patient or outpatient of a prison, hospital, or community care facility could also be considered economically disadvantaged. Preference was to be given to the long term unemployed, public assistance recipients, disabled and Vietnam-era veterans, persons with limited English-speaking ability, the handicapped, women, single parent, displaced homemakers, youth, older workers, and individuals with limited education (a fairly impressive list).

### *Types of Jobs*

The jobs provided were to be entry level, combined with training and support services, and designed to enable participants to move into unsubsidized employment. Project jobs were not required to be entry level. Tenure in the program was limited to 18 months in any five-year period.<sup>16</sup> Wages were limited to a maximum of \$10,000 and an average of \$7,200, both adjusted by an area wage index within the range of 110 percent of the poverty line to 120 percent of the maximum wage. No local supplementation of wage levels in Title II-D was allowed.

### *Training*

Ten percent of the funds were to be used for training in fiscal year 1979, 15 percent in fiscal year 1980, and 20 percent in fiscal year 1981.

## **Post-1978 Title VI**

### ***Purpose***

With the reauthorization of CETA in 1978, Congress tried to convert Title VI back to a strictly countercyclical program. That title was now to provide “temporary employment during periods of high unemployment” and funding was to be geared to the level of national unemployment, providing jobs for 20 percent of the unemployed if the national unemployment rate was more than 4 percent. If the national unemployment rate was in excess of 7 percent, the program was to employ 25 percent of the unemployed in excess of 4 percent of the labor force. Note that the provision of public services was no longer a stated purpose of Title VI.

### ***Eligibility***

To be eligible, participants had to have been unemployed for at least 10 of the preceding 12 weeks, be currently unemployed, and be from a family that had an income less than or equal to the BLS lower living standard or that was receiving public assistance. The same groups were given preference as under Title II-D.

### ***Types of Jobs***

Half of the jobs were to be entry-level public service jobs. The other half were to be in projects with a planned duration of 18 months or less. One-third of the funds was to be used to support jobs in the nonprofit sector. Wages were limited to \$10,000. This maximum was adjusted by up to 20 percent, based on the wage index for the area. Average wages were to be \$7,200, again adjusted for the wage index of the area. Local supplementation of wages was limited to 10 percent of the funds under Title VI or 20 percent of the maximum in the case of any individual participant.



### *Training*

Not less than 10 percent of the funds in fiscal year 1979 and 5 percent or more of the funds in successive years was to be used for training. In addition, sponsors were to prepare employability development plans for participants and specify in their plans the rates of transition that they hoped to achieve.

### NOTES

1. *Manpower Report of the President* (Washington, DC: U.S. Government Printing Office, 1975), p. 40.
2. Jonathan R. Kesselman, "Work Relief Programs in the Great Depression," in John L. Palmer, ed., *Creating Public Jobs: Public Employment Programs and Wage Subsidies* (Washington, DC: The Brookings Institution, 1978).
3. Much of this section is based on Ewan Clague and Leo Kramer, *Manpower Policies and Programs: A Review, 1935-75* (Kalamazoo, MI: W. E. Upjohn Institute, 1976).
4. Sar A. Levitan and Robert Taggart, *Emergency Employment Act: The PEP Generation* (Salt Lake City: Olympus, 1974), p. 12.
5. Levitan and Taggart, Table I-4, pp. 27-30.
6. *Ibid.*, p. 16.
7. *Employment and Training Report of the President*, 1976, p. 97.
8. Westat, Inc., "Characteristics of CETA Participants Enrolled During Third Quarter of FY 1975," Continuous Longitudinal Manpower Survey Report No. 1 (Prepared for U.S. Department of Labor, January 1976), p. 1-4.
9. George E. Johnson, "Evaluation Questions Under the Comprehensive Employment and Training Act of 1973," Framework for Evaluation Paper No. 2, U.S. Department of Labor, Office of the Assistant Secretary for Policy, Evaluation, and Research, July 1974.
10. U.S. Department of Labor, Employment and Training Administration, Field Memorandum No. 316-77, June 17, 1977.

11. Richard P. Nathan et al., *Monitoring the Public Service Employment Program* (Washington, DC: National Commission for Manpower Policy, March 1978), Table 3-1, p. 33.
12. Richard P. Nathan et al., *Monitoring the Public Service Employment Program: The Second Round*, Special Report No. 32 (Washington, DC: National Commission for Manpower Policy, March 1979), p. 33.
13. Public law 92-54, section 2.
14. Public law 92-52, section 7 (c) (2).
15. “Substantial” was later defined (Field Memo 316 p. 77, issued June 17, 1977) as one-third of the funds. The wage limits remained the same as for the previous Title VI.
16. In the field evaluation, a number of associates noted that sponsors already had a limit of one year in PSE—presumably dating back to the goal stated in the original Title II.