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PUBLIC SERVICE EMPLOYMENT LEGISLATION, 1974

GOVERNMENT

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DOCUMENTS

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HEARINGS

BEFORE THE

SUBCOMMITTEE ON EMPLOYMENT, POVERTY,
AND MIGRATORY LABOR

OF THE

COMMITTEE ON

LABOR AND PUBLIC WELFARE

UNITED STATES SENATE

NINETY-THIRD CONGRESS

SECOND SESSION

ON

S. 4079

TO AMEND THE COMPREHENSIVE EMPLOYMENT AND
TRAINING ACT OF 1973 TO PROVIDE ADDITIONAL PUBLIC
SERVICE JOBS FOR UNEMPLOYED PERSONS DURING
PERIODS OF INCREASED UNEMPLOYMENT

AND RELATED BILLS

SEPTEMBER 16; OCTOBER 16 AND 17, 1974



Printed for the use of the Committee on Labor and Public Welfare



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U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1974

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1. The first part of the report deals with the general situation of the country and the progress of the work during the year. It is divided into two main sections: the first section deals with the general situation of the country and the progress of the work during the year, and the second section deals with the specific results of the work.

2. The second part of the report deals with the specific results of the work. It is divided into three main sections: the first section deals with the results of the work in the field of agriculture, the second section deals with the results of the work in the field of industry, and the third section deals with the results of the work in the field of commerce.

3. The third part of the report deals with the conclusions and recommendations. It is divided into two main sections: the first section deals with the conclusions, and the second section deals with the recommendations.

4. The fourth part of the report deals with the appendix. It contains a list of the names of the persons who have taken part in the work, a list of the names of the persons who have given assistance, and a list of the names of the persons who have given advice.

PUBLIC SERVICE EMPLOYMENT LEGISLATION, 1974

MONDAY, SEPTEMBER 16, 1974

U.S. SENATE,
SUBCOMMITTEE ON EMPLOYMENT, POVERTY,
AND MIGRATORY LABOR OF THE
COMMITTEE ON LABOR AND PUBLIC WELFARE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:41 a.m., in room 4232, Dirksen Senate Office Building, Senator Jacob K. Javits, presiding pro tempore

Present: Senator Javits.

OPENING STATEMENT OF SENATOR JAVITS

Senator JAVITS. The subcommittee hearing will come to order.

This is a hearing of the Subcommittee on Employment, Poverty, and Migratory Labor of the Senate Committee on Labor and Public Welfare, the chairman of which subcommittee is Senator Gaylord Nelson of Wisconsin, and the ranking member is Senator Taft of Ohio.

Neither Senator Nelson nor Senator Taft was able to be here this morning due to official business which they had in their home States.

I am the author and principal sponsor of the measure, the Emergency Energy Employment Assistance Act of 1974, providing for roughly 500,000 additional public service jobs, which is the subject of this hearing.

The bill, which I introduced on February 8, 1974, would add a new authority to the Comprehensive Employment and Training Act of 1973—our new manpower training and public service employment authority—to provide for the triggering of \$4 billion for approximately 500,000 public service jobs—at an estimated cost of \$8,000 per job—if the national unemployment rate exceeds 6 percent for 3 consecutive months. Funds could be made available sooner upon a determination of needs by the Congress or the President.

This proposal is cosponsored by 14 of my Senate colleagues, including Senator Nelson, Senator Williams, Democrat, of New Jersey, the chairman of the Committee on Labor and Public Welfare—of which this subcommittee is a part—Senators Bayh, Democrat, Indiana; Biden, Democrat, Delaware; Brooke, Republican, Massachusetts; Case, Republican, New Jersey; Hathaway, Democrat, Maine; Humphrey, Democrat, Minnesota; Kennedy, Democrat, Massachusetts; Mathias, Republican, Maryland; Moss, Democrat, Utah; Randolph, Democrat, West Virginia; Ribicoff, Democrat, Connecticut; and Hugh Scott, Republican, Pennsylvania.

President Ford has properly labeled inflation as "public enemy No. 1."

Surely, unemployment must rank equally on the "public enemies list" as we attempt to grapple with the overall depressing economic situation.

Unemployment is clearly on an upturn. The rise in the national unemployment rate to 5.4 percent in August—with 4.9 million unemployed—compared with 5.3 percent in July—while not yet an alarming jump—shows a movement upward toward the 6 percent levels which many economists and administration officials project over to coming months.

To my great concern, New York State is running ahead of the rest of the Nation with 6.7 percent unemployment in July, and with rates in the Greater New York metropolitan area at 6.8 percent. Since 1969, New York City itself—which had a rate of 7.5 percent in July—has lost more than 250,000 jobs, a drop of 7 percent. In Buffalo, N.Y., the unemployment rate has hit 13 percent, according to the mayor.

To deal with this situation, the administration has projected a substantial program of public service employment through appropriations carried over from fiscal year 1974, and requested appropriations for fiscal year 1975, under the Comprehensive Employment and Training Act of 1973.

Taking together fiscal year 1974 and requested fiscal year 1975 funds under title II (public employment programs), which provides special relief to areas having unemployment of 6.5 percent for 3 consecutive months, and general funds under title I (comprehensive manpower services), which the Department of Labor estimates will be utilized by State and local prime sponsors for public service employment, the President's program would provide a total of approximately \$1 billion during fiscal year 1975 for approximately 200,000 public service jobs (at his projected cost of slightly under \$5,000 per job).

I am very pleased with the President's announcement on September 12, 1974, during the White House Conference on Inflation, that he would move quickly to make these funds available.

In respect to fiscal year 1975 funds, the Senate should act today on the administration's requests in the context of the HEW-Labor Appropriations Act for fiscal year 1975.

Senator Kennedy and I will propose an amendment to provide an additional \$330 million above the \$1,350 million the Senate Committee on Appropriations has recommended be made available to State and local prime sponsors under title I, which funds they may use for public service employment, as well as job training and other services. Our amendment reinstates the amounts provided by the House for title I, as well as other provisions of the Act.

But even all of these funds, although they are crucially important, are inadequate. The amount proposed by the administration—just under 200,000 jobs—is about 4 percent of the number now unemployed. Should unemployment rise further—as it is expected to do—hundreds of thousands, if not millions, of other Americans will be out of work and out of luck.

The time to plan for the Nation's response to possibly higher rates of unemployment is now—not when the unemployment rate explodes over the top.

This objective is, of course, the major thrust of our proposed legislation—to plan now for a triggered program before it is upon us.

As it is considered, I am very much open to a further articulation in the legislation of earlier levels at which portions of the total of \$4 billion may be triggered; I will seek the advice of the experts on this important point.

While we face the future without a definite “continuing” plan of the kind I have proposed, fortunately we face it with two important elements regarding implementation already “under our belts.” First, we have an established, efficient manpower training system of 400 State and local prime sponsors under the new Comprehensive Employment and Training Act—through which funds under my bill would be channeled. Second, we have experienced already with the “PEP” program under the Emergency Employment Act of 1971—under which 404,000 jobs were provided in the period August 1971 through June 1973—which has demonstrated that public employment need not be “make-work” or “dead-end.” Department of Labor statistics show that one month after participants left PEP, 71 percent were in jobs, and earning an average wage of \$3.30 an hour. The breakdown of types of PEP jobs shows that a minority, or 22 percent, were in public works, and the remainder in areas such as education, 20 percent health and hospital services, 9 percent, and parks and recreation, 8 percent.

I ask that these statistics taken from the 1974 Manpower Report of the President be printed at this point in the hearing record.

In his message to the Congress last Thursday, September 12, 1974, regarding legislative proposals, President Ford, after noting the actions being taken by the administration—to which I referred—stated:

“Beyond this, I have requested the Secretary of Labor, in consultation with my economic advisors, and drawing on the outcome of the Conference on Inflation, to develop contingency plans against the possibility of substantially increased unemployment. If future unemployment statistics demonstrate the need, we will be ready to present plans to the Congress and to work together to assure a mutually satisfactory course of action.”

I hope very much that this general commitment will develop at an earlier date into working with us on concrete legislation.

Already, Secretary of Labor, Peter J. Brennan, Secretary of the Treasury, William Simon, and Chairman of the Board of Governors of the Federal Reserve System, Dr. Arthur Burns, while they may differ on specifics, have indicated interest in a triggered program and we hope to hear from them and other experts in hearings later this month.

Senator Nelson and I are now working on a draft of emergency public service employment legislation we hope to introduce shortly.

I understand that the administration is working on a bill that will be soon introduced. I order entered into the record at this point a copy of these legislative proposals.

[The information referred to follows:]

S. 4079

IN THE SENATE OF THE UNITED STATES

OCTOBER 2, 1974

Mr. NELSON (for himself, Mr. JAVITS, Mr. CRANSTON, and Mr. MONDALE) introduced the following bill; which was read twice and referred to the Committee on Labor and Public Welfare

A BILL

To amend the Comprehensive Employment and Training Act of 1973 to provide additional public service jobs for unemployed persons during periods of increased unemployment.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Emergency Public Service
4 Employment Act of 1974".

5 PUBLIC SERVICE EMPLOYMENT PROGRAMS

6 SEC. 2. Title II of the Comprehensive Employment and
7 Training Act of 1973 is amended by inserting at the end
8 thereof the following new part:

II

1 "PART B—EMERGENCY EMPLOYMENT PROGRAMS

2 "AUTHORIZATION OF APPROPRIATIONS

3 "SEC. 221. (a) There are authorized to be appro-
4 priated such sums as may be necessary for fiscal year 1975
5 and for each of the two succeeding fiscal years for the pur-
6 pose of carrying out public service employment programs
7 under this part through allocations under section 223 to
8 eligible applicants.

9 "(b) Appropriations under this part are authorized to
10 be included in an appropriation Act for the fiscal year pre-
11 ceding the fiscal year for which they are available for obliga-
12 tion. Any sums appropriated to carry out this part for any
13 fiscal year shall remain available until obligated.

14 "OBLIGATION OF FUNDS

15 "SEC. 222. (a) From sums appropriated under section
16 221, the Secretary shall make available for obligation—

17 "(1) the amount of \$500,000,000 when the aver-
18 age national rate of unemployment for three consecutive
19 months during any twelve-month period exceeds $4\frac{1}{2}$ per
20 centum;

21 "(2) the additional amount of \$500,000,000 when
22 the average national rate of unemployment for three
23 consecutive months during any twelve-month period ex-
24 ceeds 5 per centum;

25 "(3) the additional amount of \$1,000,000,000 when

1 the average national rate of unemployment for three
2 consecutive months during any twelve-month period ex-
3 ceeds $5\frac{1}{2}$ per centum; and

4 “(4) the additional amount of \$2,000,000,000 when
5 the average national rate of unemployment for three
6 consecutive months during any twelve-month period ex-
7 ceeds 6 per centum, together with such additional
8 amounts as may be necessary due to further increases in
9 such rate.

10 “(b) For purposes of this section, the term ‘national
11 rate of unemployment’ means the seasonally adjusted national
12 rate of unemployment announced monthly by the Bureau of
13 Labor Statistics of the Department of Labor.

14 “(c) Funds shall be made available for obligation under
15 clauses (1) through (4) of subsection (a) on account of
16 only one determination under each such clause in each
17 twelve-month period that the average national rate of un-
18 employment exceeds the specified rate.

19 “(d) When the Secretary makes a determination re-
20 quired by subsection (a), he shall promptly notify the Con-
21 gress and shall publish such determination in the Federal
22 Register.

23 “ALLOCATION OF FUNDS

24 “SEC. 223. (a) Out of funds appropriated for any fiscal
25 year under section 221 of this Act, not less than 80 per

1 centum thereof shall be allocated among eligible applicants
2 in proportion to the relative number of unemployed persons
3 who reside in areas within the jurisdiction of the applicant
4 as compared to the number of unemployed persons who re-
5 side in all such areas. The remainder of such funds shall be
6 made available in the Secretary's discretion, taking into
7 account increased unemployment in particular areas.

8 “(b) For purposes of determining allocations under this
9 section, the term ‘jurisdiction’ includes the jurisdiction of
10 each unit of general local government as described in section
11 102 (a) (2) whether or not such unit has entered into a com-
12 bination of units of general local government for purposes of
13 section 102 (a) (3) or section 102 (a) (4).

14 “SPECIAL ASSISTANCE

15 “SEC. 224. In addition to the sums otherwise authorized
16 to be appropriated for programs under this title, there are
17 authorized to be appropriated for each fiscal year such sums
18 as may be necessary to provide public service employment
19 for unemployed persons as defined in section 601 (a) (12)
20 (B) of this Act.”.

21 FINANCIAL PROVISIONS

22 SEC. 3. Title II of the Comprehensive Employment and
23 Training Act of 1973 is further amended by inserting after
24 section 211 thereof the following new sections:

1 "EXPENDITURE OF FUNDS

2 "SEC. 212. Funds obligated for the purposes of providing
3 public service employment under this title may be expended
4 over a twelve-month period.

5 "REALLOCATION OF FUNDS

6 "SEC. 213. The Secretary is authorized to make such
7 reallocations as he deems appropriate of any amount of any
8 allocation under this title to the extent that the Secretary
9 determines that an eligible applicant will not be able to use
10 such amount within a reasonable period of time. Any such
11 amount may be reallocated only if the Secretary has pro-
12 vided thirty days' advance notice to the prime sponsor for
13 such area and to the Governor of the State of the proposed
14 reallocation, during which period of time the prime sponsor
15 and the Governor may submit comments to the Secretary.
16 After considering any comments submitted during such pe-
17 riod of time, the Secretary shall notify the Governor and
18 affected prime sponsors of any decision to reallocate funds,
19 and shall publish any such decision in the Federal Register.
20 Priority shall be given in reallocating such funds first to other
21 eligible applicants in the same prime sponsorship area and
22 then to other areas within the same State."

TECHNICAL AMENDMENTS

1

2 SEC. 4. (a) Section 4(d) of the Comprehensive Em-
3 ployment and Training Act of 1973 is amended by inserting
4 after the words "public service employment programs under
5 title II" each place they appear therein the following: "by
6 making allocations under section 202 to eligible applicants
7 for use in areas of substantial unemployment".

8

9 (b) Section 201 and section 203(a) of such Act are
10 amended by striking out the words "in areas of substantial
11 unemployment" each place they appear.

12

13 (c) Section 204(a)(2) of such Act is amended by
14 striking out "and which include areas of substantial un-
15 employment".

16

17 (d) Section 204(d)(1) of such Act is amended by
18 striking out "of substantial unemployment" and by striking
19 out "on account of such area of substantial unemployment".

20

21 (e) Section 204(d)(3) of such Act is amended by
22 striking out "of substantial unemployment".

23

24 (f) Section 205(a) of such Act is amended by striking
25 out "residing in areas of substantial unemployment".

26

27 (g) Section 205(c)(3) of such Act is amended by
28 striking out "created under this title" and inserting in lieu
29 thereof "for which financial assistance is provided out of
30 funds appropriated under section 4(d) of this Act".

31

32 (h) Section 210 of such Act is amended by striking out

1 "for residents of the areas of substantial unemployment des-
2 ignated under this title" and inserting in lieu thereof the
3 following: "for residents of the area to which such funds
4 were allocated".

5 (i) Title II of such Act is further amended by inserting
6 before section 201 thereof the following heading:

7 "PART A—GENERAL PROVISIONS".

93D CONGRESS
2D SESSION

S. 4129

IN THE SENATE OF THE UNITED STATES

OCTOBER 10, 1974

MR. TAFT (for himself, Mr. BAKER, Mr. BEALL, and Mr. RANDOLPH) introduced the following bill; which was read twice and, by unanimous consent, referred to the Committee on Labor and Public Welfare and then to the Committee on Public Works for ten days

A BILL

To establish a special unemployment assistance program, a community improvement program, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "National Employment
4 Assistance Act of 1974".

5 STATEMENT OF FINDINGS AND PURPOSES

6 SEC. 2 (a) The Congress finds and declares that—

7 (1) recent economic trends indicate that circum-
8 stances may develop which will result in both high
9 unemployment and inflation;

10 (2) certain areas are disproportionately affected in
11 such high periods of unemployment;

II

1 (3) existing resources and activities are inadequate
2 to deal with such conditions;

3 (4) it is appropriate on a temporary basis, that
4 standby programs be available which will help assure
5 that the impact of inflation and high unemployment
6 does not disproportionately burden those workers least
7 able to bear the costs;

8 (5) it is appropriate, if national unemployment
9 becomes unusually high, to temporarily provide unem-
10 ployed workers in areas of aggravated unemployment
11 with special unemployment assistance payments and
12 subsequent employment opportunities on projects assist-
13 ing the community;

14 (6) such programs can help to ease the impact of
15 unemployment for the affected workers, as well as to
16 reduce the pressures or minimize the circumstances
17 which tend to generate further unemployment and
18 economic instability.

19 (b) It is, therefore, the purpose of this Act to estab-
20 lish in areas of aggravated unemployment, a temporary
21 special unemployment assistance program to provide sup-
22 plemental income support for experienced unemployed
23 workers in areas of aggravated unemployment, and a tem-
24 porary program of community improvement projects to
25 provide unemployed workers with temporary employment
26 providing improvement in community services.

1 tended Unemployment Compensation Act of 1970, as
2 amended (Public Law 91-373; 84 Stat. 708 et seq.);
3 and

4 (2) there would be a State "on" indicator in effect
5 for such week under section 203 (e) of such Act, but
6 for a failure of the State law to provide to the extent
7 authorized under section 203 (e) (2) that the determina-
8 tion of whether there has been an "off" indicator end-
9 ing any extended benefit period shall be made without
10 regard to section 203 (e) (1) (A): *Provided*, That the
11 Secretary may, where he determines that special condi-
12 tions exist, waive the provisions of this subsection.

13 ELIGIBLE INDIVIDUALS

14 SEC. 103. An individual shall be eligible to receive a
15 payment of assistance or waiting period credit with respect
16 to a week of unemployment occurring during and subsequent
17 to a special unemployment assistance period in accordance
18 with the provisions of this title if—

19 (a) the individual—

20 (1) has exhausted all rights to regular, addi-
21 tional, and extended compensation under all Fed-
22 eral and State unemployment compensation laws
23 (including the Railroad Unemployment Insur-
24 ance Act (45 U.S.C. 351 et seq.)) and has no
25 further rights to regular, additional, or extended

1 compensation under any Federal or State unem-
2 ployment compensation law with respect to such
3 week of unemployment, has no right to allowances
4 payable with respect to such week of unemployment
5 under such laws as the Public Works and Eco-
6 nomic Development Act Amendments of 1974
7 (Public Law 93-423), Disaster Relief Act of 1974
8 (Public Law 93-288), the Trade Expansion Act of
9 1962, as amended, or any successor legislation or
10 similar legislation as determined by the Secretary
11 and is not receiving compensation with respect to
12 such week of unemployment under the unemploy-
13 ment compensation law of Canada: *Provided*, That
14 such rights to compensation were exhausted in or
15 subsequent to the first week beginning on or after
16 the date of enactment of this Act or, such rights to
17 compensation having been exhausted prior to that
18 date, the benefit year in which such rights to com-
19 pensation were exhausted did not end until on or
20 after the date of enactment of this Act and the indi-
21 vidual was last employed on or after such date; or
22 (2) is not otherwise eligible for allowances
23 payable with respect to such week of unemployment
24 under such laws as the Public Works and Eco-
25 nomic Development Act Amendments of 1974

1 (Public Law 93-423), the Disaster Relief Act
2 of 1974 (Public Law 93-288), or the Trade Ex-
3 pansion Act of 1962, as amended, or any successor
4 legislation or similar legislation, as determined by
5 the Secretary, or for compensation under any State
6 or Federal unemployment compensation law (in-
7 cluding the Railroad Unemployment Insurance Act
8 (45 U.S.C. 351 et seq.)) with respect to such week
9 of unemployment, and is not receiving compensa-
10 tion with respect to such week of unemployment
11 under the unemployment compensation law of
12 Canada: *Provided*, That the individual meets the
13 qualifying employment and wage requirements of
14 the applicable State unemployment compensation
15 law in a base year which, notwithstanding the State
16 law, shall be the fifty-two-week period preceding the
17 first week with respect to which the individual:
18 (A) files a claim for compensation or waiting period
19 credit under this title; (B) is totally or partially
20 unemployed; and (C) meets such qualifying em-
21 ployment and wage requirements; and for the pur-
22 pose of this proviso employment and wages which
23 are not covered by the State law shall be treated as
24 though they were covered, except that employment
25 and wages covered by the Railroad Unemployment

1 Insurance Act (45 U.S.C. 351 et seq.) shall be
2 excluded to the extent that the individual is or was
3 entitled to compensation for unemployment there-
4 under on the basis of such employment and wages:
5 *Provided further*, That the individual became totally
6 or partially unemployed on or after the date of en-
7 actment of this Act and has met any waiting period
8 requirement of the applicable State unemployment
9 compensation law; and

10 (b) the individual is totally or partially unem-
11 ployed and is able to work, is available for work, and
12 seeking work, within the meaning of, or as required by,
13 the applicable State unemployment compensation law,
14 and is not subject to disqualification under the law; and

15 (c) the individual has filed a claim for assistance
16 or waiting period credit under this title; and

17 (d) in the area in which the individual was last
18 employed for at least five days prior to filing a claim
19 under this title for assistance or waiting period credit
20 with respect to such week of unemployment, a special
21 unemployment assistance period is in effect with respect
22 to such week of unemployment: *Provided*, That if the
23 individual, except for the imposition of a disqualification
24 in accordance with subsection (b), was otherwise eligi-
25 ble for a payment of assistance or waiting period credit

1 under this title with respect to a week of unemployment
2 which began during a special unemployment assistance
3 period, but did not exhaust entitlement to assistance dur-
4 ing such period, entitlement shall continue after the
5 end of the period but no assistance shall be paid under
6 this title for any week of unemployment that begins
7 more than 26 weeks after the end of such period; and

8 (e) the State in which the individual was last em-
9 ployed for at least a week prior to filing a claim under
10 this title for assistance or waiting period credit with re-
11 spect to such week of unemployment, has an agreement
12 with the Secretary of Labor under section 102 which is
13 in effect with respect to such week of unemployment.

14 SPECIAL UNEMPLOYMENT ASSISTANCE PERIOD

15 SEC. 104. (a) A special unemployment assistance period
16 shall commence in an area designated by the Secretary with
17 the third week after the first week for which there is an
18 "on" indicator for such area, and shall terminate with the
19 third week after the first week for which there is an "off"
20 indicator for such area: *Provided*, That no special unemploy-
21 ment assistance period shall have a duration of less than
22 thirteen weeks.

23 (b) The Secretary shall designate as an area under this
24 section:

1 (1) Labor market areas as defined in section 301
2 (7) ; and

3 (2) All parts of a State which are not within a
4 “labor market area” designated under a paragraph (1) .

5 (c) There is an “on” indicator in an area for a week if
6 for the most recent three consecutive calendar months for
7 which data are available the Secretary determines that—

8 (1) the rate (seasonally adjusted) of national un-
9 employment averaged 6 per centum or more; and

10 (2) the rate of unemployment in the area averaged
11 6.5 per centum or more.

12 (d) There is an “off” indicator for a week if, for the
13 most recent three consecutive calendar months for which
14 data are available, the Secretary determines that either
15 subsections (c) (1) or (c) (2) are not satisfied.

16 (e) The determinations made under this section shall
17 take into account the rates of unemployment for three con-
18 secutive months, even though any or all of such months may
19 have occurred not more than three complete calendar months
20 prior to the enactment of this Act.

21 WEEKLY BENEFIT AMOUNT

22 SEC. 105. The amount of assistance under this title to
23 which an eligible individual shall be entitled for a week of
24 total unemployment shall be—

1 (a) for an individual referred to in paragraph (1)
2 of subsection (a) of section 103, the average weekly
3 benefit amount of regular compensation which was pay-
4 able to the individual for a week of total unemployment
5 in the individual's most recent benefit year;

6 (b) for an individual referred to in paragraph (2)
7 of subsection (a) of section 103, the average weekly
8 benefit amount for a week of total unemployment that
9 would be payable to the individual as regular compensa-
10 tion under the applicable State unemployment compen-
11 sation law: *Provided*, That in computing the weekly
12 benefit amount under this subsection the individual's base
13 year, notwithstanding the State law, shall be the fifty-
14 two-week period preceding the first week with respect
15 to which the individual: (1) files a claim for assistance
16 or waiting period credit under this title; (2) is totally or
17 partially unemployed; and (3) meets such qualifying
18 employment and wage requirements; and for the pur-
19 pose of this proviso employment and wages which are
20 not covered by the State law shall be treated as though
21 they were covered, except that employment and wages
22 covered by the Railroad Unemployment Insurance Act
23 (45 U.S.C. 351 et seq.) shall be excluded to the ex-
24 tent that the individual is or was entitled to compen-

1 sation for unemployment thereunder on the basis of such
2 employment and wages.

3 MAXIMUM BENEFIT AMOUNT

4 SEC. 106. The maximum amount of assistance under
5 this title which an eligible individual shall be entitled to
6 receive shall be—

7 (a) for an individual referred to in paragraph (1)
8 of subsection (a) of section 103, one-half the maximum
9 amount of regular compensation payable to the individ-
10 ual in the individual's most recent benefit year, but not
11 exceeding the lesser of: (1) thirteen times the average
12 weekly benefit amount which was payable to the indi-
13 vidual for a week of total unemployment as determined
14 under subsection (a) of section 105; and (2) fifty-two
15 times such weekly benefit amount reduced by the reg-
16 ular, additional, and extended compensation payable
17 to the individual with respect to such benefit year.

18 (b) for an individual referred to in paragraph (2)
19 of subsection (a) of section 103, the maximum amount
20 of regular compensation that would be payable to such
21 individual, as computed under the provisions of the
22 applicable State unemployment compensation law, but
23 not exceeding twenty-six times the weekly benefit
24 amount payable to the individual for a week of total
25 unemployment as determined under subsection (b) of

1 section 105: *Provided*, That for the purposes of this
2 subsection the individual's base year, notwithstanding
3 the State law, shall be the fifty-two-week period pre-
4 ceding the first week with respect to which the indi-
5 vidual: (1) files a claim for assistance or waiting period
6 credit under this title; (2) is totally or partially un-
7 employed; and (3) meets such qualifying employment
8 and wage requirements; and for the purpose of this
9 proviso employment and wages which are not covered
10 by the State law shall be treated as though they were
11 covered, except that employment and wages covered
12 by the Railroad Unemployment Insurance Act (45
13 U.S.C. 351 et seq.) shall be excluded to the extent that
14 the individual is or was entitled to compensation for
15 unemployment thereunder on the basis of such em-
16 ployment and wages.

17 APPLICABLE STATE LAW PROVISIONS

18 SEC. 107. Except where inconsistent with the provi-
19 sions of this title, the terms and conditions of the applicable
20 State unemployment compensation law which apply to
21 claims thereunder for regular compensation and the pay-
22 ment thereof shall apply to claims for assistance under this
23 title and the payment thereof.

24 TERMINATION DATE

25 SEC. 108. Notwithstanding any other provisions of this

1 title, no payment of assistance under this title shall be made
2 to any individual with respect to any week of unemploy-
3 ment ending after March 31, 1976; and no individual shall
4 be entitled to any compensation with respect to any initial
5 claim for assistance or waiting period credit made after
6 December 31, 1975.

7 TITLE II—COMMUNITY IMPROVEMENT 8 PROGRAM

9 STATEMENT OF PURPOSE

10 SEC. 201. It is the purpose of this title to establish a
11 program of community improvement projects to provide
12 unemployed workers residing in areas of aggravated unem-
13 ployment with temporary employment on projects in such
14 fields as: conservation; maintenance or restoration of nat-
15 ural resources; community beautification; antipollution and
16 environmental quality efforts; economic development; im-
17 provement and expansion of health, education, and recrea-
18 tion services; neighborhood improvements; maintenance
19 of streets, highways, parks, recreation areas, and other pub-
20 lic facilities; rural development; cleanup on public and pri-
21 vate lands; activities on Federal property; and other fields
22 of community services.

23 DESIGNATED AREAS

24 SEC. 202. (a) The Secretary may make financial assist-
25 ance available to eligible applicants within designated areas

1 for the purposes of carrying out community improvement
2 projects pursuant to the provisions of this title. For the pur-
3 poses of this title, designated areas shall mean those areas
4 designated by the Secretary under section 104 (b) of this
5 Act.

6 (b) Financial assistance may be provided to eligible
7 applicants within a designated area only if a special unem-
8 ployment assistance period is in effect in such area as pro-
9 vided in section 104.

10 ALLOCATION OF FUNDS

11 SEC. 203. (a) Not less than 80 per centum of the
12 funds available for obligation in accordance with paragraph
13 (1) of section 212 (a) shall be allocated by the Secretary
14 among designated areas, as defined in section 104 (b), and
15 eligible for assistance pursuant to section 202 (b) at the time
16 of such allocation on the basis of the relative number of
17 unemployed persons who reside within that area, as com-
18 pared to the total number of unemployed persons who
19 reside within all such designated areas.

20 (b) Funds allocated to each designated area pursuant to
21 subsection (a) shall be suballocated to eligible applicants
22 within such area, as defined in section 204, as follows—

23 (1) Fifty per centum shall be allocated on the
24 basis of the relative number of unemployed persons
25 who reside within that portion of the designated area

1 within the jurisdiction of the eligible applicant, as com-
2 pared to the total number of unemployed persons who
3 reside within the designated area.

4 (2) Fifty per centum shall be allocated on the basis
5 of the relative excess number of unemployed persons
6 who reside within that portion of the designated area
7 within the jurisdiction of the eligible applicant, as com-
8 pared to the total excess number of unemployed persons
9 who reside within the designated area. For the purposes
10 of this paragraph, the term "excess number" means the
11 number which represents unemployed persons in excess
12 of 6.5 per centum of unemployed persons who reside
13 within the area.

14 (c) Not less than 80 per centum of the funds available
15 for obligation under paragraphs (2) and (3), respectively,
16 of section 212 (a) shall be allocated and suballocated on
17 the basis of the criteria set forth in subsections (a) and (b)
18 of this section: *Provided*, That the Secretary may make ad-
19 justments in any of such allocations and suballocations, as
20 he deems appropriate, to take cognizance of—

21 (1) with respect to funds available under section
22 212 (a) (2), the funds which have been allocated or
23 suballocated and/or unexpended in such areas and by
24 such eligible applicants pursuant to section 212 (a) (1) ;
25 and

1 (2) with respect to funds available under section
2 212 (a) (3), the funds which have been allocated or
3 suballocated and/or unexpended in such areas and by
4 such eligible applicants pursuant to section 212 (a) (1)
5 and (2).

6 (d) Not more than 20 per centum of the funds avail-
7 able for obligation under section 212 (a), (b), and (c) shall
8 be allocated by the Secretary in his discretion. The Secre-
9 tary, in making such allocations, may take into account
10 additional areas which may become eligible for assistance
11 and such other factors as he deems appropriate.

12 (e) The Secretary is authorized to make such reallo-
13 cations to areas and eligible applicants under this title as
14 he deems appropriate of the unused amount of any alloca-
15 tion or suballocation pursuant to this section to the extent
16 that the Secretary determines that it will not be required for
17 the period for which such allocation or suballocation is
18 available. Allocated or suballocated amounts may be re-
19 allocated only if the Secretary has provided thirty days'
20 advance notice to the eligible applicant for such area and
21 to the Governor of the State of the proposed reallocation,
22 during which period of time the eligible applicant and the
23 Governor may submit comments to the Secretary. After
24 considering any comments submitted during such period of
25 time, the Secretary shall notify the Governor and affected

1 eligible applicants of any decision to reallocate funds and
2 shall publish any such decision in the Federal Register.
3 Priority shall be given in reallocating such funds to other
4 areas within the same State.

5 ELIGIBLE APPLICANTS

6 SEC. 204. Financial assistance under this title may be
7 provided by the Secretary only pursuant to applications
8 submitted by eligible applicants. For the purposes of this
9 title, "eligible applicant" shall mean eligible applicants as
10 defined in section 204 (a) of the Comprehensive Employ-
11 ment and Training Act of 1973 (Public Law 93-203).

12 FINANCIAL ASSISTANCE

13 SEC. 205. (a) The Secretary shall enter into arrange-
14 ments with eligible applicants, as defined in section 204, in
15 accordance with the provisions of this title in order to pro-
16 vide financial assistance for designated areas for the purpose
17 of aiding projects providing temporary employment assist-
18 ance for unemployed persons in public and private nonprofit
19 agencies and organizations providing community services.

20 (b) Such financial assistance may be provided for
21 employment in community improvement projects. Com-
22 munity improvement projects are those projects for the
23 conservation and betterment of the areas served, including,
24 but not limited to: conservation; maintenance or restoration
25 of natural resources; community beautification; antipollution

1 and environmental quality efforts; economic development;
2 improvement and expansion of health, education, and rec-
3 reation services; neighborhood improvements; maintenance
4 of streets, highways, parks, recreation areas, and other pub-
5 lie facilities; rural development; cleanup on public and
6 private lands; activities on Federal property; and such
7 other projects for community improvement as the Secretary,
8 by regulation, may prescribe.

9 (c) Each such community improvement project is
10 limited to a maximum duration of twenty-six weeks.

11 APPLICATIONS

12 SEC. 206. (a) Financial assistance under this title may
13 be provided by the Secretary only pursuant to an applica-
14 tion which is submitted by an eligible applicant and which
15 is approved by the Secretary in accordance with the pro-
16 visions of this title and in accordance with the rules and
17 regulations which the Secretary has promulgated governing
18 programs to be funded under this title.

19 (b) An application for financial assistance for a com-
20 munity improvement project under this title shall include
21 provisions setting forth—

22 (1) assurances that the activities and services for
23 which assistance is sought under this title will be admin-
24 istered by or under the supervision of the applicant,
25 identifying any agency or institution designated to carry

1 out such activities or services under such supervision;

2 (2) a description of the area or areas to be served
3 by such activities, and a plan for effectively serving on
4 an equitable basis the population to be served, including
5 data indicating the number of potential eligible partici-
6 pants;

7 (3) assurances that only eligible unemployed per-
8 sons residing within the designated labor areas qualify-
9 ing for assistance will be hired to fill jobs created under
10 this title;

11 (4) a description of the methods for selecting and
12 orienting participants, including specific eligibility
13 criteria;

14 (5) a description of the improvement projects to
15 be undertaken and assurances that each such project can
16 be completed, or otherwise terminated in an orderly
17 manner, in not more than twenty-six weeks;

18 (6) the wages or salaries to be paid persons em-
19 ployed in community improvement projects under this
20 title;

21 (7) assurances that jobs funded under this title are
22 in addition to those that would be funded by the appli-
23 cant in absence of assistance under this Act;

24 (8) assurances that no funds received under this
25 title will be used to hire any person to fill a job opening

1 created by the action of an employer in laying off or
2 terminating the employment of any regular employee
3 not supported under this title in anticipation of filling
4 the vacancy so created by hiring an employee to be
5 supported under this title;

6 (9) assurances that the program conditions stipu-
7 lated in section 208 have been or will be complied with;
8 and

9 (10) such other assurances, arrangements, and con-
10 ditions, consistent with the provisions of this title, as
11 the Secretary deems appropriate to carry out the pur-
12 poses of this title.

13 APPROVAL OF APPLICATIONS

14 SEC. 207. An application, including any modification or
15 amendment thereof, for financial assistance under this title
16 may be approved only if the Secretary determines that—

17 (1) the application meets the requirements set
18 forth in this title;

19 (2) an opportunity has been provided to officials
20 of the appropriate units of general local government to
21 submit comments with respect to the application to the
22 applicant and to the Secretary;

23 (3) an opportunity has been provided to the Gov-
24 ernor of the State to submit comments with respect to

1 the application to the applicant and to the Secretary;
2 and

3 (4) where a labor organization represents em-
4 ployees who are engaged in similar work in the same
5 area to that proposed in the application, an opportunity
6 has been provided such organization to submit comments
7 with respect to the application to the applicant and to
8 the Secretary.

9 PROGRAM CONDITIONS

10 SEC. 208. The Secretary shall not provide financial
11 assistance for any project under this title unless he deter-
12 mines, in accordance with such rules and regulations as he
13 shall prescribe, that—

14 (1) any project (A) will result in an increase in
15 employment opportunities over those opportunities which
16 would otherwise be available, (B) will not result in the
17 displacement of currently employed workers (including
18 partial displacement, such as a reduction in the hours of
19 nonovertime work or wages or employment benefits),
20 (C) will not impair existing contracts for services or
21 result in the substitution of Federal for other funds in
22 connection with work that would otherwise be per-
23 formed, and (D) will not substitute jobs supported by
24 this title for existing federally assisted jobs;

25 (2) persons employed in jobs under this title shall

1 be paid wages which shall not be lower than whichever
2 is the highest of (A) the applicable minimum wage
3 under the Fair Labor Standards Act of 1938, as
4 amended; or (B) the applicable State or local minimum
5 wage. If no minimum wage is otherwise applicable to
6 such persons under (A) or (B), such person shall be
7 paid wages at not less than the rate prescribed for State
8 employees under the "Fair Labor Standards Amend-
9 ments of 1974" (Public Law 93-259) ;

10 (3) Employment in community improvement proj-
11 ects under this title shall not be compensated at a rate
12 in excess of \$7,000 per year;

13 (4) all persons employed in community improve-
14 ment projects under this title will be assured of work-
15 men's compensation at the same levels and to the same
16 extent as other employees of the employer; and

17 (5) every participant shall be advised, prior to
18 entering upon employment, of his rights and benefits in
19 connection with such employment.

20 EXPENDITURE OF FUNDS

21 SEC. 209. Not more than 10 per centum of the funds
22 allocated and made available to an eligible applicant may be
23 expended for—

24 (1) reasonable administrative costs of projects estab-
25 lished under this title; and

1 (2) acquisition of, or the rental or leasing of sup-
2 plies, equipment, materials, and real property which are
3 reasonably essential to the conduct of projects established
4 under this title and which are not otherwise available
5 from alternative sources.

6 INDIVIDUAL ELIGIBILITY

7 SEC. 210. An individual shall be eligible for employ-
8 ment in projects assisted under this title for a week if the
9 individual—

10 (a) has exhausted all rights to regular, additional,
11 and extended compensation under all Federal and State
12 unemployment compensation laws (including the Rail-
13 road Unemployment Insurance Act (45 U.S.C. 351
14 et seq.)) and has no further rights to regular, additional,
15 or extended compensation under any Federal or State
16 unemployment compensation law with respect to such
17 week, has no right to allowances payable with respect
18 to such week under such laws as the Public Works and
19 Economic Development Act Amendments of 1974
20 (Public Law 93-423), the Disaster Relief Act of 1974
21 (Public Law 93-288), the Trade Expansion Act of
22 1962, as amended, or any successor legislation or sim-
23 ilar legislation, as determined by the Secretary, and is
24 not receiving compensation with respect to such week
25 under the unemployment compensation law of Canada;

1 and was eligible for assistance under title I of this Act
2 (unless he was ineligible under title I solely because of
3 section 106 (a) (2)) and has exhausted such rights.
4 (b) is not otherwise eligible for allowances payable
5 with respect to such week under such laws as the Public
6 Works and Economic Development Act Amendments
7 of 1974 (Public Law 93-423), the Disaster Relief Act
8 of 1974 (Public Law 93-288), the Trade Expansion
9 Act of 1962, as amended, or any successor legislation or
10 similar legislation, as determined by the Secretary, or
11 for compensation under any State or Federal unemploy-
12 ment compensation law (including the Railroad Unem-
13 ployment Insurance Act (45 U.S.C. 351 et seq.)) with
14 respect to such week and is not receiving compensation
15 with respect to such week under the unemployment
16 compensation law of Canada; and was eligible for assist-
17 ance under title I of this Act (unless he was ineligible
18 under title I solely because of section 106 (b) (2) and
19 has exhausted such rights.

20 ACCRUAL OF REVENUES

21 SEC. 211. All revenues accruing to an eligible applicant
22 as an adjunct to projects established in accordance with this
23 title shall revert to the eligible applicant, notwithstanding
24 any other Federal law. Such accrued revenues shall be ex-
25 pended by the eligible applicant for additional services or

1 costs associated with community improvement projects
2 funded under this title.

3 AVAILABILITY OF APPROPRIATIONS

4 SEC. 212. (a) Funds appropriated to carry out this title
5 shall be available for obligation as follows—

6 (1) The amount of \$500,000,000, when the Sec-
7 retary first determines that the rate (seasonally ad-
8 justed) of national unemployment averages 6 per cen-
9 tum or more for three consecutive calendar months;

10 (2) An additional \$750,000,000, when the Sec-
11 retary first determines that the rate (seasonally ad-
12 justed) of national unemployment averages 6.5 per cen-
13 tum or more for three consecutive calendar months;
14 and

15 (3) An additional \$1,000,000,000, when the Sec-
16 retary first determines that the rate (seasonally adjusted
17 of national unemployment averages 7 per centum or
18 more for three consecutive calendar months.

19 (b) No further obligation of funds under (a) (3) may
20 be made subsequent to a determination that the average rate
21 (seasonally adjusted) of national unemployment has re-
22 ceded below 7 per centum for three consecutive calendar
23 months; no further obligation of funds appropriated under
24 subsection (a) (2) may be made subsequent to a determi-
25 nation by the Secretary that the average rate (seasonally

1 adjusted) of national unemployment has receded below 6.5
2 per centum for three consecutive calendar months; and no
3 further obligation of funds appropriated under subsection
4 (a) (1) may be made subsequent to a determination by the
5 Secretary that the average rate (seasonally adjusted) of
6 national unemployment has receded below 6 per centum for
7 three consecutive calendar months.

8 (c) The determination under this section shall take
9 into account the rate of unemployment (seasonally adjusted)
10 for three consecutive calendar months even though any or
11 all of such months may have occurred not more than three
12 complete calendar months prior to the enactment of this
13 title.

14 (d) If any determination is made pursuant to subsec-
15 tion (b) that some or all of the funds appropriated to carry
16 out this title may not be further obligated, the remaining
17 unobligated funds initially available under paragraphs (1),
18 (2), and (3), respectively, of subsection (a), shall again
19 become available for obligation should the Secretary subse-
20 quently determine that the average percentage requirements
21 of such paragraphs, respectively, have again been met.

22 TERMINATION DATE

23 SEC. 213. Notwithstanding any other provisions of this
24 Act, no further obligation of funds appropriated under sec-
25 tion 309 (b) shall be made by the Secretary subsequent to

1 December 31, 1975, and no payments of compensation under
2 this title shall be made to any individual with respect to any
3 week ending after June 30, 1976.

4 TITLE III—GENERAL PROVISIONS

5 SEC. 301. As used in the Act, the term—

6 (1) "Secretary" means the Secretary of Labor;

7 (2) "Governor" means the chief executive of any
8 State;

9 (3) "State" means the States of the United States,
10 the District of Columbia, Puerto Rico, and the Virgin
11 Islands;

12 (4) "applicable State unemployment compensa-
13 tion law" means the law of the State in which the indi-
14 vidual was last employed for at least five days prior to
15 filing a claim for assistance or waiting period credit
16 under this Act;

17 (5) "regular compensation", "additional compen-
18 sation⁵⁵, and "extended compensation" shall not include
19 assistance provided for in title I, but shall have the
20 meanings assigned to those terms by section 205 of the
21 Federal-State Extended Unemployment Compensation
22 Act of 1970, as amended (Public Law 91-373; 84 Stat.
23 708 et seq.) ;

24 (6) "week" means a calendar week; and

25 (7) "labor market area" means an area which the

1 Secretary determines to be an economically integrated
2 geographical unit which has a population of at least
3 250,000 persons and within which workers may readily
4 change jobs without changing their places of residence.

5 LEGAL AUTHORITY

6 SEC. 302. (a) The Secretary of Labor is authorized to
7 prescribe such rules, regulations, guidelines, and other pub-
8 lished interpretations as he may deem appropriate to carry
9 out the provisions of this Act, including regulations to provide
10 for an expedited procedure for obtaining grants under the
11 Act and establishing projects.

12 (b) The Secretary may make such grants, contracts,
13 or agreements, establish such procedures (subject to such
14 policies, rules, regulations as he may prescribe), and make
15 such payments, in installments and in advance or by way of
16 reimbursement, or otherwise allocate or expend funds made
17 available under this Act, as he may deem necessary to carry
18 out the provisions of this Act, including necessary adjust-
19 ments in payments on account of overpayments or under-
20 payments. The Secretary may also withhold funds otherwise
21 payable under this Act, but only in order to recover any
22 amounts expended in the current or immediately prior fiscal
23 year in violation of any provision of this Act or any term or
24 condition of assistance under this Act.

1 CONDITIONS APPLICABLE TO ALL PROGRAMS

2 SEC. 303. The Secretary shall not provide financial
3 assistance for any program under this Act unless—

4 (1) the grant, contract, or agreement with re-
5 spect thereto specifically provides that no person with
6 responsibilities in the operation of such program will dis-
7 criminate with respect to any program participant or any
8 applicant for participation in such program because of
9 race, creed, color, national origin, sex, political affiliation,
10 or beliefs;

11 (2) such program does not involve political activi-
12 ties and neither the program, the funds provided there-
13 for, nor personnel employment in the administration
14 thereof, are not, in any way or to any extent, engaged in
15 the conduct of political activities in contravention of
16 chapter 15 of title 5, United States Code;

17 (3) participants in the program will not be em-
18 ployed on the construction, operation, or maintenance of
19 so much of any facility as is used or to be used for sec-
20 tarian instruction or as a place for religious worship;

21 (4) he has determined that grantees funded under
22 this Act have adequate internal administrative controls,
23 accounting requirements, personnel standards, and other
24 policies as may be necessary to promote the effective use
25 of funds; and

1 (5) the grantee will make such reports, in such
2 form and containing such information as the Secretary
3 may from time to time require, and will keep such rec-
4 ords and afford such access thereto as the Secretary may
5 find necessary to assure that funds are being expended in
6 accordance with the provisions of this Act.

7 UTILIZATION OF SERVICES AND FACILITIES

8 SEC. 304. In addition to such other authority as he
9 may have, the Secretary is authorized, in the performance
10 of his functions under this Act, and to the extent permitted
11 by law, to utilize the services and facilities of departments,
12 agencies, and establishments of the United States. The Sec-
13 retary is also authorized to accept and utilize the services
14 and facilities of the agencies of any State or political subdivi-
15 sion of a State, with their consent.

16 INTERSTATE AGREEMENTS

17 SEC. 305. In the event that compliance with provisions
18 of this Act would be enhanced by cooperative agreements
19 between States, the consent of Congress is hereby given to
20 such States to enter into such compacts and agreements to
21 facilitate such compliance, subject to the approval of the
22 Secretary.

23 CRIMINAL PROVISIONS

24 SEC. 306. Chapter 31 of title 18, United States Code,
25 section 665, is amended to read as follows:

1 "THEFT OR EMBEZZLEMENT FROM MANPOWER FUNDS;

2 IMPROPER INDUCEMENT

3 "SEC. 665. (a) Whoever, being an officer, director,
4 agent, or employee of, or connected in any capacity with,
5 any agency receiving financial assistance under the Com-
6 prehensive Employment and Training Act of 1973, and
7 the National Employment Assistance Act of 1974, embezzles,
8 willfully misapplies, steals, or obtains by fraud any of the
9 moneys, funds, assets, or property which are the subject of
10 a grant or contract of assistance pursuant to such Acts shall
11 be fined not more than \$10,000 or imprisoned for not more
12 than two years, or both; but if the amount so embezzled,
13 misapplied, stolen, or obtained by fraud does not exceed
14 \$100, he shall be fined not more than \$1,000, or imprisoned
15 not more than one year, or both.

16 "(b) Whoever, by threat of procuring dismissal of any
17 person from employment or of refusal to employ or refusal to
18 renew a contract of employment in connection with a grant
19 or contract of assistance under the Comprehensive Employ-
20 ment and Training Act of 1973, and the National Employ-
21 ment Assistance Act of 1974, induces any person to give
22 up any money or thing of any value to any person (includ-
23 ing such grantee agency) shall be fined not more than
24 \$1,000, or imprisoned not more than one year, or both."

1 NONDISCRIMINATION

2 SEC. 307. (a) No person in the United States shall,
3 on the ground of race, creed, color, national origin, sex, poli-
4 tical affiliation, or belief, be excluded from participation in,
5 be denied the benefits of, or be subjected to discrimination
6 under any program or activity funded in whole or in part
7 with funds made available under this Act.

8 (b) Whenever the Secretary determines that a recip-
9 ient of funds under this Act has failed to comply with sub-
10 section (a) or any applicable regulation, he shall notify the
11 recipient of the noncompliance and shall request the re-
12 cipient to secure compliance. If, within a reasonable period
13 of time, not to exceed sixty days, the recipient fails or re-
14 fuses to secure compliance, the Secretary, in addition to
15 exercising the powers and functions provided for the ter-
16 mination of financial assistance under this Act, is author-
17 ized (1) to refer the matter to the Attorney General with
18 a recommendation that an appropriate civil action be in-
19 stituted; (2) to exercise the powers and functions provided
20 by title VI of the Civil Rights Act of 1964 (42 U.S.C.
21 2000d); or (3) to take such other action as may be pro-
22 vided by law.

23 (c) When a matter is referred to the Attorney General
24 pursuant to subsection (b), or whenever he has reason to
25 believe that a recipient is engaged in a pattern or practice

1 in violation of the provisions of this section, the Attorney
2 General may bring a civil action in any appropriate United
3 States district court for such relief as may be appropriate,
4 including injunctive relief.

5 (d) The Secretary shall enforce the provisions of sub-
6 section (a) dealing with discrimination on the basis of sex
7 in accordance with section 602 of the Civil Rights Act of
8 1964. Section 603 of such Act shall apply with respect to
9 any action taken by the Secretary to enforce such provisions
10 of such subsection. This section shall not be construed as
11 affecting any other legal remedy that a person may have if
12 that person is excluded from participation in, denied the
13 benefits of, subjected to discrimination under, or denied em-
14 ployment in connection with any program or activity
15 receiving assistance under this Act.

16 RECORDS, AUDITS, AND REPORTS

17 SEC. 308. In order to assure that funds provided under
18 this Act are used in accordance with its provisions, each
19 recipient shall—

20 (1) use such fiscal, audit, and accounting pro-
21 cedures as may be necessary to assure (A) proper
22 accounting for payments received by it, and (B) proper
23 disbursement of such payments;

24 (2) provide to the Secretary and the Comptroller
25 General of the United States access to, and the right to

1 examine, any books, documents, papers, or records as
2 he requires; and

3 (3) make such reports to the Secretary or the
4 Comptroller General of the United States as he requires.

5 APPROPRIATIONS AUTHORIZED

6 SEC. 309. (a) There are hereby authorized to be appro-
7 priated, such sums as may be necessary to carry out the
8 provisions of title I of this Act.

9 (b) During the period beginning upon enactment and
10 ending December 31, 1975, there are hereby authorized to
11 be appropriated \$2,250,000,000 to carry out the provisions
12 of title II of this Act.

13 (c) Subject to the provisions of this Act, any funds
14 appropriated to carry out this Act, which are not obligated
15 prior to the end of the fiscal year for which such funds
16 were appropriated, shall remain available for obligation dur-
17 ing the succeeding fiscal year, and any funds obligated in
18 any fiscal year may be expended during a period of one year
19 from the date of obligation.

20 EFFECTIVE DATE

21 SEC. 310. This Act shall take effect on the date of its
22 enactment.

S. 2993

IN THE SENATE OF THE UNITED STATES

FEBRUARY 8, 1974

Mr. JAVITS (for himself, Mr. NELSON, Mr. BAYH, Mr. BIDEN, Mr. BROOKE, Mr. HATHAWAY, Mr. KENNEDY, Mr. RANDOLPH, Mr. RIBICOFF, and Mr. WILLIAMS) introduced the following bill; which was read twice and referred to the Committee on Labor and Public Welfare

A BILL

To amend the Comprehensive Employment and Training Act of 1973 to establish a special program of emergency energy employment, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Emergency Energy Em-
4 ployment Assistance Act of 1974".

5 SEC. 2. The Comprehensive Employment and Training
6 Act of 1973 is amended by redesignating title VI, and all
7 references thereto, as title VII and by redesignating sections
8 601 through 615, and all references thereto, as sections 701
9 through 715, respectively, and by inserting after title V
10 thereof the following new title:

1 "TITLE VI—SPECIAL EMERGENCY ENERGY EM-
2 PLOYMENT ASSISTANCE PROGRAM

3 "APPROPRIATIONS AUTHORIZED

4 "SEC. 601. In addition to the amounts authorized to be
5 appropriated for carrying out this Act under section 4, there
6 are authorized to be appropriated for the fiscal year ending
7 June 30, 1974, and the succeeding fiscal year, such sums,
8 not to exceed \$4,000,000,000 in the aggregate for such
9 period, as may be necessary to carry out the provisions of
10 this title.

11 "EMERGENCY EMPLOYMENT ASSISTANCE FUND

12 "SEC. 602. There is established in the Treasury a re-
13 volving fund to be known as the Emergency Employment
14 Assistance Fund (hereafter in this title referred to as the
15 "fund"). Amounts appropriated pursuant to section 601
16 which are not needed for immediate expenditure in accordance
17 with this title shall be deposited in such fund to be available
18 for obligation without fiscal year limitation in accordance
19 with the provisions of this title. The Secretary is authorized
20 to utilize sums deposited in the fund to provide assistance
21 under this title.

22 "FINANCIAL ASSISTANCE AUTHORIZED

23 "SEC. 603. (a) Whenever—

24 "(1) the President determines, after reviewing
25 forecasts of anticipated levels of economic activity, that

1 specified amounts available in the fund should be obli-
2 gated in order to diminish expected levels of unemploy-
3 ment, and notifies the Congress and the Secretary of
4 such determination; or

5 “(2) the Congress, by concurrent resolution, de-
6 termines, after reviewing forecasts of anticipated levels
7 of economic activity, that specified amounts available in
8 the fund should be obligated in order to diminish ex-
9 pected levels of unemployment, and notifies the Presi-
10 dent and the Secretary of such determination; or

11 “(3) the Secretary determines that the rate of
12 national unemployment (seasonally adjusted) exceeds
13 6 per centum for three consecutive months;

14 the Secretary shall obligate such amounts to provide un-
15 employed and underemployed persons with transitional em-
16 ployment in jobs providing needed public services, and,
17 wherever feasible, related training and manpower services
18 to enable such persons to move into employment or training
19 not supported under this title. Such assistance shall be pro-
20 vided in accordance with the terms of any determination
21 under paragraph (1) of this subsection or concurrent resolu-
22 tion under paragraph (2) of this subsection and in the case
23 of a determination under paragraph (3) of this subsection to
24 the full extent that funds are available in the fund.

1 “(b) Except pursuant to section 3 of this Act, the Sec-
2 retary shall apportion funds made available pursuant to this
3 title among prime sponsors designated under title I of this
4 Act and eligible applicants under title II of this Act through-
5 out the United States on an equitable basis, taking into ac-
6 count the rate of unemployment in areas served by such
7 prime sponsors and eligible applicants.

8 “(c) Transitional public service employment opportu-
9 nities financed under this title shall be subject to the terms
10 and conditions set forth in sections 205, 206, 207, 208, and
11 209 of this Act.

12 "SPECIAL REPORT

13 "SEC. 604. (a) Within twenty-one days after enact-
14 ment of this Act, the President, after consultation with the
15 Council of Economic Advisers, the Secretary and the heads
16 of other appropriate departments and agencies, shall submit
17 to the Congress a special report with respect to implementa-
18 tion of this title. The report required under this section shall
19 include—

20 “(1) a detailed analysis of anticipated levels of
21 economic activity and unemployment and the criteria to
22 be applied in making various determinations under para-
23 graph (1) of section 603 (a) ; and

24 “(2) comprehensive plans for implementation of

1 provisions of this title under paragraphs (1) and (3) of
2 section 603 (a).

3 “(b) The President and the Secretary may submit to
4 the Congress such other reports as are necessary to the ful-
5 fillment of the objectives of this title.

6 “(c) Reports transmitted under this section, shall, when
7 transmitted to the Congress, be referred to the Committee
8 on Labor and Public Welfare of the Senate and the Commit-
9 tee on Education and Labor of the House of Representatives.
10 Nothing in this subsection shall be construed to prohibit the
11 consideration of the report by any other committee of the
12 Senate or the House of Representatives with respect to any
13 matter within the jurisdiction of any such committee.”

Senator JAVITS. With the authority of the chairman, I am presiding.

The bill would add a new authority to the Comprehensive Employment and Training Act of 1973, so-called CETA Act. It would trigger \$4 billion for about 500,000 public service jobs at an estimated cost of \$8,000 per job, if the national unemployment rate exceeds 6 percent for 3 consecutive months.

Also, the money could be available sooner upon a determination that it was needed for the purposes specified, either by the Congress or by the President.

The recent facts published at the national level indicate that unemployment is on the upturn.

In August it rose to 5.4 percent compared with 5.3 percent in July. This is not an alarming jump, but it shows that that is the way we are moving, and it is expected by all the authorities that it will go to at least 6 percent.

Under those circumstances, we should not just sit around and wait. The issue is too serious, and labor makes the point that they will handle themselves as to inflation by fighting for what they consider to be proper wages and salaries, but that they have no such control over employment, and the threat of unemployment is even more dire to them than our inability to control inflation. This is the critical reason for the introduction of this bill at this time.

The bill, in addition, has engendered great interest in the White House and has also enlisted, as a matter of policy rather than in its own specifics, the support of such major Government officials, strictly in terms of the principle involved, as Secretary Simon of Treasury, Secretary Brennan of Labor, and the Chairman of the Federal Reserve Board, Arthur Burns.

It came up very recently in connection with the economic summit on labor and, indeed, has resulted in certain attention to public service employment by the President himself, in terms of funds in the budget for that purpose.

There may be differences of opinion as to the amount to be provided per job. Dr. Burns feels it should be more in the area of \$6,000. The administration is thinking more in the area of \$5,000. The bill, which I have introduced, is based upon the previous experience which in present terms is roughly \$8,000 per job.

In addition, I should note that Senator Kennedy and I will today endeavor to increase the appropriation for HEW by \$350 million for the same general purpose.

Finally, I shall also point out that a very critical aspect relating to inflation is the effort to control unemployment.

Worse than inflation even is stagflation, as it is called by one prominent economist, that is inflation plus unemployment, at an unacceptable rate, indeed any rate is unacceptable, but certainly above the rate we have sort of had to live with these last years, which is a rate of about 4 percent.

At this point we will receive for the record a statement from Senator Scott of Pennsylvania.

STATEMENT BY HON. HUGH SCOTT, A U.S. SENATOR FROM THE
STATE OF PENNSYLVANIA

Senator SCOTT of Pennsylvania. Mr. Chairman, I am pleased to present this testimony on proposals for public service employment.

The purpose of these proposals, to provide public service jobs for some 500,000 to 800,000 unemployed and underemployed, is of vast importance as unemployment and inflation spiral.

Last week, President Ford instructed the Labor Department to accelerate immediately all available funding under the Comprehensive Employment and Training Act (CETA). This means that \$65 million will be channeled now into areas of greatest unemployment with another \$350 million made available by the end of the month.

I believe there is also a continued critical need for training programs or for on-the-job training, not merely for the jobs themselves. For this reason, I was delighted that President Ford recognized this need and has responded by indicating that \$1.3 billion will be made available to State and local governments for various manpower programs. Obviously, once a person is trained, a job must be provided. And, conversely, if a job is available, it is necessary to have a capable person available to fill that job. Therefore, I heartily concur with an interweaving of manpower programs with public service jobs programs. Furthermore, past public service jobs programs indicate that the investment made in training workers is more than made up in terms of returns to the economy.

We have been fortunate to have results of past public service jobs programs to provide us with a perspective for future needs. First, there was the WPA program under President Roosevelt, primarily a "makework" program aimed solely at reducing unemployment without actually creating any new jobs which could be retained after the crisis passed.

More recently, the Emergency Employment Act of 1971 which created the public employment program (PEP), had as its immediate goal transitional public service jobs. At the time the PEP program was conceived, the national unemployment rate was 6 percent, caused in part, the Labor Department charges, by technological changes which brought about the displacement of workers. The most noteworthy result of the PEP program was, that of those employed under PEP, 71 percent were able to find new jobs within a month after leaving PEP, and even more, 82 percent, had jobs a year after leaving PEP. This must be a goal, and a reality, of any public service jobs program we endorse here today.

The Comprehensive Employment and Training Act (CETA) passed a year ago, provides much broader discretionary power to the so-called prime sponsors, those groups or areas receiving funds, designated under title I. This allows the community to weigh all economic factors and come to its own determinations as to where the needs lie. However, I think the areas of health, education and the environment should be given careful consideration. We have seen the growing needs for trained professionals and nonprofessionals in each of these areas. S. 2993, one of the pending bills, will open up these and other areas to the job market and these are the kinds of jobs for which there will always be a demand.

In addition, special consideration is given to the unemployed who are most seriously disadvantaged and those who are the poorest jobs prospects. I would certainly concur with this approach and endorse a continuation of this aspect of CETA.

Arthur Burns, Chairman of the Federal Reserve Board, has testified before the Joint Economic Committee on the need for "ameliorative steps" by the Government should unemployment continue its upward turn. He has, in fact, supported the concept of expanding public service jobs programs as envisioned under CETA. Moreover, he has supported the 6 percent trigger mechanism, which S. 2993 proposes.

We have seen how the 6.5 percent local trigger worked under CETA and how the 4.5 percent national trigger worked under the PEP program. The 6-percent trigger proposed in S. 2993 represents a workable alternative, and with this I have no quarrel. However, I think a phase-out at a somewhat lower percentage might be worth considering. This would provide a more orderly transition and would eliminate a program operating by "fits and starts," further allowing it every opportunity to succeed.

I would also like to go on record as supporting the \$10,000 limit on salaries under CETA. After all, public service employment is not designed to make anyone rich. Rather, it offers a means to climb out of the unemployment rut and into working society.

Data on PEP programs in Pennsylvania indicate that from 1972 to 1974, 27,819 people participated in PEP programs for a total cost of \$98,117,492. In addition, under the Comprehensive Employment Training Act of 1974 nearly 2,300 people participated in the program at a cost of \$16,546,800. The average per-job rate, therefore, was approximately \$6,000 to \$7,500.

What does unemployment mean in Pennsylvania now? When the rate of unemployment reaches 6 percent in Pennsylvania, 314,000 people will be jobless. When it reaches 8 percent, nearly a half million people in the Commonwealth will be without a job. Magnified on a national scale, the numbers are frightening.

Current data supplied by the Department of Labor on "Labor Areas" in Pennsylvania indicate the following unemployment rates for July:

	Percent
1. Allentown labor area (Carbon, Lehigh, and Northampton County, Pa. and Warren County, N.J.)-----	9.8
2. Erie (Erie County)-----	4.7
3. Harrisburg (Cumberland, Dauphin, Perry Counties, Pa.)-----	3.4
4. Altoona (Blair County)-----	6.9
5. Johnstown (Cambria, Somerset Counties, Pa.)-----	6.1
6. Lancaster (Lancaster County)-----	4.2
7. Lackawanna (Lackawanna, Luzerne, Monroe Counties)-----	8.7
8. Philadelphia (Bucks, Chester, Delaware and Montgomery Counties, Pa., Burlington, Camden, Gloucester Counties, N.J.)-----	7.1
9. Pittsburgh (Allegheny, Beaver, Washington, Westmoreland Counties)	7.2
10. Reading (Berks County)-----	3.7
11. York County (York, Adams Counties)-----	5.1

In conclusion, we have seen the effects of past high unemployment on the Nation. We know the economy and more importantly those facing the personal loss of employment cannot tolerate a continuation of this crisis. The concept of public service employment seems to provide

us with at least one effective means of dealing with this monster. Therefore, I wholeheartedly endorse the public service jobs program and urge speedy enactment of legislation to provide us with a viable vehicle for carrying out this program.

Senator JAVITS. Today, we shall hear from a number of expert witnesses involved in present manpower training and public service employment efforts, as well as experts on public service employment generally, including representatives of the National Association of Counties; Sar Levitan, director of the Center for Manpower Policy Studies; Ronald H. Brown, Director of the Washington Bureau of the National Urban League; Frank W. Schiff, vice president and chief economist, Committee for Economic Development; and Alan Gartner, secretary of the National Conference on Public Service Employment, and member of the executive committee, National Committee for Full Employment.

The Chair will call the witnesses in accordance with the witness list that has been issued.

If any witness has a special reason for wishing to come on earlier, I would appreciate it greatly if that witness would notify the minority counsel to the subcommittee, who is sitting behind me, and we will try to accommodate him if he has a good reason.

Finally, I wish to make a statement on behalf of Senator Cranston of California, who is very, very deeply interested in this particular measure, and a member of our committee and of this subcommittee.

Senator Cranston is sorry he is unable to return from California in time for this hearing. He has been deeply involved in efforts to expand and approve public service employment programs, and he will pay very strict attention to the testimony we gather here today.

Also Senator Cranston has asked me to extend an especially warm welcome to his dear friend, San Diego County supervisor, Jack Walsh, who will be appearing before the committee as one of the representatives of the National Association of Counties.

Our first witness this morning is my own constituent, John Klein, county executive of Suffolk County, N.Y., appearing on behalf of the National Association of Counties.

Mr. Klein is one of our most gifted county executives, very well known to me, and the committee, I know, will find his testimony of the greatest interest.

Mr. Klein, would you come forward and, Mr. Walsh, would you come forward.

Will each of you introduce your aides?

STATEMENT OF JOHN V. N. KLEIN, COUNTY EXECUTIVE, SUFFOLK COUNTY, N.Y.; ACCOMPANIED BY ALICEANN FRITSCHLER, LEGISLATIVE REPRESENTATIVE OF THE NATIONAL ASSOCIATION OF COUNTIES; JACK WALSH, SUPERVISOR, SAN DIEGO COUNTY, CALIF.; ACCOMPANIED BY RUBEN DOMINGUEZ, HUMAN RESOURCES ADMINISTRATOR, SAN DIEGO COUNTY

Mr. KLEIN. Thank you, Senator.

I am accompanied by Jack Walsh, supervisor of San Diego County, Calif., who will be addressing you.

In addition, with him is Ruben Dominguez, human resources administrator, San Diego County; and on my right is Mrs. Aliceann Fritschler, legislative representative of the National Association of Counties.

We are here today to present testimony on behalf of the National Association of Counties (NACO), to urge the Congress to amend the Comprehensive Employment and Training Act of 1973 (CETA), to establish a nationally triggered public service employment program.

May I say at the outset we would like to extend special congratulations and acknowledgement to you for the introduction of S. 2993, as you have outlined at the outset of this hearing, and to indicate to you that we consider this a very foresighted piece of legislation which you introduced in February of this year, obviously anticipating the serious problems of unemployment falling upon this country, which have affected all of us.

Senator, we have prepared and filed with the committee a formal statement on behalf of National Association of Counties, and in the interest of brevity and emphasis, I would like, if I may, to dwell very briefly upon the latter part of that statement which relates to some specific points we wish to make in terms of the legislation itself.

Senator JAVITS. Your statement will be included in the record at the conclusion of your testimony.

Mr. KLEIN. We believe that CETA is the basic vehicle to implement manpower programs, and are pleased that members of this subcommittee are working with the CETA framework in their efforts to shape a public service employment program.

In the 8 months since CETA was enacted, State and local governments have hired staff and have moved ahead vigorously with the planning necessary to deliver comprehensive manpower services.

CETA title II moneys have only scratched the surface in reaching the millions of unemployed. We need a nationally triggered public service employment program which provides for increased authorizations as the unemployed rate rises.

Based on our experience with the Emergency Employment Act (EEA) of 1971, we feel that some authorization should be available to prime sponsors when national unemployment reaches 4.5 percent.

Mr. Chairman, we are concerned, as undoubtedly you are, that a mechanism be woven into any public service employment amendments to allow for a "detriggering" of funds should unemployment decrease. We have instructed the NACO staff to be available to work with you and your staff to develop this language.

We support an allocation method similar to that used in the Emergency Employment Act (EEA) which provided proportionately greater allocations of funds through a "double-dip" formula to those areas with higher unemployment.

This, we believe, recognizes the fact that a jurisdiction with 8 percent unemployment is not simply twice as hard hit as a jurisdiction with 4 percent unemployment, as the simple figures would indicate.

The difference in reality is probably that between a healthy economy and an ailing one, and the 8-percent area should be allocated an increased amount of funds.

An allocation formula for public service employment must be designed to target large amounts of money in areas with highest unemployment.

Therefore, the formula for public service employment funds must be different from that used in title I, because of its large hold harmless factor.

It is our firm belief that a public service employment program should be transitional, and that the greatest possible number of those employed by a public employment program should use their experience to secure permanent, nonsubsidized employment either in the private sector or on the regular Government payroll. We firmly support this concept.

I would, however, urge the subcommittee to recognize that if unemployment remains high—and many economists fear it will—many people, through no fault of their own, will be unable to find permanent jobs outside the public service employment program.

We suggest that no limit to be set in the legislation or in subsequent regulations on the length of time a person may stay in a public service job because we are, and will probably continue to be, in very uncertain economic times.

It will also be difficult to meet requirements for moving a large percentage of public employment enrollees into regular government positions.

Public employers are in a period of extreme inflation and the wage and benefit increases which we must provide to our employees limit our ability to expand our permanent work force. It would be unfair to place the burden of finding a permanent solution to the unemployment problem on State and local governments by requiring them to do what the economy itself cannot do; namely, find permanent, nonsubsidized jobs for all our citizens.

And, finally, we also urge that the limit for public service jobs salaries be increased from \$10,000, which it is under CETA, to \$12,000, which it was under the Emergency Employment Act. Counties are experiencing increasing costs due to higher wages resulting from labor settlements and inflation.

I point out the distinction between the outer limit of \$12,000 and what we consider to be resulting average figure, which would be considerably less.

During fiscal year 1974, consumer prices rose 11.8 percent. This, coupled with higher salaries resulting from labor settlements, clearly justifies the need for an increased maximum for public service jobs.

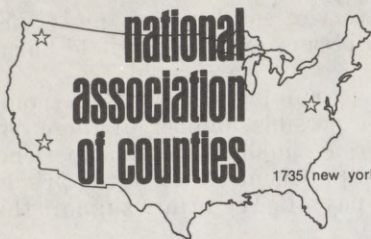
Mr. Chairman, we welcome this proposed legislation. We believe that public service employment is a proven method of attacking the problem of unemployment without unduly increasing inflation.

The National Association of Counties stands ready to work with Congress in developing legislation to provide meaningful public employment for those in need.

My fellow county official, Jack Walsh, supervisor of San Diego County, Calif., has some brief remarks to make about conditions and programs in his county, and then we will be happy to answer questions.

Senator JAVITS. Thank you very much, Mr. Klein.

[The prepared statement of Mr. Klein follows:]



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(202) 785-9577

STATEMENT

OF

JOHN V. N. KLEIN
COUNTY EXECUTIVE
SUFFOLK COUNTY, NEW YORK

ON BEHALF OF THE

NATIONAL ASSOCIATION OF COUNTIES

BEFORE THE

SUBCOMMITTEE ON EMPLOYMENT, MANPOWER AND POVERTY

COMMITTEE ON LABOR AND PUBLIC WELFARE

OF THE

U. S. SENATE

ON

PUBLIC SERVICE EMPLOYMENT LEGISLATION

SEPTEMBER 16, 1974

Mr. Chairman, Members of the Subcommittee, I am John V. N. Klein, County Executive of Suffolk County, New York, and Chairman of the Manpower Steering Committee of the National Association of Counties. I am accompanied today by Jack Walsh, Supervisor, San Diego County, California, and by Aliceann Fritschler, Legislative Representative of the National Association of Counties.

I am here today to present testimony on behalf of the National Association of Counties to urge the Congress to amend the Comprehensive Employment and Training Act of 1973 to establish a nationally triggered public service employment program. At the current rate of 5.4 percent unemployment, 4,874,000 people are out of work nationally. In many areas of the country unemployment rates are twice that high. In Suffolk County we have had an unemployment rate over 6 percent for 21 of the past 31 months. We now face a 6.4 percent unemployment rate which means that 28,000 county residents are unemployed.

The country is faced with a two-edged problem of rising unemployment and "double digit" inflation. Public service employment is perhaps the best economic weapon we have to defeat these problems. Public service employment serves multiple purposes because unemployed and underemployed persons are able to work, and at the same time money is returned to the public coffers in the form of tax dollars. A recent Library of Congress study shows that a \$4 billion public service employment program at \$7,000 per job would generate \$800 million in federal, state and local taxes. In addition, a \$1.3 billion savings would result from decreased payments for welfare, unemployment

benefits, food stamps, medicaid and other assistance programs. Thus a public service employment program providing 570,000 jobs at a cost of 4 billion dollars would generate about 2.1 billion dollars in savings, for an actual cost of only 1.9 billion dollars. Public service employment provides individuals meaningful work and society with needed services. Under the Emergency Employment Act and now CETA, counties and other prime sponsors have provided jobs in health care, social services, law enforcement and environmental protection to name just a few areas.

The needs and operational costs of counties are increasing rapidly. Yet the capacity of public employers to finance these increasing costs is limited. Increases in property taxes are often limited by law and the burden of increased property taxes often falls heavily on those least able to pay. Increased residential populations in suburban counties do not generate enough tax revenues to pay for the needed expansion of services which the government must provide to its citizens. In many rural counties declining populations have greatly reduced the tax base while unemployment increases.

We believe that unemployment is a national problem which must be solved with federal funds. State and local governments can be required to provide public service jobs but must not be expected to provide local funds to solve a national problem. But there is another important reason we can support public service employment. It is our belief that every effort must be made to avoid increasing unemployment in order to curb inflation. Unemployment has been rising steadily for several

months. It now stands at 5.4 percent nationally and many economists are predicting a rate of at least 6 percent by the end of the year. We, in county government, who provide a large share of human services throughout the country, are faced with the problem of providing meaningful employment and other types of job and training assistance for a large percentage of these people. We need a program to provide funds for jobs triggered by the national unemployment rate. We congratulate Senator Javits and his co-sponsors Senators Nelson, Bayh, Biden, Brooke, Hathaway, Kennedy, Randolph, Ribicoff and Williams for having the foresight to introduce S. 2993 in February of this year incorporating this concept. The Chairman of the Federal Reserve Board, Arthur Burns, has estimated that a \$4 billion public service employment program could cut the unemployment rate by one percent. Obviously, a proposal that will reduce our high unemployment levels which does not simultaneously fuel the fires of inflation is attractive to Congress, the Administration, and to the public employers.

Although, I am here today to urge enactment of an amendment to CETA which would provide for additional public service jobs, I hope that the Senate which is concurrently considering appropriations for fiscal year 1975 under CETA will at least provide the level of funds that was approved by the House of Representatives. The prospect of an expanded public service employment program must not result in a cutback of appropriation levels for vitally important manpower activities authorized under CETA. Counties, cities, states, Congress and the Administration worked hard to gain passage of CETA in the belief that manpower funds could most effectively be spent

when decision-making was brought to the local level. This is where the most accurate determination of need can be made. In fiscal year 1974, Suffolk County received \$2,369,000 in public employment funds under the Emergency Employment Act and Title II of CETA. In fiscal year 1975 the County will receive only \$1,905,900 for public employment activities. We estimate there has been a 9.6 percent increase for inflation and thus Suffolk is losing \$690,000 for public service employment. For fiscal year 1974 we received \$3,720,485 for manpower activities under categorical programs funded by the Manpower Development Training Act and Economic Opportunity Act. For fiscal 1975 we will receive only \$3,634,458 for Title I of CETA. Allowing for 9.6 percent inflation, we face a reduction of \$443,193 for these manpower activities. In all, Suffolk County will receive \$1,133,934 less for manpower in FY 1975 - an 18.6 percent reduction. It is our opinion that it is shortsighted to cut funds which can be spent for training and job assistance services and, in effect, shift the entire manpower effort toward public service employment. As the unemployment profile in my county shows there is a real need for training and retraining and neither Congress nor CETA prime sponsors should be permitted to neglect the long range employment goals which are most directly addressed by job training activities for the unemployed. Thus, the National Association of Counties will urge the Senate to give CETA a chance to work and restore to \$2.45 billion, the level of funding for CETA as approved by the House.

Turning to the legislation before us, I would like to make six major points on behalf of the National Association of Counties:

1) We believe that CETA is the basic vehicle to implement manpower programs and are pleased that members of this subcommittee are working within the CETA framework in their efforts to shape a public service employment program. In the eight months since CETA was enacted state and local governments have hired staff and have moved ahead vigorously with the planning necessary to deliver comprehensive manpower services.

2) CETA Title II monies have only scratched the surface in reaching the millions of unemployed. We need a nationally triggered public service employment program which provides for increased authorizations as the unemployment rate rises.

Based on our experience with the Emergency Employment Act (EEA) of 1971 we feel that some authorization should be available to prime sponsors when national unemployment reaches 4.5 percent.

3) Mr. Chairman, we are concerned, as undoubtedly you are, that a mechanism be woven into any public service employment amendments to allow for a "detriggering" of funds should unemployment decrease. I have instructed the NACo staff to be available to work with you and your staff to develop this language.

4) We support an allocation method similar to that used in the Emergency Employment Act which provided proportionately greater allocations of funds through a "double-dip" formula to those areas with higher unemployment. This, we believe, recognizes the fact that a jurisdiction with 8 percent unemployment is not simply twice as hard hit as a jurisdiction with 4 percent unemployment, as the simple figures would indicate. The difference in reality is probably that between a health

economy and an ailing one, and the 8 percent area should be allocated with an increased amount of funds.

An allocation formula for public service employment must be designed to target large amounts of money in areas with highest unemployment. Therefore, the formula for public service employment funds must be different from that used in Title I because of its large hold harmless factor.

5) It is our firm belief that a public service employment program should be transitional, and that the greatest possible number of those employed by a public employment program should use their experience to secure permanent, non-subsidized employment either in the private sector or on the regular government payroll. We firmly support this concept. I would, however, urge the subcommittee to recognize that if unemployment remains high - and many economists fear it will - many people, through no fault of their own, will be unable to find permanent jobs outside the public service program. We suggest that no limit be set in the legislation or in subsequent regulations on the length of time a person may stay in a public service job because we are, and will probably continue to be, in very uncertain economic times. It will also be difficult to meet requirements for moving a large percentage of public employment enrollees into regular government positions. Public employers are in a period of extreme inflation and the wage and benefit increases which we must provide to our employees limit our ability to expand our permanent work force. It would be unfair to place the burden of finding a permanent solution to the unemployment problem on state and local governments by requiring

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them to do what the economy itself cannot do, namely, find permanent, non-subsidized jobs for all our citizens.

And finally 6) We also urge that the limit for public service jobs salaries be increased from \$10,000, which it is under CETA, to \$12,000, which it was under the Emergency Employment Act. Counties are experiencing increasing costs due to higher wages resulting from labor settlements and inflation.

During Fiscal Year 1974 consumer prices rose 11.8 percent. This, coupled with higher salaries resulting from labor settlements, clearly justifies the need for an increased maximum for public service jobs.

Mr. Chairman, we welcome this proposed legislation. We believe that public service employment is a proven method of attacking the problem of unemployment without unduly increasing inflation. The National Association of Counties stands ready to work with Congress in developing legislation to provide meaningful public employment for those in need.

My fellow county official, Jack Walsh, Supervisor of San Diego County, California, has some brief remarks to make about conditions and programs in his county, and then we will be happy to answer questions.

Senator JAVITS. Supervisor Walsh, please proceed.

Mr. WALSH. Thank you very much.

I will be very brief. I think John has pretty well covered our position.

But, we the county of San Diego, as an example, we have had considerable success in dealing with manpower programs in unemployment in the past. Unfortunately, the percentage of unemployment has not fully responded to our efforts.

We have in San Diego County a work force of 617,000 people, and currently 62,800 of those people are unemployed.

We have over the past year had an average unemployment rate of 8.8 percent. Our current unemployment rate in San Diego is 10.2 percent

As you can see, our county, is affected not only by inflation, but also by the problems of unemployment.

The problems that we have are further multiplied by the fact that in fiscal year 1972 we received \$10 million under EEA, whereas in fiscal year 1974 we received only \$4.8 million.

So we are dealing with increased unemployment. We are dealing with inflation and we are dealing with it at about 55 percent reduction in the amount of moneys that we have from the county standpoint to work in these areas.

I agree with your assessment, Mr. Senator, that shifts in population to counties have created a major role for county governments in dealing with this problem.

Of the \$380 million of county funds spent in the San Diego region, 93 percent of that money is spent on people in cities. We provide some of the major services that are provided for people.

In regard to the subject that we are talking about today, we are responsible through our subgrantees for the administration of all of the programs for 11 cities in the San Diego region, 20 school districts, including four community college districts, 8 fire districts, 17 Indian reservations and 4 water districts, as well as the county itself.

So when we are talking about programs administered by the county, we are talking about everything, ranging from city programs to Indian reservation programs to the fire departments and water districts.

I think John has covered this. Our time probably would be better spent on specific questions.

We will be pleased to answer any questions you might pose. You have my statement.

Senator JAVITS. Thank you.

In the first place, I assume in each of your counties you are prime sponsors of a program; is that correct?

Mr. KLEIN. Right.

Mr. WALSH. Correct.

Senator JAVITS. Do you feel that counties have a uniquely individual role to play as prime sponsors in handling the unemployment and job training programs.

Would you answer that first?

Mr. KLEIN. Yes, Senator, we feel that uniqueness, particularly in Suffolk County.

Jack has talked about precisely the same effect in San Diego.

In Suffolk, the county has taken a role of leadership in that within Suffolk there are five separate eligible prime sponsors in each of the five western towns, all of whom qualify.

However, the county made contact with the five towns, and under the provisions of the legislation, the county became the prime sponsor for the entire CETA program as a result of a working agreement with those five towns.

As a result, we have cut administrative expenses by five down to the point where there is one instead of six separate administrations under CETA, and we think the role of the counties, even on a consortium basis, or on prime sponsor basis, on behalf of others who are already eligible, makes us particularly attractive and effective in that field.

Mr. WALSH. Along that line, Senator, one of the things we look to quite often in counties is that the cities pretty much handle a lot of the physical services for the community, aside from fire, police, and trash, cities handle the streets, the libraries and community centers. The counties in most parts of our Nation handle the people problems, the criminal justice system, health care, unemployment, and welfare.

In dealing with a lot of related problems the people have, particularly unemployed people, counties have a higher degree of interest in those situations.

We feel counties particularly are in a better position than cities to handle or deal with manpower needs of a region.

Senator JAVITS. Gentlemen, you are getting a certain amount of money, each of you—Mr. Klein specified what he is getting for his particular county—and there is always an argument about transitional public service jobs and their effective use.

For example, you are not permitted to preempt normal employment. That involves people who already have jobs and substitute for it these public service employment jobs.

Could each of you tell what could be effectively used in your area—and the purpose for such use—and beyond what you have in the way of a public service employment program now, and also why, it does not interfere with or contravene the normal employment program of the county?

Would you start, Mr. Klein?

Mr. KLEIN. Yes, Senator.

The county of Suffolk has experienced particularly fine success in the field of public service employment.

To be as directly responsive to the first part of your question as possible, what we have done is to use public service employment funds in the past, and we propose to use them in the future, for what we consider to be essential employment in the public sector which would not otherwise be available without the significant funding under emergency employment concept.

Under the old Emergency Employment Act (EEA), heavy emphasis was placed on creating and filling positions in direct human services. And in Suffolk County, for example, as a direct result, we have been able to open three additional health clinics for inpatient, diagnostic and treatment services in low-income areas which, without the positions we funded under the EEA program, would not have been possible.

We have also used EEA funds and would continue to use them significantly in the field of environmental protection and control.

I do not have to tell you, Senator, I am sure, the significant fiscal problem that local governments face in meeting their financial commitments.

Without the EEA funds we would not have been able to extend Government services in the fields of health and environmental concern as we did.

I might point out to you that we experienced a rate of placement in transition into permanent employment under the old program of about 75 percent, whereas the legislation, as you well know, contemplated 50 percent. We are very proud of that.

A public service employment program would not interfere in any way with our current employment picture, and would enable us to extend our services into areas where we think we have a responsibility but cannot now meet.

Mr. WALSH. Briefly, Senator, not only have we employed people in previous programs, in the 42 departments of county government and all the other districts that I mentioned, we also have in the neighborhood of 52 to 55 percent permanent placement.

We have gone into community based, human care agencies, ranging from the Chicago Federation to free clinics, which were just starting out and have either become self-sufficient or have received community funding from alternate sources.

Our concern is with the dollars. When we were getting \$10 million initially, we had unemployment in San Diego around 6 percent. We are over 10 percent now and our funding has been reduced to \$4.8 million.

Taking into consideration the almost doubling in the unemployment rate, and the increases and impact of inflation, we are getting far less money, and this is the real problem.

We cannot do the job with the constraints we have in local government, with constraints against increasing the property tax any further.

Unless we have money, we will not be able to do the job.

Senator JAVITS. Now, expressed in percentages, gentlemen, what percentage of public service employment are you getting compared to what you ought to have in order to fill the needs of individual and for public services in your county?

Mr. WALSH. Thirty percent.

Mr. KLEIN. I would say essentially the same.

Senator JAVITS. The other question I would like to ask you relates to the concern Government justifiably has in respect to is leadtime.

How long does it take to put a public service employment program into effect?

What is your leadtime in this program if we give you additional money for public service employment?

Mr. KLEIN. Senator, I point out to you that the legislation you have proposed would essentially eliminate the type of leadtime that has been experienced in the past.

We have the mechanisms, CETA, we have the staff under CETA, we have the procedures, and hopefully if the legislation is within the framework that you have outlined, we would avoid the necessity of any extensive regulation making.

To answer your question, by virtue of that fact, I think that we could convert that money into direct public service almost overnight.

We would anticipate no leadtime.

Senator JAVITS. What about you, Mr. Walsh?

Mr. WALSH. Well, we are pretty well structured and organized along the lines that John mentioned.

I would say it would take us 30 days.

Our problem in the past has not been making placements. It has been 3 month to 6 month delays in regard to money. That is where the problem has been before.

Now, if we can count on the dollars, if 30 days is close to overnight, we can have people working in that period of time.

Senator JAVITS. Thank you.

I have two questions now on title I, that is the title under which job training may be provided and how it ties in with public service employment.

Do you contemplate using any of the title I funds for public service employment, Mr. Klein?

Mr. KLEIN. Yes.

Senator JAVITS. What percentage?

Mr. KLEIN. The precise percentage I do not have, but I will see that the committee gets it.

Senator JAVITS. Do you have any idea or order of magnitude?

Mr. KLEIN. I would prefer to hold that until I determine the exact amount.

Senator JAVITS. What have you up until now?

Mr. KLEIN. In terms of dollars, Senator?

Senator JAVITS. Percentage.

What percentage of title I money will you use for public service employment?

Mr. KLEIN. That is the point I am not prepared to answer on now. I will give you that information.

I would like to point out that speaking as to the question of funding title I and the utilization for emergency employment purposes, we feel very strongly, and I have reflected in this statement that we have suffered sort of reduction in funding by virtue of inflation, and matching against old categorical programs, we would hope that we would not have to dip heavily into title I money for emergency employment for the simple reason that title I money, in our concept, is substantially intended and designed and will be used by us for the training of the unemployed and underemployed.

We think it would be unfortunate if we had to divert a significant portion of title I money away from that purpose in order to cope with the rise in unemployment rate.

We would hope the funding would remain constant in both categories.

Senator JAVITS. Mr. Walsh, do you have your records as to what you have used and plan to use for public service employment out of title I funds?

Mr. WALSH. We are using in the past and are continuing to use about 4 percent.

Senator JAVITS. Four percent?

Mr. WALSH. The problem is we are projecting 4 percent this year with about a million dollars less allocated in that area.

The temptation quite often is to take money from that area, but our advisors have told us that we are just going to end up with unemployment that will be far more costly in the long run, if we tap that for the other categories.

Senator JAVITS. Mr. Klein, will you tell us what mechanism you use to move from transitional employment, to wit, public service jobs, to permanent?

Mr. KLEIN. Well, the program has been administered in our county by the department of labor of the county, and at the inception we placed very heavy emphasis and gave direct instructions that philosophically we viewed the legislation to be transitional in nature, and we required heavy emphasis within the staffing of our labor department, county labor department people, in seeking out and matching job opportunities with those people already in public service under the emergency employment program.

We placed people in the school system and many units of local government, including the county. We are very careful to be certain that we employed people under the EEA program who could qualify for the various civil service categorical requirements pertaining to their jobs so we were not faced with a dead end at the end by an underqualified or unqualified person seeking permanent employment.

That emphasis, specialization of staff, and that matching of employment programs with potential openings of a permanent nature, we think, has contributed to roughly 75 percent rate.

Senator JAVITS. And you, Mr. Walsh?

Mr. WALSH. Principally, our rate of permanent placement was a little less because we made some mistakes, and hopefully we learned by our mistakes.

We had one serious impediment in the county that was called civil service. The first mistake we made occurred when we were dealing with skilled people from the aerospace industry. We were creating categories that were not in county government formerly, and we were bringing this talent into government.

Our mistake was that these categories were not transferrable to other county positions, whether it be in the planning department, health department, or other agency.

We have now modified the categories so that every position where a person is placed in employment, fits a description of some category in county government. Second, in regard to dealing with the obstacles of the civil service system, what we have created is a separate classification category with some pretesting that is given to applicants so that they go through a different type of test training program.

These classifications that they are placed in are classifications in job description and also in salary that can automatically transfer into other county positions. So, we have allowed for lateral transfer without going back through the civil service testing.

Now, this gives these employees the protection of civil service. All these people can apply for transfer, and they do not have to be accepted—they can go through the normal list—but it also gives good qualified people the option to be automatically transferred over into permanent categories.

I think these are the areas that we have made modifications in and have been successful.

Senator JAVITS. What proportion in your 75 percent, Mr. Klein, was private and what percentage is public employment following the transition phase?

Mr. KLEIN. I am going to give you an estimate, Senator, subject to finalization.

The estimate is about 60 public and 40 private.

Senator JAVITS. And you, Mr. Walsh?

Mr. WALSH. Fifty-fifty.

Senator JAVITS. Last, gentlemen, there is always the charge that all we do is to put people to work raking leaves.

Do you have any percentages as to how many are in public works and what other categories by percent?

Mr. KLEIN. Senator, we will supply those figures for you as well.

But let me say with certainty that these are not make-work low-level unskilled jobs.

What we have done, and I think in this respect, as well as in many others, that EEA program and public service employment program have been exceptionally positive.

We have a great many people in Suffolk County, as you well know, Senator, who are highly skilled people, who have been victims of layoffs in some of our defense and aerospace fields, which we have converted to other fields of generally the same disciplines, and kept an awful lot of people off public assistance rolls, at very significantly technical type employment.

It is not indeed raking leaves. It is everything from converting aerospace engineer into environmental engineer and putting him to work in very positive contribution in the environmental legislation and enforcement.

Senator JAVITS. You will furnish us with the exact percentage?

Mr. KLEIN. Yes.

Senator JAVITS. Would you answer that question, too, Mr. Walsh?

Mr. WALSH. Correct, Senator.

We were very careful not to get into leaf-raking business because of the concerns we had.

Also we were concerned because of the availability of highly technical skilled people. We did not want to get into a program which could be criticized saying that we were just continuing to take care of the middle- and upper-income people and overlooking the low-income people.

We were able to have people placed in meaningful positions in county employment. Not only were we able to absorb a high number of technical people, but we are proud of the fact that with a community with a 20-percent minority population, we were able to place 32 percent of our total positions with minority people in what we consider to be regular and good positions.

Senator JAVITS. Mr. Walsh, can you give us the breakdown on the various categories of employment which these people fitted into by percentage?

Mr. WALSH. Yes.

Senator JAVITS. Thank you very much, gentlemen. You have been very helpful.

While we may not be able to do everything the National Association of Counties urges, we are grateful to them for sending you to us with that specialized knowledge, and we will pay very strict attention to all of their recommendations.

Thank you very much.

Mr. WALSH. Thank you.

Mr. KLEIN. Thank you.

[The prepared statement of Mr. Walsh follows:]



COUNTY OF SAN DIEGO

STATEMENT

OF

JACK WALSH, SUPERVISOR, COUNTY OF SAN DIEGO

BEFORE THE

SUBCOMMITTEE ON EMPLOYMENT, MANPOWER AND POVERTY

COMMITTEE ON LABOR AND PUBLIC WELFARE

OF THE

UNITED STATES SENATE

ON

PUBLIC SERVICE EMPLOYMENT LEGISLATION

September 16, 1974

It is indeed a pleasure to appear before you as a representative of the Board of Supervisors of San Diego County, as well as the National Association of Counties.

I wish at the outset to stress the importance of a nationally triggered public service employment program for county government as proposed by members of this subcommittee. What happens or what does not happen in the field of manpower has a greater impact on county government than any other governmental entity. In particular, the County government in San Diego has a primary responsibility to a population of approximately 1.5 million people for human care services throughout the entire region. Specifically, with a budget in excess of \$380 million, we have full responsibility for such departments and services as the Welfare Department, the Probation Department, the Health Department, and other medical institutions.

The passage of CETA recognized the role of county governments with regard to the delivery of services in urban areas. Indeed in San Diego, County government spends more in the City of San Diego than the City government itself in all forms of human services. I make mention of the above in order to emphasize the importance of a clear definition and involvement of the role of county government in the area of manpower. If adequate employment is not available, the county government is faced with the problem through our Welfare, Probation, or Health departments. With this in mind, I would like to present the following facts.

I. COUNTY'S NEEDS

The County of San Diego has for many years been categorized by the Department of Labor as an area of "substantial unemployment." For the past year, the county's unemployment rate has averaged 8.8% with the unemployment rate climbing steadily since September of 1973 from 7.6%¹ to the current level of 10.2%¹, an increase of 17,083 persons. San Diego County has a workforce of 617,855¹ of which 62,863¹ are currently unemployed. There is no data available on the numbers of underemployed in the County, but it is estimated that those people represent a significant portion of the labor force as San Diego's economy is largely services-oriented.

CETA Title II, which is devoted exclusively to public service employment activities, has provided a total allocation for FY '74 for the San Diego region of \$4.8 million. This is expected to provide jobs for approximately 500 unemployed persons. This should be compared to Emergency Employment Act (EEA) funds of over \$39 million which will have provided more than 5,200 persons with jobs from the fall of 1971 to March 31, 1975.

It can readily be seen that with an unemployed population of 62,863 (not to mention the underemployed) that CETA Titles I and II will serve only a maximum of 8,600 persons, leaving more than 54,000 people devoid of manpower services. Serving such a small segment of the total in need will have a very minor impact on San Diego's unemployment situation. Again, it should be remembered that our unemployment rate has risen steadily for the past year and is now one of the highest in the nation. We, therefore, support and urge the Senate to amend CETA to establish a national public service employment program.

1 Labor Market Information for Title II of CETA, August 1974, prepared by Jack Nowell, Labor Market Analyst

II. UTILIZATION OF ADDITIONAL PUBLIC SERVICE EMPLOYMENT FUNDS

As has been previously stated, the present level of public service employment jobs of approximately 500 will have little effect on San Diego's more than 62,800 unemployed. An increase in funding for public service employment would, of course, enable the County to develop job opportunities for the unemployed. This would be especially true for the more geographically remote areas such as rural school districts and Indian reservations where present public service employment opportunities are greatly restricted because of inadequate funding levels. We also have the situation where a number of public agencies that could and are wanting to provide good jobs and training opportunities are not able to participate as a public service employer because of insufficient funds.

Additional funding would also give the County the latitude to develop some additional pilot programs targeted at specific needy groups, such as the program we have designed for ten female welfare recipients in National City. In this program, ten women will be trained as Homemaker Aides (\$427 per month, plus full County benefits) which will put them on a career ladder that could eventually lead to Welfare Eligibility Worker II at \$750 per month. They will receive on-the-job training, extensive classroom training, counseling, child care, and supportive services as needed. With adequate funding, other such programs could be developed for such groups as disabled veterans, the handicapped, the disadvantaged, senior citizens, persons with English language difficulties, etc.

POPULATION DATA

San Diego also has a veteran population of approximately 222,370² or 14% of the total county population.

Veteran Breakdown

59,842	Vietnam
23,890	Korea and Vietnam
28,159	Korean Conflict
102,670	World War II
7,809	Prior to World War II

Unemployment figures for veterans are not available.

POVERTY²

As of the 1970 census, San Diego had a population of 1,357,854 of which 10% (135,842) were classified at the poverty level.

MINORITIES³

It is estimated that the minority population in the county amounts to 20.6% of the total county population. Of this number, approximately 12.8% or 174,208 are Spanish speaking, and 7.8% include Blacks, Asians, American Indians, and other minorities.

Department of Labor manpower programs have recently been decategorized and put primarily under local control through the Comprehensive Employment and Training Act of 1973 (CETA).

CETA Title I encompasses the Comprehensive Manpower Services for San Diego and has been allocated \$7.6 million. Complete implementation of Title I is expected by November 1, 1974. With respect to employment, the

2 1973 estimates prepared by Economic Opportunity Commission of San Diego

3 1970 Census

following information is an excerpt of the Title I services that have been drafted:

<u>Employment Services</u>	<u>Funding Level</u>	<u>Number of Persons Served</u>
On-the-Job Training	\$2.140 million	1,200
Public Service Employment	.250 million	40
Work Experience	1.680 million	4,765
Instruction, other services	<u>3.530 million</u>	<u>1,995</u>
	\$7.600 million	8,000

It should be noted in the above figures, the number of persons served through work experience include 4,700 high school aged youth for the NYC in-school, out-of-school, and summer programs.

III. COUNTY EXPERIENCE IN MANPOWER PROGRAMS

The County's first significant involvement in manpower programs began with the Emergency Employment and Training Act and the resulting Public Employment Program (PEP) of 1971. The County has received \$18.8 million in EEA funds and provided jobs for over 2,600 unemployed and underemployed persons.

Through PEP, the County has developed a regional network of subgrantees to provide a wide variety of jobs and public services for all areas of the county. Included among the subgrantees are 11 cities, 20 school districts (including four community college districts), eight fire districts, 17 Indian reservations, and four water districts, as well as the County government which has branch facilities throughout the region. These subgrantees have all indicated support for Public Service Employment programs and have demonstrated an ability to meet program goals and objectives while providing additional services to their respective communities.

Prior to the County entering the manpower arena, such programs were generally confined to a relatively small geographic segment of the region. The full entry of the County into the manpower field via PEP served as the nucleus for developing manpower program capability and expertise which quickly led to the more equitable distribution of many program services throughout the region. Close cooperative working relationships have now been developed with many various public agencies and other manpower operators such as: the City of San Diego, the State Employment Service, and community organizations. The County is now equally involved in such cooperative programs as CETA manpower planning and administration, PEP, and the Neighborhood Youth Corps. Over the past three years, County officials and their staffs have developed the capability to effectively plan for and utilize a full range of manpower programs and related services.

In addition to this administrative capability, the County itself has participated in PEP as an employing agency of manpower participants. All eight cabinet agencies of the County were involved in PEP which encompassed a total of 45 departments and 586 cumulative PEP participants.

The County departments involved included the Chief Administrator's Office through an Emergency Medical Care office and the Criminal Justice Planning Board, two members of the County Board of Supervisors offices as well as the Department of Civil Service and Personnel. Many already-established departmental activities were expanded as well as new public services added. These additions included a Comprehensive Area Base Mapping project in the Planning Department of the Environmental Development Agency that was able to perform much needed updating of county maps and to map future plans for County roads and future developments in the county.

A solid waste disposal project in Public Works was conducted in conjunction with the City of San Diego, designed to innovate recycling processes whereby wastes can be transformed into usable projects.

The Public Employment Program was able to enhance service delivery in health care, and in the Electronic Data Processing (EDP) services in conjunction with the United Way program. The Sheriff's Department was also aided in law enforcement; the Fiscal Agency in retirement services; Special Public Services in parks and recreation maintenance; the Library as library bilingual aides were hired; the Farm Advisor had PEP participants, as well as the Veterinarian Services and the Department of Agriculture hired agricultural technicians under PEP.

In the Human Resources Agency, many additional services were able to be provided in Welfare, Senior Citizens, Probation, Veterans Services, and in management evaluation systems. Aside from the organizational structure of County government, many outreach services were provided in community agencies such as with the Urban Federation, Economic Opportunity Commission, and Comprehensive Planning Organization.

The departments of Community Relations, Affirmative Action, Contract Compliance, and Manpower activities were able to give recognition to minority group members through recognition of equal rights and the unemployed through assistance given in job search techniques. These areas have been promoted with the advent of resources available through the Public Employment Program.

One intangible asset to having public employment program employees work within the public sector is that it brought fresh ideas, skills, innovations, and a knowledge of business operations into civil service as

many PEP participants were persons well experienced in education, the aerospace and electronics industries who were victims of massive layoffs due to a poor local economy.

COUNTY'S MODIFICATION OF PERSONNEL PROCEDURES TO ELIMINATE BARRIERS
TO PUBLIC SERVICE PERMANENT EMPLOYMENT

The primary purpose of the County, as prime sponsor of the Public Employment Program has been to make financial assistance available to public employers of the County of San Diego to provide unemployed persons with transitional public employment that would lead into nonsubsidized jobs. To this end, provisions were made for: job-related training, providing manpower supportive services, and in the development of career opportunities through re-evaluation of personnel systems.

Under the County PEP experience, two intake systems were operational, with one utilized by those agencies which chose to follow existing merit or civil service job requirements and qualification standards (where potential PEP participants had to pass standard entrance requirements to become employed under PEP funding), and the second group of subagents who elected to utilize a system parallel to their Civil Service structure. The parallel system was intended to hire many participants who, for a number of reasons, could not pass existing job requirements, but who would, theoretically, use the PEP experience and training to bring their skills up to meet the existing Civil Service system requirements.

The second avenue of selecting PEP participants through parallel structures was successful for those agencies that were not locked into a rigid Civil Service system but much less so for those agencies that were so restricted.

Unfortunately, the County administrative body with its Civil Service system, fell into the less successful category and, therefore, has had to modify its intake system of "screening in" Public Service Employment participants who will be able to become certified and appear on eligibility lists for selection into permanent non-subsidized County employment.

Initially in 1971, jobs created for PEP under the County administrative and operational units were designed to obtain individuals who met unique skill levels (i.e., former aerospace workers) to perform specialized functions in serving additional public service needs. When these specialized jobs were completed, or federal funds were no longer available, these individuals had no comparable job that demanded unique skills in the County standardized job classification structure, and consequently were unable to find permanent employment within the County system.

First, in order to eliminate these barriers, many County job specifications have been modified and allow educational or experience substitutes to individuals who would otherwise meet the job requirements. Secondly, all jobs to be found under Public Service Employment programs have been created to match jobs appearing in the County Salary Ordinance. With the qualification standards of manpower jobs matching County job specifications, PSE participants, therefore, will be able to pass Civil Service examinations and appear on eligibility lists for selection into non-subsidized County employment in like classifications.

This process is now being further refined so that special manpower option examinations will be given prior to persons entering PEP or PSE employment; these individuals, therefore, will not require re-examination to enter the Civil Service system, but will be put on transfer lists in their

respective job classifications and will be able to transfer into permanent County jobs in the same class as they become available.

Additionally, special promotional examinations will be given to PSE participants so that they will be able to be selected and promoted into a career ladder sequence in their chosen field.

By employing these personnel techniques, it is evident that transitional opportunities in moving PSE participants into non-subsidized permanent County employment will be enhanced.

As this report points out, the County of San Diego has certainly demonstrated the ability to administer and operate a successful Public Employment Program. I am confident we can continue to have a successful Public Service Employment program under CETA.

In conclusion, I want to emphasize the need for enactment of triggered public employment legislation as an amendment to CETA. I do not think the present funding and allocation methodology of CETA responds sufficiently to the current needs of San Diego County's unemployed and underemployed citizens.

I strongly recommend this Committee consider expanding funding for Public Service Employment programs at the national level.

Thank you.

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Senator JAVITS. Our next witness is Dr. Sar Levitan, director of the Center for Manpower Policy Studies.

STATEMENT OF SAR A. LEVITAN, DIRECTOR, CENTER FOR MANPOWER POLICY STUDIES, THE GEORGE WASHINGTON UNIVERSITY

Mr. LEVITAN. Thank you, Senator.

May I just add a footnote to the question you raised concerning whether the public employment jobs are leaf-raking jobs. Garth Mangum, a former staff member of this subcommittee, once asked what is wrong with leaf raking if there are leaves to be raked? In the next month or so, we are going to have a lot of leaves to be raked. And I think we would appreciate having somebody to rake those leaves.

I am delighted to appear before the committee.

We now have more than 3 years experience with subsidized public employment to create jobs for the unemployed. The experience clearly indicates that public employment is an effective economic antirecession tool. It is a particularly significant addition to the government arsenal to combat the recession which we may be facing in the months ahead and to implement the goals of the 1946 Employment Act.

During the past 5 years, State and local government employment rose at the rate of nearly 400,000 jobs annually. Americans are expecting ever expanded services from their State and local governments, are willing to pay for these services, and are getting them. The local governments are geared to extend the services provided the resources are available to pay for their delivery. Federal subsidies can provide the funding necessary to hire the additional State and local workers during a recession when unemployment rises and State and local treasuries are depleted.

The impact of Federal subsidies is to improve and expand the delivery of necessary State and local public service, not to make work. The types of jobs created for federally subsidized public employees during the past 3 years were distributed in the same categories as jobs created with regular State and local revenues—to hire teachers, law enforcement officers, sanitation workers, firemen, health attendants, and myriads of other essential jobs being performed by these governmental jurisdictions.

This subcommittee is scheduled to release next month a series of manpower studies sponsored by the National League of Cities' Urban Observatory. The results suggest that in planning the occupations in which to create jobs and the priorities for hiring the unemployed under the public employment program (PEP), State and local officials generally displayed a sensitivity to local needs.

Milwaukee's PEP experience, for example, demonstrates how rapidly and smoothly city officials could move in putting the funds to work, meeting local public service needs, and hiring jobless people, particularly those in groups disproportionately represented among the unemployed. Aware of pending legislation, Milwaukee's fiscal liaison officer readied a list of projects and positions rejected earlier by the city for budgetary reasons, thereby assuring that no funds would be wasted on "make work" jobs. The jobs selected were diverse in the edu-

cation and experience required—from public health service nurses to door-to-door canvassers to unearth unsafe housing conditions.

State and local governments have shown as well the capacity to process and hire large numbers of unemployed with a minimum of delay. Three years ago, within 6 months after the Emergency Employment Act was passed, some 100,000 persons were hired. Based on the experience acquired during the past 3 years, the capacity of State and local governments to absorb additional unemployed persons has been enhanced and their ability to generate real jobs has been improved. Moreover, the Comprehensive Employment and Training Act, passed in December 1973, decentralized authority to these State and local jurisdictions for serving the unemployed. As a result, many areas have permanent delivery systems in place which could be called on to process applicants for public service jobs. It is reasonable to assume that State and local governments could create and fill, in less time, double the number of jobs that were established by these jurisdictions within 6 months 3 years ago.

Public employment is not necessarily inflationary. Whatever the level of jobs generated by a public employment program, a significant proportion of the outlays to pay the wages of the hired employees would have been expended for transfer payments in the absence of the public employment program. In July 1974, when the number of unemployed were 5.3 million, about 2.3 million collected unemployment insurance and an undetermined number were on public assistance rolls. Average weekly unemployment benefits were \$64 and public assistance payments per family were about the same. It is reasonable, therefore, to assume that a significant portion of the costs of an expanded public employment program would have been absorbed by the reduction of unemployment insurance and welfare payments as well as various in-kind benefits.

What would be an appropriate level of a public employment program? Experience has not provided a clear-cut answer, but, based on the performance under the Emergency Employment Act and the expansionary capacity of State and local government, a reasonable formula can be designed. I would recommend consideration of providing sufficient funds to absorb at least 25 percent of excess unemployment. Assuming a tolerable level of 4.5 percent unemployment, Federal funds would be released to hire about 225,000 unemployed if the total level of national forced idleness reaches 5.5 percent of the labor force. Should unemployment reach 6.5 percent, the public employment program would have to be expanded to absorb 450,000 idle men and women. Based on an annual cost per job of \$8,000, as estimated in the Congressional Record of February 8, 1974, in connection with S. 2993, the total annual cost of the program at a 6.5 percent unemployment would be \$3.6 billion. The program could be adapted to provide extra help to areas of high unemployment.

The countercyclical impact of the proposed legislation would be greatest if the above recommendation is accepted. Hoping that the current recession would not be more prolonged than earlier post-World War II recessions, I believe it would be a mistake to postpone outlays for public employment until the recession bottoms out. As indicated earlier, the inflationary pressures generated by creating useful work for the unemployed would be minimal.

In light of some recent headlines, indicating an average annual cost of \$5,000 per job, it may be worth repeating that any realistic program should provide \$8,000 per job if the program is to fill public service needs and if the public unemployment program is not to act as a wage depressant, forcing desperate unemployed persons to accept wages below the going rates.

Care must also be taken that the outlays for the proposed expanded public employment program be used to generate additional jobs and not to pay the wages and salaries of persons filling existing jobs.

While it is hoped that a project-by-project approval would be rejected, the law should require that prime sponsors specify in advance the new or additional jobs they plan to create with the public employment funds and that the Labor Department report to Congress the results of its monitoring assuring that the funds are being properly utilized. It also would help if this subcommittee would invite the General Accounting Office to report about the operations under a revised S. 2993 when enacted, as it did under the Emergency Employment Act.

Finally, it would do little good if other programs funded by the Comprehensive Employment and Training Act and related efforts are retrenched in order to save funds for the expansion of public employment. The needs to deliver manpower services to the unskilled and to the poor will not diminish during a recession. It would subject the victims of unemployment to a double jeopardy if funds for public employment would be taken from the hides of the disadvantaged.

I would like to respond to one of the questions you raised on how much of title I money is going to be used for public employment. Although obviously in some communities a greater proportion of title I money will be used, as I understand it, according to Mr. Kolberg, Assistant Secretary of Labor, only 7 percent of title I money has been used for public employment so far. Nonetheless, during a period of rising unemployment, I do not think that title I should be cut or that title I should be used to expand public employment programs. I think S. 2993 which suggests additional funds, not funds from other programs, is the proper approach.

That completes my statement.

Senator JAVITS. Thank you.

Dr. Levitan, you are a well-known authority in this field, and your testimony has been very helpful. We will take very seriously into account your excellent suggestion of having the General Accounting Office monitor the use of these funds so that we may be sure it is not duplicating jobs which would otherwise have been created.

Also we will have in mind your strong feeling that at a time like this, title I funds should not be invaded for public service employment.

I wanted to ask you just one or two questions.

There is a slight difference between your estimate of the amount of existing public expenditure, which would be preempted by this limited public service employment, and that of the representatives of the National Association of Counties. They say it would be slightly in excess of 50 percent, and they break it down in Mr. Klein's testimony as follows: \$800 million in Federal, State, and local taxes; \$1.3 billion decreased payments for welfare, unemployment benefits, food stamps.

medicaid and other assistance programs; and in conclusion they say the cost of \$4 billion would generate about \$2.1 billion in savings.

Could you do us a great service and check out those figures as against your own and give us a letter as to your finite view on that subject?

Mr. LEVITAN. I will do that, Senator.

Senator JAVITS. I think it would be very helpful because the narrower we can confine the estimates between the witnesses, the clearer the situation will be.

Mr. LEVITAN. I will ask Mr. Robert Guttman of the Congressional Research Service to give me that data.

Senator JAVITS. Also I like your trigger point very much concerning excess unemployment.

Have you figured out the application of those trigger points to the 4.5-percent figure in the light of the existing public service employment, plus the new addition which the President requested which would bring it up to about 170,000 jobs?

In other words, could you do your phasing figures, in terms of the aggregate, at 5.5 percent and so forth.

Mr. LEVITAN. The present program is operating at a level of approximately 40,000 or 50,000 jobs. The formula would mean the creation of an additional 175,000 jobs, roughly. And that would require, at \$8,000 per job—an extra \$1.4 billion annually if the present level of unemployment continues without change.

We would not be absorbing all the unemployed, but would be soaking up only one-quarter of the excess unemployment.

The talk about \$5,000 per job reflects the psychology of the great depression in the thirties, which I remember, but which I hope we will avoid in the seventy's. I am surprised the administration even proposed it, or that Dr. Burns talks about it.

Senator JAVITS. Dr. Burns talks about 6 percent. But I thoroughly agree with you. We will deal with that.

Dr. Levitan, thank you very much. You have been very helpful to us and we thank you.

Mr. LEVITAN. Thank you.

[The material referred to and prepared statement of Mr. Levitan and other information supplied for the record follows:]

ADDITIONAL COMMENTS BY MR. LEVITAN

The added governmental outlays resulting from an additional \$4 billion of public employment program would of course depend upon the timing when the proposed legislation becomes effective and the provisions of the law. If the legislation is postponed until the recession is advanced, it would be reasonable to assume that a major proportion of those hired may have exhausted their unemployment insurance benefits by the time they are placed on the public employment rolls. However, at that point, an increasing number of those hired may have been forced on to public assistance.

The net outlays of the public employment program would also depend upon the priorities that Congress may set for hiring. If long-term unemployed would be given preference in hiring, the net outlays are likely to rise since a great many of the unemployed would have exhausted their unemployment insurance. On the other hand, if special funds would be set aside to hire public assistance recipients, as done under the Emergency Employment Act, the net PEP outlays would be reduced.

Estimates of net PEP cost entailed by passage of S2993 were secured by Messrs. Warren Farb and Robert Guttman of the Congressional Research Service. Using projections prepared by Data Resources Inc., they indicate that about one-quarter of the total outlays will be taken back by the ubiquitous tax collector, in personal income taxes and payroll taxes. Transfer payments, Data Resources Inc. estimates, would absorb another half billion dollars, leaving a total net outlay of \$2.5 or some 62 percent of the total contemplated appropriation.



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PROJECTED EFFECT OF A \$4 BILLION PUBLIC
SERVICE EMPLOYMENT PROGRAM

The attached computer print-out shows the projected effects of a \$4 billion public service employment program on GNP, Federal personal tax receipts, contributions for social insurance, transfer payment to persons, and the unemployment rate. Line A of the print-out shows the projections through the fourth quarter of calendar 1976 with the program in place, line B shows the projections without the public service employment program, line D shows the absolute difference in the two projections and the last line shows the % change. All amounts are annual rates.

Both sets of projections are derived from the Data Resources, Inc. model of the economy. Line B is DRI's standard control projection i.e. its "best guess" of the future of the U.S. economy. Line A is based on the control projection but with the following changes: \$4 billion is added to State and local government purchases of goods and services and the effect of this increase is adjusted to account for the fact that the entire increase under the public service employment program is for purchase of services; the unemployment rate projection is adjusted to account for the stronger than average impact this form of spending would have on employment--the adjustment factor used is that used for this effect in one of the DRI alternative projections which included both a public service employment program and easier monetary policy.

Using the DRI control solution and adjusting the equations as stated above, it can be seen that a \$4 billion public service employment program (when annual expenditures reach that rate--estimated as occurring in the first quarter of 1976 by the model) results in an increase of Federal tax receipts of \$0.5 billion, and a \$0.3 billion increase in social insurance contributions. It also results in a \$0.5 billion reduction in transfer payments--making for a total offset of \$1.3 billion.

It should be noted that the reduction in transfer payments does not take into account effects on welfare payments. It would seem reasonable, therefore, to estimate a total offset of \$1.5 billion, thus making the net cost around \$2.5 billion, just over 60% of the gross cost of \$4 billion.

Warren Farb
Economics Division
Bob Guttman
Education and Public Welfare Division

September 20, 1974

A= GUTS: BASED ON CONTROL 8/27

B= CONTROL 8/27

D= A - B

%= D/B X 100

	74:3	74:4	75:1	75:2	75:3	75:4	76:1	76:2	76:3	76:4
---- GNP										
A	1419.4	1455.7	1494.1	1532.6	1574.6	1620.8	1670.2	1713.6	1757.2	1800.8
B	1419.4	1455.7	1494.1	1532.6	1573.6	1618.7	1664.7	1708.0	1752.2	1796.6
D	0.0	0.0	0.0	0.0	1.0	2.1	5.5	5.6	5.0	4.1
%	0.00	0.00	0.00	0.00	0.06	0.13	0.33	0.33	0.28	0.23
---- TPGF - (Personal tax receipts)										
A	133.5	136.6	140.7	144.0	147.6	151.7	149.9	153.4	157.1	160.7
B	133.5	136.6	140.7	144.0	147.5	151.5	149.4	152.9	156.6	160.2
D	0.0	0.0	0.0	0.0	0.1	0.2	0.5	0.5	0.5	0.5
%	0.00	0.00	0.00	0.00	0.05	0.10	0.35	0.32	0.35	0.30
---- TWGF (Contributions for social insurance)										
A	88.4	91.2	95.3	98.1	101.1	104.4	108.5	111.3	114.4	117.5
B	88.4	91.2	95.3	98.1	101.1	104.3	108.2	111.0	114.1	117.2
D	0.0	0.0	0.0	0.0	0.1	0.1	0.3	0.3	0.3	0.2
%	0.00	0.00	0.00	0.00	0.06	0.11	0.28	0.27	0.24	0.20
---- VGF (Transfer payments to persons)										
A	118.2	121.6	125.6	129.1	137.8	141.0	145.7	149.6	158.9	162.4
B	118.2	121.6	125.6	129.1	137.8	141.0	146.2	150.1	159.4	162.8
D	0.0	0.0	0.0	0.0	-0.0	-0.1	-0.5	-0.5	-0.5	-0.4
%	0.00	0.00	0.00	0.00	-0.01	-0.04	-0.34	-0.35	-0.30	-0.24
---- VAID (Grants-in-aid)										
A	45.6	47.4	49.7	51.0	53.3	55.3	58.3	59.3	60.3	61.3
B	45.6	47.4	49.7	51.0	52.3	53.3	54.3	55.3	56.3	57.3
D	0.0	0.0	0.0	0.0	1.0	2.0	4.0	4.0	4.0	4.0
%	0.00	0.00	0.00	0.00	1.91	3.75	7.37	7.23	7.10	6.98
---- RU (unemployment rate)										
A	5.5	5.9	6.3	6.4	6.6	6.6	6.4	6.4	6.3	6.3
B	5.5	5.9	6.3	6.4	6.6	6.7	6.7	6.6	6.6	6.5
D	0.0	0.0	0.0	0.0	-0.0	-0.0	-0.3	-0.3	-0.3	-0.3
%	0.00	0.00	0.00	0.00	-0.12	-0.35	-3.90	-4.24	-4.29	-4.06

Statement of Sar A. Levitan
Center for Manpower Policy Studies
The George Washington University

Before

Subcommittee on Employment, Poverty, and
Migratory Labor
Senate Committee on Labor and Public Welfare
September 16, 1974

1. We now have more than three years experience with subsidized public employment to create jobs for the unemployed. The experience clearly indicates that public employment is an effective economic antirecession tool. It is particularly a significant addition to the government arsenal to combat the recession which we may be facing in the months ahead and to implement the goals of the 1946 Employment Act.
2. During the past five years, state and local government employment rose at the rate of nearly 400,000 jobs annually. Americans are expecting ever expanded services from their state and local governments, are willing to pay for these services, and are getting them. The local governments are geared to extend the services provided the resources are available to pay for the desired services. Federal subsidies can provide the funding necessary to hire the additional workers during a recession when unemployment rises and state and local treasuries are depleted.
3. The impact of federal subsidies is to improve and expand the delivery of necessary state and local public services, not to make work. The types of jobs created for federally subsidized public employees during the past years were distributed in the same categories as jobs created with regular

state and local revenues--to hire teachers, law enforcement officers, sanitation workers, firemen, health attendants and myriads of other essential jobs being performed by these governmental jurisdictions.

4. This subcommittee is scheduled to release next month a series of manpower studies sponsored by the National League of Cities' Urban Observatory. The results suggest that in planning the occupations in which to create jobs and the priorities for hiring the unemployed, state and local officials generally displayed a sensitivity to local needs. Milwaukee's PEP experience, for example, demonstrates how rapidly and smoothly city officials could move in putting the funds to work, meeting local public service needs, and hiring jobless people, particularly those in groups disproportionately represented among the unemployed. Aware of pending legislation, Milwaukee's fiscal liaison officer readied a list of projects and positions rejected earlier by the city for budgetary reasons, thereby assuring that no funds would be wasted on "make work" jobs. The jobs selected were diverse in the education and experience required--from public health service nurses to door-to-door canvassers to unearth unsafe housing conditions.

5. State and local governments have shown the capacity to process and hire large numbers of unemployed with a minimum of delay. Three years ago, within six months after the Emergency Employment Act was passed, some 100,000 persons were hired. Based on the experience acquired during the past three years, the capacity of state and local governments to absorb additional unemployed persons has been enhanced and their ability to generate "real"

jobs has improved. Moreover, the Comprehensive Employment and Training Act passed in December 1973 decentralized authority to these state and local jurisdictions for serving the unemployed. As a result, many areas have permanent delivery systems in place which could be called on to process applicants for public service jobs. It is reasonable to assume that state and local governments could create and fill, in less time, double the number of jobs that were established by these jurisdictions within six months three years ago.

6. Public employment is not necessarily inflationary. Whatever the level of jobs generated by a public employment program, a significant proportion of the outlays to pay the wages of the hired employees would have been expended for transfer payments in the absence of the public employment program. In July 1974 when the number of unemployed were 5.3 million, about 2.3 million collected unemployment insurance and an undetermined number were on public assistance rolls. Average weekly unemployment benefits were \$64 and public assistance payments per family were about the same. It is a significant portion of reasonable, therefore, to assume that **A** the costs of an expanded public employment program would have been absorbed by the reduction of unemployment insurance and welfare payments as well as various in-kind benefits.

7. What would be an appropriate level of a public employment program? Experience has not provided a clear-cut answer, but based on the performance under the Emergency Employment Act and the expansionary capacity of state

and local government, a reasonable formula can be designed. I would recommend consideration of providing sufficient funds to absorb at least 25 percent of "excess" unemployment. Assuming a tolerable level of 4.5 percent unemployment, federal funds would be released to hire about 225,000 unemployed if the total level of national forced idleness reaches 5.5 percent of the labor force. Should unemployment reach 6.5 percent, the public employment program would have to be expanded to absorb 450,000 idle men and women. Based on an annual cost per job of \$8,000 as estimated in the Congressional Record of February 8, 1974 in connection with S.2993, the total annual cost of the program at a 6 percent unemployment would be \$3.6 billion. The program could be adapted to provide extra help to areas of high unemployment.

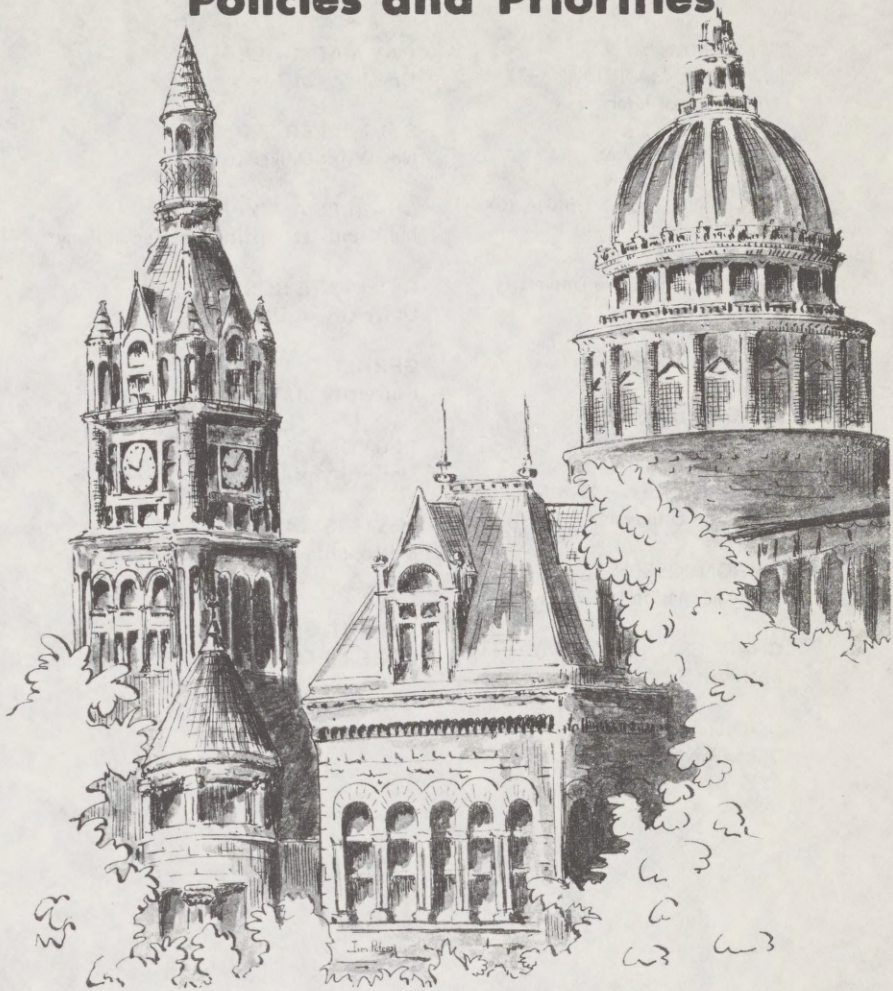
8. The countercyclical impact of the proposed legislation would be greatest if the above recommendation is accepted. Hoping that the current recession would not be more prolonged than earlier post-World War II recessions, it would be a mistake to postpone outlays for public employment until the recession bottoms out. As indicated earlier, the inflationary pressures generated by creating useful work for the unemployed would be minimal.

9. In light of some recent headlines indicating an average annual cost of \$5,000 per job, it may be worth repeating that any realistic program should provide at least \$8,000 per job if the program is to fill public service needs and if the public employment program is not to act as a wage depressant, forcing desperate unemployed persons to accept wages below the going rates.

10. Care must also be taken that the outlays for the proposed expanded public employment program be used to generate additional jobs and not to pay the wages and salaries of persons filling existing jobs. While it is hoped that a project-by-project approval would be rejected, the law should require that prime sponsors specify in advance the new or additional jobs they plan to create with the public employment funds and that the Labor Department report to Congress the results of its monitoring assuring that the funds are being properly utilized. It would also help if this subcommittee would invite the General Accounting Office to report about the operations under ^{a revised} S. 2993 when enacted as it did under the Emergency Employment Act.

11. Finally, it would do little good if other programs funded by the Comprehensive Employment and Training Act and related efforts would be retrenched in order to "save" funds for the expansion of public employment. The needs to deliver manpower services to the unskilled and to the poor will not diminish during a recession. It would subject the victims of unemployment to a double jeopardy if funds for public employment would be taken from the hides of the disadvantaged.

Public Employment Policies and Priorities



A Statement by the National Manpower Policy Task Force

THE NATIONAL MANPOWER POLICY TASK FORCE

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PUBLIC EMPLOYMENT AND PRIORITIES

A National Manpower Policy Task Force Statement

**A Publication of the National Manpower Policy Task Force
Washington, D.C.
November 1972**

FOREWARD

The National Manpower Policy Task Force is a private non-profit organization of academic manpower experts. It is devoted to the promotion of research in manpower policy. This statement represents the combined judgment of the Task Force members. Despite divergence of opinion on details, the members agreed to a unanimous statement without indicating individual exceptions.

PUBLIC EMPLOYMENT POLICIES AND PRIORITIES

A Statement by the National Manpower Policy Task Force

The Multiple Goals

The public employment program initiated by the Emergency Employment Act (EEA) in July 1971 was a major breakthrough in manpower policy. The first large-scale public employment effort since the New Deal, EEA provided state and local governments with \$1 billion in its first year and authorized an additional \$1.25 billion in the second to hire unemployed workers and to help meet growing needs for public services. This support of public employment will account for nearly a fourth of all federal manpower outlays in fiscal 1973.

Aside from the immediate impact on unemployment by the funding of 169,000 jobs in mid-1972, EEA has important long-run implications for public policy. Experience gained under the new program will inevitably affect the role of public employment in manpower policy and the design of future public employment strategy. Since state and local governments have been given a great degree of flexibility in designing and implementing their EEA programs, the legislation also has implications for the future of revenue sharing, should Congress adopt President Nixon's recommendation for the funding of manpower programs.

The Emergency Employment Act was the product of protracted debate and legislative compromise. The major provisions of the Act are:

1. The program is intended to meet local public service needs. The jobs are to be "real" rather than "make-work." Local officials and governors are given authority to select the jobs they feel to be the most vital, provided the federal contribution for any job does not exceed \$12,000 per year.
2. These jobs are to be transitional, providing work to the unemployed only until permanent positions can be found on public or private payrolls.
3. Preference for EEA jobs should be given to Vietnam veterans, former participants in manpower programs, young persons entering the labor force, older workers, migrant workers, persons whose native tongue is not English, welfare recipients, and workers displaced by technological change.

4. Funds are to be distributed according to the extent of unemployment, and areas with severe unemployment are to receive special assistance. During each year \$250 million is earmarked for areas with an unemployment rate exceeding 6 percent.
5. States and localities are to restructure jobs and effectuate civil service reforms in order to eliminate artificial barriers not only in hiring and utilizing persons under the program, but also in moving them onto regular pay-rolls or training.
6. Public employment is to be integrated with other manpower programs, drawing from their trainees and utilizing their capacities, but supplementing training and services as needed.
7. The program is intended as an "emergency" measure with a countercyclical impact. The initial emphasis was on speedy implementation; the jobs are intended to be net additions to, rather than substitutions for, those already financed from state and local funds.

These multiple goals contained inherent conflicts. Funds were available to hire only a small proportion of the millions seeking work. Top priorities for some groups meant others could not be as adequately served. The EEA promised both to meet vital public service needs and to help the unemployed. But public service needs often required more highly skilled workers, while lower skilled and less educated predominated among the unemployed. The Act aimed at reforming civil service and institutional employment practices, but the emphasis placed on quick placement of the new employees meant there was little chance to implement these structural changes.

The "something-for-everyone" approach of the EEA, combined with the pressure from high and rising unemployment, assured its passage. But the contradictions inherent in the stated priorities laid the foundations for future problems. It is not surprising, then, to find that on some counts the program has done well, while on others it has fallen short.

The First Year's Experience

A review of the EEA after a year reveals notable accomplishments. The goal of putting the unemployed to work as quickly as possible was achieved beyond almost everyone's expectations,

belying the conventional wisdom about the usual ponderous pace of government action. Not only was the traditionally slow-moving Congress involved, but cooperation was required among all three levels of government -- federal, state and local -- and numerous nongovernmental agencies and organizations. Though there were notable exceptions, state and local governments mobilized quickly to implement the Act. Cynics may suggest that there are always enough recipients for handouts and that federal officials hardly deserve credit for giving away a billion dollars. But recent history is filled with instances where federal funds were not allocated or were improperly diverted. For example, a few months after the Emergency Employment Act was passed, Congress also enacted legislation to create jobs for welfare recipients. It took the federal bureaucracy more than six months even to submit a request for funds needed to carry out the congressional mandate. It is not always easy to give away money for useful social purposes.

In contrast, the facts about the Emergency Employment Act are refreshing. Congress passed the enabling legislation in July 1971 and within four weeks had appropriated the necessary funds. Federal officials had checks ready for state and local governments to start hiring within a matter of days, and unemployed workers were on the payroll within a month after the appropriation was made. Within six months, more than 140,000 EEA workers were on the payrolls of state and local governments.

This speedy implementation was impressive, considering the obstacles which could have hampered the EEA. Even after Congress had expeditiously appropriated the funds, the federal officialdom could have taken the usual months to issue guidelines, but the EEA guidelines were issued within three days after the funds became available. When funds were allocated, state and local bureaucracies might have caused delays in processing applications. A few states and localities did, but these were the exceptions. Spurred by high unemployment and the eagerness of the unemployed to find jobs, "normal" hiring procedures were often bypassed in filling the EEA-funded jobs.

There was also concern that special interest groups that felt slighted by the allocation of jobs would block implementation. But such roadblocks were rare. EEA was stymied little by either special interest groups or the inaction of state and local officialdom. Where delays did occur, federal administrators often prodded local officials into action.

The administration portrayed the EEA as an exercise in revenue sharing, involving maximum freedom of choice by state and local officials. However, the federal presence was evident at every step -- from the allocation of funds to ascertaining that federal objectives were being followed in the hiring of unemployed workers. Federal guidelines and monitoring, however, did not force state and local officials to act in unison or mold their programs into a single pattern.

Although the hiring process was rapidly completed, EEA was not without its problems, especially in achieving its secondary goals. It was difficult to achieve such diverse goals as civil service reform, job restructuring, and coordination with manpower projects when implementation proceeded at a breakneck pace and neither sticks nor carrots were used to achieve these ends.

On balance, we conclude that the rapid hiring of unemployed workers outweighed shortcomings in enriching the program and changing institutions. The multiple goals, written into the legislation to achieve consensus, could not all be attained, and officials responsible for EEA hiring concentrated on the most pressing task -- putting an assortment of unemployed workers into reasonably productive public sector jobs as quickly as possible. Only in congressional rhetoric could the diverse goals be achieved at once.

Problem Areas

As the program enters its second year, however, it is appropriate to expect that with more time for planning, decision-making and added experience, progress can be made toward achieving the secondary goals of the EEA. Unfortunately, emerging developments appear likely to impede this progress.

Given the continued high unemployment and the vague criteria spelled out in the legislation, members of any group that was presumably promised priority could charge that it was short-changed. At the end of the first year, 37 percent of all EEA hires were reported to be disadvantaged, defined by federal guidelines to include any individual who is poor and is either a member of a minority group, or under 22 or over 45 with less than a high school education. But there was evidence that some state and local governments -- program agents, in the parlance of EEA -- applied

the disadvantaged definition loosely in order to meet federal criteria. Very few persons hired with EEA funds had earned less than \$1.60 per hour on their prior jobs, although there was a pool of 3 million low-wage earners in this category. Another indication of the kinds of workers who got the EEA jobs is provided by the data on their educational background. Only 25 percent had fewer than 12 years of education; almost a third had had some college training. Hence, the EEA hires were better-educated than the civilian labor force as a whole. And the unemployed are markedly less-educated than the rest of the labor force. It appears that a disproportionate number of the best-qualified -- and, therefore, relatively less disadvantaged -- of the unemployed were hired for the EEA jobs.

Critics who favor allocating more jobs to disadvantaged groups argue that the hiring goals (33 percent Vietnam veterans the first year and 40 percent the second) place too much emphasis on employing veterans. While some Vietnam veterans may also be among the disadvantaged, a blanket inclusion of all Vietnam veterans may ignore the needs of those who need help most. A persuasive case can be made for allocating more EEA jobs to the disadvantaged as the general rate of unemployment falls and alleviates the difficulties of more qualified job seekers. Assuming that the long-predicted economic recovery accelerates in the near future, the employment problems of Vietnam veterans should ease, as military manpower cutbacks are completed and the overall job situation improves. We are persuaded, therefore, of the desirability to refocus manpower programs on the needs of the disadvantaged, many of whom are likely to remain unemployed even in an expanding economy.

Another problem concerns "maintenance of effort" by state and local governments. The EEA requires that its jobs be net additions to the labor force. To prevent direct transfers, former state or local employees must be unemployed at least 30 days before they can be rehired with EEA funds. This aim to add new jobs to the economy and to fill vital public service needs makes it important that the states and localities not cut back their own outlays for personnel or raise them by less than they would have in the absence of federal aid.

A more difficult problem is to prevent budget substitution, whereby program agents might consider the needs being filled by EEA personnel in setting their budgets. This was not a serious

EEA personnel in setting their budgets. This was not a serious problem in the first year of EEA because most state and local budgets for fiscal 1972 had already been passed. In the second year, however, those budgets will be drawn up with a reasonable expectation that EEA funds will at least be duplicated, if not expanded. Consequently, state and local authorities may seek to cut back or hold down their budgets in recognition of the needs filled by the federal dollars.

The transitional aspects of the program have also encountered difficulty. Although public employment has been declining in some areas, total (seasonally adjusted) state and local employment increased by 495,000 in the nine months ending in June 1972. Subtracting the EEA jobs, this still left an increase of 326,000 employees added since the beginning of EEA. Besides these new jobs, perhaps another million openings were created by normal turnover. Despite these employment possibilities, only 20 percent of the 57,000 EEA participants who left the program during its first year moved onto state and local payrolls.

Granted that a high dropout rate might be expected initially, and that arrangements for transition into permanent jobs might be difficult, the slow movement of EEA employees into regular positions in the expanding state and local employment is disappointing. "Instant" transition is unrealistic, but more progress could have been made.

Institutional change was another weak spot. Most program agents postponed efforts to restructure jobs or revise hiring standards in order to place EEA employees. Some changed their normal hiring procedures to fill EEA jobs, but few altered the rules for moving these new employees into permanent positions. Occasionally, as in Los Angeles, regular hiring standards were revised under the impetus of EEA, but even in this case there was little evidence of change in actual practices. Apparently, most of those moving into permanent jobs could have qualified without any change in existing rules and practices. It is not likely that the postponed efforts to accomplish institutional change will bear much fruit in fiscal 1973 because there are no incentives for states and localities to follow through on this front. Whether or not they did a good job in the first year did not affect the allocation of their second year funds. Almost all of the fiscal 1973 funds must go for jobs already filled, leaving little leverage to bargain with employing agencies to alter their practices. The evidence indicates

that the transition to regular public employment is difficult and will probably not expand in the absence of specific incentives.

The lack of coordination with other federally-funded manpower programs also deserves consideration in light of the long-pending proposals for decentralization and decategorization of manpower efforts. The need is to link existing training programs with EEA and to save on duplicated training. Few areas achieved the coordination envisioned by proponents of comprehensive manpower reform. The rapid pace of implementation was obviously detrimental to careful planning and integration in the first year, and there is little indication that most areas are likely to do a better job in the second year.

The allocation of funds is still another area of concern. A two-part formula had been used, based on the total number of unemployed persons in each area and the rate of unemployment in excess of 4.5 percent (6.0 percent in specially designated areas). Rural areas with relatively low rates of unemployment but high incidence of underemployment and poverty felt shortchanged by the application of a severity factor in addition to aggregate unemployment.

Planning for the Second Year

Although recognizing the emerging problems, Labor Department policymakers decided against overhauling the EEA regulations. They reasoned that state and local governments had become familiar with the goals and guidelines of the program, that they had been reasonably successful in designing and implementing their efforts, and that further tinkering could prove counter-productive. An election year was not an auspicious time for boat-rocking.

Accordingly, measures to improve performance under EEA to bring about institutional change, to coordinate public employment with other manpower programs, and to protect against budget substitution in the second year have been modest. The new guidelines discuss the types of program linkages which may be established, but provide no incentives to insure that they will be followed. To accomplish institutional change, one full-time technician has been provided for each of the ten Department of Labor regions to make recommendations, but the impact of such limited

technical assistance is not likely to be great. Maintenance of effort defies regulations, and no amount of federal monitoring can determine what state and local budgets would have been in the absence of EEA.

Alternative Approaches

When the 93rd Congress deliberates over the future of EEA, it is vital that the various public job creation alternatives which are blended in the present program are given separate consideration. The EEA approach is not the only -- or necessarily the best -- way of providing public sector jobs for the unemployed. Among the alternatives, many of which have already been implemented in one form or another, are the following:

1. Short-duration jobs might be provided for workers in a transitional period of life. Prototypes are the Neighborhood Youth Corps, out-of-school and summer programs, and pilot projects for migrant labor initiated under the Economic Opportunity Act.
2. More permanent jobs might be provided for those who cannot find work in the private sector even in the best of times. Operation Mainstream is a model focusing on labor-intensive public works.
3. Career opportunities might be opened in the public sector for a more selected clientele. This would entail intensive training, civil service reform, and job restructuring. The New Careers program was designed to provide such openings.
4. Public employment might be used to absorb some of those on welfare. This approach might involve efforts similar to those listed above, but it would focus on welfare recipients. Recent amendments to the Social Security Act are directed to this end and the creation of public employment jobs would strengthen these efforts.
5. A program might be specifically aimed at depressed areas, creating work opportunities in ghettos, isolated rural areas, and declining communities. Usually, inadequate public services are coupled with inadequate job opportunities and, unless both are improved, efforts to attract or develop industry will be futile.
6. A public job creation program may be designed as a countercyclical weapon, expanding in slack labor

markets and contracting during economic recovery. All the other strategies are permanent in nature, addressing problems that will continue even under the best of conditions. A countercyclical policy requires that the magnitude of public employment efforts be governed by economic conditions and that only temporary jobs be provided.

7. Finally, public job creation may be viewed as a revenue sharing mechanism. Under this approach, state and local governments would be free to determine the priorities to be met and the types of workers most suited to meet the needs.

Though there is obvious overlap, these various types of public job creation differ as to intended clientele, the kinds of jobs to be created, the areas to be helped, the extent of assistance to be offered, and the permanency of the funding. Yet all are lumped together in EEA and its operations. Some EEA projects have created "new careers" slots; some have emphasized unskilled, public works-related jobs; others have focused on employment needs of welfare recipients; a few have concentrated on teachers and professionals to fill public service needs. Generally, however, most states and localities have tried to accomplish a little of everything. In the aggregate, it is difficult to draw conclusions about the success or failure of any particular approach to public job creation under EEA. Suffice it to say that the potpourri initiated under the program was implemented relatively quickly, with emphasis on its countercyclical impact.

A Device for Reducing Unemployment

The best way to reduce unemployment is to create jobs, and the EEA experience suggests that expanding public employment can be an effective counter-recession tool. Funds available under EEA made only a modest, though rapid, contribution to the reduction of unemployment.

The basic issues raised by utilizing public job creation as a countercyclical tool concern the scale of the effort and the rapidity with which it can be expanded, the impact this will have on the aggregate level of unemployment, and the feasibility of cutting funds when unemployment drops.

The continued expansion of employment by state and local government and the relative ease with which the EEA participants were absorbed suggest that a substantially larger number of jobs could have been created during the first year of the program. The creation of an additional 200,000 jobs does not appear to be an unreasonable estimate. A program of this magnitude during a period of high and rising unemployment can be an important countercyclical tool without overtaxing state and local expansionary capacity.

A program which can add some 400,000 jobs during a period of high and rising unemployment can be an important countercyclical tool, though it is certainly no panacea. During the 1969-1970 recession, the ranks of the unemployed swelled by two million. In the short-run, before state and local governments can substitute federal funds to replace their own outlays, a public employment program is one of the most cost-effective ways of reducing unemployment. Simulations by the Federal Reserve Board suggest that one billion dollars spent to expand public employment will reduce unemployment in the first year by more than twice as much as an equal expenditure in grants to state and local governments, other federal spending, or personal income tax cuts. There is an additional advantage that jobs can be directed to help the unemployed -- be they veterans or the disadvantaged -- with the highest priority.

The possibility that budget substitution occurs with a lag of a year or so is not critical, since the post-World War II recessions have lasted no more than a year. On the contrary, substitution, if it occurs, reduces the impact of the program on the net number of jobs in the economy, a desired effect when the economy recovers after a recession. What is critical is that the program can tool up quickly in periods of rising unemployment so that the response is timely.

One reasonable formula would be to provide jobs to absorb a stated proportion of the unemployed above a given level. If an interim goal of 4 percent unemployment were specified, one-fourth of the unemployed above this level could be absorbed by a public employment program. At 5.5 percent unemployment, or "excess" unemployment of 1.3 million, this would mean the hiring of roughly 325,000 persons, double the present levels. The annual price tag at \$8,000 per job would be roughly \$2.6 billion.

If such an incremental triggering formula had been on the books at the outset of the 1969-1970 recession, it is likely that more than 400,000 persons could have been on the job before Congress and the Nixon administration agreed to the passage of EEA in July 1971.

It is important to recognize, however, that the achievement of a 4.5 percent, or even 4 percent unemployment rate will still leave too many idle, unable to compete effectively in the labor market. We believe that one approach to this problem is to provide for two components in a long-run public job creation program. One component of such a program should be keyed to changes in the business cycle, expanding substantially and rapidly when unemployment rises above some specified level, and contracting when unemployment declines. Another component, however, should be designed to operate at a steady level without reference to cyclical changes. This latter component should be specifically reserved for the seriously disadvantaged members of the labor force.

Future Strategies

If EEA is viewed primarily as a countercyclical program providing personnel to fill local public service needs during a short period of high unemployment, the EEA's modest performance in achieving its secondary goals during its first year was acceptable. Over the longer run, if unemployment continues to decline, a public employment program, we believe, must be judged by how well it performs on other counts: serving specified target groups, dealing with depressed area problems, providing transition onto permanent payrolls, restructuring jobs or effectuating civil service reforms, and linking in with other manpower efforts.

There are several ways the program could be modified to improve its performance on these counts, depending on the emphasis placed on the alternative goals. There is reason to doubt, however, that the program can attain any of its multiple secondary goals as effectively as available alternatives. It would be a mistake to attempt to solve too many problems with a single public employment program.

Currently, program agents have some choice between filling the public needs they feel are most vital and helping the

unemployed who have the most severe problems. If the clientele groups were more specifically designated, there would still be some choice of jobs; but there would be less trade off between "job" needs and "human" needs. Some balance must be reached between a proliferation of programs directed to various purposes, and a single open-ended program which offers too much leeway.

If the goal is to serve disadvantaged groups who cannot find jobs even in tight labor markets, other programs designed specifically for that purpose are more effective than EEA. Operation Mainstream for older workers, the Neighborhood Youth Corps for younger ones, and the Work Incentive Program for persons on welfare have a more direct impact and can be better designed for the specific needs of client groups than EEA. Experience with out-of-school NYC suggests that intensive services are needed along with work experience; these are rarely available under EEA and there is no need to provide them for all EEA clients. Welfare recipients also have special problems, such as child care needs, not easily met on a comprehensive scale through a general-purpose program.

The goal of providing concentrated assistance to areas with the most severe employment problems also calls for specially designed programs. The public service needs and the unemployed in rural areas are apparently best served by low-wage, public works jobs requiring outlays for equipment. In ghetto areas, low-paying jobs are already available, but the need is for upward mobility to provide a viable alternative to intermittent work or welfare. A program to serve one area is not optimal for the other. Also, it is difficult to concentrate resources under a program such as EEA which promises to serve all areas. Funds allocated to ghetto areas with high unemployment were used interchangeably with overall grants and did not necessarily reach the intended areas and clients.

The aim to achieve transition to permanent jobs may require diverse supportive services. Given employer control over hiring, the most qualified will usually be selected to fill subsidized jobs, and the best from among these will be tapped for permanent positions. But moving a worker who is already qualified for permanent employment from the EEA onto the regular payroll accomplishes little; the idea of transition is to improve the status and opportunities of participants, not merely to conduct business as usual.

It is probably ineffective to make job restructuring and civil service reform goals of public employment. A program that affects only a small proportion of public jobs can exert only minimal leverage on the entire public sector. Experience under existing manpower programs suggests that even limited job restructuring is a difficult process. A broad purpose grant to expand public employment is not geared to focus on the specifics of job restructuring.

Finally, the aim of adding another tool to help unskilled and unemployed individuals calls for coordination between training programs and the public employment program. Not only are funds needed to hire workers, but the hired individuals must also be trained to fill the selected jobs. Such an effort requires improved mechanisms for coordination among all manpower programs.

The public employment strategy for the future, whether it be a redesigned EEA program, some alternative approach, or a combination of approaches, clearly depends on the priority among the envisioned multiple goals. These goals are, of course, interrelated; but the tactics differ depending upon the established priorities.

Recommended Priorities

The choice of priorities is difficult, and no selection is definitive. The following recommendations, ranked in order of importance, represent the Task Force collective judgment.

1. The equity of providing jobs to those with the greatest need is difficult to dispute. As a first priority, therefore, public employment efforts should focus on the needs of the unskilled, deficiently educated and others with severe employment handicaps wherever they may be located. Jobs are also needed for welfare recipients who want to work but cannot find jobs at wages paying more than public assistance.
2. A public employment program should be established under a permanent authorization with a two-way trigger formula to expand during a period of rising unemployment and contract when the number of idle workers declines. This approach involves national economic goals as opposed to the public employment efforts designed

- to help specific clienteles. This countercyclical measure should be in addition to a continuing public job creation program.
3. The public employment program should attempt to utilize productively the talents of the persons hired. But if low productivity jobs are needed to employ unskilled workers, these should be funded. If there is a choice, a public employment program should emphasize human needs first and public service needs second.
 4. Supportive services should be provided to public employees who need them. These may include outreach counseling, training, work experience, and eventually improved employability. But the goal of coordinating the wide range of manpower services may remain elusive. Coordination of public employment with manpower programs, on-site training and transition must, therefore, be considered secondary goals until it is demonstrated that they can be achieved and will have a significant impact.
 5. Broad-based civil service reform and other institutional changes will be difficult to achieve through public employment programs. Every effort should be made to avoid the problems in hiring and promotion which make credentials rather than performance the criteria for employment. But comprehensive civil service changes should be sought by other means.

EEA has already proven its effectiveness as a tool to reduce unemployment. Its limitations emerge when it is expected to achieve a variety of often inconsistent objectives to satisfy the rhetoric of lawmakers and administrators. In determining future policies, goals and priorities must be articulated more clearly and selectively than they have been set forth in the Emergency Employment Act. The future of EEA and other public employment programs must depend on careful choices between a variety of needs. The purpose of public employment needs to be clearly defined before a program or mix of programs can be more effectively designed and implemented.

Senator JAVITS. Our next witness is Maudine R. Cooper, assistant director for Federal programs, National Urban League, Inc., substituting for Ronald H. Brown, director of the Washington Bureau of the National Urban League.

Would you proceed?

STATEMENT OF MAUDINE R. COOPER, ASSISTANT DIRECTOR FOR FEDERAL PROGRAMS, NATIONAL URBAN LEAGUE, INC., WASHINGTON BUREAU

Ms. COOPER. Thank you, Senator.

Mr. Brown sends his regrets. He is out of town and cannot be here this morning.

I am Maudine R. Cooper, assistant director for Federal programs, Washington Bureau, National Urban League.

A brief description of the Urban League and its organization is contained in the testimony so I will not go into that.

Because of the league's concern for the disadvantaged in this country, we are pleased today to testify in support of many of the provisions in S. 2993.

The bill represents an excellent beginning at confronting one of the public enemies of minorities—unemployment. However, it is the league's position that the bill should provide a frontal attack on minority unemployment, and the removal of the present unemployment disparity between blacks and whites in this country.

None of the three circumstances under which funds would be released address the problems of unemployed or underemployed blacks and minorities.

We believe that S. 2993 can serve as the vehicle for beginning to address the minority unemployment problem consistent with the intent of its proponents—that is, to provide transitional public service employment opportunities, and related training and manpower services, for unemployed and underemployed persons.

The need for the focus upon the disparate unemployment rate is clear when comparative rates are examined for the last couple of years.

During the last quarter of 1969, the last downturn in unemployment rates, the national employment average was 3.6, peaking at 6 percent in early 1971. Yet, breaking down those national averages, the black jobless rates, which was 6.2 percent, increased to 9.7 percent, while that rate for whites, rose from 3.3 to 5.5 percent.

These rates translated into 16 unemployed black workers for every 10 white workers during the same period.

More recently, the Manpower Report of the President shows that the yearly unemployment rates for whites fell from 5 to 4.3 percent in 1973, and from 10 to 8.9 percent for blacks. The impact upon minorities in the work force has consistently been disproportionately high whether unemployment rates were up or down.

The disparity has continued so that throughout 1973, the black-to-white unemployment ratio remained at approximately 2 to 1. Further examination of the unemployment rates between men and women, while different, still maintain the 2-to-1 ratio.

Among black males, the unemployment rate was 5.7 percent while 2.9 percent among white males. For black females, the unemployment rate was 8.2 percent while 4.3 percent for white females.

Amidst our concern for adults, the often forgotten teenage unemployment rate should become a part of the deliberations concerning S. 2993.

In 1973, unemployment rate for black teenagers was 30.2 percent while 12.6 percent for white teenagers—almost two and a half times as high.

The interest of the league is further heightened when we see that 33 percent of all black families are headed by females, in comparison to 10 percent of white families. This translates into a picture of a black female head of household for whom the unemployment rate is 11.3 percent, while the rate for households headed by the white female counterpart is 5 percent.

Further compounding the plight of that black female may be the unemployment rate of her teenage children who are among the 30.2 percent unemployed.

What we would like to see this bill do is to directly attack the problems of the minority and poor families, especially with women heads of households.

The latter category of unemployed or underemployed females can also be addressed through a subsidized or low-cost day care allowance along with the training program.

Women heading households have already begun to withdraw from the job market and may even be continually withdrawing, even where there is public employment available, if there is a lack of adequate and low-cost day care centers.

We have seen evidence of this in comparing the fourth quarter of 1972 with the fourth quarter of 1973. During those periods, the proportion of black women ready, willing, and able to work but who withdrew from the labor market jumped from 44 to 54 percent.

Compounding the negative impact of the high unemployment rate upon minorities is the multiplier effect which the energy crisis has had on commodities produced in this country.

We have seen in the Wholesale Price Index for the last quarter of 1973, a 113.8 percent rise in gasoline prices, while heating fuel jumped 186.4 percent.

In the Consumer Price Index, gasoline rose 19.7 percent and heating oil rose 46.8 percent.

Unquestionably, one way to meet the high cost of living is to have a job.

Today, faced with an unemployment rate, as of July 1974, of 9.4 percent for minorities and 4.8 percent for whites, this emergency employment bill should focus upon reducing the unemployment rate for those within the 9.4 percent.

The provision of section 603(a)(3) does not address the problems of poor and minorities by using a 6 percent national unemployment rate for 3 consecutive months as a trigger to release these funds. Clearly, a national average of 6 percent means an 11 or 12 percent average for minorities.

The problem of minority unemployment should be addressed in a manner which will bring the rate down to approximately 6 percent.

Then the funds would be available to combat national unemployment levels of 4.5 rather than the 6 percent rate currently in the bill.

Ideally, the League would like to recommend that only minority unemployment problems should be addressed until the employment rates for blacks and whites are equal. But, as a practical matter, it would take more than this bill to remove centuries of racism and sexism in the country.

As to fund distribution, the legislation should not leave the establishment of employment programs and program guidelines to the discretion of State and local officials. The legislation should not only state with specificity the qualifications for participation of State and local officials, but also parameters within which the employment program should be carried out.

For example, qualifications for prime sponsorship under title I of CETA should not be deemed an automatic qualification under this amendment. Location of high energy intensive industries, wide-scale layoffs, should be the kinds of energy-related factors to be considered.

However, it is hoped that this subcommittee will consider the merits of not allowing this bill to function as a tool in the hands of the less sensitive, to subsidize larger corporate payrolls.

Consideration should be given to ways of avoiding such negative program aspects as displacement of trained persons and the hiring of new persons at a lower rate, or the avoidance of corporate personnel training costs by hiring program participants.

In addition, the fight against unemployment should be geared to census tract locations with specific goals for alleviating unemployment within the tract. This means that a concentrated attack can be made against unemployment within smaller areas where the rate is highest.

We recognize the fact that this recommendation raises the problem of residence as a qualification for program participation, and warrants further consideration of methods of residency verification.

However, the Emergency Employment Act undoubtedly has resulted in reports which have addressed the problem and made such recommendations.

Long-term unemployed and low-income persons should be given program preference.

Training of program participants should be at a level which will provide upward mobility, and economic stability utilizing the participant's maximum skills.

Those trained should be allowed to go into public or private employment in a number of diversified agencies or organizations. A limitation should be placed upon the number of persons placed in any State or municipal agency, that limitation being proportionate to the number of persons in that agency or department to all employees in State or local agencies.

Specific provisions as to affirmative action, contract compliance, a maximum of perhaps 2 years for program participation, a linkage between public employment and civil service jobs and preparation for civil service examinations should be a part of this amendment.

As a final recommendation and because of the potential for program abuse, Congress should assure that legislative protection is afforded participants so that they are not summarily dismissed, but dismissed

for good cause; that quarterly reports be made to Congress outlining program activities as well as goals to be met for the forthcoming quarter and year.

Finally, State and local program application should include a feasibility plan for carrying out the employment program.

The National Urban League commends the authors of this bill for their sensitivity.

We think, however, that the significance of the bill can be greatly enhanced by the inclusion of a provision which would relate the release of funds to the reduction of the national unemployment average of minorities as well as energy related unemployment.

I thank you for your attention.

Senator JAVITS. Thank you very much.

May I thank you also on behalf of my colleagues for the appreciation of the Urban League which, as you know, I am very well acquainted with.

I have two questions to ask you.

Has your Association analyzed balance of trainees under title I so that we can have an idea whether minorities are victims of disproportionate unemployment and long-term unemployment, what we call hard core unemployment—that is the reason for CETA—have fared well?

Do you have any such analysis?

Ms. COOPER. No, sir, I do not.

Senator JAVITS. If you do, as you go back, please furnish it to us. If you do not, we will get such an analysis in due course, and that may be very useful to your organization.

We are also, in this subcommittee, interested in the antipoverty program, especially in the fate of the community action program.

Can you give us any appraisal, either now or by supplying it for the record, of the work of the community action agencies throughout the country, both in respect of the job training, which many of them handle for that particular prime sponsor, and also public service employment?

Ms. COOPER. Well, I can only say our program people in New York are also community based organizations and have been carrying out manpower programs throughout the country.

So you are asking me to check on our competitors. I will be glad to supply you with the information we have available under our own programs.

Senator JAVITS. Anything you can do.

Ms. COOPER. Fine.

Senator JAVITS. We thank you very much.

Ms. COOPER. Thank you.

[The prepared statement of Mr. Brown follows:]

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TESTIMONY**OF**RONALD H. BROWN**DIRECTOR****WASHINGTON BUREAU****IN BEHALF OF THE****NATIONAL URBAN LEAGUE****ON THE****EMERGENCY ENERGY EMPLOYMENT ASSISTANCE ACT OF 1974****BEFORE THE****SUBCOMMITTEE ON LABOR AND PUBLIC WELFARE****U.S. SENATE****MONDAY, SEPTEMBER 16, 1974****10:30 A.M.***Contributions to the National Urban League are tax deductible*

Testimony of
RONALD H. BROWN
Director, Washington Bureau
NATIONAL URBAN LEAGUE, INC.

In behalf of the
NATIONAL URBAN LEAGUE

Before the
Subcommittee on Employment, Poverty and
Migratory Labor of the
Senate Committee on Labor and Public Welfare

Washington, D.C.
September 16, 1974

Mr. Chairman and members of this Subcommittee,
my name is Ronald H. Brown. I am the Director of the
Washington Bureau of the National Urban League, Inc.
My testimony today is presented in behalf of the
National Urban League, an interracial, nonprofit and non-
partisan community service organization. The National
Urban League, Inc., in its community service role uses
accepted practices and principles of social work, economics,
law and other disciplines to secure equal opportunity in
all sectors of our society for blacks and other minorities.
During its 63 year history, the National Urban League
has grown to include five regional offices and 102 local
affiliates--an effective network through which the Urban
League movement is carried out.

Because of the League's concern for the disadvantaged in this country, we are pleased today to testify in support of many of the provisions in S. 2993.

The bill represents an excellent beginning at confronting one of the public enemies of minorities--unemployment. However, it is the League's position that the bill should provide a frontal attack on minority unemployment, and the removal of the present unemployment disparity between blacks and whites in this country.

None of the three circumstances under which funds would be released address the problems of unemployed or underemployed blacks and minorities.

We believe that S. 2993 can serve as the vehicle for beginning to address the minority unemployment problem consistent with the intent of its proponents--that is to provide transitional public service employment opportunities, and related training and manpower services, for unemployed and underemployed persons.

The need for the focus upon the disparate unemployment rate is clear when comparative rates are examined for the last couple of years. During the last quarter of 1969, the last downturn in unemployment rates, the national employment average was 3.6,

peaking at 6.0 percent in early 1971. Yet breaking down those national averages, the black jobless rate which was 6.2 percent, increased to 9.7 percent, while that rate for whites rose from 3.3 to 5.5 percent. These rates translated into 16 unemployed black workers for every 10 white workers during the same period. More recently, the Manpower Report of the President* shows that the yearly unemployment rates for whites fell from 5.0 to 4.3 percent in 1973 and from 10.0 to 8.9 percent for blacks. The impact upon minorities in the workforce has consistently been disproportionately high whether unemployment rates were up or down.

The disparity has continued so that throughout 1973, the black-to-white unemployment ratio remained at approximately 2:1. Further examination of the unemployment rates between men and women, while different, still maintain the 2:1 ratio. Among black males, the unemployment rate was 5.7 percent while 2.9 percent among white males. For black females, the unemployment rate was 8.2 percent while 4.3 percent for white females.

*Including reports by the U.S. Department of Labor and the U.S. Department of Health, Education and Welfare, Transmitted to the Congress, April 1974.

Amidst our concern for adults, the often forgotten teenage unemployment rate should become a part of the deliberations concerning S. 2993. In 1973, unemployment rate for black teenagers was 30.2 percent while 12.6 percent for white teenagers--almost 2 1/2 times as high.

The interest of the League is further heightened when we see that 33 percent of all black families are headed by females, in comparison to 10 percent of white families. This translates into a picture of a black female head of household for whom the unemployment rate is 11.3 percent, while the rate for households headed by the white female counterpart is 5 percent. Further compounding the plight of that black female may be the unemployment rate of her teenage children who are among the 30.2 percent unemployed.

What we would like to see this bill do is to directly attack the problems of the minority and poor families, especially women heads of households. The latter category of unemployed or underemployed females can also be addressed through a subsidized or low cost day care allowance along with the training program. Women heading households have already begun to withdraw from the job market and may even be continually with-

drawing even where there is public employment available, if there is a lack of adequate and low cost day care centers. We have seen evidence of this in comparing the fourth quarter of 1972 with the fourth quarter of 1973. During those periods, the proportion of black women ready, willing and able to work but who withdrew from the labor market jumped from 44 percent to 54 percent

Compounding the negative impact of the high unemployment rate upon minorities is the multiplier effect which the energy crisis has had on commodities produced in this country. We have seen in the Wholesale Price Index for the last quarter of 1973 a 113.8 percent rise in gasoline prices, while heating fuel jumped 186.4 percent. In the Consumer Price Index, gasoline rose 19.7 percent and heating oil rose 46.8 percent. Unquestionably, one way to meet the high cost of living is to have a job.

Today, faced with an unemployment rate as of July 1974 of 9.4 percent for minorities and 4.8 percent for whites, this emergency employment bill should focus upon reducing the unemployment rate for those within the 9.4 percent.

The provision of Section 603(a)(3) does not address the problems of poor and minorities by using a 6 percent national unemployment rate for three consecutive months as a trigger to release these funds. Clearly a national average of 6 percent means an 11 or 12 percent average for minorities. The problem of minority unemployment should be addressed in a manner which will bring the rate down to approximately 6 percent. Then the funds would be available to combat national unemployment levels of 4.5 rather than the 6 percent rate currently in the bill. Ideally, the League would like to recommend that only minority unemployment problems should be addressed until the employment rates for blacks and whites are equal. But as a practical matter, it would take more than this bill to remove centuries of racism and sexism in the country.

As to fund distribution, the legislation should not leave the establishment of employment programs and program guidelines to the discretion of State and local officials. The legislation should not only state with specificity the qualifications for participation of State and local officials, but also parameters within

which the employment program should be carried out. For example qualifications for prime sponsorship under Title I of CETA should not be deemed an automatic qualification under this amendment. Location of high energy intensive industries, wide scale layoffs, should be the kind of energy-related factors to be considered. However, it is hoped that this Subcommittee will consider the merits of not allowing this bill to function as a tool in the hands of the less sensitive, to subsidize large corporate payrolls. Consideration should be given to ways of avoiding such negative program aspects as displacement of trained persons and the hiring of new persons at a lower rate, or the avoidance of corporate personnel training costs by hiring program participants.

In addition, the fight against unemployment should be geared to census tract locations with specific goals for alleviating unemployment within the tract. This means that a concentrated attack can be made against unemployment within smaller areas where the rate is highest. We recognize the fact that this recommendation raises the problem of residence as a qualification for program participation warranting further consideration of methods of verification. However, the Emergency Employment Act undoubtedly has resulted in reports which have addressed the problem and made substantial recommendations.

Long term unemployed and low income persons should be given program preference. Training of program participants should be at a level which will provide upward mobility, and economic stability utilizing the participant's maximum skills. Those trained should be allowed to go into public or private employment in a number of diversified agencies or organizations. A limitation should be placed upon the number of persons placed in any State or municipal agency, that limitation being proportionate to the number of persons in that agency or department to all employees in State or local agencies.

Specific provisions as to affirmative action, contract compliance, a maximum of perhaps two years for program participation, a linkage between public employment and civil service jobs and preparation for civil service examinations should be a part of this amendment.

As a final recommendation and because of the potential for program abuse, Congress should assure that legislative protection is afforded participants so that they are not summarily dismissed, but dismissed for good cause; that quarterly reports be made to Congress outlining program activities as well as goals to be met for the forthcoming quarter and year.

Finally, State and local program application should include a feasibility plan for carrying out the employment program.

The National Urban League commends the authors of this bill for their sensitivity. We think, however, that the significance of the bill can be greatly enhanced by the inclusion of a provision which would relate the release of funds to the reduction of the national unemployment average of minorities as well as energy related unemployment.

I thank you for your attention.

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Senator JAVITS. Our next witness is Frank Schiff, Vice President and Chief Economist for Committee for Economic Development (CED).

Mr. Schiff, you may proceed in your own way.

STATEMENT OF FRANK W. SCHIFF, VICE PRESIDENT AND CHIEF ECONOMIST OF THE COMMITTEE FOR ECONOMIC DEVELOPMENT

Mr. SCHIFF. Thank you, Mr. Chairman, my name is Frank W. Schiff. I am Vice President and Chief Economist of the Committee for Economic Development (CED), which is an organization of 200 leading businessmen and university presidents who study major economic and social issues and formulate recommendations on Government and business policy.

I greatly appreciate the invitation to appear at today's hearing on the proposed "Emergency Energy Employment Assistance Act of 1974" (S. 2993) to discuss the positions that CED's Research and Policy Committee has taken with respect to public service employment and to comment on some key criteria for assessing the appropriate design of a public service employment program in the present economic setting.

The committee's views on the role of enlarged public service employment during periods of markedly lagging total demand were spelled out in detail in its November 1970 policy statement—Further weapons against inflation: Measures to supplement general fiscal and monetary policies.

In that statement, the committee urged that active steps be taken to assure that an unduly large share of the burden of demand restraint to combat inflation does not fall selectively and unfairly on a relatively small portion of our citizenry. It specifically recommended that at times of relatively high national employment, the Federal Government should—

Significantly increase its efforts to provide subsidized private employment or useful public service employment to persons who are able and willing to work but for whom no regular jobs are available in the private sector.

Both in its 1970 statement and in its 1972 statement on: High employment without inflation, the committee stressed that the size of temporary public service employment programs should be geared to specified unemployment rates. Thus, the 1970 statement indicated that:

Additional funding should automatically begin when the unemployment rate exceeds a certain level and might be stepped up further as the rate rises above still higher "trigger" levels. There might also be a variation of funds made available in the light of the extent of labor surplus in local labor areas.

The committee has placed particular emphasis on the role of the trigger mechanism as a built-in device for phasing out the program as high employment is approached. Indeed, it has argued that when there is a need to alleviate the effect of temporary lags in total demand, policy measures that contain such a self-limiting feature should normally be preferred to measures that could result in continuing budgetary drains even after they are no longer needed.

In addition to endorsing a significant step-up in public service employment during periods of general economic weakness, the committee

has recommended creation of additional public service jobs as one element in a longer-range effort to reduce the volume of structural unemployment.

Thus, our July 1970 policy statement—Training and jobs for the urban poor—suggested experimentation with a new type of public or nonprofit corporation that would provide training and jobs for marginal workers and the “hard-core” unemployed. This organization, to be known as a “Jobs Corporation,” would place such persons on its payrolls and then assume responsibility for finding them suitable employment opportunities in either the private or the public sector, or for providing them with useful training. Part of the program’s funds would replace other forms of public assistance.

While this proposal, as already noted, was developed to cope with longer-range structural problems, the basic approach may well have some useful applications in connection with temporary public service employment programs.

Let me now comment briefly on some of the criteria that deserve particular emphasis in the design of public service employment programs under present circumstances—criteria to which CED has traditionally tended to attach major importance. One of these is effectiveness in terms of the program’s primary objective: that is, the creation of jobs that are additive rather than substitutions for positions that would have been filled in any case. A second is the need to keep the program from adding to the current inflation; in particular, it ought not become a catalyst for intensified cost-push pressures.

On both of these counts, it seems to me that there is much to be said for the suggestion in our 1970 statement that program funds be made available in stages, geared to successive trigger levels of the national unemployment rate, and that relatively larger disbursements be directed toward localities where unemployment rates are particularly high.

I personally believe that it would be desirable to set the initial trigger at a lower level of national unemployment than the 6 percent figure used in S. 2993. The two criteria cited also underline the need for special safeguards to assure that an adequate proportion of new public service jobs is made available to disadvantaged and typically low-paid workers, and that the program will not simply serve as a device to supplement salaries for relatively well-paid positions that might have been created in any case.

I might add the suggestions that Mr. Levitan made earlier on monitoring the program appear to me very useful, indeed.

A third criterion that deserves special attention in the design of new public service employment programs is their effect on governmental productivity. I believe a conscious attempt should be made to see that these programs will as much as possible reinforce rather than interfere with needed efforts to improve productivity in Government.

Let me note, incidentally, that CED attaches great importance to such efforts, particularly in the context of a longer-range strategy to overcome inflation, and is currently engaged in a major study on improving productivity in State and local government.

Finally, the program should from the beginning be designed in a way that will facilitate its orderly phaseout when the general economic

situation improves and the unemployment "trigger" calls for a termination of Federal support. In particular, there should be adequate provisions for training and readjustment services which will aid in placing enrollees in regular jobs. Experimentation with something like the "Jobs Corporation" discussed earlier might well be helpful in this connection.

In closing, let me emphasize that in the view of CED, added public service employment, however useful, can only be part of a broader effort to deal with the problem of joblessness at times of general economic weakness. Our earlier statements, for example, put considerable emphasis on increasing the duration and coverage of unemployment compensation during periods of rising national unemployment, as well as on more adequate provisions for training and readjustment services.

Thank you, Mr. Chairman.

Senator JAVITS. Thank you, Mr. Schiff, we certainly appreciate your testimony, and that of the CED, which is so very highly regarded in exactly these fields.

It is a fact, is it not, that the two principal figures in your committee concerned with matters of this kind are Emilio G. Collado, Chairman of the Committee for Economic Development, and Phil Klutznick, Chairman of CED's Research and Policy Committee?

Mr. SCHIFF. Yes, that is correct.

Senator JAVITS. Anyone else associated with this effort?

Mr. SCHIFF. Well; many other trustees have, of course, been very much associated with the efforts, involved in our policy statements in this area. I might particularly write the role of Mr. Howard Peterson, chairman of the Fidelity Bank, whom you know very well.

Senator JAVITS. I know them all very well.

Mr. SCHIFF. Mr. Peterson is Vice Chairman of our Research and Policy Committee for National Economic Affairs.

There are a great many other trustees who have had various specific involvements in efforts to deal with employment problems. One of these, for example, is Mr. John Harper, also is a former chairman of the National Alliance of Businessmen.

Senator JAVITS. He is the principal executive officer of Alcoa?

Mr. SCHIFF. That is right.

Senator JAVITS. Well, Mr. Schiff, we certainly wish to express our appreciation to you, to the committee, and to these gentlemen that I have mentioned, and others who are concerned.

As to the Jobs Corporation, I personally—I cannot speak for the committee—consider that a very interesting idea. I believe in the interest of this legislation it is better not to in any way complicate legislation with it, but we are looking into it in my office, and we may very well sponsor such a measure, but quite separate and apart from the one which is now before us.

Thank you very much.

Mr. SCHIFF. Thank you.

[The prepared statement of Mr. Schiff follows:]

For Release on Delivery
September 16, 1974

Statement to the
Subcommittee on Employment, Poverty, and Migratory Labor
of the
Senate Committee on Labor and Public Welfare
on
Public Service Employment
by

Frank W. Schiff
Vice President and Chief Economist
Committee for Economic Development

September 16, 1974

My name is Frank W. Schiff. I am Vice President and Chief Economist of the Committee for Economic Development, which is an organization of 200 leading businessmen and university presidents who study major economic and social issues and formulate recommendations on government and business policy. I greatly appreciate the invitation to appear at today's hearing on the proposed "Emergency Energy Employment Assistance Act of 1974" (S.2993) to discuss the positions that CED's Research and Policy Committee has taken with respect to public service employment and to comment on some key criteria for assessing the appropriate design of a public service employment program in the present economic setting.

The Committee's views on the role of enlarged public service employment during periods of markedly lagging total demand were spelled out in detail in its November 1970 policy statement, Further Weapons Against Inflation: Measures to Supplement General Fiscal and Monetary Policies. In that statement, the Committee urged that active steps be taken to assure that an unduly large share of the burden of demand restraint to combat inflation does

not fall selectively and unfairly on a relatively small portion of our citizenry. It specifically recommended that at times of relatively high national unemployment, the federal government should "significantly increase its efforts to provide subsidized private employment or useful public service employment to persons who are able and willing to work but for whom no regular jobs are available in the private sector."

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"additional funding should automatically begin when the unemployment rate exceeds a certain level and might be stepped up further as the rate rises above still higher 'trigger' levels. There might also be a variation of funds made available in the light of the extent of labor surplus in local labor areas."

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In addition to endorsing a significant step-up in public service employment during periods of general economic weakness, the Committee has recommended creation of additional public service jobs as one element in a

longer-range effort to reduce the volume of structural unemployment. Thus, our July 1970 policy statement Training and Jobs for the Urban Poor suggested experimentation with a new type of public or non-profit corporation that would provide training and jobs for marginal workers and the "hard-core" unemployed. This organization, to be known as a "Jobs Corporation", would place such persons on its payroll and then assume responsibility for finding them suitable employment opportunities in either the private or the public sector, or for providing them with useful training. Part of the program's funds would replace other forms of public assistance. While this proposal, as already noted, was developed to cope with longer-range structural problems, the basic approach may well have some useful applications in connection with temporary public service employment programs.

Let me now comment briefly on some of the criteria that deserve particular emphasis in the design of public service programs under present circumstances -- criteria to which CED has traditionally tended to attach major importance. One of these is effectiveness in terms of the program's primary objective: i.e. the creation of jobs that are additive rather than substitutions for positions that would have been filled in any case. A second is the need to keep the program from adding to the current inflation; in particular, it ought not become a catalyst for intensified cost-push pressures.

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A third criterion that deserves special attention in the design of new public service employment programs is their effect on governmental productivity. I believe a conscious attempt should be made to see that these programs will as much as possible reinforce rather than interfere with needed efforts to improve productivity in government. Let me note, incidentally, that CED attaches great importance to such efforts, particularly in the context of a longer-range strategy to overcome inflation, and is currently engaged in a major study on improving productivity in state and local government.

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Senator JAVITS. Our next witness is Dr. Alan Gartner, secretary, National Conference on Public Service Employment.

Dr. Gartner is our last witness.

I just wish to state that publicly for the record.

Dr. Gartner.

STATEMENT OF ALAN GARTNER, SECRETARY OF THE NATIONAL CONFERENCE ON PUBLIC SERVICE EMPLOYMENT; MEMBER OF THE EXECUTIVE COMMITTEE, NATIONAL COMMITTEE FOR FULL EMPLOYMENT; PROFESSOR, QUEENS COLLEGE, CITY UNIVERSITY OF NEW YORK

Mr. GARTNER. Thank you, Senator.

I have a written statement that I would appreciate being entered into the record.

Senator JAVITS. The statement will be entered into the record at the conclusion of your testimony and you may summarize in any way you wish.

Mr. GARTNER. Thank you.

It seems now that we are in a situation, somewhat surprisingly, for those who have long been supporters (as you have Senator Javits), of public service employment, that it is no longer a question of whether we will have public service employment, but what kind of program it will be.

I would like to make some general points, briefly, and then turn to the specifics of S. 2993.

Now that Arthur Burns, Andrew Brimmer, and the Ford administration itself all accept the need for some kind of public service employment program, we feel that it is time for those of us who have long advocated this position in the past to sound a note of caution. The question we now face is no longer, it seems, one of whether a public service employment program will be adopted but rather what kind of program it will be. The important issues involved are those of quantity, quality, level of participation, and permanence.

A public service employment program must be large enough to create a net increase in the total number of jobs. A program which is too small would precipitate intense squabbling between the "newly unemployed" and the "hard core unemployed." We cannot allow the poor to become again, as they were in the Vietnam war, the "front line" casualties on the war on inflation.

Furthermore, a sufficiently large program would prevent cities and local governments from firing currently employed workers to hire the "hard core unemployed" at low wages—indeed, this hiring of "cheap labor" should be proscribed by the program.

The Emergency Employment Act, despite its limitations, has demonstrated that public service employment need not create "make work" jobs. If we are imaginative and innovative in our approach, a public service employment program can provide additional quality services to the community while creating quality jobs—a double benefit.

An obvious example of this is day care: not only does the hiring of additional day care personnel result in more quality employment for

those hired but it also provides increased people-to-people quality services which aid the child's development and frees the mother to pursue a rewarding career.

Yet, this program need not be limited to just "people-to-people" services since there are many other areas which need increased personnel. As an example, some of those hired in the program could serve as trainees in construction who might aid urban "homesteaders" in rehabilitating their homes. This would provide not only training and employment for those hired but would at the same time improve the city's housing stock.

In calculating the actual net costs of such a public service employment program, we must include all the factors in this "double benefit"; for example, the savings in unemployment compensation, welfare, and the additional tax revenues paid by the new public employee along with the increased quality services provided.

Senator JAVITS. If you do not mind my interrupting you, do you think people could make a contribution to trying to figure that out for us—we have now the estimate of the National Association—

Mr. GARTNER. The problem, of course, as you recognize, Senator, is that the question of actual cost is dependent upon the assumptions that you make; for example, in a relatively high welfare paying State, such as our own, New York, the cost savings are going to be greater compared to another State.

You will recall before this committee some years ago, Jules Sugarman, the then Human Resources Administrator, did a series of estimates, again based on the New York picture.

I think the actual costs are going to run—the real costs will be somewhere between 40 and 60 percent of the gross costs.

I think the actual details will depend upon the locality—locality by locality, or at least on a State-by-State estimate.

Senator JAVITS. Thank you. Go ahead.

Mr. GARTNER. In addition to the need for a large, quality program, local participation is essential to the program's success. The local planning councils established under the Comprehensive Employment and Training Act of 1973 must be vigorously activated and closely monitored so that they are truly representative of the people in the community they serve. Such local participation and monitoring is vital if the public service employment program is adequately to meet the employment and service needs of the community.

Finally, a positive public service employment program must not be viewed simply as a counter-cyclical device but should instead be a permanent program designed to meet the service and employment needs of the community in good economic times, as well as the bad. For even when the economy is doing well, there are still large numbers of people unable to find employment in the private sector and many unmet service needs remain in the community.

In short, a public service employment program of sufficient size, quality, permanence, and with effective community participation can lay the groundwork for an eventual full employment/guaranteed job policy to meet the future employment, production, and service needs of our society.

It is in the context of the above, that I want to now talk to specifics

about S. 2993. I would like to make four points. The first two relate to the issue of the "trigger." Because we favor the development and expansion of public service employment programs, the provision (section 603.(a)) for multiple triggering devices—that is, for the program to be put into effect by Presidential action or congressional resolution or when national unemployment reaches 6 per centum for 3 consecutive months—is a creative and positive step forward which we heartily support.

However, while we find the use of 6 per centum as a substantial improvement over higher figures, we find it less desirable than a "trigger" at 5 or 4 per centum or lower.

We must remember that in addition to the several millions of people who are unemployed even at a 4 per centum level, there are many millions more who, if there were work, would come into the labor force, and, thus contribute to our national well-being in terms of the work they do, the goods and services they produce, their personal well-being, and their contribution as taxpayers.

Our third point derives from these previous two and relates to the question of the size of the program. Because we favor an increase in public service employment, we are pleased with the additional funds provided in the bill which will supply approximately 500,000 jobs. A part of the quality issue is the level of support. We favor an average figure of at least \$8,000. As significant as this number is, we must take note that it is but one-tenth of the total number of officially unemployed at the 6 per centum level and, of course, a very much smaller fraction of all of those who would wish to work were work available.

I think the suggestion of Sar Levitan for a fixed percentage of at least 25 percent of the so-called excess unemployment, is one that merits considerable attention. However, we should be sure that funds are provided for employment of those already unemployed.

Senator JAVITS. I agree with you. I think it is a fine suggestion.

Mr. GARTNER. Fourth, we are disturbed to see, as we were during the deliberations concerning the Comprehensive Employment and Training Act itself, that public service employment continues to be thought of as "second-class" work; that is the clear implication of the "transitional" character of the work provided.

Rather, as my colleague, Frank Riessman, and I suggested in an article last month on the "Op Ed" page of the New York Times, the increasing development of a "service society" in American warrants the implementation of a large-scale permanent public service employment program. (A copy of the full article is appended.)

Indeed, we must see the development of a public service employment program as the forerunner to and the precursor of a true full employment program and policy in the United States. I am pleased that the senior Senator from New York, Mr. Javits, has joined with many other national leaders in support of the development of the National Committee for Full Employment, whose cochairpeople are Murray Finley, president, Amalgamated Clothing Workers, and Mrs. Coretta Scott King. I also append a brief note on the establishment of the group which appeared in the Nation magazine last month.

While the hearing today is concerned with S. 2993, I think it not inappropriate to say a word about inflation fighting. We are pleased

that there is growing recognition that a part of the fight against inflation should include a public service employment program.

However, we reject the notion, current in some quarters, that the fight against inflation requires an increase in unemployment and a public service employment program should be given as a sop to those concerned with increased unemployment.

Rather, I believe that the fight against inflation, and here I am speaking for myself, must include the following four components. First, controls on profits, prices and wages.

Second, a large-scale public service employment program. Not one, however, implemented at the expense of current social welfare programs; as Jerry Wurf, president, American Federation of State, County, and Municipal Employees, pointed out, that would only involve a game of musical chairs, or as Senator Javits remarked when the previous administration proposed funding summer youth programs with funds from the Emergency Employment Act, it would only mean firing the father in order to hire the son.

Third, in order to pay for such a program and to squeeze out inflationary demand, I would favor a surtax of perhaps 10 percent on all those with gross adjusted incomes of \$20,000 or more, an increase in the minimum tax payment required of those with large gross incomes, a closing of tax loopholes with assurances that such action would not result in a passthrough of higher costs to consumers.

Fourth, I favor a cut in the Federal budget, not in the social welfare area but in defense and foreign military aid expenditures.

I have some additional remarks about inflation, but let me close by noting that the provisions of S. 2993 are positive ones; a multiple trigger is a big step forward.

I would hope the "trigger" level would be dropped to 4 percent. I would hope that the number of jobs would be increased. We must recognize that there is a growing need for jobs in the public sector in what has become more and more of a service society.

Thank you, sir.

Senator JAVITS. Thank you, Mr. Gartner.

It was very, very well done, indeed.

In 1965, a study of the Commission on Technology estimated that 5.3 million jobs were needed in terms of public service needs, in the aggregate, that would be the universe which we should address ourselves to.

Do you, or your organization, have any estimate of the modern day figure on that score?

Mr. GARTNER. As Dr. Levitan noted, the area of great increase in unemployment in this country in the past 20 or 30 years, he indicated the last several years, of course, is at the State and local government level. That is the place where human services are delivered. And, as we saw in the experience of EEA, the State and local governments, with their many faults, are able to deliver services and to deliver jobs very quickly.

Let me give you one concrete example, and without wanting to predict what the Congress will do, it is clear that within the next several years we will have major changes in health legislation.

If we are going to shift from a medical model to a health model with emphasis on prevention, emphasis on ambulatory care, there is an enor-

mous area of increased employment that is likely—that surely will occur in those areas.

It would seem to me, if I may suggest, Senator, that one of the things that would be very helpful as these various bills, such as the health maintenance organization legislation are considered, is if we could ask either the Legislative Reference Service, or GAO, to consider the employment consequences of these bills. It is in those areas—in health, in mental health particularly, in special education as we see the response to the increased number of handicapped children coming into schools, where the 5.3 million figure I suspect is low, and probably below currently by some 50 percent.

Senator JAVITS. Would you participate in such an ongoing activity?

Mr. GARTNER. We would be more than pleased to do so.

Senator JAVITS. I think it would be very important.

Now, by implication, I gather you agree with Dr. Sar Levitan's estimate of 4½ percent of what he called tolerable unemployment?

Mr. GARTNER. No; I am afraid not.

One has, of course, difficulty with the word tolerable. I would hope that we could, in this country, move toward zero unemployment as the only tolerable level.

Senator JAVITS. I agree with you.

So all you are adopting is his figure as simply a hypothetical on which to base the number of public service jobs?

Mr. GARTNER. Yes, indeed.

Senator JAVITS. I agree with that.

The last thing I would like to ask you in this, of course, what tends to send the figure up in terms of per job, is it the employment of paraprofessionals, and people who have some skills, and therefore, some reason for being better paid?

Do you think that it is absolutely essential to a public service employment program, and if so, why?

Mr. GARTNER. Yes, of course. It is absolutely essential.

One of the interesting things of the so-called new careers program, and those that followed beyond it, is that people who were seen initially as lacking skills and lacking experience, given employment opportunities with the training built into them, have done important and useful work, important and useful for their communities, and important and useful for themselves and their families.

So I think that if we look at an employment program with training built into it, rather than one where the training comes first, which has been the fault of the earlier so-called manpower legislation, that we can make a positive contribution.

I was concerned, if I may comment, with the testimony of one of your earlier witnesses, that one of the results, or one of the reasons why one is likely to find a very high placement of people in public service employment in so-called permanent jobs, is that you "cream" when you deal with the admission of persons to public service jobs, and that means that we are going to continue a large body of hard-core unemployed people. I think the experience of the whole new careers and paraprofessional programs is that people without that kind of formal training and expertise, given employment opportunities with training built into the job, can do important and useful work, and I would

hope that that would continue to be an emphasis in your own work, and in the committee's.

Senator JAVITS. Finally, in terms of the philosophical basis for this measure, again, I am trying to phrase what is inherent in your testimony, and that of Dr. Sar Levitan, and Mr. Schiff, the principal experts that testified this morning. I assume you wish the public service employment program to provide jobs which may be the same kinds of jobs in some cases as those already financed by the Government, but in a number—and, to serve needs which would not otherwise be financed.

Mr. GARTNER. I could not say it more precisely.

Senator JAVITS. That you like. You approve of that?

Mr. GARTNER. Indeed, absolutely.

Senator JAVITS. Mr. Schiff, would you approve of that—I beg your pardon, I thought you were Mr. Schiff.

May I take that, in your judgment, and submit it to both Mr. Schiff and Mr. Levitan, and see if they would compare what changes may be needed?

Mr. GARTNER. I would be pleased if you would do so.

Senator JAVITS. Without objection that will be made part of the record.

Thank you very much, Mr. Gartner.

[The prepared statement of Mr. Gartner and other information referred to follow:]

National Conference on Public Service Employment

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TESTIMONY PRESENTED BY ALAN GARTNER,
SECRETARY, NATIONAL CONFERENCE ON PUBLIC SERVICE EMPLOYMENT
PROFESSOR, QUEENS COLLEGE, CITY UNIVERSITY OF NEW YORK

23 September 1974

I am pleased to be here and appreciative of your invitation to testify on behalf of the National Conference on Public Service Employment.

I would like to make some general points, briefly, and then turn to the specifics of S-2993.

Now that Arthur Burns, Andrew Brimmer, and the Ford Administration itself all accept the need for some kind of public service employment program, we feel that it is time for those of us who have long advocated this position in the past to sound a note of caution. The question we now face is no longer, it seems, one of whether a public service employment program will be adopted but rather what kind of program it will be. The important issues involved are those of quantity, quality, level of participation, and permanence.

A public service employment program must be large enough to create a net increase in the total number of jobs. A program which is too small would precipitate intense squabbling between the "newly unemployed" and the "hard core employed." We cannot allow the poor to become again, as they were in the Vietnam war, the "front line" casualties in the war on inflation. Furthermore, a sufficiently large program would prevent cities and local governments from firing

currently employed workers to hire the "hard core unemployed" at low wages -- indeed, this hiring of "cheap labor" should be proscribed by the program.

The Emergency Employment Act, despite its limitations, has demonstrated that public service employment need not create "make work" jobs. If we are imaginative and innovative in our approach, a public service employment program can provide additional quality services to the community while creating quality jobs -- a double benefit. An obvious example of this is day care: not only does the hiring of additional day care personnel result in more quality employment for those hired but it also provides increased people-to-people quality services which aid the child's development and frees the mother to pursue a rewarding career.

Yet, this program need not be limited to just "people-to-people" services since there are many other areas which need increased personnel. As an example, some of those hired in the program could serve as trainees in construction who might aid urban "homesteaders" in rehabilitating their homes. This would provide not only training and employment for those hired but would at the same time improve the city's housing stock.

In calculating the actual net costs of such a public service employment program, we must include all the factors of this "double benefit:" i.e., the savings in unemployment compensation, welfare, and the additional tax revenues paid by the new public employee along with the increased quality services provided.

In addition to the need for a large, quality program, local participation is essential to the program's success. The local planning councils established under the Comprehensive Employment and Training Act of 1973 must be vigorously activated and closely monitored so that they are truly representative of the people in the community they serve. Such local participation and monitoring is vital if the public service employment program is to adequately meet the employment and service needs of the community.

Finally, a positive public service employment program must not be viewed simply as a counter-cyclical device but should instead be a permanent program designed to meet the service and employment needs of the community in good economic times, as well as the bad. For even when the economy is doing well, there are still large numbers of people unable to find employment in the private sector and many unmet service needs remain in the community.

In short, a public service employment program of sufficient size, quality, permanence, and with effective community participation can lay the groundwork for an eventual full employment/guaranteed job policy to meet the future employment, production, and service needs of our society.

It is in the context of the above that I want to now talk to specifics about S-2993. I would like to make four points. The first two relate to the issue of the "trigger." Because we favor the development and expansion of public service employment programs, the provision

(Sec. 603. (a)) for multiple triggering devices -- that is for the program to be put into effect by presidential action or congressional resolution or when national unemployment reaches six percentum for three consecutive months -- is a creative and positive step forward which we heartily support. However, while we find the use of six percentum as a substantial improvement over higher figures, we find it less desirable than a "trigger" at five or four percentum or lower. We must remember that in addition to the several millions of people who are unemployed even at a four percentum level, there are many millions more who, if there were work, would come into the labor force, and, thus contribute to our national well-being in terms of the work they do, the goods and services they produce, their personal well-being, and their contribution as taxpayers. Our third point derives from these previous two and relates to the question of the size of the program. Because we favor an increase in public service employment, we are pleased with the additional funds provided in the Bill which will supply approximately 500,000 jobs. As significant as this number is, we must take note that it is but one-tenth of the total number of officially unemployed at the six percentum level and, of course, a very much smaller fraction of all of those who would wish to work were work available. Fourth, we are disturbed to see, as we were during the deliberations concerning the Comprehensive Employment and Training Act itself, that public service employment continues to be thought of as "second-class" work; that is the clear implication of the "transitional" character of the work provided.

Rather, as my colleague, Frank Riessman, and I suggested in an article last month on the "Op Ed" page of the New York Times, the increasing development of a "service society" in America warrants the implementation of a large-scale, permanent public service employment program (A copy of the full article is appended.). Indeed, we must see the development of a public service employment program as the forerunner to and the precursor of true full employment program and policy in the United States. I am pleased that the senior Senator from New York, Mr. Javits, has joined with many other national leaders in support of the development of the National Committee for Full Employment, whose co-chairpeople are Murray Finley, President, Amalgamated Clothing Workers, and Mrs. Coretta Scott King. I also append a brief note on the establishment of the group which appeared in The Nation magazine last month.

While the hearing today is concerned with S-2993, I think it not inappropriate to say a word about inflation fighting. We are pleased that there is growing recognition that a part of the fight against inflation should include a public service employment program. However, we reject the notion, current in some quarters, that the fight against inflation requires an increase in unemployment and a public service employment program should be given as a sop to those concerned with increased unemployment. Rather, I believe that the fight against inflation, and here I am speaking for myself, must include the following four components. First, controls on profits, prices, and wages. Second, a large-scale public service employment program; not one,

however, implemented at the expense of current social welfare programs, as Jerry Wurff, President, American Federation of State, County, and Municipal Employees, pointed out, that would only involve a game of musical chairs, or as Senator Javits remarked when the previous administration proposed funding summer youth programs with funds from the Emergency Employment Act, it would only mean firing the father in order to hire the son. In order to pay for such a program and to squeeze out inflationary demand, I would favor a surtax of perhaps ten percentum on all those with gross adjusted incomes of \$25,000 or more, an increase in the minimum tax payment required of those with large gross incomes, a closing of tax loopholes with assurances that such action would not result in a pass-through of higher costs to consumers. Fourth, I favor a cut in the federal budget, not in the social welfare area but in defense and foreign military aid expenditures.

In summary, we believe that the provisions of S-2993 are positive steps forward, so positive that we would hope they could be made longer -- not a six percentum trigger but one at five or four percentum, not 500,000 jobs but a million, and not transitional work but permanent work in a growing service society.

The New York Times

THE WEEK IN REVIEW

Sunday, August 25, 1974

The Service Society and Jobs

By Alan Gartner
and Frank Riessman

By now it is well-known that service work is the most rapidly expanding field of employment. By 1980, over two-thirds of the labor force will be employed in the services sector. And it is the human services—health, education and welfare—that have grown the fastest.

Within the services sphere, government and nonprofit employment have expanded most. Between 1929 and 1970, nonprofit and government employment more than quadrupled, while total employment less than doubled. Furthermore, it is at the state and local levels, where the human services are actually delivered, that the greatest increases in employment have occurred.

The sizable increase in human services goes far beyond the traditional areas of health, education and welfare, however.

Today we have women's counseling, hotlines, halfway houses, rape counseling, sex therapy, family planning, encounter groups, retirement counseling, special services for the dying, vocational rehabilitation, day care, marriage encounters, abortion counseling, alternative education centers, community schools, peer counseling, and self-help groups such as Alcoholics Anonymous, Synanon, Recovery Incorporated, Weight Watchers, human-potential groups, and so on.

And young people, according to the public-opinion polls, are very much interested in careers in the human-services fields.

At the same time as work in the services, which takes place primarily in the public sector, has increased, it has become increasingly clear that the private sector cannot provide jobs for all who wish to work. And the jobs it does provide seem to be unsatisfying.

Officially, the unemployed are sup-

posed to make up somewhat over 5 per cent of the labor force, but this figure fails to take into account the large number of people who have been too discouraged to even look for work.

Estimates of the number of people who would like full-time or part-time jobs that are now unavailable range as high as twenty million. This includes a disproportionately large number of old people, women, minority members and youth—people who have been discriminated against in the industrial workplace through sexism, racism or because of their age.

A full-employment program that would guarantee everyone a decent job, based on creation of jobs in the public sector, obviously has important coalition-building potential among these groups that may well become a "new majority" in America.

It is with this majority in mind that Representative Augustus F. Hawkins, Democrat of California, recently introduced a serious, comprehensive full-employment bill, which already has attracted more than fifty House cosponsors. And Mrs. Martin Luther King Jr. together with the president of the Amalgamated Clothing Workers of America, Murray H. Finley, and Leonard Woodcock, president of the United Automobile Workers, has begun a National Committee for Full Employment.

Expansion of the services has coalition-building potential in still another way. It not only provides jobs for the service workers but also potentially benefits the large number of consumers who need these services, particularly poor people, minorities, old people and others who have been deprived of effective services in our society.

In this sense, the services represent an increase in income, especially if they are rendered free or at nominal cost by Federal or state governments.

Thus, the income of a poor individual is expanded to the degree that he or

she can obtain higher education through open enrollment and health services through national health insurance. This has important redistributive implications because it is the disadvantaged have-not groups who have been most deprived of decent services such as health and education.

Growth in the services must, of course, provide for truly useful and effective services that are delivered to consumers in a humane fashion. If this is not the case, not only will the taxpayers be dissatisfied, and perhaps halt the expansion of the service society, but the service workers themselves will be alienated by work that is not satisfying or enriching and does not engage their skills, training and creativity. The jobs, then, will simply provide employment, and this is not enough for an authentic service society.

Another major potential of a society increasingly characterized by service work, particularly human-service work, is that it does not typically use up natural resources and fossil energy or pollute the atmosphere. Thus, a service society should be ecologically beneficial.

Various reports document the fact that continuous industrial growth is leading to unemployment and the underutilization of people; by contrast growth in the human services will lead to the fullest such utilization. A balanced ecological society does not call for lack of growth but rather a shift in growth from the traditional industrial areas to the human services with a concomitant marked reduction of unemployment. If our human resources are used efficiently and meaningfully, the quality of our lives can be greatly improved.

Alan Gartner and Frank Riessman, co-authors of "The Service Society and the Consumer Vanguard," are publisher and editor, respectively, of Social Policy magazine.

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THE NATION

/September 7, 1974

Coalition for Full Employment

New York

The struggle to create genuine full employment in America took a major step forward this summer when dozens of leaders and representatives from a wide range of organizations and movements met to establish the National Committee for Full Employment Without Inflation. The meeting, jointly sponsored by the Martin Luther King, Jr. Center for Social Change and the National Committee for Public Service Employment, quickly established the committee, defined its initial structure and began to focus on the task ahead. By the time it was over, the committee was in a real sense already in operation.

Responding to a call from Mrs. Martin Luther King, Jr., an impressive span of major leaders including Senators Kennedy, Mondale and Javits, along with figures like Leonard Woodcock of the United Auto Workers, Mayor Thomas Bradley of Los Angeles and Gloria Steinem agreed to serve as sponsors of the meeting. Their invitations drew leaders and representatives of major unions, black, church and women's organizations and individuals representing in total literally millions of Americans. A "Committee of 100," with Mrs. King and Murray Finley, the new president of the Amalgamated Clothing Workers, as its elected co-chairpersons, is now establishing a permanent steering committee and task forces in the economic and legislative areas.

The task will not be easy. Unlike national health insurance or certain other legislative goals, full employment is not yet well understood or accepted. Although a panel of economists, including Leon Keyserling and Robert Lekachman, told the committee that genuine full employment can be achieved without inflation or massive increases in personal taxes, the opposite belief is so widespread that the phrase, "without inflation" was felt a necessary addition to the committee's name. Since the design of any full-employment program must deal with inflation, taxes and budget priorities, in fact with the whole economy, the committee's work must draw it into broad issues of social and economic justice for all Americans.

Despite the size of the challenge, however, there are grounds for optimism. The current economic uncertainty is responsible for a growing recognition in all sectors of the population that major change is needed. And perhaps most encouraging is the broad response from across the country, to the committee itself. One participant, looking over the long list of trade union leaders and representatives, black political and organizational groups, church and women's groups and noted figures from political and academic life, commented: "It's been years since any issue has drawn together this kind of coalition. Full employment is obviously an issue whose time has come."

Senator JAVITS. There being no further witnesses to be heard, this hearing is adjourned.

[Whereupon, at 11:20 a.m., the subcommittee was adjourned.]

PUBLIC SERVICE EMPLOYMENT LEGISLATION, 1974

WEDNESDAY, OCTOBER 16, 1974

U. S. SENATE,
SUBCOMMITTEE ON EMPLOYMENT, POVERTY,
AND MIGRATORY LABOR OF THE
COMMITTEE ON LABOR AND PUBLIC WELFARE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:44 a.m., in room 4232, Dirksen Senate Office Building, Senator Gaylord Nelson (chairman of the subcommittee) presiding.

Present: Senators Nelson and Taft.

OPENING STATEMENT OF SENATOR NELSON

Senator NELSON. I would like to take just a moment before we begin to welcome you to these hearings on the need to ease the problems created by rising unemployment. I realize that many of you have come from out of town on very short notice, and I appreciate your recognition of the seriousness of the problem at hand.

The economic problems we face in America today are staggering in their scope and complexity. Inflation, recession, unemployment—these major economic disabilities have a multitude of causes but not, sad to say, a multitude of potential solutions. Indeed, solutions suggested for one type of economic disability often seem to conflict in some way with solutions to the others.

A concerted attack on all the problems is therefore an enormously difficult task—and yet, as the President himself said last week, such a concerted effort is imperative if our economy is to recover its strength and vitality.

Unemployment is the specific problem before this subcommittee. I will be the first to agree that inflation must be considered our current “public enemy No. 1,” but we must also recognize, in the words of President Ford, that “those who are jobless through no fault of their own” are those who suffer most from inflation.

Unemployment rose 0.4 percent in September for the second time in less than a year. The new rate of 5.8 percent means nearly 400,000 more people were out of work in September than in August.

Sadly, most—if not all—analysts are now convinced that nationwide unemployment will reach the tragic level of 6 percent by the end of this year. And many of our Nation’s most cautious forecasters now see rates of 6.5 percent and more as inevitable in the course of the next few months. We must make provision for easing the burdens of

the 5.2 million people who are out of work today—and the many hundred thousand who will lose their jobs in the weeks and months to come.

The time to strike at the spreading cancer of unemployment is therefore now, even as we institute policies at the same time in other sectors to bring our inflationary diseases under control.

To that end, President Ford last Tuesday submitted to Congress his proposals for easing the burdens of rising unemployment. He emphasized the need for haste by sending Secretary of Labor Brennan up the very next day to elaborate on those proposals before a joint hearing of the appropriate House and Senate subcommittees.

I have therefore called for these additional hearings this week, before the congressional recess. In doing so, I wish to signal that this subcommittee intends to consider new authorizing proposals for public service employment and other unemployment programs with all the urgency requested by the President—and demanded by the state of the economy. We will consider all the proposals for aiding unemployed workers, including the proposals outlined by the President and the proposal I and Senator Javits and others have made for improving the existing public service employment program. And we will make the printed record of these hearings available to Congress and the administration by the time the election recess is over, so that we may act swiftly and in the best interests of the economy.

I will not take any more time here, at the outset, to criticize what I consider to be some serious shortcomings in the administration's proposal. Neither will I elaborate on my own proposals for improving and strengthening the public service employment programs that are already in place.

I will only emphasize my strong feeling that the President and the Secretary of Labor fully appreciate the need for rapid, concerted action. Secretary Brennan went out of his way last week to assure this committee that his proposal represented a starting point, not a hard line position. He expressed his willingness, even his eagerness, to work with Congress as a partner, not an adversary, to create an effective program to combat intolerable levels of unemployment. It is in that constructive spirit that I open these hearings today.

Our hearings will open this morning on the public service employment pending legislation, S. 4079, S. 2993 and S. 4129.

Our first witness is Mr. William R. Bechtel, executive director, State manpower services council, State of Wisconsin.

The committee is very pleased to have Mr. Bechtel here this morning.

As I know you remember, Senator Taft, Mr. Bechtel was counsel for this subcommittee for some period of time before he went back to the State of Wisconsin to become director of the State manpower services council. So he has had extensive experience here at the legislative end and out in the State at the administrative end.

You are free to present your testimony however you wish to, Mr. Bechtel. It will be printed in full in the record at the conclusion of your testimony.

**STATEMENT OF WILLIAM R. BECHTEL, EXECUTIVE DIRECTOR,
STATE MANPOWER SERVICES COUNCIL, STATE OF WISCONSIN**

Mr. BECHTEL. Mr. Chairman, this testimony was initially prepared as mine on behalf of the State Manpower Services Council. The Governor has now had an opportunity to review it, and it is being released in Wisconsin as the Governor's testimony so I will deliver it to your committee on behalf of the Governor.

He was not able to be here today, considering the limited time under which the hearing was scheduled.

I am the executive director of the State Manpower Services Council in Wisconsin. That is a broadly representative body of State agency heads, local elected officials and citizen members, established pursuant to the Comprehensive Employment and Training Act (CETA), which this committee originated.

It is interesting that in Wisconsin all of the local prime sponsors are also represented on our State Manpower Council, and we are doing almost everything under CETA together, jointly, as one group. It is being described in some areas as "the Wisconsin plan."

We have got everybody working together in Wisconsin instead of the fragmented system that some feared would result from CETA.

I want to emphasize the broad consensus which exists in regard to public employment among city, county and State prime sponsors of manpower programs. It is in that area of consensus that I believe the Congress must seek a legislative solution to our rapidly escalating unemployment crisis.

I want to emphasize that I do not mean to make any partisan judgments here today.

One of the most notable developments in manpower and public service employment is the disappearance of partisan lines and the emergence of a nonpartisan determination to use this new manpower tool in the most effective manner in the overall public interest.

In our 39-State meeting 3 weeks ago, we debated all public service proposals in great detail. There were no partisan considerations at any point in that discussion.

A summary of the fruits of that meeting is attached to my testimony.

If you wish to consider that in any way, I would be happy to present it to you.

I was prepared to come here today and praise the public service employment bill that I was expecting to come out of the Ford administration. We had worked very closely with people in the Department of Labor and the administration.

I had a bill all sketched out in my mind, and I was prepared to praise it. But something happened to that bill on the way to the economic summit.

What emerged is barely recognizable to those of us who were familiar with the original.

I think this is a hopeful sign though. I think it shows there is strong support for a good public service employment bill within the administration. I think between us we can bring out that support and use it to achieve a significant legislative accomplishment.

The administration bill that you have before you completely fails to meet the needs of an effective public service employment program for the following basic reasons.

First, it is not public service employment. It is an extremely narrow plan for 26-week work projects with a \$7,000 salary ceiling. That is a Washington-dictated categorical restriction far more rigid than any the administration got rid of when CETA was enacted after 5 years of legislative effort.

Second, funds would be allocated in a highly arbitrary manner—I will develop that with this chart—based on the assumption that unemployment is not serious unless it happens to be in the selected group of federally designated labor market areas that have 250,000 population.

Wisconsin and many other States, which will be forced to pay taxes to finance this program, would not receive a dollar in benefits, even though by the Department of Labor's own standards, we already have 52 rural counties that have that 6½ percent unemployment, and 4 urban areas, the very kind of substantial aggravated unemployment which this bill proposes to attack.

Senator NELSON. Are you saying that although we have 52 counties that have 6½ percent unemployment rates, use of labor market areas of 250,000, as specified in the administration bill with the conditions surrounding it, would mean that no area in Wisconsin would qualify?

Mr. BECHTEL. That is right.

No area in Wisconsin would qualify for any benefits in the administration proposal at the present stage of the unemployment rate.

It is our judgment, after careful discussion with the Bureau of Research and Statistics in State service, that even if the unemployment rate were to reach 6½ or 7 percent nationally, none of the areas in Wisconsin even then would qualify. It is because of the requirement that the administration mandates.

The funds would be allocated to designated labor market areas, and those are already designated, of 250,000 or more population, which averages 6½ percent or more unemployment.

When you attach those three conditions, you render all areas of Wisconsin ineligible for any benefits.

Senator NELSON. So although, say, Milwaukee has roughly three times that many people, and within the city of Milwaukee itself there is somewhere around 7-percent unemployment, when you take in the whole area it is 4.45; is that correct?

Mr. BECHTEL. Exactly.

Senator NELSON. Therefore, you have a description of labor market area that is probably a million people, and when you cut it back down and take in just Milwaukee, it would be easily 700,000 people with 7-percent unemployment, and they will not qualify?

Mr. BECHTEL. That is right.

Senator NELSON. So you will have places around the country where there is a labor market, in fact, of 250,000, and you will have the same unemployment rate as Milwaukee City, and they will qualify?

Mr. BECHTEL. Exactly.

Senator NELSON. But the 700,000 population in Milwaukee City will not qualify?

Mr. BECHTEL. That is right.

Senator NELSON. Am I describing it right?

Mr. BECHTEL. Right.

Senator NELSON. All right.

Mr. BECHTEL. Third, the bill dangles multibillion dollar benefits before a troubled Nation, but proposes to pay those benefits in such a tantalizingly slow and tortuous manner that the Nation could be deep into a depression—or into it and out of it—before the inadequate relief began to trickle through.

These are fatal flaws, and they must be corrected.

Incidentally, none of these fatal flaws was in the draft bill which the labor department had developed as recently as 2 weeks ago.

My conclusion is that the administration drastically altered its bill to fit the preelection image it was trying to project of an administration dealing boldly, but painlessly with a very brief economic adjustment.

Short term low paid work projects in a very few high impact areas seemed to fit this image. High quality public service employment under CETA, with broad coverage around the Nation, apparently did not.

But I can assure you that that is not what most city, county, and State prime sponsors want, and that this stripped down gimmick offers almost no relief to rising unemployment. It appears to me to be little more than a public relations gesture.

The flaws of the administration bill also are not contained in the various congressional bills on public service employment, regardless of whether the authors are Republican or Democrats.

Naturally, some of these bills appear better than others to city, county, and State prime sponsors, but almost all of them meet these basic criteria:

1. Public service employment funds should be increased, and made available equitably around the Nation, whenever national unemployment rises substantially above normal levels, recognizing that people will differ as to the definition of normal unemployment.

2. Such a program must be coordinated with—and must not disrupt—the carefully developed new comprehensive manpower planning systems established under CETA, with some 400 state and local prime sponsors.

3. Prime sponsors must be given reasonable flexibility in designing programs to meet the unique needs of their jurisdictions.

4. Public service employment programs, in order to be effective, must enlist broad participation from State and local units of government, and must provide genuinely needed public services.

5. Programs cannot be arbitrarily turned on and off at the whim of national indicators. Once begun, they must have some reasonable chance to continue.

Most of the congressional bills meet these criteria. The administration bill violates every one.

By contrast, the draft bill developed earlier by the Department of Labor met all of these criteria, even though it might not have gone quite as far as some of the city, county and state prime sponsors would have liked.

Senator NELSON. You refer to the labor department draft bill.

Was that a proposed draft that was circulated among the Governors' Conference and the mayors?

Mr. BECHTEL It was certainly widely discussed.

We held this 39-State meeting in which Mr. Quinlan of the labor department appeared before us and discussed the matter in great detail.

The Assistant Secretary of Labor, Mr. Kolberg, appeared here in Washington at a National Civil Service League Training Conference on CETA, and spoke at great length and in great depth about the proposals that the Department of Labor was developing to meet the President's request for a public service employment bill.

We have had an opportunity to talk personally with Mr. Kolberg and Mr. Quinlan and some of the legislative draftsmen within the Department of Labor, and a number of us feel we are thoroughly familiar with the bill that percolated up through the professional staff structure of the Department of Labor and, I feel, probably had substantial support at the highest levels of the Department of Labor.

It was not, of course, introduced at any moment, but it was a recommendation that originated with the manpower administration of the Department of Labor. That original bill, in contrast to the one introduced, would have triggered \$1 billion at 6 percent unemployment. The bill introduced triggers only \$500 million at 6 percent, but even that is not available to anyone unless he first exhausts his full unemployment benefits.

The original bill would have made the funds available in all presently defined "areas of substantial unemployment." This means 52 rural counties and four urban areas in Wisconsin would have qualified.

Senator NELSON. Let me ask a question about that on the unemployment benefits aspect.

If you had two people, both of them having lost their jobs in a qualifying labor market area, and one of them has exhausted his unemployment benefits and now has nothing, and another one is eligible for 30 weeks or 26 weeks of unemployment benefits, should not the plan be designed so that all other things being equal, the one who has exhausted his benefits be selected first?

Mr. BECHTEL. Yes, either that, or there has to be recognition in the allowance or wage that you would receive under public service employment so that a person would not get both.

I am not sure it is good public policy to force everyone to exhaust his unemployment benefits, as I will develop later in my testimony. I am not an authority on the unemployment system. Frank Walsh, the President of ICESA, will testify later, and he is.

It seems to me that a declaration by the Federal Government that you have to exhaust all of your unemployment benefits before you can receive any other kind of assistance does run the risk of seriously depleting our unemployment compensation reserves which are built up by employer contributions.

I would rather see both the prime sponsor and the unemployed individual have the option. If it makes sense for this person to take his unemployment compensation benefits, if he thinks he has an opportunity of finding another job in the meantime, I think he ought to be able to take that route.

On the other hand, if there is a good public service job available for which he is qualified, for which he can provide a needed service, it might make more sense for him to go directly into that job and not exhaust his benefits.

Senator NELSON. This question just occurs to me.

The requirement that you exhaust your benefits before being eligible, I suppose it is a question I ought to address to Mr. Walsh when he testifies, but it would seem to me to violate a principle which I had assumed has always been part of the unemployment benefits plan, and that is an employee must take a job for which he is eligible and qualified, even though he is entitled—in other words, he is not entitled to turn down jobs before he runs out of unemployment benefits, if the job is available.

Mr. BECHTEL. That is correct.

Senator TAFT. I do not see how that follows, Mr. Chairman.

Can the witness explain why that is true?

Why does it violate that principle?

I do not see why it violates that principle. I think it is a different principle, a different question. I do not see why it violates the principle.

Senator NELSON. The point I was making is—I may be wrong—if someone becomes unemployed and he registers at the employment office, and he is now eligible for unemployment compensation, it had always been my understanding that if the employment office says here is a job for which you are qualified, you must take that job or you are not—

Senator TAFT. That is a sound principle. I do not see what it has to do with this question on whether or not you are going to provide some special program of jobs for which you are not eligible unless you exhausted your benefits. It is apples and oranges.

Senator NELSON. It may be.

It strikes me as very similar in principle, if you had a job available in the public service or in private, and the employee says "No," I know I am qualified and so forth, but I want to exhaust my benefits first. Under this bill, you are going to force him to exhaust them before he can take the job, even though he wants to take it.

Senator TAFT. That is true for this particular program, but it is not true for the overall program.

Mr. BECHTEL. As I mentioned, the draft bill that we were familiar with coming up from the Department of Labor would have made the funds available in all the presently eligible title II areas of substantial unemployment.

Actually, most of the city, county, and State prime sponsors would favor a bill which makes funds available to all prime sponsors to serve all of the area under their jurisdiction with the level of funding based on their unemployment percentage.

But, at least, the original administration bill was far preferable to the one introduced in that it made all of the present areas of substantial unemployment eligible.

The original draft bill was a new title VI of CETA. The bill introduced is totally outside CETA, a fact which absolutely baffles State and local prime sponsors who have followed the long fight for com-

prehensive manpower planning and decategorizing of manpower programs.

Has the administration forgotten its first and only victory in the area of special revenue sharing?

Is it reverting to the Washington-dictated categorical programs which its spokesmen denounced throughout the past 5 years?

The original Department of Labor draft bill gave prime sponsors tremendous flexibility—even more than the congressional bills. Sponsors could have used their employment assistance money to pay living allowances during occupational training, to pay unemployed people while they searched for a job, to finance work experience programs such as Operation Mainstream, or for regular public service employment.

Some funds could have been used for tools, equipment, and supervision. This, incidentally, is an approach I strongly support.

What difference should it make to the Congress if the emergency employment assistance money pays an unemployed person \$80 a week to support himself and his family while he learns a badly needed skill at a first-class vocational school, or pays a displaced farmer \$100 a week to build the Ice Age National Trail through northern Wisconsin, or pays a traditional public service employee \$150 a week to serve as a police radio dispatcher?

All of these efforts take an unemployed person off the unemployment rolls, make him temporarily self-sufficient, and offer him hope for a better future.

Why should Congress dictate precisely how the money must be used?

Why not merely require that at least 90 percent go to a qualified unemployed person in the form of wages and benefits or the equivalent?

The introduced administration bill offers none of this flexibility. That is why it is fatally flawed.

The worst feature of the administration bill is the allocation of funds only to federally designated labor market areas with 250,000 or more population and 6.5 percent or more unemployment.

As I mentioned earlier, not a single area of Wisconsin would qualify.

Why should Wisconsin taxpayers support an employment assistance program which taxes them but offers their unemployed no benefits whatever?

We have seven Federal labor market areas in Wisconsin: Milwaukee County and its surrounding three counties; Madison and Dane Counties; Appleton-Oshkosh area; Green Bay and Brown Counties; Racine and Kenosha Counties; LaCrosse County; Superior and, across the State line, Duluth, Minn.

The Milwaukee area meets the administration's 250,000 population criteria. Milwaukee, of course, has serious unemployment problems. Unemployment in the city as a whole is over 7 percent today. Inner city unemployment is believed to be close to 15 percent.

But the Department of Labor chooses to link Milwaukee County together with three very prosperous suburban counties—Waukesha, Ozaukee, and Washington, which have extremely low unemployment.

The President's bill would say to Milwaukee:

We don't care how serious your unemployment gets. You won't get a penny out of this Employment Assistance Act unless your economic problems are so

as to drag Wauwatosa, Elm Grove, Brookfield, Mequon, River Hills, and all the other affluent areas around down to where you all average 6.5 percent unemployment. Then, if there is any money left, we might let a little trickle in for 26-week, short-term work projects.

Another Wisconsin labor market area which might meet the population requirement would be Madison and Dane Counties. But this area could not be expected to reach 6.5 percent unemployment unless we faced a national economic catastrophe. So, Wisconsin would get zero.

What kind of antirecession legislation is that?

In case you suspect Wisconsin does not deserve any assistance under this act, I refer you to a table of Wisconsin unemployment statistics following my prepared statement. It is clipped together with some information headed "Examples of EEA Jobs." It begins on the third page, "Wisconsin unemployment data."

The same information is portrayed on this chart here. This is not intended to be any kind of horror story. This is information developed by the Employment Service, Bureau of Research and Statistics, following strict methodology laid down by the Department of Labor under CETA.

They had to review every county in Wisconsin to see whether it qualified for title II assistance under CETA. They used the accepted Department of Labor methodology, a much stricter one than has been used in the past, to compute the unemployment rate in these counties.

It represents a 3-month average for January, February, and March of 1974.

By that strict criteria, developed and approved by the Labor Department, we have this 52-county area outlined in red, plus four urban areas, which averaged over 6½ percent unemployment, at a time when the State as a whole was doing quite well.

The State unemployment rate at the time these studies were done was only 4.3 percent. What you see, I think, is an education in where the unemployed are.

We are a relatively prosperous State, but our economic growth, our industrial corridor, is concentrated almost entirely in southeastern Wisconsin along that industrial lake shore which is one continuous metropolitan area running up from Chicago.

In that whole southeastern corner, the only substantial unemployment areas are the inner cities.

Over here in the old Nelson country of Wisconsin, just opposite the Minneapolis area, we have a three-county pocket of prosperity.

In the southwestern corner, Grant County, and of course we have the State capital area, Dane County, that are not affected.

All the rest of Wisconsin, by the Department of Labor's own standards, is 6½ percent unemployment or more over the 3-month average period.

Look at some of those rates—Sawyer County with 18 percent; Menominee County, an Indian county, with almost 25 percent; a number of counties with 10, 11, 12, almost 15 percent unemployment; inner city areas with very high unemployment rates. That is where the unemployed are.

If we are going to develop a national program to attack unemployment, it has got to get the benefits to where the unemployed are. That is where they are in Wisconsin.

Again, how can you ask these people to pay additional taxes to support an Employment Assistance Act which provides benefits for areas of 6½ percent unemployed, but only in other States?

We chose to compare the administration bill with the most recent bill introduced, S. 4079, the Nelson bill.

I handed this off to a researcher on our staff who did all his own work and he handed the figures back to me, and they were not dictated or influenced by me.

In order to make the fairest possible comparison, we assumed that a billion dollars would be appropriated in both instances—a billion dollars appropriated the way the administration bill would do it and a billion dollars appropriated the way the Nelson bill would do it.

Now, the fact is the Nelson bill at the present stage of the economy would trigger more than \$1 billion, and the administration's bill would trigger less, but in an attempt to be fair, to lean over backward, we assumed an equal appropriation in each instance.

Nothing we assumed can change the fact the administration's bill would make zero funds available in Wisconsin.

On the other hand, national appropriations of \$1 billion under the Nelson bill would mean about \$20 million for public service jobs in Wisconsin.

In an attempt to see whether that money would go where the unemployment really is, we proceeded to allocate it, as the bill would require, to various areas of the state based on the percentage of unemployed which they have.

What it means is that this wide "balance of State" area, the vast rural areas of Wisconsin, would get over \$10 million to serve 42,000 unemployed people. Each of the local prime sponsors would get a significant allocation ranging from \$398,000 for Outagamie County to almost \$5 million for Milwaukee County, where they have a very substantial unemployment problem.

In this study that I am giving you—

Senator NELSON. Who did this study?

Mr. BECHTEL. It was done by Harvey Sokolow, who is a researcher on the staff of the State manpower council, working with the bureau of research and statistics in the department of industry, labor and human relations.

In the statement we show a detailed breakdown to the counties in the balance of the State, again showing that, under this approach, \$207,000 would go into Barron County, \$890,000 into Brown County, \$311,000 into Chippewa County, \$314,000 into Douglas County, for example, and that is where the unemployed are.

This kind of an approach puts the money where the unemployed are and enables us to put them back to work in good public service jobs.

The clear advantages of this approach as opposed to the Labor Department approach of funding only selected labor market areas around the country is so obvious that I do not want to belabor the point.

The approach of the Nelson bill, like most of the congressional bills, whether they are Republican or Democratic, delivers the resources promptly and directly to where the need is, and it enables State and

local government working in partnership to put capable people back to work performing needed public services.

I have difficulty understanding precisely how some features of the administration bill would work.

It apparently offers employment opportunities only after all unemployment compensation assistance—including supplementary assistance beyond that now offered—is exhausted. This means it would be public policy that all unemployment benefits had to be used up before other assistance could be offered.

Does this not assure a serious depletion of the unemployment insurance reserves built up by employer contributions?

I want to make sure that the Federal Government does not have the private employers carrying the cost of massive unemployment during a recession.

If the Community Improvement Corps jobs are limited to experienced workers who have exhausted all unemployment benefits, when could an eligible prime sponsor begin to use his allocation of such funds?

Once the funds were triggered, could he hire persons already unemployed? Or would he have to wait for 16, or 26, or 34 weeks until newly laid off workers began exhausting their benefits?

How would we design 26-week work projects so as to employ these people effectively?

Worst of all, assuming some people do finally get hired in this process, what happens when the 26-week period ends?

Are the employees out of work?

It seems to me that they are not, that they would have to be transferred to some other work project, that their project would end, but the employment would not. Why?

Why would a project end and the people be shifted over to do something else?

Why put that burden on the State and local government to go through those tortuous administrative processes?

It seems to me that when people finally get hired, after a long delay during a period of hired employment, that the funds will be detriggled by the national rate falling below the trigger level.

Finally, let me close with a number of observations about public service employment which I believe are relevant.

There is nothing wrong, per se, in short-term work projects at relatively low wages. Such projects are already allowed under CETA and should be a part of any prime sponsor's plan of services if relevant to the needs of the area.

But the specifics of the program should be left to the prime sponsor. That is the spirit of CETA. It is wrong to set aside a large sum at the national level and say it can be used in this manner only.

CETA prime sponsors are sincerely concerned about the quality and the administrative costs of implementing programs mandated by the Congress. We do not want Congress and the administration to try to outbid one another on the sheer dollar cost of such a program.

It takes time and real effort to develop good public service programs, particularly if we bring many smaller units of government and private nonprofit organizations into the program.

Ample startup time, reasonable regulations, and freedom from arbitrary requirements—such as 50-percent transition or absorption—are just as important as the size and cost of the program.

Detrigger mechanisms may make sense to budget officials, but they are cruel in their effect on human beings, and they discourage local government from starting programs for fear they will be shut off suddenly.

Prime sponsors generally insist that programs be allowed to expend their funds over a 12-month period. Shorter term projects are rarely worth the tremendous startup effort.

There often is no relationship between a State or local unemployment rate and the national rate. For example, Wisconsin generally lags behind the national rate, both on the upside and the downside, because we are a State with a large durable goods manufacturing industry, slow to be hurt by a recession, but also slower to resume production as the national recession ends.

Thus, in a bill, such as the administration bill, States like Wisconsin would be delayed in being "triggered in," and then might be "triggered out" by the national rate even though there still was a real need for assistance.

It is ridiculous to assume that there is no longer need for State or local assistance merely because the national employment rate declines. Sudden prosperity in one area should not deprive another area of funds it genuinely needs.

Those who categorize public service employment as dead end, make-work type jobs, such as leaf raking, have an inaccurate stereotype of the unemployed. The ranks of the unemployed are constantly changing, and they include a broad assortment of talents and skills. Particularly as unemployment rises the capability of the unemployed group rises accordingly.

The Emergency Employment Act demonstrated that unemployed people could be fitted into a tremendous variety of good public service jobs, many of them with long-range career opportunities.

We included, as an example in one of the attachments, some illustrations of some of the kinds of Emergency Employment Act jobs that we feel are much more typical than the stereotype of leaf raking and make work.

As I mentioned, if you have any questions either about the testimony of supporting documents, I would be happy to answer them.

Senator NELSON. The administration bill, as I recollect it from our hearing, is tailored and aimed at unemployment in addition, I guess, to what we anticipated when CETA was created?

Mr. BECHTEL. Yes.

Senator NELSON. This is viewed apparently by the administration as a kind of a supplementary program different from CETA.

Among other things, the proposal provides that to be eligible, you would have to be somebody who became unemployed in an eligible area, as described in the bill; is that not correct?

Mr. BECHTEL. Yes; that is right.

Senator NELSON. Do you object to that?

Mr. BECHTEL. Yes.

Actually, the eligibility relates to the prime sponsors. The prime sponsor would become eligible if his area was in one of these design-

nated labor market areas and had met the other criteria. Then he could develop presumably a package of work programs for the unemployed in his area.

Senator NELSON. Then the bill also sets a maximum annual rate of wages at \$7,000 a year.

Mr. BECHTEL. Yes.

Senator NELSON. What is your view of that?

Mr. BECHTEL. There is nothing wrong, as I said, with short-term work projects with a wage ceiling of \$7,000. We have some in northern Wisconsin that operate on a \$3,500 salary and do good work.

What we object to is setting aside hundreds of millions or billions of dollars at the national level and then saying prime sponsors have to use that in this prescribed manner.

Senator TAFT. What do you mean by billions?

It is half a billion; is it not?

Mr. BECHTEL. The administration bill would trigger \$500 million at 6-percent unemployment, and I believe an additional \$500 million or \$750 million at 6½-percent unemployment.

The amount of money released would depend on the unemployment rate.

But, in any event, the methodology, the legislative philosophy is exactly the same. It is a very strictly circumscribed categorical program, such as we tried very much to get away from. It is much more restrictive than any of the categorical programs we had.

The Neighborhood Youth Corps was not nearly as restrictive as this. Operation Mainstream was not nearly as restrictive as this.

Yet, those programs were attacked for years by people who said it is a mistake to set aside large sums of money at the national level and say it can only be spent in accordance with these prearranged dictates coming out of Washington.

Some reasonable unemployment rate—reasonable salary ceiling ought to be set in connection with public service employment to guarantee that you get the most money for the amount invested in the program.

The Emergency Employment Act set a ceiling of \$12,000.

When CETA was enacted, Congress, in its wisdom, decided to bring it down to \$10,000. Those are both reasonable levels; \$7,000 is extremely unreasonable for many areas of the country, and it is workable for others. We just do not feel it is a judgment that the administration and the Congress ought to make. They ought to stick with CETA and allow prime sponsors who receive this money to use it in the most effective way.

Senator NELSON. Senator Taft.

Senator TAFT. Mr. Bechtel, you have not mentioned title I at all, have you, of the administration's bill?

Mr. BECHTEL. I mentioned it only to the extent of explaining the concern we have about the exhaustion of unemployment benefits and the question of whether one has to go through that process before—

Senator TAFT. What about those who would be covered for the previously ineligible individuals?

Mr. BECHTEL. I think the idea of making additional unemployment benefits available as a part of the Employment Assistance Act is excellent. We would welcome it.

Senator TAFT. That does not exhaust anybody's benefits, does it?

Mr. BECHTEL. No.

Making additional money available, if it were made available broadly, is an excellent idea which we strongly support.

Senator TAFT. How much do you think is available under this proposal for that purpose?

Mr. BECHTEL. My recollection is something like \$2¼ billion.

Senator TAFT. It is about \$2¼ billion, that is including the exhaustee provision.

Mr. BECHTEL. Yes.

Senator TAFT. The provision on the uncovered is \$1.9 billion of that.

Mr. BECHTEL. Yes.

I think that suggestion, as a way of fighting a rapid increase in unemployment, that we make those amounts of money available either to supplement or to extend unemployment benefits is an excellent one.

The problem is, though, that Wisconsin does not get any of that money either.

Senator TAFT. Why not?

Mr. BECHTEL. Because we do not happen to fall into one of these eligible areas.

That money, like other money in the bill, is made available to designated labor market areas of 6½ percent or more unemployment, and with a population of 250,000 or more, and we would not get a penny of that money either.

Senator TAFT. Looking at some of your figures here, in your various county breakdowns in Wisconsin, your high levels of unemployment seem to be in very small population counties.

Mr. BECHTEL. There are some of both.

Our most populated areas, Milwaukee, Racine, Oshkosh, Green Bay, and so on, have very concentrated unemployment in the inner city areas.

Senator TAFT. Is that something new that has just occurred?

Mr. BECHTEL. No.

It is traditional. Our unemployment in Wisconsin is in the inner city areas plus in rural counties.

Senator TAFT. Is that not more a matter of training?

Is it an economic condition that results from the present recession that we are attempting to aim at in this legislation?

I have the same kind of problem in Cleveland. It has been there for years in the inner city in Cleveland. We have very high unemployment rates. It is a matter of training. It is a matter of education. It is a matter of motivation.

It is a problem that is different from the market that we are attempting to aim at this time with this particular legislation.

Mr. BECHTEL. I have no quarrel with that.

But what this legislation says is if an area gets above 6½-percent unemployment, they are entitled to some assistance.

What we are saying is, how can you say that a 6½-percent unemployment area in Wisconsin is not entitled to assistance, but a 6½-percent unemployment area in Detroit, for instance, is, because that happens to meet the criteria that the Department of Labor has adopted?

It is the same level of unemployment and the same economic problem exists. The areas that would benefit have the same chronic problems we have, yet we would not benefit.

It is just they would get some assistance out of this act, and States like Wisconsin would not.

Senator TAFT. What do you think of the areas chosen for CETA at the present time?

Are you criticizing the current legislation in this respect?

Mr. BECHTEL. No.

We came out very well on title II of CETA.

As I say, all of these areas shown in red or orange are presently receiving title II assistance under CETA. We are receiving \$12.5 million in Wisconsin under title II of CETA, and we are able to run a significant package of public service employment programs with that money.

I am saying, though, that I think all city, county, and State prime sponsors would prefer that the prime sponsor be able to serve all the areas in his jurisdiction with public service employment funds.

But if the Congress were not prepared to go that far, then the CETA procedure, the title II CETA procedure is at least infinitely preferable to the procedure in the administration's introduced bill.

Senator TAFT. Do you think we are taking the correct approach in the administration bill by tying title I and title II together in one piece of legislation, or do you think we should be looking at these items separately?

Mr. BECHTEL. Unemployment benefits and public service employment?

Senator TAFT. Yes.

Mr. BECHTEL. The only concern about tying them together, I assume, would be jurisdictional problems in the Congress.

We have no objection to those two issues being linked together. But we do have objection to the fact that this legislation is not an amendment to CETA, but is a completely separate piece of legislation.

Senator TAFT. Would you really be happier if we increased title I funding of CETA?

Why would that not meet all the requirements you are talking about?

Mr. BECHTEL. It would.

City, State, and local sponsors would welcome attacking massive increase in unemployment by increasing funds available under CETA.

It is my judgment, though, that Congress would not go that route.

If you were to make several billions of dollars additional available, you would want to make some more restrictions on it than there would be in CETA. But at least it ought to be a part of the CETA act. It ought to take notice of what we already have in CETA, and it ought to be fully consistent with everything we have in CETA.

We are very concerned about setting up another major new categorical manpower program which may threaten the whole future of comprehensive manpower planning under CETA.

Senator NELSON. May I ask a question?

Senator TAFT. Yes, I yield.

Senator NELSON. You make the judgment that Congress would not go that route, that is, just add the money to CETA with additional triggers?

Mr. BECHTEL. If the money were added to title I, prime sponsors would have tremendous latitude in deciding how to spend it. They could hire more Bill Bechtels. They could spend it for purposes other than directly employing people.

So we assume—

Senator NELSON. No. I think in your own testimony you state that 90 percent of the money should be spent for wages.

Mr. BECHTEL. It could be done in that manner, yes.

If I had my druthers, I would say Congress ought to make the money available as a part of CETA, but with a restriction that the money appropriated under this section of the Act must go to unemployed people who meet certain specific criteria, at least 90 percent of the funds would have to go to unemployed persons in the form of wages and benefits. And it seems to me that is adequate effective earmarking.

It lets the prime sponsor then decide precisely how the money would be used, but it guarantees it would go directly to unemployed people.

Again, if you put the money into title II as it now reads, it would aggravate the inequities that already exist.

Some of these counties, their programs would double and triple, and the counties next to them would still have no program at all.

So, if we are going to have a really major public service employment program, I do not think you just want to make it available to the title II areas, because it has the effect of doubling and tripling their programs, whereas adjoining counties or adjoining areas still have no program at all.

Senator TAFT. Did the bill that you were working on with the Labor Department have any special provision or special program to take care of those or give a preference, in effect, as title II does in the administration's bill to those who have exhausted all their benefits?

Mr. BECHTEL. Yes.

I believe that the administration's bill—I believe that the Department of Labor draft that we discussed with a number of people in the Department of Labor, I know that it gave a strong priority to heads of households.

Senator TAFT. Whether that exhausted their benefits or not?

Mr. BECHTEL. Whether it required that a person exhaust their benefits or not, I am simply not clear on that point.

Senator TAFT. In all fairness, your testimony, it seems to me, takes off on this one aspect of the administration's bill which is in the 6 percent level—it is only a \$500 million program, and it seems that \$500 million is aimed at a particular group who I feel merit some priority consideration because they have nowhere else to turn.

You talk as though that were your whole unemployment insurance program. Actually, the figures that I have here indicate that with CETA, both in title I and title II of CETA, with the unemployment benefits program generally, and you add on special unemployment benefits and the administration bill and this \$500 million, you come out to total resources, 6 percent figure, some \$13½ billion, of which only half a billion is title II program.

You seem to have isolated this out, and you say it is wrong to consider this particular category as one that you ought to be dealing with specially.

Why is it wrong in a \$13.5 billion program to single out a half-billion dollars and say, all right, we are going to use this for people who have exhausted all their other unemployment insurance benefits?

Mr. BECHTEL. I have no objection whatever to giving people who exhaust their unemployment benefits priority in hiring in public service jobs.

I strongly support the idea of making additional Federal funds available to supplement unemployment benefits.

I support both of those aspects.

Again, Senator—

Senator TAFT. You would suggest that we amend title I of CETA to give a priority to those who have exhausted their unemployment insurance benefits.

Was that in the Labor Department bill?

Mr. BECHTEL. I think probably the draft of the Department of Labor bill that I was familiar with did give high priority to people who have exhausted unemployment benefits.

Again, I have no quarrel with that. My quarrel is with the fact, with the way both the unemployment benefit money and public service job money is allocated.

States like Wisconsin would receive no funds for either of those purposes. We would get no extended unemployment benefits and we would get no public service jobs.

I do question whether it is good public policy to require all unemployed people to exhaust their unemployment benefits before they are offered public service jobs.

Senator TAFT. That would not be the case.

Title I would continue to operate, and title I is at the billion dollar level compared to this other level we are talking about for title II of the administration's proposed bill.

Mr. BECHTEL. Again, we believe that public service employment during a time of high national unemployment is an effective device to reemploy significant numbers of people.

If the funds are made available, they ought to be made available equitably around the country.

We will make good use of the money. We believe extending unemployment benefits is also a valuable tool during a time of high unemployment.

If those funds are made available to States like Wisconsin, they will be effectively used.

If they are not available in Wisconsin, we cannot do anything with them.

Senator NELSON. Well, under the administration bill's additional unemployment compensation benefits provision—there would not be any worker in Wisconsin eligible therefore because they are tied into the labor market area, are they not?

Mr. BECHTEL. That is right.

Senator TAFT. Mr. Bechtel, how much would Wisconsin receive under CETA?

Mr. BECHTEL. In the package of papers that I have given you headed "Examples of EEA Jobs," there is a one-page summary, which I am glad you asked about, because I was going to call this to your attention, to show you very visibly what you have already done for us. It is most impressive. This sheet is headed "Wisconsin Allocations under CETA." It shows on one page the entire story.

Total Wisconsin CETA allocations to date, \$44,561,000. Again I am trying to be as favorable and supportive as I possibly can here. That is a significant amount of money.

Under CETA we have significant flexibility to plan for the effective uses of that money. We have a powerful tool in CETA, and we have brought everyone into the picture.

That money is split almost equally between State and local prime sponsors. We have statewide funds to knit the system back together. We have a State manpower council that represents the whole system. We are making good effective use of that money.

Senator TAFT. About how much leadtime is necessary to translate funds once received into jobs under CETA?

Mr. BECHTEL. I would be guessing, but I would say something in the neighborhood of 3 months at the minimum. I am struck upon leaving the congressional staff and going back to Wisconsin with what a tremendous job it is to actually carry out programs that are launched by the Congress, especially if you work with units of local government which we have to do if we are going to generate a significant number of good public service jobs. It takes time.

Our State department of administration, for instance, has only something like four people working in administering this \$8 million public service employment program. We have to deal with 60 counties, at least 50 to 100 municipalities, a large number of private organizations. Simply getting the information out to them, contracting with them, getting checks out to them is a tremendous undertaking.

I say at least 3 months is needed to get a program established.

Senator TAFT. Thank you very much.

Senator NELSON. Thank you very much for your very valuable contribution to these hearings. We appreciate it.

[The prepared statement of Mr. Bechtel along with other material referred to follow:]



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STATE MANPOWER PLANNING COUNCIL
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EXECUTIVE DIRECTOR

THOMAS RITTER
DEPUTY DIRECTOR

TESTIMONY BEFORE SENATE SUBCOMMITTEE ON EMPLOYMENT,
POVERTY AND MIGRATORY LABOR, 10 a.m. WEDNESDAY
OCTOBER 16, 1974

Mr. Chairman, I am William R. Bechtel, Executive Director of the State Manpower Services Council in Wisconsin. The council is a broadly representative body of cabinet level state agency heads, local elected officials and citizen members, established pursuant to the Comprehensive Employment and Training Act (CETA).

In my remarks today I want to emphasize the broad consensus which exists in regard to public service employment among city, county and state prime sponsors of manpower programs. It is in that area of consensus that I believe the Congress must seek a legislative solution to our rapidly escalating unemployment crisis. And based on my work as the chairman of a bill drafting committee for the National Governors' Conference Manpower Project, on my attendance at a recent 39-state meeting on public service employment, and on my participation in two recent national meetings of city, county and state prime sponsor representatives, I think I can assure you that that broad area of consensus can be promptly identified and used as the basis for urgent national legislation.

I particularly want to emphasize that I mean to make no partisan judgments in my remarks here today. One of the most notable developments in manpower and public service employment is the disappearance of partisan lines and the emergence of a nonpartisan determination to use this new manpower tool in the most effective manner in the overall public interest. In our recent 39-state meeting, partisan considerations did not develop once during two long days of deliberations. (Note: A summary of recommendations from this meeting is attached to this testimony.)

In fact, I was prepared to come here today and praise the public service employment bill of the Ford Administration. Through my association with persons in the Department of Labor, through the hard work of our National Governors' Conference manpower specialists here in Washington, and through my personal conversations with key Administration officials, I had an Administration bill all sketched out, and it was a good one.

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But Mr. Chairman, something happened to that bill on the way to the economic summit. What emerged is barely recognizable to those of us familiar with the original.

I choose to interpret this as a hopeful sign, which will serve to mitigate some of the criticisms of the Administration bill which I make here today. The fact is, while the Administration bill before you is simply not an effective, workable proposal to attack rising unemployment, there is support for such a proposal within this Administration. And I am confident that, between us, we can bring out that support and use it to help achieve a significant legislative accomplishment.

Fatal Flaws Cited in Bill

The Administration bill completely fails to meet the needs of an effective public service employment program for the following basic reasons:

1. It is not public service employment but an extremely narrow plan for 26 week work projects with a \$7000 salary ceiling -- a Washington-dictated categorical restriction far more rigid than any the Administration proudly got rid of when CETA was enacted after five years of legislative effort.
2. Funds would be allocated in a highly arbitrary manner, based on the assumption that unemployment is not serious -- no matter how high it is -- unless it happens to fall in Federally designated labor market areas with more than 250,000 population. Wisconsin and many other states, forced to pay heavy taxes to finance such a program, would not receive a dollar, in benefits, even though, by the Labor Department's own standards, we already have 52 rural counties and four urban areas with the kind of "substantial, aggravated unemployment" which this bill purports to attack.
3. The bill dangles multibillion dollar benefits before a troubled nation but proposes to pay those benefits in such a tantalizingly slow and tortuous manner that the Nation could be deep into a depression -- or even out of it -- before the inadequate relief began to trickle through.

These are fatal flaws. They must be corrected.

Incidentally, none of these fatal flaws was in the draft bill which the Labor Department had developed as recently as two weeks ago. One can only speculate on what caused such a complete reversal.

Page Three

My personal conclusion is that the Administration drastically altered its bill to fit the pre-election image it was trying to project -- the image of an Administration dealing boldly but painlessly with a very brief "economic adjustment." Short term, low paid work projects in a very few high impact areas seemed to fit this image. High quality public service employment under CETA, with broad coverage around the Nation, apparently did not.

But I can assure you that that is not what most city, county and state prime sponsors want, and that this stripped down gimmick offers almost no relief to rising unemployment. It appears to me to be little more than a public relations gesture.

Congressional Bills Preferred

The fatal flaws of the Administration bill also are not contained in the various Congressional bills on public service employment, regardless of whether the authors are Republicans or Democrats.

Naturally, some of these bills appear better than others to city, county and state prime sponsors, but almost all of them meet these basic criteria:

1. Public service employment funds should be increased, and made available equitably around the Nation, whenever national unemployment rises substantially above "normal" levels (recognizing that reasonable men will differ as to the definition of "normal" unemployment.)
2. Such a program must be coordinated with -- and must not disrupt -- the carefully developed new comprehensive manpower planning system established under CETA, with some 400 state and local prime sponsors.
3. Prime sponsors must be given reasonable flexibility in designing programs to meet the unique needs of their jurisdictions.
4. Public service employment programs, in order to be effective, must enlist broad participation from state and local units of government, and must provide genuinely needed public services.
5. Programs cannot be arbitrarily turned on and off at the whim of national indicators; once begun they must have some reasonable chance to continue.

Most of the Congressional bills meet these criteria. The Administration bill violates every one.

Page Four

By contrast, the draft bill developed earlier by the Department of Labor met all of these criteria, even though it might not have gone quite as far as some of the city, county and state prime sponsors would have liked.

The original Labor Department draft bill (in contrast to the one introduced) would have triggered \$1 billion at 6% unemployment. The bill introduced triggers only \$500 million at 6%, but even that is not available to anyone unless he first exhausts his full unemployment benefits.

The original bill would have made the funds available in all presently defined "areas of substantial unemployment." This means 52 rural counties and four urban areas in Wisconsin would have qualified. The bill introduced makes funds available only if a defined Labor Market Area has 6.5% unemployment, a device which makes all of Wisconsin ineligible. Actually, we would favor a bill which made funds available to all prime sponsors, to serve all of the area under their jurisdiction, with the level of funding based on their unemployment percentage. But the original Administration bill was at least far preferable to the one introduced.

The original draft bill was a new Title VI of CETA. The bill introduced is totally outside CETA, a fact which absolutely baffles state and local prime sponsors who have followed the long fight for comprehensive manpower planning and decategorizing of manpower programs. Has the Administration forgotten its first and only victory in the area of special revenue sharing? Is it reverting to the Washington-dictated categorical programs which its spokesmen denounced throughout the past five years?

The original Labor Department draft bill gave prime sponsors tremendous flexibility -- even more than the Congressional bills. Sponsors could have used their Employment Assistance money to pay living allowances during occupational training, to pay unemployed people while they searched for a job, to finance work experience programs such as Operation Mainstream, or for regular public service employment. Some funds could have been used for tools, equipment and supervision. This, incidentally, is an approach I strongly support. What difference should it make to the Congress if the Emergency Employment Assistance money pays an unemployed person \$80 a week to support himself and his family while he learns a badly needed skill at a first class vocational school, or pays a displaced farmer \$100 a week to build the Ice Age National Trail through northern Wisconsin, or pays a traditional public service employee \$150 a week to serve as a police radio dispatcher? All of these efforts take an unemployed person off the unemployment rolls, make him temporarily self-sufficient, and offer him hope for a better future. Why should Congress dictate precisely how the money must be used? Why not merely require that at least 90% go to a qualified, unemployed person in the form of wages and benefits or the equivalent?

Page Five

The introduced Administration bill, of course, offers none of this flexibility. That is why it is fatally flawed.

Labor Market Allocations 'Worst'

The worst feature of the Administration bill is the allocation of funds only to Federally designated labor market areas with 250,000 or more population and 6.5% or more unemployment. As I mentioned earlier, not a single area of Wisconsin would qualify. Why should Wisconsin taxpayers support an Employment Assistance program which taxes them but offers their unemployed no benefits whatever?

We have seven Federal labor market areas in Wisconsin:

- Milwaukee county and its surrounding three counties
- Madison and Dane county
- Appleton-Oshkosh area
- Green Bay and Brown county
- Racine and Kenosha counties
- LaCrosse county
- Superior and Duluth, Minnesota

The Milwaukee area meets the Administration's 250,000 population criteria. Milwaukee, of course, has serious unemployment problems. Unemployment in the city as a whole is over 7% today. Inner city unemployment is believed to be close to 15%. But the Labor Department chooses to link Milwaukee county together with three very prosperous suburban counties -- Waukesha, Ozaukee and Washington, which have extremely low unemployment. The President's bill would say to Milwaukee: "We don't care how serious your unemployment gets. You won't get a penny out of this Employment Assistance Act unless your economic problems are so bad as to drag Wauwatosa, Elm Grove, Brookfield, Mequon, River Hills and all the other affluent areas down to where you all average 6.5% unemployment. Then, if there is any money left, we might let a little trickle in for 26 week, short term work projects."

The only other Wisconsin labor market area which might meet the population requirement would be Madison and Dane county. But this area could not be expected to reach 6.5% unemployment unless we faced a national economic catastrophe. So Wisconsin would get ZERO.

What kind of anti-recession legislation is that?

In case you suspect Wisconsin does not deserve any assistance under this act, I refer you to a table of Wisconsin unemployment statistics following my prepared statement. This data was compiled to meet the Labor Department's rather strict criteria for CETA Title II. Look at those unemployment rates: 52 out of 72 counties averaging over 6.5%; counties with rates as high as 12, 15, 18 and 24%; Rock county, one of the industrial centers of Wisconsin, with almost 12%. How can you ask these people to pay additional taxes to support an Employment Assistance Act for other areas but not for themselves?

Page Six

Nelson Bill Compared

Mr. Chairman, in an effort to illustrate what these various bills offer in the way of benefits, we chose to compare the Administration bill with the most recent bill introduced, S.4079, the Nelson bill.

One major difference is that the Nelson bill would trigger public employment funds at 4.5% unemployment, while the Administration bill offers no benefits until national unemployment reaches 6%. (Naturally, this means that local unemployment rates in many areas of Wisconsin would be two to three times that high.)

But for the purposes of comparison, we decided to set aside these fundamental differences in the bill, and to assume that both would trigger \$1 billion in benefits at the same stage of the economy. This, of course, is an assumption that gives every benefit to the Administration bill.

Nevertheless, nothing we assume can change the fact that the Administration bill still makes ZERO funds available to Wisconsin.

On the other hand, national appropriations of \$1 billion under the Nelson bill would mean about \$20 million for public service jobs in Wisconsin. (Our present share of National unemployment is 1.95%; our share of CETA Title II unemployment is 2.1%.) This \$20 million allocation to Wisconsin would be broken down as follows:

<u>Balance of State</u> (60 counties)	42,144 unemployed	\$10,046,000
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Local Prime Sponsors:

Outagamie county	1,665 unemployed	\$ 398,000
Rock county	2,663 unemployed	\$ 634,000
Dane county	5,089 unemployed	\$ 1,214,000
Milwaukee county	20,319 unemployed	\$ 4,844,000
Winnebago-Fond du Lac counties	3,839 unemployed	\$ 914,000
Kenosha, Racine, & Walworth counties	5,700 unemployed	\$ 1,358,000
Waukesha, Ozaukee & Washington counties	2,482 unemployed	\$ 592,000

At the end of my statement is a detailed breakdown of how funds would be allocated to the 60 counties in the balance of state, showing the great state-wide distribution to areas of need which would occur under this alternative approach.

The clear advantages of the Nelson bill over the Administration bill are so obvious that I do not want to belabor the point.

Page Seven

The Nelson bill, like most of the Congressional bills, delivers the resources promptly and directly to where the need is, and enables state and local government, working in partnership, to put capable people back to work performing needed public services.

The Administration bill promises much to the Nation. But even in those few areas where it would provide assistance, it offers terribly delayed, terribly restricted assistance which is not what is needed to put people and communities back on their feet again.

I frankly have great difficulty understanding how the Administration bill would work. It apparently offers employment opportunities only after all unemployment compensation assistance -- including supplementary assistance beyond that now offered -- is exhausted. This means it would be public policy that all unemployment benefits had to be used up before other assistance could be offered.

Does this not assure a serious depletion of the unemployment insurance reserves built up by employer contributions?

If the "Community Improvement Corps" jobs are limited to experienced workers who have exhausted all unemployment benefits, when could an eligible prime sponsor begin to use his allocation of such funds? Once the funds were triggered, could he hire persons already unemployed? Or would he have to wait for 16, or 26, or 34 weeks until newly laid off workers began exhausting their benefits. How would he design 26 week work projects so as to employ these people effectively?

Worst of all, assuming some people do finally get hired in this tortuous process, what happens when the 26 week period ends? Are the employees out of work? Or are they shifted to another project? Is it not likely that just about the time some people begin to get hired -- after long delay during a period of high unemployment -- the funds will be dettriggered by the National rate falling below the trigger level?

Finally, let me close with a number of observations about public service employment which I believe are relevant.

There is nothing wrong, per se, in short term work projects at relatively low wages. Such projects are already allowed under CETA, and should be a part of any prime sponsor's plan of services if relevant to the needs of the area. But the specifics of the program should be left to the prime sponsor. That is the spirit of CETA. It is wrong to set aside a large sum at the national level and say it can be used in this manner only.

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CETA prime sponsors are sincerely concerned about the quality and the administrative costs of implementing programs mandated by the Congress. We don't want Congress and the Administration to try to outbid one another on the sheer dollar cost of such a program. It takes time and real effort to develop good public service programs, particularly if we bring many smaller units of government and private, nonprofit organizations into the program. Ample startup time, reasonable regulations, and freedom from arbitrary requirements (such as 50% transition or absorption) are just as important as the size and cost of the program.

Detrigger mechanisms may make sense to budget officials, but they are cruel in their effect on human beings and they discourage local government from starting programs for fear they will be shut off suddenly. Prime sponsors generally insist that programs be allowed to expend their funds over a 12 month period. Shorter term projects are rarely worth the tremendous startup effort.

There often is no relationship between a state or local unemployment rate and the national rate. For example, Wisconsin generally lags behind the national rate, both on the upside and the downside, because we are a state with a large durable goods manufacturing industry, slow to be hurt by a recession but also slower to resume production as the national recession ends. Thus, in a bill such as the Administration bill, states like Wisconsin would be delayed in being "triggered in," and then might be "triggered out" by the national rate even though there still was a real need for assistance.

It is ridiculous to assume that there is no longer need for state or local assistance merely because the national employment rate declines. Sudden prosperity in one area should not deprive another area of funds it genuinely needs.

Those who categorize public service employment as dead end, make work type jobs such as leaf raking have an inaccurate stereo-type of the unemployed. The ranks of the unemployed are constantly changing, and they include a broad assortment of talents and skills. Particularly as unemployment rises, the capability of the unemployed group rises accordingly. The Emergency Employment Act demonstrated that unemployed people could be fitted into a tremendous variety of good public service jobs, many of them with long range career opportunities.

AN APPROACH TO AND AN ESTIMATE OF FUTURE PROPOSED
PUBLIC SERVICE EMPLOYMENT FUNDS TO WISCONSIN AND
PRIME SPONSORS UNDER THE COMPREHENSIVE EMPLOYMENT ACT*

Based either on Wisconsin's share of the national unemployment (annual average-1973), which was 1.95%, or on what Wisconsin received in FY'74 and FY'75 Title II funds based on 80% of funds originally allocated to eligible area depending on their share of unemployment for 3 consecutive high months of unemployment, which was 2.1%, Wisconsin should be eligible for approximately 2% of Public Service Employment funding. Assuming that national unemployment rates would initially generate 1 billion dollars in funding of new Public Service Employment funds, Wisconsin would receive approximately \$20,000,000.

If the funds were distributed simply on each prime sponsor's share of unemployment the 60 county Balance of State rural area would receive approximately 50.23% or \$10,046,000 of the \$20,000,000. The remainder would be divided among the seven local prime sponsor areas in the state.

They are Outagamie County, Rock County, Dane County Consortium, Milwaukee County Consortium, Fond du Lac/Winnebago County Consortium, Tri-County Consortium and Waukesha, Ozaukee and Washington Counties Consortium.

The distribution of unemployment among CETA prime sponsors in the state was based on 1973 annual average unemployment.

If the distribution were based on a prime sponsor's share of substantial unemployment, the Balance of State would receive approximately 63.5% of funding coming into state instead of 50%. Milwaukee would most likely receive approximately 26.60% (for the Central City area), Rock County 8.40% Winnebago/Fond du Lac Consortium approximately 0.80% covering the Oshkosh target area and Tri-County prime sponsor approximately 0.70% covering the Racine City impact area.

*NOTE: This is an analysis by the State Manpower Council research staff of the impact on Wisconsin if \$1 billion in Public Service Employment funds were made available under the procedures of Bill S. 4079, introduced October 2, 1974 by Senators Nelson, Javits, Cranston and Mondale. Actually, the Nelson bill would "trigger" \$2 billion at the present level of national unemployment. However, for purposes of comparison, this analysis was based on a theoretical appropriation of only \$1 billion. If \$2 billion were triggered, then the following allocations presumably would be twice as large.

LOCAL PRIME SPONSORS SHARE OF
POSSIBLE \$20,000,000 ALLOCATION TO STATE

<u>COUNTY</u>	<u>ANNUAL AVERAGE UNEMPLOYMENT (1973)</u>		
	<u>#</u>	<u>%</u>	<u>\$</u>
Outagamie	1,665	3.3	398,000
Rock	2,663	4.7	634,000
Dane County Consortium	5,089	3.6	1,214,000
Milwaukee County Consortium	20,319	4.4	4,844,000
Fond du Lac- Winnebago Counties Consortium	3,839	4.0	914,000
Tri-County Consortium (Kenosha, Racine & Walworth Counties)	5,700	3.6	1,358,000
W-O-W Consortium (Waukesha, Ozaukee & Washington Counties)	2,482	1.5	592,000
 SUBTOTAL (Local prime sponsors allocation)			 9,954,000

BALANCE OF STATE ALLOCATION OF \$10,046,000 BASED
ON EACH COUNTY'S SHARE OF 1973 ANNUAL AVERAGE
UNEMPLOYMENT OF 60 COUNTIES TOTAL UNEMPLOYMENT

<u>COUNTY</u>	<u>*ANNUAL AVERAGE UNEMPLOYMENT (1973)</u>		
	<u>#</u>	<u>%</u>	<u>\$</u>
Adams	250	6.4	62,285
Ashland	400	6.7	98,451
Barron	840	6.0	207,952
Bayfield	270	7.2	66,304
Brown	3,600	5.1	890,076
Buffalo	220	4.2	54,248
Burnett	300	8.2	74,340
Calumet	299	2.5	74,340
Chippewa	1,260	7.4	311,426
Clark	740	5.6	182,837
Columbia	940	5.1	233,067
Crawford	350	5.4	86,397
Dodge	1,170	4.2	289,325
Door	430	4.7	106,488
Douglas	1,270	7.0	314,440
Dunn	550	4.1	135,621
Eau Claire	1,530	5.0	378,734
Florence	90	8.3	22,102
Forest	210	8.5	52,239
Grant	810	3.9	199,915
Green	374	2.9	92,423
Green Lake	290	4.2	72,331
Iowa	430	6.3	106,488

BALANCE OF STATE ALLOCATION (Continued)

<u>COUNTY</u>	<u>*ANNUAL AVERAGE UNEMPLOYMENT (1973)</u>		
	<u>#</u>	<u>%</u>	<u>\$</u>
Iron	120	5.6	30,138
Jackson	390	6.2	96,442
Jefferson	960	3.4	237,086
Juneau	460	5.8	113,520
Kewaunee	260	3.6	64,294
La Crosse	2,200	6.3	544,493
La Fayette	260	4.3	64,294
Langlade	410	5.4	101,465
Lincoln	500	5.9	123,566
Manitowoc	1,280	3.6	316,449
Marathon	2,100	5.1	519,378
Marinette	650	4.8	160,736
Marquette	180	5.5	44,202
Menominee	200	22.7	49,225
Monroe	650	5.3	161,741
Oconto	550	5.4	135,621
Oneida	630	5.7	155,713
Pepin	140	5.1	34,156
Pierce	360	2.9	89,409
Polk	630	6.0	155,713
Portage	990	4.6	245,122
Price	320	5.4	79,363
Richland	370	6.0	91,419
Rusk	460	8.9	113,520
St. Croix	520	3.2	128,589

BALANCE OF STATE ALLOCATION (Continued)

<u>COUNTY</u>	<u>*ANNUAL AVERAGE UNEMPLOYMENT (1973)</u>		
	<u>#</u>	<u>%</u>	<u>\$</u>
Sauk	1,090	7.2	269,232
Sawyer	410	11.4	101,465
Shawano	580	4.4	143,658
Sheboygan	1,300	3.0	321,472
Taylor	550	8.4	135,621
Trempealeau	630	6.4	155,713
Vernon	640	6.7	158,727
Vilas	260	5.7	64,294
Washburn	290	7.3	71,327
Waupaca	660	5.1	162,745
Waushara	280	5.2	69,317
Wood	1,720	6.4	424,946

*Using the annual average unemployment figures for 1973 understates the unemployment problem both in numbers and percentages of unemployment. The annual average unemployment for 1974 is likely to be over 100,000 compared to the 1973 average of 83,900 unemployed in state.

EXAMPLES OF EEA JOBS

EEA funds have been used to employ:

Six full-time village administrators for municipalities which were too small to retain a full-time position. The positions were formed by combining some of the duties of part-time clerks, treasurers and zoning administrators.

Salary range: \$600 - 650 per month

Five county manpower agents working with University-Extension research agents particularly in the area of economic development in areas where federal EDA funds were available. One of these enrollees was then absorbed by Operation Hitchhike.

Salary range: \$600 - 750 per month

A director for a newly established day-care center in Vernon County. Operation Mainstream funds were also used to fund child care workers.

Salary range: \$550 - 580 per month

Twenty-five village, township and reservation marshalls for townships and other areas which otherwise had to rely on very inadequate protection from the county sheriff. Free training in conjunction with State Patrol Academy was made available by LEAA to these enrollees.

Salary range: \$550 - 650 per month

Ten sewage treatment operators in small cities that were receiving federal funds to expand their facilities. Enrollees received training courses provided entirely by Environmental Protection Agency funds as well as tutorial instruction that enabled them to pass state certification testing.

Salary range: \$550 - 660 per month

A recreation director in Chippewa Falls who was instrumental in creating new recreational opportunities, particularly for young people and the elderly; these programs included setting up a Little League conference and getting school facilities opened in the evening for recreation.

Several radio dispatchers in Chippewa Falls who took over duties formerly carried out by police officers, thus freeing up the officers for other work. The women hired as dispatchers were so effective in handling a variety of calls that they have substantially increased the efficiency of the department.

A coordinator of elderly activities in Barron County, who set up a number of recreation centers and coordinated activities and services for the large elderly population in this county. This position was so enthusiastically received that not only was it absorbed but another county (Pepin) created a similar position based on the success in Barron County.

In addition, requests for more human service-oriented Public Service Employment positions are expected to increase with the advent of "unified human services" planning now being organized throughout county government in Wisconsin.

WISCONSIN UNEMPLOYMENT DATA

Balance of State Unemployment Data (52 counties)
 Based on highest 3 month unemployment average --
 January, February, March 1974

<u>COUNTY</u>	<u>UNEMPLOYMENT RATE</u>	<u>NUMBER UNEMPLOYED</u>	<u>COUNTY</u>	<u>UNEMPLOYMENT RATE</u>	<u>NUMBER UNEMPLOYED</u>
Adams	10.8	467	La Crosse	7.0	2,451
Ashland	8.9	547	La Fayette	7.8	450
Barron	9.0	1,309	Langlade	5.9	433
Bayfield	11.4	451	Lincoln	8.8	761
Brown	5.8	4,023	Marathon	6.1	2,538
Buffalo	6.6	350	Marinette	5.7	768
Burnett	14.8	534	Marquette	9.0	294
Chippewa	7.9	1,367	Menominee	24.7	215
Clark	7.9	1,070	Monroe	7.2	885
Columbia	7.5	1,336	Oconto	8.8	878
Crawford	8.8	583	Oneida	8.0	871
Dodge	5.9	1,595	Pepin	7.5	200
Door	7.9	737	Polk	8.9	960
Douglas	10.1	1,863	Portage	5.7	1,266
Eau Claire	5.5	1,640	Price	7.2	423
Florence	14.9	165	Richland	9.5	600
Forest	11.6	267	Rusk	12.3	631
Green	5.3	695	Sauk	11.2	1,621
Iowa	11.0	750	Sawyer	18.3	677
Iron	7.5	165	Shawano	7.4	949
Jackson	8.8	560	Taylor	13.7	945
Jefferson	4.8	1,320	Trempealeau	10.2	1,069
Juneau	8.4	666	Vernon	9.5	889
Kewaunee	5.4	372	Vilas	10.5	450

<u>COUNTY</u>	<u>UNEMPLOYMENT RATE</u>	<u>NUMBER UNEMPLOYED</u>
Washburn	11.1	433
Waupaca	6.6	832
Waushara	8.3	425
Wood	8.4	2,213

Target Area Unemployment Data

	<u>UNEMPLOYMENT RATE</u>	<u>NUMBER UNEMPLOYED</u>	<u>3 MONTH AVERAGE - 1974</u>
Milwaukee Central City Target Area	6.8	40,420	February, March, April
Oshkosh Target Area	8.2	724	May, June, July
Racine City Target Area	8.6	997	May, June, July
Rock County Target Area	11.8	6,661	January, February, March

COMPARISON OF SEASONALLY ADJUSTED UNEMPLOYMENT RATES
September 1973 - August 1974

		<u>U. S.</u>	<u>WISCONSIN</u>
September	1973	4.7	4.2
October		4.6	4.0
November		4.7	4.1
December		4.8	4.0
January	1974	5.2	4.5
February		5.2	4.3
March		5.1	4.7
April		5.0	4.4
May		5.2	4.3
June		5.2	4.5
July		5.3	4.3
August		5.4	4.6

WISCONSIN ALLOCATIONS UNDER CETA

<u>PRIME SPONSOR</u>	<u>TITLE I MANPOWER PROGRAMS</u>	<u>TITLE II PSE 6.5% UNEMPLOYMENT</u>	<u>SUMMER YOUTH</u>
Balance of State (60 Counties)	\$10,388,970	\$7,994,149	\$2,855,058
Southern Area	(1,444,500)		
West Central District	(1,471,500)		
Western District	(1,129,500)		
North Central District	(1,670,500)		
Northwestern District	(1,131,967)		
Lake Michigan District	(1,863,000)		
Lake Winnebago District	(468,000)		
Outagamie County	321,620		80,052
Rock County	495,401	1,041,300	134,742
Milwaukee City & County	5,417,730	3,350,187	1,379,030
Dane County & Madison	1,134,540		293,527
Waukesha, Ozaukee & Washington Counties	892,800		250,277
Winnebago & Fond du Lac Counties	1,009,980	95,273	115,852
Racine, Kenosha & Walworth Counties	1,263,870	168,535	343,585
Northwest CEP	1,526,000		
	<u>22,450,911</u>	<u>\$12,649,444</u>	<u>\$5,452,123</u>
<u>INDIAN PROGRAMS</u>	<u>TITLE III</u>	<u>TITLE II PSE 6.5% UNEMPLOYMENT</u>	<u>SUMMER YOUTH</u>
GLITC Consortium	231,446	28,190	192,800
Bad River	(51,815)		
Lac du Flambeau	(63,254)		
Mole Lake	(12,838)		
Potawatomi	(15,610)		
Red Cliff	(31,973)		
St. Croix	(30,123)		
Stockbridge-Munsee	(25,833)		
Lac Courte Oreilles	80,581		
Menominee	334,800	16,443	52,200
Oneidas	157,694	9,939	
Winnebagoes	73,025		
INDIAN PROGRAM TOTALS	<u>\$877,546</u>	<u>\$54,572</u>	<u>\$245,000</u>
Migrant Worker Title III Allocations		\$495,000	
5% Vocational Education Set-Aside		\$1,192,230	
4% Technical Assistance - Statewide Programs		\$953,784	
1% Statewide Planning		\$190,756	
Incentives to Consortia (?)			
TOTAL WISCONSIN CETA ALLOCATIONS TO DATE			\$44,561,366

Unemployment

First Quarter 1974

State	Unemployment Rate (%)	Number of Unemployed
ALABAMA	10.1%	1,863
ALASKA	11.4%	451
ARIZONA	8.9%	547
ARKANSAS	7.5%	165
CALIFORNIA	10.5%	450
COLORADO	14.8%	534
CONNECTICUT	11.1%	433
DELAWARE	18.3%	677
DISTRICT OF COLUMBIA	7.2%	423
FLORIDA	8.0%	871
GEORGIA	11.6%	267
HAWAII	5.7%	768
IDaho	14.9%	165
ILLINOIS	9.0%	1,309
INDIANA	12.3%	631
IOWA	7.9%	1,367
KANSAS	13.7%	945
KENTUCKY	8.8%	761
LOUISIANA	5.9%	433
MAINE	24.1%	715
MARYLAND	8.8%	878
MASSACHUSETTS	7.4%	949
MICHIGAN	6.1%	2,338
MINNESOTA	7.9%	1,070
MISSISSIPPI	5.8%	1,670
MISSOURI	8.4%	2,213
MONTANA	5.7%	1,246
NEBRASKA	6.6%	832
NEVADA	5.8%	4,023
NEW HAMPSHIRE	5.4%	372
NEW JERSEY	4.8%	1,320
NEW MEXICO	10.2%	706
NEW YORK	8.2%	724
NORTH CAROLINA	7.0%	2,451
NORTH DAKOTA	13.7%	945
OHIO	8.8%	560
OKLAHOMA	8.4%	666
OREGON	10.8%	467
PENNSYLVANIA	9.0%	294
RHODE ISLAND	8.3%	425
SOUTH CAROLINA	7.2%	885
SOUTH DAKOTA	8.4%	666
TENNESSEE	9.5%	889
TEXAS	8.8%	583
UTAH	9.5%	600
VIRGINIA	11.2%	1,621
WASHINGTON	7.5%	1,336
WEST VIRGINIA	5.9%	1,595
WISCONSIN	4.8%	1,320
WYOMING	6.8%	40,420
ALABAMA	7.8%	450
ARKANSAS	5.3%	695
ILLINOIS	11.8%	6,661
MISSISSIPPI	8.6%	997

Senator NELSON. Our next witness is Mr. William Welsh, assistant to the president for legislative affairs, American Federation of State, County & Municipal Employees.

STATEMENT OF WILLIAM WELSH, ASSISTANT TO THE PRESIDENT FOR LEGISLATIVE AFFAIRS, AMERICAN FEDERATION OF STATE, COUNTY & MUNICIPAL EMPLOYEES; ACCOMPANIED BY NANINE MEIKLEJOHN, LEGISLATIVE REPRESENTATIVE; AND JAMES M. SAVARESE, ASSISTANT DIRECTOR OF RESEARCH, AFSCME

Mr. WELSH. Mr. Chairman, I am accompanied this morning by Jim Savarese, our assistant director of research, and Nanine Meiklejohn, legislative assistant in our department.

I have somewhat reduced the statement which we filed with you for oral presentation. So if I may proceed with that.

Senator NELSON. Your statement will be printed in the record in full at the conclusion of your testimony. You can present it, however, if you desire.

Mr. WELSH. Thank you.

Mr. Chairman and members of the subcommittee, my name is William B. Welsh, I am assistant to the president for legislative and political education at the American Federation of State, County & Municipal Employees, AFL-CIO, the country's largest public employee union.

I am speaking here today on behalf of over 700,000 members of our union and 2.4 million public employees whom we represent. We appreciate the opportunity to appear here.

For many years AFSCME has supported a permanent federally funded public service employment program. We believe such a program accomplishes three very important goals. It provides needed public services financed through a progressive tax—the Federal income tax. It relieves budget pressure on fiscally hard-pressed local governments still dependent on archaic systems. It creates jobs for the unemployed, particularly the poor and minorities who live in our major cities.

We are pleased, therefore, to see a renewed interest in public service employment—even though it comes at a time of distress for a growing number of unemployed Americans. We wholeheartedly support your efforts to enlarge the Federal commitment to public service jobs.

Any doubts about the immediate need to respond to the unemployment problem should have been dispelled by last month's four-tenths of 1 percent jump in the national unemployment rate of 5.8 percent. We need action, and we need it now.

We commend your committee for proceeding so expeditiously on this legislation.

Before addressing the subject of new authorizing legislation, I would like to make two related points.

First, a Federal jobs program must be financed by new money. It is critical that public service jobs not simply follow on the heels of cuts in existing domestic programs. That proposal makes little sense in terms of both economics and equity. A \$5 billion cut in the Federal budget is insignificant in dealing with the problems of inflation in a trillion dollar economy.

In addition, cutting back on domestic programs would result in either higher State and local taxes, which fall most heavily on the middle income and near poor, or in layoffs of current State and local public employees.

We do not want a Federal policy which, while bringing some people off the unemployment rolls, at the same time forces public employees onto the unemployment rolls. This sort of job recycling would be cruel and counterproductive.

Second, we have been disappointed not to have seen increased funding for title II of CETA. We were pleased to see the President recently speed up the obligation of some \$65 million, but that was not new money. His action will mean a total of \$620 million already obligated under title II and section 5 of the EEA with at least \$350 million more available under title II. The \$970 million would pay for only about 120,000 jobs at \$8,500 per job. This is almost inconsequential if you remember that there are not at least 5.3 million jobless Americans.

The supplemental appropriations bill is a readymade vehicle to provide quick additional relief. We urge inclusion of additional title II appropriation in that bill.

I would like to turn now to the subject of new authorizing legislation.

We believe the existing CETA program has much to recommend it. Title I acknowledges public jobs creation as an integral part of a manpower policy. Title II correctly channels Federal funds to areas most heavily hit by unemployment and coincidentally to local governments suffering the most severe fiscal pressures.

We do not want to see the current title II program which attempts to deal in part with structural unemployment, eliminated. Nor do we want to see a new program become another excuse for underfunding title II. The problems of areas with severe unemployment should not be pushed on the backburner in the effort to deal with the broader unemployment problems of the country.

CETA does have some limitations, however, which we believe make it necessary to create an additional public employment program. Local flexibility combined with limited funding and pressures to continue training programs have resulted in only about 7 percent of title I funds being used for public employment.

Guaranteeing that a specific portion of title I funds will be used for public jobs is almost impossible. The lack of any congressionally mandated authorization levels for public employment makes it easier to underfund both title I and title II. States receive public employment funds for balance of State areas, yet much State employment concentrates in metropolitan areas. CETA is providing only a limited response right now to our growing unemployment problems.

President Ford's public employment bill will not be adequate either. In general, his bill assumes that the private sector will take care of the unemployment problem.

We particularly object to the attitude implicit in the Ford bill that public employment is a last-ditch, temporary, cheap way to provide minimal income support. The Ford bill seems to say that, with limited resources, it is preferable to provide extended unemployment benefits first, and then use public employment as an extension of the unemployment insurance program.

We believe that the Ford priorities should be reversed. We believe that it is preferable to employ someone in useful activities benefiting society rather than make them endure the debilitating effects of forced idleness.

We have other problems with the administration proposal. We cannot accept a Federal program that pays substandard wages and sanctions substandard working conditions on short-term projects, thereby almost guaranteeing "make work" jobs.

We also cannot accept a program which fails to offer any help to those who have never worked. Finally, we cannot accept a program that waits until we have reached a very serious unemployment level to trigger the funds and then provides a woefully inadequate number of jobs.

We believe S. 4079 offers a much better response. Of primary interest to our members is the fact that S. 4079, like most of the other bills that have been introduced, preserve important labor protections, many of which this committee helped us get into CETA after some very bad experiences under the EEA. I would like to discuss them briefly:

1. Labor union comment—Unions representing employees engaged in similar work have to be given reasonable time to comment on applications prior to their submission. Although very clear in the law, this requirement was ignored by the Department of Labor for fiscal year 1974 and fiscal year 1975 CTA applications. The stated reason was the need for speed. This cannot be allowed to happen with a program as large as the one we are considering. There is too much opportunity for inequities to occur. Consultation before applications are finalized and submitted can help reduce problems.

2. Eligibility for assistance—The equal standard in CETA should be preserved, although we would like to see the 30-day rule, now applicable to all persons, reduced to 7 days. We do not think it fair to require a person to seek work for 30 days when employment opportunities are shrinking.

3. Layoffs—CETA language attempting to prevent "paper layoffs" must be retained. We do not want to see our members juggled like pawns in a budget chess game. Given rising inflation and the resulting budget squeezes, the likelihood of layoffs in the public sector grows monthly. Therefore, we would like to see some additional clarifying language requiring employers to offer a federally funded slot first to a laidoff public employee when the position is the same or similar to the one formerly held by the employee.

4. Leapfrogging—CETA states that only entry-level positions be filled until all collective bargaining agreements and personnel procedures have been followed. This important provision is designed to prevent an employer from denying regular employees promotions to pay for the more expensive jobs with Federal funds. It must be retained.

5. Wages—The current law requires payment of the higher of the Federal, State, or local minimum wage or the prevailing wage rate (in the public sector). This provision must be preserved. Federal programs cannot be permitted to exploit the unemployed and disadvantaged or to undermine existing collective bargaining agreements. In a related matter we would oppose any change in the amount of Federal funds permitted per job, which now is \$10,000 under title II.

6. Transitional requirements—The intent of CETA is that the jobs created lead to permanent public or private employment. We support this intent. Indeed, under EEA we found that in some places enrollees we represented were being denied the opportunity for both promotions and transfer onto regular payrolls, despite the fact that positions were available and the people were qualified. We do not want to see this happen.

On the other hand, we would oppose arbitrary goals to place half of the people on regular payrolls such as the Department of Labor has defined in its title II regulations. With a program as large as the one we are contemplating the result could be delayed cost-of-living increases or even unemployment for our members.

There are other features of S. 4079 with which we agree.

Given the continued existence of the title II program, which provides funds to areas heavily impacted by unemployment regardless of the national unemployment rate, we believe it is important to define a reasonable point at which Federal action becomes necessary to deal with a national unemployment problem. The 4.5-percent national trigger in S. 4079 does this. We would oppose raising it. Even at 4.5-percent unemployment, there are over 4 million unemployed Americans.

Specific authorizations are needed. They define an appropriate level of response once the program is triggered. They must provide enough funds to have some kind of impact. S. 4079 does this. Likewise, permitting the expenditure of appropriated funds without fiscal year limitations regardless of a drop in unemployment is important. To do otherwise merely would provide an opportunity for legal impoundment of funds and hamper orderly local planning.

We do have some reservations about the proposed formula in S. 4079. Even though we recognize this to be a program designed to deal with a national problem, we feel that the distribution formula should channel funds to areas of greater need.

A \$4 billion program creating some 500,000 jobs would provide employment for less than 10 percent of the officially unemployed. Even title II funds are rather broadly dispersed because of the large number of areas qualifying. Over 600 places and about 80 percent of the prime sponsors are receiving title II funds. The result is a minimal impact in most areas at present funding levels.

We suggest that you consider a formula that would distribute funds to State and local prime sponsors according to their relative excess number of unemployed above 4 percent.

As a union representing thousands of State employees, we also are concerned about serious staff shortages in State institutions and agencies. Yet under S. 4079, State prime sponsors would receive funds for only the balance of the State. If current patterns persist that would mean that New Jersey State government would receive only about 5 percent of the total going into that State; Pennsylvania about 9 percent; New York about 12 percent; Illinois about 14 percent; Michigan about 16 percent; and California about 5 percent.

These funds, presumably, would be used only in balance of State areas for which the State is responsible. Yet about half of State employment concentrates in metropolitan areas consisting of cities and counties which themselves qualify as prime sponsors.

We would like to see a greater opportunity for States to employ people in State service under a new public employment program. This could be done by creating a 20-percent State set-aside distributed among the States according to their relative number of unemployed. The money could be used in all areas of the State, including those below 4-percent unemployment if the State wished.

These, however, are technical details, although very important ones. The important thing is that we have a very good basis in S. 4079 on which to proceed, and we commend you, Mr. Chairman, on your bill. It can be a major step in guaranteeing a decent job for all Americans.

Thank you.

Senator NELSON. Thank you very much for your testimony, Mr. Welsh.

Go ahead, Senator Taft.

Senator TAFT. Do you see any objection, Mr. Welsh, to the type of approach that seems to me is indicated in title II of the administration's bill, that is to have a special program for those who have exhausted their unemployment benefits?

Let us say if we went ahead and took your suggestion in S. 4079 as to how we implement CETA, fundingwise, is there anything wrong in the concept in going with title II portion of the administration's approach?

Mr. WELSH. Leaving aside some of the questions of the trigger and this type of question, and the actual formula, the question in our mind is whether or not there should be a requirement of exhaustion of unemployment benefits prior to being eligible for public service jobs.

We are not at all in agreement that those two concepts should be tied together as suggested in the administration bill.

Senator TAFT. Of course they are not necessarily public service jobs. We ought to clear that up for the record.

Mr. WELSH. Additional jobs. Supplemental jobs. We are not at all convinced that that is a needed requirement, that the problem of eligibility and problem of coverage under extending that eligibility, and the problem of coverage is a very important need, and we hope the Congress would proceed with that, but not in terms of linking it as prior requirement to becoming eligible under additional jobs program.

Senator TAFT. In other words, you do not disagree with title I of the administration's proposal at all?

Mr. WELSH. No; that is correct. We do not disagree with it. What we would say, Senator, is that there is a very real need. For example, many of those who would be eligible and are now presently uncovered are in fact in public sector jobs—employees in State and local government, who do not have any unemployment coverage at all. We think that should be something that we ought to work on permanently, not just in terms of the temporary situation. Congress should address itself to permanent coverage in that area.

We would urge you not only to go the temporary program, but to go permanent coverage of eligibility in those uncovered areas. And in terms of the extension of coverage it would be very helpful, I am sure, but not to make the linkage in terms of a jobs program and an exhaustion of benefits.

Senator TAFT. You say in your testimony here on page 2 that a \$5 billion cut in the Federal budget is insignificant in dealing with the problem of inflation in a trillion dollar economy.

The question I think is not so much the size of the cut, but do you think it is insignificant to attempt to put your budget closer in balance? Do you think that is an insignificant item insofar as your economy is concerned?

Mr. WELSH. Not, Senator, if we were in fact talking about which program should be given priorities in the context of the Federal budget. I think it has been vastly overstated and oversold, in terms of what a \$5-billion reduction in Federal expenditures in the current fiscal year would do in fact to relieve the double digit inflation we are involved in.

I think there is general agreement throughout the expert economists that probably it would have an impact of about one-tenth of 1 percent on the present rate of inflation. I think that is the problem that we are concerned with, that that \$5 billion cut is oversold, and it is likely to come out of present programs that are going to State and local governments to support various institutions and public services.

If that is in fact what the Congress and the administration were to determine, that the cuts be made, what we are caught up in is a cut-back in existing public jobs with potential layoffs in the public service, and then turning around and creating a program through which we would try to create new public service jobs to alleviate the unemployment problem. We think that is completely counterproductive.

So we are concerned, first, about the overselling of the \$5-billion cut as an inflation impact, and second, we are very concerned as to where those might come in terms of budget priority programs.

Senator TAFT. On page 5 of your testimony you say we also cannot accept the program which fails to offer any help to those who have never worked.

Mr. WELSH. It is my understanding, Senator, that the administration's proposal, as it was sent up to Congress, would require the person eligible for the job to have exhausted his unemployment benefits.

As I understand it, if a teenager had never become eligible, had never worked, he would be ineligible—

Senator TAFT. I think you understand it correctly. The point I was going to make is he definitely is eligible under the existing legislation, under CETA I and II. You have to consider this whole thing as one package I think. I do not think you can consider particular provisions of the administration's bill in isolation from existing manpower and unemployment relief problems.

Mr. WELSH. I think, Senator, that is why we would feel better if the proposal were linked very closely to the CETA mechanism, integrated with CETA mechanism, and in fact made these total tools that are available under CETA for comprehensive program available to work, and available to meet all the range of unemployment problems that we are presented with, including the unemployed teenager, and the increased funding, both with the existing titles I and II program, as well as this additional supplemental program.

Senator NELSON. Thank you very much, Mr. Welsh, for your fine contribution.

[The prepared statement of Mr. Welsh follows:]

STATEMENT OF WILLIAM B. WELSH
ASSISTANT TO THE PRESIDENT FOR LEGISLATION AND POLITICAL EDUCATION
AMERICAN FEDERATION OF STATE, COUNTY, AND MUNICIPAL EMPLOYEES, AFL-CIO

BEFORE THE
SUBCOMMITTEE ON EMPLOYMENT, POVERTY, AND MIGRATORY LABOR
SENATE COMMITTEE ON LABOR AND PUBLIC WELFARE
OCTOBER 16, 1974

Mr. Chairman and members of the subcommittee, my name is William B. Welsh.

I am Assistant to the President for Legislation and Political Education at the American Federation of State, County and Municipal Employees, AFL-CIO, the country's largest public employee union. I am speaking here today on behalf of over 700,000 members of our union and 2.4 million public employees whom we represent. We appreciate the opportunity to appear here.

For many years AFSCME has supported a permanent Federally funded public service employment program. We believe such a program accomplishes three very important goals. It provides needed public services funded through a progressive tax - the federal income tax. It relieves budget pressure on fiscally hard-pressed local governments still dependent on archaic tax systems. It creates jobs for the unemployed, particularly the poor and minorities who live in our major cities.

We are pleased, therefore, to see a renewed interest in public service employment - even though it comes at a time of distress for a growing number of unemployed Americans. We wholeheartedly support your efforts to enlarge the Federal commitment to public service jobs.

Any doubts about the immediate need to respond to the unemployment problem should have been dispelled by last month's four-tenth of a percent jump in the national unemployment rate to 5.8 percent. At that rate, we will surely hit 6 percent unemployment by next month and there is every reason to expect unemployment to continue to climb. We need action, and we need it now.

Before addressing the subject of new authorizing legislation, I would like to make two related points.

First, a Federal jobs program must be new money. It is critical that public service jobs not simply follow on the heels of cuts in existing domestic programs. That proposal makes little sense in terms of both economics and equity. A \$5 billion cut in the Federal budget is insignificant in dealing with the problems of inflation in a trillion dollar economy. It accounts for roughly 1/3 of 1 percent of total spending in the United States annually. In addition, cutting back on domestic programs would result in either higher state and local taxes, which fall most heavily on the middle income and near poor, or in lay-offs of current state and local public employees. We do not want a Federal policy which, while bringing some people off the unemployment rolls, at the same time forces public employees onto the unemployment rolls. This sort of job recycling would be cruel and counterproductive. If the budget has to balance, take the money out of defense or enact tax reform.

Second, we have been disappointed not to have seen increased funding for Title II of CETA. We were pleased to see the President recently speed up the obligation of some \$65 million, but that was not new money. His action will mean a total of \$620 million already obligated under Title II and Sec. 5 of the EEA with at least \$350 million more available under Title II. The \$970 million would pay for only about 120,000 jobs at \$8,500 per job. This is almost inconsequential if you remember that there are now at least 5.3 million jobless Americans.

I would like to turn now to the subject of new authorizing legislation.

We believe the existing CETA program has much to recommend it. Title I acknowledges public jobs creation as an integral part of a manpower policy. Title II correctly channels Federal funds to areas most heavily hit by unemployment and coincidentally to local governments suffering the most severe fiscal pressures. We do not want to see the current Title II program which attempts to deal in part with structural unemployment, eliminated. Nor do we want to see a new program become another excuse for underfunding Title II. The problems of areas with severe unemployment should not be pushed on the backburner in the effort to deal with the broader unemployment problems of the country.

CETA does have some limitations, however, which we believe make it necessary to create an additional public employment program. Local flexibility combined with limited funding and pressures to continue training programs

have resulted in only about 7 percent of Title I funds being used for public employment. Guaranteeing that a specific portion of Title I funds will be used for public jobs is almost impossible. The lack of any Congressionally mandated authorization levels for public employment makes it easier to underfund both Title I and Title II. States receive public employment funds for balance of state areas, yet much state employment concentrates in metropolitan areas. CETA is providing only a limited response right now to our growing unemployment problems.

President Ford's public employment bill would not be adequate either. In general, his bill assumes that the private sector will take care of the unemployment problem. Government action, at least through public jobs creation, is not given any significant role.

We particularly object to the attitude implicit in the Ford bill that public employment is a last ditch, temporary, cheap way to provide minimal income support. The Ford bill seems to say that with limited resources, it is preferable to provide extended unemployment benefits first, and then use public employment as an extension of the unemployment insurance program. But those who believe that the private sector can generate enough jobs for all who want them are just fooling themselves. They also ignore great unmet needs in health care, corrections, environmental control, housing, and other public services, and increasing state and local fiscal problems caused by increasing inflation.

We believe that the Ford priorities should be reversed. We believe that it is preferable to employ someone in useful activities benefiting society rather than make them endure the debilitating effects of forced idleness.

We have other problems with the Ford proposal. We cannot accept a Federal program that pays substandard wages and sanctions substandard working conditions on short term projects, thereby almost guaranteeing "make work" jobs. We also cannot accept a program which fails to offer any help to those who have never worked. Finally, we cannot accept a program that waits until we have reached very serious unemployment levels to trigger the funds and then provides a woefully inadequate number of jobs.

We believe S.4079 offers a much better response. Of primary interest to our members is the fact that S.4079, like most of the other bills that have been introduced, preserve important labor protections, many of which this committee helped us get into CETA after some very bad experiences under the EEA. I would like to discuss them briefly:

- I. Labor Union Comment - Unions representing employees engaged in similar work have to be given reasonable time to comment on applications prior to their submission. Although very clear in the law, this requirement was ignored by the Department of Labor for FY 74 and FY 75 CETA applications. The stated reason was the need for speed. This cannot be allowed to happen with a program as large as the one we are considering. There is too much opportunity for inequities to occur. Consultation before applications are finalized and submitted can help reduce problems.

2. Eligibility for Assistance - CETA corrected a discriminatory practice of the Department of Labor under EEA which required persons formerly employed in the public sector to have been unemployed for 30 days instead of 7 days to be eligible for assistance. The equal standard in CETA should be preserved, although we would like to see the 30 day rule, now applicable to all persons, reduced to 7 days. We do not think it fair to require a person to seek work for 30 days when employment opportunities are shrinking.

3. Lay-offs - CETA language attempting to prevent "paper lay-offs" must be retained. We do not want to see our members juggled like pawns in a budget chess game. Given rising inflation and the resulting budget squeezes, the likelihood of lay-offs in the public sector grows monthly. Therefore, we would like to see some additional clarifying language requiring employers to offer a federally funded slot first to a laid-off public employee when the position is the same or similar to the one formerly held by the employee.

4. Leapfrogging - CETA states that only entry-level positions be filled until all collective bargaining agreements and personnel procedures have been followed. This important provision is designed to prevent an employer from denying regular employees

promotions to pay for the more expensive jobs with Federal funds. It must be retained.

5. Wages - The current law requires payment of the higher of the federal, state or local minimum wage or the prevailing wage rate (in the public sector). This provision must be preserved. Federal programs cannot be permitted to exploit the unemployed and disadvantaged or to undermine existing collective bargaining agreements. In a related matter we would oppose any change in the amount of Federal funds permitted per job, which now is \$10,000 under Title II. The present requirement appears to be working well.

6. Transitional Requirements - The intent of CETA is that the jobs created lead to permanent public or private employment. We support this intent. Indeed, under EEA we found that in some places, enrollees we represented were being denied the opportunity for both promotions and transfer onto regular payrolls, despite the fact that positions were available and the people were qualified. We do not want to see this happen. On the other hand, we would oppose arbitrary goals to place half of the people on regular payrolls such as the Department of Labor has defined in its Title II regulations. With a program as large as the one we are contemplating the result could be delayed cost of living increases or even unemployment for our members.

There are other features of S. 4079 with which we agree.

Given the continued existence of the Title II, program, which provides funds to areas heavily impacted by unemployment regardless of the national unemployment rate, we believe it is important to define a reasonable point at which Federal action becomes necessary to deal with a national unemployment problem. The 4.5 percent national trigger in S. 4079 does this. We would oppose raising it. Even at 4.5 percent unemployment, there are over 4 million unemployed Americans.

Specific authorizations are needed. They define an appropriate level of response once the program is triggered. They must provide enough funds to have some kind of impact. S. 4079 does this. Likewise, permitting the expenditure of appropriated funds without fiscal year limitations regardless of a drop in unemployment is important. To do otherwise merely would provide an opportunity for legal impoundment of funds and hamper orderly local planning.

We do have some reservations about the proposed formula in S. 4079. Even though we recognize this to be a program designed to deal with a national problem, we feel that the distribution formula should channel funds to areas of greater need. Doing so would recognize the relatively greater problems of areas with severe unemployment. A \$4 billion program creating some 500,000 jobs would provide employment for less than 10 percent of the officially unemployed. Even Title II funds are rather broadly dispersed because of the large number of areas qualifying. Over 600 places and about 80 percent of the

prime sponsors are receiving Title II funds. The result is a minimal impact in most areas at present funding levels.

We suggest that you consider a formula that would distribute funds to state and local prime sponsors according to their relative excess number of unemployed above 4 percent.

As a union representing thousands of state employees, we also are concerned about serious staff shortages in state institutions and agencies. Yet under S.4079, state prime sponsors would receive funds only for the balance of the state. If current patterns persist that would mean that New Jersey state government would receive only about 5 percent of the total going into the state; Pennsylvania about 9 percent; New York about 12 percent; Illinois about 14 percent; Michigan about 16 percent; and California about 5 percent.

These funds presumably, would be used only in balance-of-state areas for which the state is responsible. Yet about half of state employment concentrates in metropolitan areas consisting of cities and counties which themselves qualify as prime sponsors. About the only way state jobs in these places can be filled is if the local prime sponsor delegates some of its money to the state agency.

We would like to see a greater opportunity for states to employ people in state service under a new public employment program. This could be done by creating a 20 percent state set-aside distributed among the states according to their relative number of unemployed. The money could be used in all areas

of the state, including those below 4 percent unemployment if the state wished.

These, however, are technical details, although very important ones. The important thing is that we have a very good basis in S.4079 on which to proceed, and we commend you, Mr. Chairman, on your bill. It can be a major step in guaranteeing a decent job for all Americans.

* * * * *

Senator NELSON. Our next witness is Mr. Stanley Ruttenberg accompanied by Jocelyn Gutches of Ruttenberg, Friedman, Kilgallon, Gutches & Associate, consultants.

We are pleased to have you here this morning. Your statement will be printed in full in the record at the conclusion of your testimony. You may present it however you desire.

**STATEMENT OF STANLEY RUTTENBERG AND JOCELYN GUTCHESS,
OF RUTTENBERG, FRIEDMAN, KILGALLON, GUTCHESS & ASSO-
CIATES, CONSULTANTS**

Mr. RUTTENBERG. Thank you very much, Senator.

Jocelyn Gutches is accompanying me. She is one of the senior associates in our consulting firm of Ruttenberg, Friedman, Kilgallon, Gutches & Associates. It sounds like a law firm.

We are both here today to talk about manpower programs, and particularly about public service employment, and to make some comparison between the bill which you have introduced, Senator Nelson, and the House bill of Congressman Daniels, and the administration's bill, as sent up by the President the other day.

I will ask Mrs. Gutches to talk more to the specifics of each of the individual pieces of legislation.

First, if I might, I would like to summarize very briefly our own feeling that a manpower public service program ought to be a permanent feature of our overall economic tools to deal with economic situations.

Whether or not we have structural unemployment, or we might have cyclical unemployment brought on by recessions or whatever the cause, we ought to have a program available at all times.

With that thought in mind, less than a year ago now, the National Planning Association (NPA), which is a nonprofit public service organization, nonprofit, nonpolitical, carries on research and policy, set up a committee which I had the privilege of being the chairman of, to draft a public service employment program.

That committee was made up of people, including one of your previous witnesses, Bill Bechtel, and also included from the business side Jerry Rossow, former Assistant Secretary when George Shultz was Secretary of Labor, now with Exxon; also Fred Fisher of Macy's & Co., in New York; retired vice president; on the labor side we had a group of union officials, and a statement was prepared and released, and over 100 people from business, labor, agriculture, and the academic community signed the statement.

I would like, if I might, Mr. Chairman, to suggest that it be incorporated into the record. It is a very brief statement. If I might, I would like, with your permission, to have it become a part of the record.

Senator NELSON. It will be printed in the record.

[The document referred to follows:]

NATIONAL
PLANNING
ASSOCIATION

A Public Service Employment Program: Effective Manpower Strategy

An NPA Joint Statement

national planning association

NPA is an independent, private, nonprofit, nonpolitical organization that carries on research and policy formulation in the public interest. NPA was founded during the Great Depression of the 1930s when conflicts among the major economic groups—business, farmers, labor—threatened to paralyze national decision making on the critical issues confronting American society. It was dedicated, in the words of its statement of purpose, to the task “of getting (these) diverse groups to work together . . . to narrow areas of controversy and broaden areas of agreement . . . (and) to provide on specific problems concrete programs for action planned in the best traditions of a functioning democracy.” From the beginning, NPA has been committed to the view that the survival of a functioning American democracy under the increasingly rigorous conditions of the 20th century could not be assured only by more effective governmental policies and programs. Equally essential, NPA believes, are the preservation of private economic initiative and activity dispersed throughout the society and the continuous development by the major private groups themselves of a substantial consensus on how to cope with the problems confronting the nation at home and abroad.

Pursuant to these objectives, NPA has evolved a mode of operation that today brings together influential and knowledgeable leaders from business, labor, agriculture, and the applied and academic professions to serve on policy committees. These committees analyze and agree upon recommendations for dealing with domestic and international developments affecting the well-being of the United States. The research and writing for these committees are provided by NPA's professional staff and, as required, by outside experts.

In addition, NPA's professional staff undertakes a wide variety of technical research activities designed to provide data and ideas for policy makers and planners in government and the private sector. These activities include the preparation on a regular basis of economic and demographic projections for the national economy, regions, states, and metropolitan areas; program planning and evaluation for federal, state and local agencies; research on national goals and priorities; planning studies for manpower training, vocational education, medical care, environmental protection, energy needs, and other economic and social problems confronting American society; and analyses and forecasts of changing international realities and their implications for U.S. policies. In developing its staff capabilities, NPA has increasingly emphasized two related qualifications—the interdisciplinary knowledge required to understand the complex nature of many real-life problems, and the ability to bridge the gap between the theoretical or highly technical research of the universities and other professional institutions and the practical needs of policy makers and planners in government and the private sector.

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NATIONAL
PLANNING
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A Public Service Employment Program: Effective Manpower Strategy

An NPA Joint Statement

by the NPA Board of Trustees, the Standing Committees on Agriculture, Business, Labor, and International Policy, the National Committee on America's Goals and Resources, the Business Advisory Council on National Priorities, and the Joint Committee on a Public Employment Program

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*See footnotes to the statement.

introduction

The time has come to recognize that not only is a public service employment program very effective in dealing with unemployment and other manpower problems, but also that it is a useful tactical tool well suited to attaining a variety of social and economic objectives. The term public service employment program is generally used to describe continuing federal subsidization at the state and local levels of mostly transitional public employment in such fields as health, education, welfare, police and fire protection, conservation, recreation, environmental protection, and other service activities. Such a program provides a flexible, and indeed essential, element of manpower strategy. However, for too long and too often it has been regarded by many policy makers as a last ditch emergency measure rather than a staple of public policy, and too often hastily planned, stop-gap programs have been launched. We can no longer afford to regard a public service employment program in this way.

There will always be some times, some places and some people for which public service employment is a prudent and correct manpower policy answer. Equally important, there is, and—at least in the foreseeable future will continue to be—a serious gap between the need for public services in our local communities, and the availability of such services. Finally, a carefully planned public employment program will help meet the manpower requirements implicit in the greater growth rate projected for employment in the public rather than in the private sector.

- For the balance of the 1970s, state and local public employment is projected by the U.S. Bureau of Labor Statistics to increase by an average of 3.3 percent a year. Private employment, on the other hand, is projected to rise at an average annual rate of only 2.1 percent. The greater public sector growth rate increases the likelihood for positive outcomes for the individuals who participate in a public employment program.
- There are times when the private sector of the economy cannot productively absorb the number of people who want and need

to work. A public employment program can put these people to work—productively in useful jobs.

- There are places where for prolonged periods there are not enough work opportunities to meet the demand for jobs, whether national unemployment is high or low. Public service employment, coupled with other appropriate measures either to stimulate economic development, locally or regionally, or to improve the ability of workers to compete in a broader labor market, or both, can meet this need.
- There will always be some people who cannot compete successfully in the regular labor market for jobs. Sometimes this is because of lack of education or skills; sometimes because of discriminatory employment practices; sometimes because of physical or mental handicaps; sometimes because of other external factors such as inadequate day care, transportation, housing, or health care; sometimes a combination of all of these.¹ For these people, a public employment program can provide useful work experience and the opportunity for the acquisition of skills which can then be transferred to nonsubsidized jobs in either the public or private sector. While public service employment will be a transitional activity for most participants, it must be recognized that, for some, participation may be a long-term commitment.

Given the broad applicability and versatility of public employment, we believe that policy makers should not turn away from or be denied the opportunity to use this strategy wherever and whenever needed. In this rich country, it is inconceivable that there should exist simultaneously a large number of people who want to work but for whom there are no jobs, and a demand for public services that are both desirable and useful but unavailable.²

¹**Solomon Barkin**—*Sometimes also because of the inflexibility of employer hiring policies and practices, lack of knowledge about the ways in which jobs may be designed productively to employ various individual groups of employees and reluctance to undertake the appropriate training and adaptation of potential employees who can be at least as productive as those who the employer is accustomed to recruiting.*

²**Solomon Barkin**—*"The principle of public service employment" is part of the manpower programs of a number of European countries including the Scandinavian nations, the Netherlands and Germany. Together with programs for sheltered workshops, they enabled these countries to meet their commitments to maintaining full employment and providing constructive work experience which prepared people to be reabsorbed in the regular labor market when demands increased.*

To serve the range of social and economic objectives for which public service employment is suited, a permanent national program should be established. The program must be triple-tiered.

First, a broad national program should be established to provide some funds for public service jobs *regardless of the level of national unemployment*. Such a program simply recognizes the fact that there are and always will be people in the labor force for whom public employment is appropriate and perhaps essential. The program should be funded at a level of expenditure which bears a reasonable relationship to the size of the problem. An effective program which earmarks $\frac{1}{2}$ of 1 percent of the annual federal budget for public service jobs is not unreasonable.

Second, there should be a second-tier program which recognizes that whenever the economy slows down and unemployment rises, the economic and social need for public service employment will increase. In these circumstances, the basic program should be increased according to a formula as the national unemployment rate goes up. An increase equal to $\frac{1}{2}$ of 1 percent of the federal budget when the unemployment rate rises above 4 percent, and further additional increases of the same proportion for every 1 percent rise in the national unemployment rate is suggested.³

Third, the program should take cognizance of the fact that even in good times there are some local areas which suffer disproportionately high rates of unemployment. Additional funds should be made available to provide public service jobs in these areas. A 6 percent rate with no immediate prospect for improvement is generally accepted as being indicative of substantial and persistent unemployment and should be used as the standard for triggering additional job funds.

There are several general principles which should govern the implementation of a public service employment program.

- For the most part, public employment can be of a transitional nature. Although the program itself must be permanent, and although some workers will remain in it for an indefinite period, most of the individuals will participate on a temporary basis. For

³**Ron O. Aines**—*If the program is not to become excessive it must, at all times, be a residual claimant for labor. It must have strong built-in mechanisms that provide for the transfer of labor back to private employment, quickly, as soon as there is opportunity.*

The program must provide for continuous measurement of performance, self-auditing and cutbacks or improvements if not achieving the predetermined goals.

these participants, the program will be only a temporary way-station, benefiting both community and workers, and lasting until either the participants have acquired skills necessary to move on to other jobs or times improve, thereby permitting them to find and hold productive, nonsubsidized jobs in the private or public sector.

- To assure that this way-station does not become an abandoned siding, public service employment programs should include provisions for training as needed, linkages to economic development as appropriate; and careful preplanning so that there are jobs—especially in the public sector—to which participants can move.
- Public employment should not and need not be a make-work program. The jobs performed under a national public service employment banner must reflect real community needs. To help make certain that this happens, administration of the program should be handled by state and local elected officials. However, the federal government has an obligation to retain sufficient control so that national objectives are met. Reasonable cost-sharing, with local governments being required to put up part of the requisite funds, will also tend to assure the legitimacy of the work performed.⁴
- Public employment is not a substitute for an equitable and adequate welfare system. As a general rule, able-bodied adults who are on welfare are there not because they do not want to work, but because (1) they cannot find and/or hold jobs that permit a decent level of support for themselves and their children, or (2) there is no appropriate available substitute arrangement for child care. However, public service employment can be a beneficial complement to the welfare program. It can provide a practical avenue to independence as well as productive employment for some welfare recipients,⁵ and should be so used when appropriate.

⁴Reuben L. Johnson—*The place of national contracts by nonprofit private associations such as "Green Thumb" should not be overlooked.*

⁵Reuben L. Johnson—*Older workers should not be overlooked in this context.*

background

For more than a quarter of a century, this nation has been committed to a goal of full employment, to providing a productive job at a decent wage for everyone willing and able to work. However, year after year—with few exceptions—we have fallen short of that goal. Since enactment of the Employment Act of 1946, in only seven years has the unemployment rate dipped below 4 percent. In only two years have we enjoyed a 3 percent rate.

This continuing disparity between promise and performance affects every segment of the labor force, but the resulting unemployment and underemployment fall hardest on those least able to bear the burden. These are the disadvantaged, those who are handicapped in the competition for jobs by lack of skill or education, by accident of race, sex or age, or by geographic isolation.

There are several reasons why consideration of a public employment policy is particularly relevant today. First, PEP, the first large-scale nationwide federally supported Public Employment Program since World War II, has outrun both its legal authorization—which expired on June 30, 1973—and its money—the last of the funds appropriated under the Act was spent by June 30, 1974. Although the Comprehensive Employment and Training Act enacted in December 1973 includes a separate title authorizing the expenditure of federal funds for public service employment, the program is limited both in scope and size.

Second, state and local governments are assuming increasing responsibility for the planning and operation of manpower programs. The new comprehensive manpower legislation has formalized this decentralization. With state and local governments free to decide how the federal manpower funds will be used, the newly established local programs can and probably will include some element of subsidized public employment which can be in addition to the public service jobs provided under the separate title mentioned above.

Third, the problems of unemployment and underemployment have not responded as well as was expected to other traditional manpower approaches. Unemployment rates have remained stubbornly high with disproportionate joblessness among youth, minorities and the disadvan-

taged. The extent and implications of underemployment—i.e., workers earning less than poverty wages, involuntary part-time workers and would-be workers who have dropped out of the labor force through active or passive discouragement—have only begun to be examined or understood.

For all of these reasons, we can expect that public employment will become an increasingly attractive option for those responsible for developing manpower policy at every level of government: federal, state and local.

There are only a limited number of things that government can do with manpower programs and they are not necessarily mutually exclusive. (1) It can help to prepare individuals for employment through training, education or the provision of supportive services. These are generally the "manpower development" programs. (2) It can improve the working of the labor market by promoting a better match of workers with jobs through such activities as improvements in the Employment Service, relocation and mobility assistance, and the elimination of discrimination and other barriers to full utilization of workers' skills and aptitudes. (3) It can create jobs, by subsidizing all or part of the cost of the jobs. As a manpower policy, public service employment falls in this last category. It is primarily a job creation program, although it should be noted that the provision of employment experience through public sector jobs can also have important manpower development aspects by contributing to workers' skills and otherwise enhancing their employability for future employers.

The concepts underlying public service employment are certainly not new. During the Great Depression, the creation and subsidization of public service jobs was seen both as an appropriate answer to the serious unemployment of that time and as a necessary concomitant to efforts to stimulate the economy. The WPA not only provided useful work for millions of jobless workers but also served as a "pump primer" for the economy.

In the postwar years, the use of public service employment to attain either social or economic goals fell into disuse. Recently, however, as government has striven to cope with the problems of poverty, unemployment and economic dislocation, interest in public service employment as a viable government strategy has revived.

Among the manpower programs of the 1960s, several were essentially public employment—job creation—programs. Operation Mainstream, authorized by the Economic Opportunity Act, provides subsidized community service jobs for the chronically unemployed, particu-

larly older workers and those in rural areas. Green Thumb, a work program designed and operated by the Farmers Union for older rural workers, is an outstanding example of a successful Mainstream program. New Careers is another approach to public employment. Under this program, the disadvantaged are trained and placed in new kinds of subprofessional public service jobs, which have been specifically designed to provide career advancement. The Neighborhood Youth Corps is still another type of public employment, enabling disadvantaged youth to acquire useful work experience in part-time or full-time subsidized public sector jobs.

The concept of public employment has also been interjected into the welfare program. Under the Work Incentive Program (WIN), able-bodied adult recipients of welfare under the Aid to Families with Dependent Children (AFDC) program are required to register with specified government agencies and accept work or training as available. To accommodate welfare recipients for whom no appropriate work can be found in either the private or public sector, WIN includes provisions for limited participation in a special public employment program.

In addition to these more or less tentative ventures into the public service employment arena, there have been two other full-fledged federally supported public employment programs; one currently in the process of being phased out and the other about to be phased in. The first is the Public Employment Program (PEP), a two-year program established by the Emergency Employment Act of 1971. The second is contained in the separate title of the Comprehensive Employment and Training Act of 1973.

the public employment program (PEP)

PEP was designed to accomplish three main purposes: the reduction of unemployment; the creation of jobs for certain target groups, particularly Vietnam veterans and the disadvantaged; and the provision of necessary local public services.

In response to the need to encourage broad political support for the legislation, PEP was assigned several other, sometimes contradictory, secondary goals. These included the achievement of institutional changes in the hiring practices of state and local governments, the elimination of discrimination, and the reduction of structural barriers to employment. Great stress was put on the transitional nature of the program, not only as a short-term measure designed to deal with an

emergency unemployment situation, but also as a temporary way-station for the workers whose PEP jobs were to be a transitional step to permanent employment in either the private or public sector.

In the spring of 1971, the nation was experiencing a sharp increase in joblessness which reached 6.2 percent by June. More than five million workers were looking for jobs. Although the burden of unemployment was felt throughout the nation, there were some groups and some areas which suffered more than others. Young people, minorities and those living in urban ghettos and depressed rural areas are always the first victims of any upsurge in unemployment, and 1971 was no exception.¹ In addition to these groups, at that time there were also large numbers of unemployed Vietnam veterans as well as many technical and other skilled workers who were out of work as a result of cutbacks in defense expenditures.

At the same time the nation was faced with high unemployment, many states and cities were experiencing a shortage of funds to fill the growing need for vital public services. During the hearings on the Emergency Employment Act, a parade of mayors, county executives and governors testified to the unmet need for public services in their communities. Their testimony only served to reinforce the numerous studies and surveys which had already demonstrated this need.

Among these were studies by the Commission on Technology, Automation and Economic Progress which found a potential of 5.3 million jobs in the public sector that could be filled through a large-scale public employment program; by Greenleigh Associates, operating with a research grant from the Office of Economic Opportunity, which documented an unmet need of 4.3 million public service jobs in 1965; and by the Upjohn Institute which projected a need for 141,000 sub-professional public service jobs in the 130 cities of 100,000 or more population.

The jobs listed in all of these surveys reflected the real need for increased services in every field of public responsibility, from the traditional areas of health, education, police and fire protection, sanitation, and welfare to the more recent problem areas of environmental protection, conservation and transportation.

PEP was designed as a two-year, two-part program, with a \$1 billion funding authorization for the first year, increasing to \$1.25 billion in the

¹*Raymond A. Bauer—Unemployment is always high among the young who are short on work experience. Public employment work experience might facilitate their effective entrance into the labor market.*

second. The bulk of the funds was to be distributed on a nationwide basis when national unemployment rose above 4.5 percent and stayed there for three consecutive months. A separate allocation of funds was to be made to eligible areas where unemployment was especially severe—6 percent or more for three consecutive months. Veterans were to be given first priority in jobs, but the program was also supposed to be targeted to other groups especially hard hit by unemployment. These were defined as low-income persons, migrants, people of limited English-speaking ability, youth, older workers, welfare recipients, the technologically unemployed, and those laid off because of defense and aerospace cutbacks.

Outside evaluations of PEP, including one by the National Planning Association of several of the areas in which funding was highly concentrated, call it a generally successful program. The state and local governments quickly put people to work, a total of some 300,000 by April 1973. The jobs covered a broad spectrum of public service. Twenty-two percent were in public works and transportation, 21 percent in education, 12 percent in law enforcement, 10 percent in health and hospital service, 8 percent in parks and recreation, 4 percent in environmental quality, 2 percent in fire protection, and 16 percent in administration and miscellaneous occupations. Similarly, the jobs created by public employers in these areas covered a wide range of occupations. The largest numbers of participants worked in the clerical (23 percent), service (23 percent), professional, managerial and technical (22 percent) occupations. Typical job titles were engineering aide, recreation aide, clerk typist, traffic engineer, automotive serviceman, housing and fire inspector, classroom aide, and police dispatcher. Because of the limitation on the proportion of professional jobs, and the priority given to those most in need of employment assistance, jobs were apt to be entry-level, relatively low-wage jobs. The average wage and fringe benefit cost was approximately \$6,400 per man-year.

A high proportion of the participants were Vietnam veterans (27 percent), indicating substantial compliance with the established federal guidelines. Minorities comprised 36 percent of the total, while only 37 percent were classified as economically disadvantaged. Most of the participants were white, 64 percent; male, 72 percent; high school graduates, 75 percent; and of prime working age (22-44), 70 percent.

In the high impact areas studied by NPA, funds from PEP had a significant, although small, economic impact, and in many of these local communities both the number of unemployed and the rate of unemployment decreased as a result of PEP. NPA's evaluation suggested that,

even though state and local governments hired the relatively advantaged workers, the participants increased their earnings during the first year of PEP by \$2,000-\$4,000. NPA also found that in the areas it surveyed, 54 percent of the jobs reported to be funded by PEP were actually new additional jobs which would not have been locally funded in the absence of PEP. The more secondary goals of PEP—training, changing civil service requirements and procedures, and the provision of supportive services—were not accomplished, largely due to the fact that the state and local governments could hire well-qualified unemployed and under-employed workers for whom such training and supportive services would have been superfluous. NPA's evaluation concluded that the participants in PEP did not need an elaborate program to assist them to qualify for and secure employment—they simply needed a job.

the comprehensive employment and training act of 1973 (CETA)

In December 1973, new comprehensive manpower legislation was enacted which includes provision for a separate public employment program. Unlike PEP which was national in scope, this program is limited to local areas where unemployment has reached a level of 6.5 percent or more for three consecutive months. The program will be administered by state governors, mayors and county executives of cities and counties with a population of 100,000 or more, who have been delegated responsibility for other federally funded manpower efforts. The program will follow the same general patterns as its precursor, the separately funded PEP program, for areas where unemployment was 6 percent or more. The new CETA public employment program is guaranteed funding of \$250 million in fiscal 1974 and \$350 million the next year. This amount is expected to pay for 35,000 to 40,000 jobs each year. Like PEP, the new program is to be transitional and also carries the same burden of secondary goals. However, since at least 90 percent of the funds must be spent directly on participant wages, the secondary goals stand as little likelihood of achievement as they did under PEP.

public employment is multi-sided

Public employment as it has developed in this country has many facets and serves many different goals. It is a flexible public policy tool, attuned to both social and economic purposes.¹

In its social context, public employment can:

- provide useful, productive jobs for the disadvantaged;
- increase the employability of those in need of manpower development and training;
- improve and increase the quantity and quality of vital public services;
- supplement the welfare program, by making it possible for recipients either to move off welfare entirely or to move toward self-support and an independent, decent living;
- help to break the chain which keeps certain segments of the labor force, particularly minorities, teenagers and women locked into a job market where the requirements are limited and the rewards correspondingly meager; and
- make it possible for the physically and mentally handicapped to help themselves through productive work in sheltered work situations.

In its economic context, public employment can:

- reduce aggregate unemployment;
- help to stimulate economic growth in both local and national situations of economic stagnation or recession;
- increase employment with less than the usual adverse inflationary side effects; and
- improve the opportunities for reduction of poverty—on both an individual and an aggregate basis.

¹J. Herbert Hollomon—*The special problems of the highly educated, underutilized worker could be dealt with, in part, through the mechanism of public service employment. This possibility was not discussed in this statement and deserves to be mentioned.*

as a social measure

For the disadvantaged, public employment can mean more than a temporary interlude between spells of inadequately rewarded employment in unskilled jobs without opportunity for advancement. It can open the door to stable employment and career advancement. The public service sector is the fastest growing sector of the economy. Moreover, the proportion of the low-paid jobs is substantially lower in the public sector than in the private sector. Jobs in the public sector generally have better fringe benefits, more employment stability, and less overt discrimination than the low-skilled jobs in the private sector. They are also more apt to be located in the central cities where there is the greatest concentration of disadvantaged people. For this group particularly, it can be expected that a public employment program can lead to more and better opportunities for permanent nonsubsidized employment in the public sector—better opportunities in many cases than might be available through other manpower approaches.

The advantages of a public employment program for the community are equally clear. Many social needs are collective and, as a result, cannot be met in sufficient quantity or acceptable quality by the private sector at a cost which permits a profit. Therefore, the chronic shortage of vital public services will continue. A public employment program can help to alleviate such a shortage.

Public employment is also beneficial as a supplement to welfare. Care must be taken, however, to assure that it does not become a substitute for an equitable welfare program.²

Under the Social Security laws, recipients of welfare—specifically recipients of AFDC—are currently required to work as a condition for the continued receipt of benefits. If no work can be found for them in the regular labor market, funds are provided for a specially designed public employment program to which these recipients are to be referred. The funds have been largely unspent, not because of any unwillingness on the part of the welfare recipients to work but because for many reasons the welfare problem does not readily lend itself to such a workfare solution. Public employment by itself cannot solve the welfare problem.

²J. Herbert Hollomon—Public service employment should not be construed as a substitute for needed income maintenance (e.g., acceptance of public service employment should not be made a condition for receiving AFDC or other welfare payments).

However, it can and should provide part-time and full-time jobs for those who can take advantage of the opportunity.

as an economic tool

As an economic measure, public employment has positive attributes which make it a desirable complement to fiscal and monetary policy. The first prerequisite for successful reversal of an economic downturn is the creation of new jobs. Public employment is a direct and efficient method of assuring such job creation. Experience with PEP shows that public employment can pump money into the economy very quickly—without the normal time lag that occurs in most federal programs. Moreover, since it requires little or no capital investment per job, there is more employment per dollar than with some other federal efforts. While one may argue the comparative advantages of alternative economic policy approaches, it is not necessary to reject other counter-cyclical measures in order to accept the utility of a public employment policy. In no way should public employment be considered a substitute for a balanced fiscal and monetary policy. However, it deserves a key place in the line of defenses against recession.

In recent months, the idea of using public employment as a shock absorber in an inflation-unemployment trade-off has gained increasing popularity. This concept is premised on the theory that there is ordinarily a strong predictable relationship between unemployment levels and price stability. Many economists have pushed for a public employment program to avoid the increase in inflation which theory holds would occur if unemployment were reduced below certain levels.

Some people have argued for public employment for another reason. Noting that the labor force has changed over the past 10 years, and currently includes a larger proportion of women and teenagers than in previous periods, these people argue that this change has in turn led to the chronically high unemployment rate of 5 percent or more in recent years. Public employment aimed at the "unemployment prone" is seen, therefore, as the best alternative for dealing with this problem.

Clearly, some groups are more prone to unemployment than others. It is also clear that a public employment program can be an appropriate and feasible answer to their problem. However, a public employment policy which is adopted in the expectation that it will provide a permanent buffer between inflation and high unemployment has inherent risks which could lead to a worsening of the structural rigidities that already

plague the labor market. When public employment is seen as a way to siphon off certain kinds of workers, particularly the newcomers to the labor force who have been identified, or hypothesized, as being the primary cause of chronically high unemployment rates, then there is a strong likelihood that the public employment program itself will become a sort of low-wage tank of second-class jobs for "second-class" workers. The real danger of a public employment policy which accepts as inevitable a 5 percent rate of unemployment is that it will become a dumping ground for the rejects of the labor force, permitting a kind of cover up of discrimination, and encouraging a continuation of inequitable and wasteful employment practices. Equally damaging to the economy in the long run, it will divert attention from the urgent need to search for more lasting solutions to the chronic problems of inflation and persistently high unemployment which affect certain groups in society, especially the disadvantaged, youth, minorities, and women.

issues involved in public employment

Despite the diverse purposes to which a public employment policy can be directed, the problems and issues inherent in the design and implementation of a public employment strategy—for whatever purposes—are very similar. They concern the timing of the program, eligibility for individual participation, the legitimacy of the jobs, the degree of permanence and/or transition, the relationship to institutional change, and the question of administrative control; in other words—who, what, when, why, how long, and by whom.

who gets the jobs?

Clearly the jobs provided under a public employment program should go to those target groups least able to solve their unemployment problems without assistance. This would always start with the disadvantaged, particularly when unemployment is fairly low. However, a certain flexibility is required to deal with the range of problems presented by fluctuating levels of unemployment. In times of high unemployment—whether localized or national in scope—the target group would be broadened to include other categories of workers in addition to the disadvantaged; as it was, for example, for veterans under PEP.

what kinds of jobs?

The important qualification for jobs provided under a public employment program is that they be real—providing a necessary vital public service, and not a make-work job. Since for all practical purposes the provision of useful public services is limited by the availability of resources, the problem becomes one of assuring that public employment jobs meet priority needs in a realistic way. The most appropriate way to get such assurance is to place authority and responsibility for the ad-

ministration of the program at the government level where the services are to be provided, but without sacrificing national principles or objectives. Jobs must not be decreed from Washington, but should spring from a realistic local assessment of local need. Some of the jobs will be of the traditional kind, simply providing more of the same service, e.g., additional trash pickups, longer library hours, etc. Others can be new kinds of jobs, e.g., paraprofessional jobs such as teacher aides, police and fire fighter aides, and health aides. The increasing necessity to protect and conserve the environment will result in additional, as yet undescribed, new kinds of service jobs. All approaches should be used.

As a further incentive to the development of truly significant work, the costs of the program should be shared. It should not be just like "manna from Washington." State and local governments should be asked to provide at least 10 percent of the requisite funds for the program.

should public employment be permanent or transitional?

The question here is not really one of mutually exclusive alternatives. Indeed, a good public employment program should be both: permanent in terms of legislative authority and in providing jobs at all times for some classes of the disadvantaged, and transitional for the individuals, or at least for most of them, who participate in the program. Clearly, a public service employment program which created a permanent group of subsidized second-class job holders, employed at relatively low wages, performing nonuseful work, and with little or no opportunity for advancement would not be in the public interest. Care must be taken to assure that public employment does not become such a burden either on the individuals involved or on society. Although it is important and indeed necessary that there be permanent legislative authority on the books for a public employment program in order to meet social and economic exigencies as they occur, the program should be administered in a way which encourages individual participants to move through the program to other nonsubsidized jobs in either the public or private sector.

Recognition of the desirability of transition does not mean that it will occur automatically. For some participants, transition will be an easy and natural outcome. PEP experience proved that to be the case. However, it is not enough to leave matters to chance and to expect that all partici-

pants will be able to move easily into nonsubsidized jobs. This is particularly true for the disadvantaged. If transition is to be more than a slogan, the fulfillment of which is left to chance, the program must include a broad range of supportive activities. These should include strong provisions for training, and a concerted effort to bring about the adaptation of merit systems whose frequently irrelevant and sometimes discriminatory employment requirements tend to keep out the very people that a public employment program would be trying to get in. In addition, insofar as the public sector is concerned, careful preplanning is necessary in order to assure that there are jobs available into which program participants can move. This effort could involve considerable restructuring of job requirements and classifications leading to the development of new public service careers, and in some cases a reordering of local government budgets.

Most important, successful transition requires diligent and conscientious program administration, both at the federal and local levels. Without such careful administration, the program could easily degenerate into an income maintenance program, and thus fail to live up to its full potential. Two other factors act to increase the potential for successful transition for individual participants: the triggering concept, and the projected employment growth in the public sector. By linking the size of the public employment program to the unemployment rate, increasing the program as unemployment rises, and decreasing it as unemployment falls, the danger of developing a rigid and therefore increasingly ineffective remedy for the malfunction of the labor market is avoided. As the economic climate improves during the expansionary phase of the business cycle, the emergence of new opportunities for career advancement, along with higher wages, tends to provide sufficient incentive for participants to move out of the program into nonsubsidized work in either the public or private sector. This is apart from the growth factor which clearly indicates that, over the next decade, opportunities for employment in the public sector will be more plentiful proportionately than before.

is public employment a feasible instrument for social change?

Should a public employment program be used to bring about institutional change, particularly to eliminate or reduce discriminatory hiring and promotion practices that are embodied in state and local merit

systems? This was one of the expectations for PEP, and it has been carried over to the new manpower legislation. However, because PEP was limited to a two-year lifetime and emphasized getting the maximum number of people into jobs, the PEP record on this score is unimpressive. That record, however, cannot be taken as definitive. In fact, there is some indication that PEP had modest success in influencing reforms in civil service requirements, especially in terms of opening up new opportunities for the disadvantaged. Recognizing that the main battle for institutional change will be fought elsewhere, it is still possible that a permanent public employment program can be helpful in maintaining the pressure for change.

who should administer the program?

A public employment strategy is and should be national in scope. The program must be designed for national application but local operation. Local operational control through state and local governments can result in the most efficient utilization of national resources, but only if sufficient control is retained by the federal government to ensure that national objectives are met. The PEP design was a good one, permitting maximum local autonomy consistent with the achievement of national goals. Future public employment programs should follow the PEP example. Although in the main it could be expected that the chief elected officials of cities, major counties and states will operate local programs, consideration should be given to the establishment of nonprofit service corporations for the administration of the program in some areas.

a public employment model

Under the concepts of decentralization and the new federalism, state and local governments are being given the responsibility and authority to develop and carry out manpower programs tailored to meet local needs. Public employment is one of the manpower options open to them as they work to meet these responsibilities. However, the delegation of authority to local elected officials to use some of their federal manpower funds for the subsidization of public service jobs does not eliminate the need for a separately funded national public employment program. The achievement of the national economic and social goals—which are susceptible to a public employment strategy—is too important to leave to the chance decision of hundreds of mayors, county executives and governors. Therefore, a permanent national public employment program to be administered by states and localities is essential. The size of the national program should be based on the size of the problem and the willingness of Congress to appropriate funds necessary to meet the problem. Obviously it is not possible—or necessary—to establish a public employment program that would give jobs to all of the unemployed. The cost of a public employment program is variously estimated at from \$750 million to \$1 billion for every 100,000 jobs. But, just as it is unrealistic under present budget conditions to contemplate a program large enough to cover all of the unemployed, so is it impractical to consider a program of such insufficient size as to render the impact insignificant.

A program which is tied to a fixed proportion of the total federal budget appears reasonable and equitable. Since conventional fiscal policy would mean higher federal budgets in times of recession, the amount available for the public employment program would increase automatically—when needed. One-half of 1 percent of the federal budget is recommended to be set aside for the basic public employment program which would be operative at all times, irrespective of the unemployment rate. Obviously, as unemployment increased, the public employment program funds should also increase by a fixed amount. An increase of $\frac{1}{2}$ of 1 percent of the federal budget when unemployment

risers above 4 percent, and a further increase of the same amount for every additional 1 percent rise in the unemployment rate is suggested.¹

In FY 1974, with unemployment between 4 percent and 5 percent, and the federal budget set at \$268 billion, the proposed formula would have produced a \$2.7 billion public employment program, creating approximately 340,000 jobs (at 1973 prices). The \$2.7 billion would have included \$1.34 billion for the permanent basic program, plus an additional \$1.34 billion since unemployment was higher than 4 percent but less than 5 percent.²

Not only should the program size be dependent on the economic situation but the mix of program participants will vary with changing economic conditions. In times of high unemployment, the program should cover the whole spectrum of the unemployed. As unemployment levels drop, the program can narrow its focus toward the hard to employ. Similarly, transitional constraints can be rigorously applied as the economy expands following unemployment peaks—but less so when a larger share of the program participants are the disadvantaged, recognizing that they will have more difficulty in moving into the mainstream, and that other manpower measures are necessary to give them the ability to compete successfully in the labor market.

No matter what the size or thrust of the program, it must be closely tied to established needs for vital public services. In so doing, it must be coordinated with manpower requirements in all areas of public responsibility—health, housing, recreation, conservation, transportation, education, safety, and environmental control.

John W. Dixon—*I question the funding schedule proposed by the Committee—specifically the increase of 1 percent in the unemployment rate. If, as proposed, funding of ½ of 1 percent of the annual federal budget for unemployment levels of up to 4 percent is proper, then an additional ½ of 1 percent for each increase of 1 percent in the unemployment rate appears to be too great.*

J.E. Wood, III—*Each additional 1 percent in the unemployment rate will provide an additional \$1.34 billion for the public service employment program under the proposed formula. The additional 1 percent unemployed is equivalent to about 900,000 persons whereas the additional \$1.34 billion will provide employment for only 170,000. This suggests that the size of the program not be directly related to the economic situation (i.e., unemployment rate) since at best it can only be a small factor in reducing unemployment. An alternative might be to designate some fixed percentage of the funds to be dispersed under the Revenue Sharing Program which must be used for public service employment. The thrust of the program should be to enhance the employment potential for the disadvantaged.*

A third program approach is required to take care of the problem of local economic dislocations. In addition to the general national program triggered to changing levels of unemployment, there must also be authority and funds for a targeted local program for use in cases of severe local disruption. The PEP trigger for this program was set at 6 percent unemployment rate. This is not only reasonable but entirely consistent with the long accepted definition of labor surplus areas.

Such a targeted program should also be nationally controlled and directed, with a separate authorization and separate funding. Only in this way can there be an adequate response to economic and social inequities that are either chronic or of an emergency nature. Areas suffering from chronically high rates of unemployment will generally be either depressed rural areas where jobs are simply not available or the ghetto areas of our large cities. These areas are capable of absorbing and, indeed, are in dire need of vast improvements in both the quantity and quality of public service—which can best be provided through a public employment program. The establishment of a public employment program does not eliminate the need for economic development in many of these areas. To the extent that such development aid is forthcoming, public employment should be closely linked to that effort.

For too long, policy makers have looked askance at public employment, relegating it to the bottom of the manpower barrel as a kind of last resort. We can no longer afford to do so. PEP has proved that a national program of subsidized jobs in the public sector is viable manpower strategy, which makes good economic sense, and which provides an effective solution to some of our most difficult social problems.

A sound public employment policy is indeed a triple promise. First, a well planned public employment program will prove to be the most flexible, quickest and most efficient remedy for a large increase in joblessness. Second, it is a direct answer to the serious gap that persists between the need for public services and the ability of local governments to provide them. Finally, it provides a reasonable and economical solution to the chronic unemployment that affects those who are disadvantaged and therefore hard to employ. To turn our backs on such a versatile and comprehensive manpower tool would be shortsighted and imprudent. With careful designing and adequate funding, a public service employment program can provide an effective answer to many of our manpower needs.^{3, 4} (see page 22)

³**Robert E. Asher**—(General footnote.) I have signed this forward-looking report with enthusiasm but wish to add two comments, the first of which concerns administration of the proposed national public service employment program. The report asserts at one point (page 4) that, to "reflect real community needs," administration "should be handled by state and local elected officials." At another point (page 18), it says that "in the main," state and local elected officials should operate the program, but "consideration should be given to the establishment of nonprofit service corporations for the administration of programs in some areas." As one who remembers well the work of the Civilian Conservation Corps, the Federal Art, Music, Theater, and Writers' Projects, and many other pioneering programs of the 1930s, I would go further and permit some modest fraction of total public service program employment to be under the aegis of federal agencies. It is not axiomatically more essential, more productive, or more virtuous to work in state and municipal parks than in national parks, in local hospitals than in veterans' hospitals, in city libraries than in the laboratories and field offices of the Food and Drug Administration. The reference (page 13) to capital investment requirements and "the normal time lag that occurs in most federal programs" may be true of major public works, but is patently untrue of many, many service activities. In short, the Departments of Agriculture; Commerce; Health, Education, and Welfare; Housing and Urban Development; and Interior—among others—operate far-flung programs, are often underfinanced, and should not be excluded as independent sources of employment.

Secondly, I strongly suspect that wage scales may be enough of an issue to merit discussion under "issues involved" (pages 15-18). This is especially true if the proposed jobs should be transitional for most of the individuals who participate in the program and should be targeted particularly at persons disadvantaged by lack of education or skills, physical or mental handicaps, discriminatory employment practices, and other obstacles.

Bennett Harrison—Using more realistic estimates of the "true" size of the labor force, and counting low-wage workers in the "universe of need," I believe that between 16 and 33 million American workers are underemployed. The most conservative estimate would be 11.5 million. Under these circumstances, the scale of the proposed measure is unrealistically small. I should like to see a base rate of at least 1 percent of the federal budget, with at least a ½ percent budget increase for every ½ percent increase in unemployment above 4 percent. In FY 1974, with a federal budget of \$268 billion and an average unemployment rate of about 4.9 percent, this proposed formula would have provided about \$5.4 billion for public service employment. At \$10,000 per job (inclusive of overhead), this would have created about 540,000 jobs—still less than 5 percent of even the most conservative estimate of the universe of need.

In every other respect, I fully endorse the NPA statement as presented above.

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A PUBLIC SERVICE EMPLOYMENT PROGRAM
Report No. 137
July 1974/\$1.00

Mr. RUTTENBERG. Thank you very much.

I would like to talk briefly about that program, because with the kind of expertise on the committee, and the kinds of people amongst over 100 who endorsed and supported it, it deserves attention.

It specifically starts with the assumption that we must have a permanent public employment program, a program which incidentally, now with unemployment rising, almost everybody at the Economic Summit Conference of the President supported in one form or another. Public service employment has come to be recognized as a useful tool for varying kinds of situations.

The National Planning Association has suggested a three-tier program, one that would be permanently available on statute books and would be funded year in and year out as long as unemployment is 4 percent or less. That would be to take care of the structural problem and take care of those people in the work force who frequently have difficulties in maintaining stable continuous employment.

The second tier of the program would be something similar in concept to your S. 4079; a program which would have an increasing level of appropriations as the unemployment situation became more serious. This would be available to take care of the cyclical type of unemployment that we are going through now and, unfortunately, it appears as if we might be going into a period of far more serious unemployment then we have today. That is the second tier.

The third tier program would be something similar to title II of CETA, which is a permanent program which would be available on a continuing basis for those areas of substantial and persistent unemployed.

Title II of CETA has a 6½-percent trigger for it to be functioning.

I would suggest that trigger—we suggest in this statement the trigger be at a level of 6 percent, but that we have a continuing program available for those communities having substantial unemployment and, on the other hand, there be a permanent program on the other side where unemployment is very low, where you have two continuing programs with one in the middle that continually fluctuates.

What we specifically have suggested is a funding level that would go something like this:

When unemployment is 4 percent or less, there ought to be one-half of 1 percent of the Federal budget automatically appropriated. And that as unemployment rises, the second tier of the program which you have described would come into being, and as unemployment goes up by one percentage point, there would be an additional one-half of 1 percent of the Federal budget appropriated.

So, if we have a Federal budget of \$300 billion, one-half of 1 percent being \$1½ billion, we would have a \$1½ billion program under 4 percent unemployment. We would have a \$3 billion program between 4 and 5 percent.

At a \$4.5 billion program between 5 and 6 percent, and a \$6 billion program, at 6 percent unemployment; not much dissimilar from your own bill, S. 4079. But I must say I like your bill a little better than the suggestion we made in the NPA statement, in the sense that as unemployment goes up and gets to 5½ or 6 percent, the amount that ought to be appropriated ought to be more than the amount that was appropriated when unemployment was only 4½ to 5 percent.

I like that feature of S. 4079.

Now, let me just briefly say, Mr. Chairman, that it has been suggested here in questions by Senator Taft or Mr. Bechtel about why not just have additional funds appropriated and put into title I.

I have some serious problems about a suggestion which would increase the appropriations under CETA and put it into title I for the sole and exclusive use of the prime sponsors.

I think we have seen in recent reports in the Department of Labor that the moneys that have been put into title I by the prime sponsor, only 7 percent have been used for public service employment.

Now, CETA permits the prime sponsors under title I to run a public service employment program as long as they follow the criteria of title II. But I think the amount of money that would go to public service employment program, if it were not earmarked and put into title I, would not be adequate to warrant the increased appropriations for that purpose.

So I think we ought to have a separate title or separate part of title II which earmarks it for public service employment program.

I think that is a key and important consideration. I think one other factor that I would like to mention before I ask Mrs. Gutches to comment specifically on some of the comparisons of the bill, is that one of the major problems in any funded program, whether it is CETA or public service employment, is to make sure that there is a maintenance of effort on the part of State and local governments.

I think this is one of the major reasons why I think we need to have a significant Federal presence in the administration of any of our manpower programs, including CETA.

CETA does provide for a Federal presence. I only hope and wish that the Department of Labor will adequately maintain a Federal presence to make sure, amongst other things, that State and local governments do not shift their expenditures and take the CETA moneys or the new public service employment moneys or title II moneys and use it for employment programs that would otherwise have been supported by the State and local government itself.

I would hope that that kind of maintenance of effort be written in very strongly to any public service employment program which the Congress enacts.

Now, Mr. Chairman, with your permission, I would just like to ask Mrs. Gutches if she might comment briefly—it really begins on specific comments in our statement on page 6 on the comparison of some of the pieces of legislation.

Mrs. GUTCHES. What I would really like to do is compare your bill, S. 4079, and the administration's proposal with the National Planning Association blueprint.

Essentially, the statement, the policy statement at the National Planning Association really represents a blueprint of what we thought would be a good public service employment program.

The first point has to do with the length of the program. S. 4079 calls for a 3-year program which conceivably could be extended if necessary. Hopefully, it would not be.

President Ford's program is limited to only 1-year. In fact, he did stress the temporary rather than permanent nature of the program. That, in fact, is contrary to our blueprint.

The NPA statement calls for a sliding scale, with funding geared to increased unemployment. So does S. 4079.

In fact, I would certainly agree with Mr. Ruttenberg that your proposal accelerating the additional increments as unemployment rises rather than making equal increments is a better proposal than the NPA proposal.

The NPA statement calls for priority eligibility for participation in the program for the disadvantaged. Here I think is the most important difference between the NPA proposal and your bill on the one hand and the administration's bill.

Under the President's proposal, it seems to me the public service jobs would be almost guaranteed not to go to disadvantaged but rather to go to more experienced, capable workers who, of course, in time of rising unemployment, can benefit from public service employment, but the NPA statement and your bill by tying it into CETA, really guarantees that preference will be given to the disadvantaged.

Both the NPA statement and your bill stress the need to make certain that the jobs that are performed provide necessary public service that would not otherwise be performed. Both place great emphasis on assuring that the work is not "make work."

I think Mr. Bechtel, in his testimony, made a very good point that it takes time to build a good public service employment program. And members of the working group of the National Planning Association were well aware of that, and particularly those who had been involved with manpower programs and with the PEP program recognize that you had to work hard to make certain it was a good program and performed necessary public services.

You cannot just slap it together at the last minute.

Your bill, I think, comes closer to the NPA standards in that respect.

The NPA statement also calls for a matching effort by State and local governments.

It does have the advantage, at least NPA working group felt it had, had the advantage of keeping the program honest and making certain that the services really were necessary services.

I understand that at the present time some mayors have testified on the House side that the present level of salaries in local government tends to be above \$10,000, so that under title II and under title I of CETA, they find themselves in the position of matching, in that they have to supplement the salaries of people who are working in public service employment programs.

The administration bill, by forbidding any supplementation, does two things.

It makes it difficult to produce really good public service jobs and limits the kind of work that is performed, and it also eliminates any kind of matching and, therefore, tends to make it less—it removes that incentive to make the program honest.

The welfare tie-in, which you included in your bill in S. 4079, I think is particularly welcome, although we did not in the NPA statement call for such a tie-in.

The NPA statement suggested that public service employment was beneficial in terms of serving welfare clients, but no specifics were provided as to how it could be tied in.

I think your proposal is an important start on that problem.

Finally, the NPA statement calls for administration of the State program by State and local governments, the prime sponsors under CETA, as does your bill.

The administration proposal seems to bypass CETA and sets up another administrative edifice really, and one which seems to me would probably be fairly cumbersome to administer.

The Unemployment Insurance (UI) parts of the program would, of course, be administered by the State Unemployment Security Agencies, and then, at some point or other, the people would be sloughed off to the prime sponsors.

Just how that coordination is going to take place, and particularly how it is going to take place in those jurisdictions where the prime sponsors have opted not just to use the employment service as deliverer of services is not certain. It seems to me it would be bound to add to the administrative cost to the program.

One more point.

Your bill, S. 4079, does recognize the dual nature of a public employment strategy. That was one of the major points that the National Planning Association made in the statement. The dual nature of a public employment strategy assures that the public employment will be used to meet both social and economic goals.

The administration's proposal does neither.

Senator NELSON. Thank you very much for your testimony.

Senator TAFT. Your last statement, I take it, applies to title II of the administration's bill and not to title I, is that correct?

Mrs. GUTCHESS. That is correct.

Senator TAFT. What is your feeling about title I?

You have not mentioned title I at all.

Mrs. GUTCHESS. The extended benefits program?

Senator TAFT. Yes.

Mrs. GUTCHESS. The extended benefits program is an income maintenance program and not a public service employment program.

I think they are two different things. An income maintenance program is important and does achieve certain purposes, but it does not do the same kind of thing that the public service employment program does.

I tend to think that it is better to have people working and producing. Society benefits more when work is performed than when it is not performed.

An income maintenance program—nothing happens. There is no real return to society.

A work program is something else.

So, although I would not be opposed to an extended benefit program, it, in my mind, does not achieve the same purpose at all.

Senator TAFT. I was going to ask Mr. Ruttenberg about this.

It would seem to me that knowing your background in the manpower field, I would like to know whether you do not really welcome the concept here of tying together in our thinking, at least the unem-

ployment insurance program and the job training program and public service employment program, too?

Mr. RUTTENBERG. There is an aspect of the program which I must say I do not like about the present proposal.

When you talk about title II, which is their public service or community improvement program, it is designed to assist only those who have exhausted their unemployment benefits or who otherwise would have exhausted benefits—had they been eligible, and it provides assistance only in those areas with 250,000 population or more, where there is prime sponsor who is an applicant, and it reflects the kind of program to a short-term employment of 6 months or so. And that really brings back the memories of what I thought we were trying to get away from in the whole public service program; namely, leaf raking and WPA. Because, if you look at the concept of what the President has proposed in his community program, it is just that kind of work.

I do not mean to denigrate at all the kind of work that ought to be done, in cleaning up public parks and cleaning up streets, et cetera, but I do think that part of the overall public service employment program is one which does provide useful public services to the community and to the State.

Senator TAFT. That is title I, CETA is for—

Mr. RUTTENBERG. Title I, CETA provides the training and experience and background, but does not provide for public service employment except at the discretion of the prime sponsor.

Senator TAFT. Do you not think training is important?

Mr. RUTTENBERG. Yes, I certainly do, and I do believe as we proposed in the NPA statement that the public service employment program ought to be tied in closely with the training and mobility concept, but one cannot, as unemployment rises, one cannot really talk about moving on to other kinds of employment with additional kinds of training because the job opportunities are not going to be there. So that I would hope that a public service employment program that ties in training and similar kinds of job, occupational experience is one which increases that kind of activity as unemployment declines; as employment rises, it increases the supportive activities because of the chances and opportunities of putting somebody into another job are improved—but very limited when unemployment is high. I do think extended unemployment insurance benefits is a good idea, but it is something that we ought to have on the statute books, anyway.

It should not be just a temporary program as this one is.

And I think the concept of providing 26 weeks for those not covered ought to be taken care of by amending the unemployment insurance laws to increase coverage.

Senator TAFT. Do you think there is any wrong with a concept of having a special priority or special program to take care of those who have exhausted their benefits?

Mr. RUTTENBERG. Well, I see nothing wrong with providing assistance to those people who have exhausted their unemployment benefits. They need help—as well as everybody else needs it.

Senator TAFT. They need it a little more than anybody else.

Mr. RUTTENBERG. I am not so sure about that.

If one considers the concept of disadvantaged, of the hard core unemployed, of the older worker who does not have a job, the youth who have not had an opportunity to get into the labor force, those individuals may need it equally as much, and if not more than one who has had a job and at least been able to draw his regular unemployment insurance benefits for a regular duration plus 30 weeks over and above that, so he might not be as much in need as somebody else, and I would leave those kinds of decisions——

Senator TAFT. Of course, he would also be eligible under CETA?

Mr. RUTTENBERG. They are all eligible under CETA, and my own feeling is that we ought to tighten up the administration of CETA in terms of the target populations that the funds—title I are going to be permitted to be used for.

I think the law permits it to be tightened up in terms of the disadvantaged and hard core, and unemployed, and underemployed, but I do not think there has been that much emphasis in terms of the rules and regulations from the Department to the prime sponsor.

Senator TAFT. Thank you very much.

Senator NELSON. Thank you very much for your testimony today. We appreciate your taking time to come in.

[The prepared statement of Mr. Ruttenberg follows:]

Statement of Stanley H. Ruttenberg, President,
and Jocelyn Gutchess, Senior Associate
Ruttenberg, Friedman, Kilgallon, Gutchess & Associates, Inc.
before the
Senate Committee on Labor and Public Welfare
Subcommittee on Employment, Poverty
and Migratory Labor
October 16, 1974

We are very pleased to have this opportunity to appear before you today to speak in support of immediate enactment of a broad scale public service employment program. The September increase in unemployment to 5.8 percent underlines the urgency of the need, and the recent economic summit conferences left no doubt as to the general consensus in favor of a large-scale public employment program. S. 4079, which you have under consideration, is an appropriate answer to a serious national problem.

During the course of the past year, we had occasion to serve on the National Planning Association Joint Committee on a Public Employment Program. This committee included representatives of business, labor, agriculture, manpower practitioners (including Mr. William Bechtel, the former staff director of this committee) and others concerned with and knowledgeable about manpower matters. We worked diligently and produced a document -- an NPA Joint Statement entitled, A Public Service Employment Program: Effective Manpower Strategy. The statement, which was issued in July of this year, was signed by more than 100 individuals representing the NPA Board of Trustees, the Standing Committees on Agriculture, Business, Labor and International Policy, the National Committee on America's Goals and Resources, the Business Advisory Council on National Priorities, as well as all of the members of the joint working committee.

The statement discusses the role of a public employment strategy as both a social and economic policy tool and is, in effect, a policy blueprint.

As such, we think this policy statement is worth your attention as you consider the various proposals for public employment legislation that have been made. We respectfully ask that it be included as part of the record of these hearings.

Briefly, the NPA statement makes these major points:

1. Public service employment should not be thought of as an emergency manpower measure -- to be brought out of the closet only when fluctuations in the business cycle require a special effort on the part of government to do something about mass unemployment. Public service employment is as effective in dealing with the problems of structural unemployment -- unemployment of the so-called hardcore -- as it is with the problems of cyclical unemployment. To some extent, both S. 4079 and its companion measure in the House, Chairman Daniels' bill, recognize the versatility of a public employment strategy -- in that they provide a sliding trigger, starting with an unemployment rate of 4.5 percent and increasing the amount of money available for public service jobs as national unemployment increases. However, a truly effective public employment strategy would recognize the continuing nature of the structural unemployment problem, and establish a permanent public service employment program to remain in effect regardless of the national unemployment rate.

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2. To fulfill its potential as both a social and economic policy tool, the NPA statement suggests a permanent triple-tiered public employment strategy. First, a base program would provide fixed funding to state and local governments for public service jobs regardless of the unemployment rate. This program would be aimed primarily at those who for one reason or another cannot compete successfully for jobs in the regular labor market, i.e., the disadvantaged.

A second tier program would do what S. 4079 does, that is to release additional funds to provide jobs as cyclical unemployment increases. Although first priority for these jobs would also be given to the disadvantaged, to those who need help most, it should be expected that many of the participants in such a program will be trained, able, experienced workers who in more normal times would be employed without government help.

Finally, a third tier program would be based on the recognition that cyclical swings are not always national in scope -- that there will always be places where local economic conditions result in unusually severe local unemployment. Like the basic program for hardcore unemployment, this third tier program should be permanent, and should be funded at a level which is commensurate with the size of the problem. Title II of the Comprehensive Employment and Training Act (CETA) represents such a third tier program.

3. The NPA statement recognizes the displacement effect of a public employment program; that is, that after a period of time, the

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state or local government which is the recipient of federal funds for public service jobs will tend to substitute the federally supported jobs for locally supported jobs. However, this does not alter the fact that a large-scale program can result in an immediate net addition of jobs. The problem is to defer the substitution as long as possible, particularly in view of the near unanimous predictions by economists that serious unemployment is going to be with us for a long time; perhaps three or four years. If that is the case, then it will be incumbent on the Administration to do everything possible to counteract the tendency to substitution. The NPA statement calls for strict enforcement of the maintenance of effort and transition provisions of the legislation. This means close federal monitoring. It cannot be left to local evaluation.

4. A public service employment strategy correctly deserves categorical treatment. When we are faced with a national unemployment problem of such serious proportions with 5, 6, or 7 million unemployed, we cannot afford to leave to chance the decisions to put in place a strong public job program.

Theoretically, it could happen that the more than 400 CETA prime sponsors would all turn to public service jobs as the proper strategy to adopt as unemployment rose in each community. But the response would be uneven and inevitably inequitable. Furthermore, most of the CETA prime sponsors -- particularly those where the structural unemployment problem is especially acute -- are already under considerable pressure to keep existing manpower programs

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going at current levels. Inflation, plus the diffusion effects of CETA, have already made it hard for these prime sponsors to satisfy local constituent pressures. That being the case, there is a strong likelihood that additional funds put into Title I of CETA will not go for public service jobs but instead will go to support existing local manpower programs. So far only 7 percent of Title I funds are going for public service jobs -- despite rising unemployment. Only a categorical approach can assure that a public jobs program will actually take place.

5. The NPA policy statement called for a funding level commensurate with the size of the problem. It suggests linking the funding level to the federal budget level, using a formula which sets aside one-half of one percent of the federal budget for the basic public employment program, irrespective of the unemployment rate and increasing the total by one-half of one percent of the federal budget for each additional one percent rise in the unemployment rate above four percent. With a \$300 billion budget and the current 5.8 percent unemployment rate, this would mean a public service employment program today of \$4.5 billion, or about 563,000 jobs at an average job cost of \$8,000. A program of this scale would provide jobs for only one in ten of those currently unemployed -- not an extravagant program by any means.

Specific Comments:

Taking the NPA statement as a blueprint, it is interesting and worthwhile to compare the bill you have under consideration, S. 4079, and President Ford's proposal for Special Unemployment Assistance and Community Improvement programs with the NPA recommendations.

1. The NPA policy statement called for a permanent program. S. 4079 calls for a three-year program -- which conceivably could be extended if necessary. President Ford's program is limited to only one year -- due to expire at the end of December 1975. In fact, the President stressed the temporary rather than permanent nature of his proposal.

2. The NPA statement calls for a sliding scale, with funding geared to increased unemployment. So does S. 4079. In fact, S. 4079 goes one better than the NPA statement and instead of equal increments in funding as unemployment rises, it proposes accelerated funding as the situation worsens. This seems to be a desirable improvement. The NPA statement would start increased funding at a 4 percent unemployment rate while S. 4079 defers increases until unemployment hits 4.5 percent. The President's proposal, however, does not trigger "on" until unemployment hits 6 percent and then limits application of the program to areas with a $6\frac{1}{2}$ percent unemployment rate. Full funding would not be achieved until unemployment hit seven percent under the Administration proposal. S. 4079 achieves maximum funding at six percent -- a more realistic level.

3. The NPA statement calls for priority eligibility for participation in the program for the disadvantaged. So does S. 4079. The President's proposals, however, seem to guarantee that those who are most severely hit by unemployment are going to be left out. Under his program, eligibility is limited to workers covered by Unemployment Insurance (even though the rate for covered unemployment is generally two to two and a half points lower than the rate for all workers) and experienced workers who meet the wage and employment standards for coverage but not the classification.

4. Both the NPA statement and S. 4079 stress the need to make certain that the jobs that are performed provide a necessary public service that would not otherwise be performed. Both place great emphasis on assuring that the work is not "make work." The President's proposal on the other hand seems to go to great lengths to guarantee that the jobs will be "make work." By limiting the work to six month "projects" which can be completed in that time -- it is likely that the jobs will be primarily clean up, leaf raking, or tulip planting jobs. Neither the regular or paraprofessional type jobs which proved so effective under the PEP program will be possible. Neither does the President's program include an emphasis on transition which we believe is useful, particularly in helping the disadvantaged move into permanent jobs, in either the public or private sector.

5. The NPA statement calls for a matching effort by the state and local governments -- as a way of keeping the program honest and assuring that the work that is performed will meet real community needs. The matching concept as such is not included in either S. 4079 or in the President's proposals. However, the same impact as is achieved with

matching, we think can be achieved under S. 4079, by the fact that local governments can supplement wages above a \$10,000 level. The Administration proposal does not permit supplementation. If it is true -- as is claimed by some mayors -- that most of the local government jobs currently call for a wage or salary level higher than \$10,000, then under S. 4079 local sponsors will be forced to draw on their own resources to supplement wages -- this then becoming a form of matching. Also, the \$7,000 salary limitation provided under President Ford's proposal is far too low -- and again almost guarantees a make work character to the program.

6. The welfare tie-in provided in S. 4079 is particularly welcome. Although the NPA statement called for such a tie-in, no specifics were suggested as to how it could be implemented. This proposal would appear to be a good start on that important problem. No such welfare tie-in is provided under the Administration proposal.

7. The NPA statement called for administration of the program by state and local governments -- the prime sponsors under CETA. So does S. 4079 -- properly building on the new manpower edifice -- which at the very least should be given a fair try before it is by-passed. The Administration proposal not only bypasses CETA but would be cumbersome to administer. Moreover, since it is linked to the unemployment insurance system, it would have to be administered by the state employment security agencies. Coordination between these agencies and prime sponsors may very well present some serious administrative problems -- problems which are bound to add to the cost of the program.

8. Finally, S.4079 recognizes the dual nature of a public employment strategy -- and by linking the program to CETA -- assures that public employment will be used to meet both social and economic goals. This, of course, is one of the principle thrusts of the NPA statement. President Ford's program not only misses this point -- but it isn't really a public employment strategy at all. It is essentially an extended benefit and make work program -- which will not help those who need help most, which will not get at either structural or cyclical unemployment in an effective way, and which seems to be based on the erroneous principle that it is better to keep experienced and skilled workers out of the labor market than in, while doing nothing or very little for the unskilled and inexperienced.

Senator NELSON. Our final witness will be Mr. Frank Walsh, Administrator of Employment Security, State of Wisconsin; president, Interstate Conference of Employment Security Agencies.

STATEMENT OF FRANK WALSH, ADMINISTRATOR OF EMPLOYMENT SECURITY, STATE OF WISCONSIN; PRESIDENT, INTERSTATE CONFERENCE OF EMPLOYMENT SECURITY AGENCIES; ACCOMPANIED BY SAMUEL MORGANSTEIN, STAFF MEMBER, INTERSTATE CONFERENCE OF EMPLOYMENT SECURITY AGENCIES

Mr. WALSH. Good morning.

I am Francis J. Walsh, president of the Interstate Conference of Employment Security Agencies, representing the 50 State employment security agencies and the three territories, and I am also administrator of employment security for the State of Wisconsin.

I am grateful to you, Mr. Chairman, for this opportunity to testify on this legislation and, Senator Taft, for his invitation to do so.

However, in all candor, I must tell you that there really was not sufficient time and notice to poll all our State membership on these issues involved in the normal manner that we would prefer.

Senator NELSON. May I say there will be another—at least another day of hearings because of the Conference of Governors and Mayors in these municipalities and counties were not all prepared to appear on this short notice.

The purpose of getting these hearings started was to be sure that we would be prepared to act on a bill very soon after we returned from the recess.

So if the Interstate Conference on Employment Security Agencies wishes to submit additional testimony for the record, you feel free to do so, because the record will be open until—well, sometime in mid-November, in the event you shall feel free to submit any further commentary that you may desire.

Mr. WALSH. Fine. Thank you very much.

Normally we would poll the several States in order to give them an opportunity to express the position and preference of their own State, and we will do that, and provide that information to the committee.

First, I would like to say that I believe that the unemployment insurance program is our most effective income maintenance program today. It has done an outstanding job over the years.

This year it is expected to pay over \$6 billion in benefits to 7 million workers.

In spite of a splendid record of achievement, the system has two serious weaknesses in meeting the kind of unemployment now facing us—large numbers of workers are not covered by State laws and the benefit period is too short to see many workers through their period of unemployment.

A week ago today Secretary Brennan said to this committee that there is a need for Federal standby authority which will help alleviate unemployment.

The Secretary is plainly right. We must take steps against inflation, to be sure.

But when those steps deprive men and women of work, we cannot turn our heads.

Speaking only for myself, S. 4129, on the whole, is a worthy effort.

I believe, however, that Congress is looking for ways to make it even better, and I have a few thoughts to share with you, in a constructive spirit.

The first thing is in relation to the trigger mechanism.

Both the special unemployment assistance program and the community improvement program come into effect in labor market areas with at least 250,000 people, which have averaged 6.5-percent unemployment for 3 consecutive months.

The 250,000 population yardstick will deprive many areas of the help that they need.

Take Laredo, Tex., with 75,000 people, and 11-percent unemployment; it would not be helped.

Thrown in with a "balance of State" unemployment rate of 4.9 percent, it would be bypassed.

Senator NELSON. What is that State?

Mr. WALSH. TEXAS. One of the reasons I mention Texas, Senator, is because we are now in the process of sending back to Texas—to the Laredo area, some of the migrant workers we bring into the State of Wisconsin for seasonal work. They will be going back into an area that will not benefit from this bill.

I think they, as well as the permanent residents of our State, need a better opportunity to benefit from the bill.

Bill Bechtel, I think very adequately and clearly, pointed out how this would not affect Wisconsin in terms of helping us meet the problems of the unemployed.

It is a very serious question, not only in Wisconsin and Texas, but in many other States. A solution would be to move to smaller areas, less population.

We recognize that this will have some administrative problems, but they could be minimized, and I do not think the cost of administering the program on a smaller area basis would necessarily be exorbitant.

We are probably a long distance away from the day when unemployment insurance laws reach out to the individual man or woman, without arbitrary triggers.

Yet workers in a 6.4-percent unemployment area are no less in need than they would be if a few more people lost their jobs and pushed the trigger up to 6.5 percent.

The most equitable and effective unemployment insurance program would be one providing longer regular duration, such as 39 weeks, and I might say as an aside, in a recent National Conference on Employment Security involving all the State agencies, we came pretty close to passing a resolution which would have taken a position of extending benefits in all States to at least 39 weeks.

You can understand that there is not unanimity on this, but generally we are taking a position that the basic program needs to be improved.

As this bill is presently written, I doubt that it would reach as many as half of the unemployed. And that is a lot of people left out in the cold.

Returning for a minute to the eligibility as far as individuals are concerned, we have some problems there, too.

The bill would benefit only experienced workers, those who had exhausted their unemployment benefits, or those with a "demonstrated labor force attachment."

Youth, including college and high school graduates, or dropouts would not be eligible. It is within this group that we find the highest level of unemployment.

Senator NELSON. A moment ago you said the administration bill as drafted would not reach more than half the unemployed.

You mean half the Nation—none of these bills would meet half the unemployed.

So, I do not understand. No proposal is going to meet half the unemployed.

Mr. WALSH. I think that is true. But I think in the earlier draft the Department of Labor in some of its comments—

Senator NELSON. Did you mean half of the unemployed would not be within the trigger areas?

Mr. WALSH. Within the trigger areas, and I do not think this will do that. I do not think this will do that.

Senator Nelson. All right.

You did not mean half of all of the unemployed work force?

Mr. WALSH. No, no. That is a larger and important problem.

A married woman with an unemployed husband and young children who had not worked for several years would not be eligible.

I am sure many other examples will occur to the subcommittee, and undoubtedly it will wish to consider the public policy and compassionate aspects of this requirement, together with its fiscal effect.

As related point, I wonder if the 26-week project limit is realistic.

Anyone who has experienced the delays inherent in getting new projects off the ground will hesitate to impose a restriction.

It does take time to get these programs into place, and the 26-week limitation I do not think is useful in this case.

The projects, as described, do seem to call for blue-collar skills.

I entirely applaud this emphasis, but suggest that a white-collar \$8,000 a year clerk gets hungry, too, and gets unemployed, and needs some help.

Some clearer provision for white collar opportunities might be drafted.

I am not certain whether other manpower services, such as relocation and training are contemplated in this bill.

Now, these were proposed in the earlier Labor Department draft. We thought that they were excellent features, that is, to permit sponsors to use the funds for purposes of training and retraining, and for relocation allowances, if that were appropriate, and designed to get people quickly into jobs in the regular private sector.

Now to look at the role of our member agencies.

The State employment security agencies include 2,400 local offices. They, as you know, are staffed by experienced and dedicated people.

The advantages of utilizing this resource are great, especially when one is dealing with a short term emergency program—one which cannot afford to lose months getting started.

We are ready, willing and able to assume our responsibilities in this proposal.

In concluding, Mr. Chairman, I would reiterate my belief that most States would, if polled, endorse the purposes of the bill.

I cannot endorse as to the specifics for all States.

My comments are designed to enhance those purposes, not to frustrate them.

At the same time, the views of the interstate conference are being systematically developed, and as I indicated, I will return the results of any poll to the subcommittee.

I would like to endorse the comments made by Stanley Ruttenberg to the effect that on a longer range basis we ought to be looking at the mechanics of responding to these problems of unemployment.

I think a more permanent system is needed which does not just respond to unemployment that is created by a crisis such as the present and pending economic situation and other matters.

We need a long term system that will be in place and can be triggered without the need to develop new legislation, set up new administrative agencies, and all this sort of thing, before it is effective.

We are going to move in that direction, but again we have here what I consider some stop gap legislation to meet a crisis.

We need to put it on the basis as a matter of national policy that we are ready, willing, and have the system to deal with these problems of unemployment, no matter where in the Nation they occur, and for what reason, because people who are unemployed, whether because of economic recession or because of the fact an employer has elected to relocate its plant, or whether the need for their services has disappeared because of the change in consumer demands, they are equally hurt, and we need to look at that part of it, rather than responding to the simple ones.

Thank you very much, Mr. Chairman.

I would be happy to answer any questions.

Senator NELSON. Under the current law there are available 13 additional weeks of unemployment compensation in the States in which unemployment exceeds 4 percent, right?

Mr. WALSH. Right.

Senator NELSON. But the Federal Government pays only half of that additional cost, and the State must match it, and the State is not obligated to participate in the program, is that correct?

Mr. WALSH. That is true, plus the trigger mechanism again is a problem.

Senator NELSON. But the State may or may not participate.

Mr. WALSH. Yes.

Senator NELSON. What kind of problem is appearing now to put another layer on top of that, as this bill does, for an additional 13 weeks of unemployment fully paid for by the Federal Government so that you now have a situation in which States which elect to deplete their funds by matching the Federal Government under the current law, when the rate goes over 4 percent, and then you now have States who do not deplete their funds and did not match the Federal budget, and now get 13 weeks fully funded by the Federal Government, does that create any questions in your mind of any practical problems, or any questions of equity?

Mr. WALSH. Yes, it does, and I guess that is why I hedged a little on taking the position for the organization that I represent.

That is the kind of position that I would want to develop by polling the several States. It is a real problem.

The whole question of standards for unemployment insurance benefits is up, you know, as you well know, year after year in the Congress.

We as an organization are trying to urge the State member agencies to improve the benefits, you know, in terms of duration and amount of benefits by persuasion, coercion whatever we can do.

Senator TAFT. Would you elaborate a little bit on your statement, we recognize that moving to smaller areas will involve higher administrative costs, but these can be minimized.

What kind of area are we talking about? That seems to be one of the principal stumbling blocks.

Mr. WALSH. I think you will get a lot of different opinions on it.

I can say arbitrarily that if we can move to an area of 100,000 we would be a lot better off. There still would be people looking in from the outside.

Senator TAFT. Would this data be available?

Mr. WALSH. Pardon—could we get them?

Senator TAFT. Yes.

Mr. WALSH. Could we get the data on unemployment within areas of 100,000?

Senator TAFT. Yes.

Mr. WALSH. Yes, I think the data could be available.

We have had to develop in our State a methodology for estimating unemployment on a county-by-county basis, and I think once you define the areas you could come up with the technique for estimating unemployment.

It is a tough area—there is no question about it, but my position would be, should we, because of the difficult administrative problem of estimating unemployment let people out in the smaller areas just go without help.

I think it is just a completely unfair approach to take.

Senator TAFT. Is it not inevitable that you have to tie it to residents, as well, or on the job location?

Mr. WALSH. Traditionally, I think it should be. The problem that Bill Bechtel mentioned in connection with specifically, the Milwaukee area.

We have the area which includes three counties outside of Milwaukee County, counties with the low levels of unemployment. Many of those people are employed in Milwaukee City, and they become bedroom communities for the city.

The unemployed are in the central part of the city. They are not commuting from the suburbs.

Senator TAFT. This happened within a county?

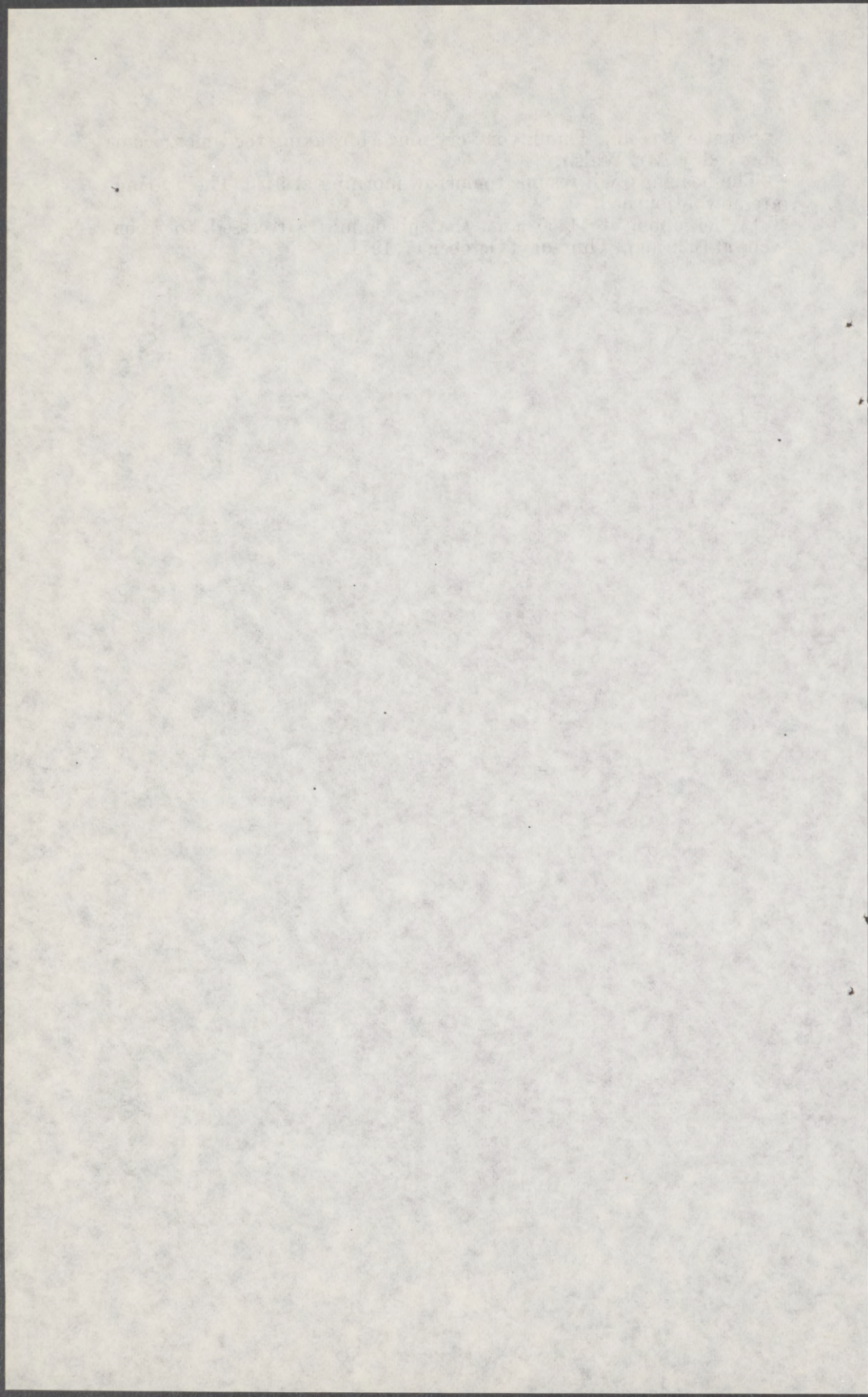
Mr. WALSH. Yes, it could. I do not imply or suggest that, we could eliminate all arbitrary limits.

We can get closer to the people who are unemployed by using smaller areas than we now have, regardless of where a person lives, how densely it is populated, if he is unemployed, he is unemployed, his family has problems. They are hungry, they have got bills to pay.

Senator NELSON. Thank you very much for taking the time to come here today, Mr. Walsh.

The hearings will resume tomorrow morning at 9:30. The hearings are now adjourned.

[Whereupon, at 11:50 a.m., the subcommittee recessed, to reconvene at 9:30 a.m., Thursday, October 17, 1974.]



PUBLIC SERVICE EMPLOYMENT LEGISLATION, 1974

THURSDAY, OCTOBER 17, 1974

U.S. SENATE,
SUBCOMMITTEE ON EMPLOYMENT, POVERTY,
AND MIGRATORY LABOR OF THE COMMITTEE ON
LABOR AND PUBLIC WELFARE,
Washington, D.C.

The subcommittee met, pursuant to recess, at 9:44 a.m., in room 4232, Dirksen Senate Office Building, Senator Gaylord Nelson (chairman of the subcommittee) presiding.

Presiding: Senator Nelson.

OPENING STATEMENT OF SENATOR NELSON

SENATOR NELSON. The subcommittee will come to order, and proceed with its hearings on public service employment.

The Secretary of Labor Brennan has offered his Department's full cooperation in working with this subcommittee to work out legislation.

The bill that I introduced at the beginning of this month would provide increased public services opportunities for unemployed persons in all States and in all areas, each State allocated in proportion to the unemployment in each area.

Although the administration recognizes the need for more public service jobs in general, the administration's proposed bill contains a formula which would fail to provide any of those jobs to Wisconsin and to many other areas of the nation. That is because, under the administration's bill, eligibility to receive public service jobs is restricted only to labor market areas having at least 6½ percent unemployment rate.

Labor market areas are designed by the Department of Labor to cover broad geographical areas.

Milwaukee would receive no public service job opportunities under the administration's bill because the Milwaukee labor market area, which covers the city and county of Milwaukee, as well as Waukesha, Ozaukee and Washington Counties, has an overall unemployment rate of 4.2 percent.

Consequently, no jobs would be allocated by the administration's bill to the Milwaukee area or any other area in the Nation in similar circumstances, of which there are many.

The fact that the unemployment rate for the city of Milwaukee is 7 percent, as contrasted with the entire labor market area of 4.2 percent rate, demonstrates how inequitable the administration's formula

would turn out to be for innumerable cities in similar circumstances throughout the United States.

Our first witness this morning is Mr. John Doyne, county executive, Milwaukee County, Wis., representing the National Association of Counties (NACO).

Mr. Doyne, the committee is very pleased to have you here today speaking in behalf of not only your own county of Milwaukee, but in behalf of the National Association of Counties.

You may proceed to present it however you desire.

STATEMENT OF JOHN L. DOYNE, COUNTY EXECUTIVE, MILWAUKEE COUNTY, WIS., REPRESENTING NATIONAL ASSOCIATION OF COUNTIES; ACCOMPANIED BY GARY EVANS, MILWAUKEE COUNTY MANPOWER DIRECTOR; AND ALICEANN FRITSCHLER, LEGISLATIVE REPRESENTATIVE FOR THE NATIONAL ASSOCIATION OF COUNTIES

Mr. DOYNE. Thank you, Senator.

I am John L. Doyne, the elected county executive of Milwaukee County, Wis., and chairman of the Milwaukee Manpower Area Planning Council.

I am accompanied by Gary Evans, Milwaukee County manpower director, and Aliceann Fritschler, legislative representative for the National Association of Counties.

I am happy to be afforded the opportunity to present this testimony on behalf of Milwaukee County and the National Association of Counties.

The 1970 census figures place the Milwaukee County population at 1,054,063. While ranking 19th in the Nation in population, the county ranks sixth in its volume of industrial production. More than 23,000 Metropolitan Milwaukee businesses provide employment opportunities for more than 600,000 persons. Federal, State, and local governments employ approximately 12 percent of the area's workers.

Two years ago, I accepted the request of the Governor of Wisconsin, Patrick Lucey, that I serve as chairman to the Milwaukee Manpower Area Planning Council. I accepted this responsibility primarily because I recognized the important role that the Cooperative Area Manpower Planning System (CAMPS), the predecessor of the Comprehensive Employment and Training Act (CETA), could play in alleviating unemployment in our urban area. Considering the services provided by the county and the duties of my office, I believe this to be a logical area for manpower planning.

It is because I represent an urban county that I wanted to appear before your committee today to testify on behalf of public service employment.

While I am fully aware that public service employment is only one weapon in our arsenal for dealing with our national economic problems, I do feel that it is an important weapon and must be used. It is important that we provide employment for our unemployed residents. Title II of the Comprehensive Employment and Training Act attempts to do this; but, in Milwaukee, it can only scratch the surface.

For example, our unemployment rate in Milwaukee County as a whole is below the national average of 5.8 percent. However, the unemployment rate for the central city within Milwaukee County is over 11 percent. This 11 percent unemployment rate represents 8,900 residents of Milwaukee County—8,900 people within a small part of Milwaukee County who are looking for an opportunity to work. Our \$1.7-million grant under title II of the Comprehensive Employment and Training Act will be able to reach only 212 of those residents. Public service employment will be important to those 212 persons.

However, the economic situation in all local areas demands more than 212 jobs.

Public service employment can attack this problem from two different directions. In addition to providing residents who are unemployed with jobs and with an income, the work produced by these individuals returns money to the Government in the form of tax dollars saved and reduces welfare payments, unemployment benefits, food stamps, medical assistance and other services these residents ordinarily would require if they were unemployed. The work these people do will provide State and local governments with needed services to all residents of the county. The advantage of public service employment in attacking a national economic problem is that it can have an impact on high unemployment levels without stirring up more inflation.

It is important that the Senate, the House and the President have all recognized the impact of public service employment. I do have some strong feelings, however, about some of the methods of implementation that are being discussed.

First, I believe that the Comprehensive Employment and Training Act (CETA) must be the basic vehicle to implement all manpower programs and that any money funded to the local areas for public service employment should be funneled through the prime sponsor and through the Manpower Area Planning Council of those areas. During the 9 months since CETA was enacted, State and local governments have hired staff, have organized advisory councils and have moved ahead vigorously in developing the capability to plan and administer manpower services in their communities. I know this to be true in Milwaukee County. It makes little sense to legislate a Comprehensive Employment and Training Act and fund manpower programs outside the jurisdiction of that body. It also appears to be illogical to use boundaries other than those of the prime sponsor to determine eligibility for public service employment funds. Use of the labor market areas or standard metropolitan statistical areas will only cause confusion and distortions of need.

Second, I am concerned about the "trigger" that makes money for public service employment available to local areas. This "trigger" must be at a level that allows an area to utilize the money before the situation becomes catastrophic. I am happy to support the public service employment bill introduced by you, Senator Nelson, Senate bill 4079, which proposes a "trigger" of 4.5 percent unemployment rate, plus graduated increases if the unemployment rate increases. I feel these jobs are needed now and this "trigger" makes them available now. I also feel that the steps making additional money available

are an important feature of the legislation and will insure that the jobs will be available as long as the national economic emergency continues.

Similarly, any "de-triggering" provisions of any law or regulation governing public service employment must be gradual enough to cushion the loss of funds with time for substantial job search.

We do not want to employ people without knowing month by month whether we will continue to provide needed employment for them. It is because of this concern that I am opposed to a limit of 6 months, as suggested by the President in his recent message. These jobs must be available for as long as the economic emergency continues.

It must also be recognized that, because we are in a period of extreme inflation, and the costs of government have risen drastically, the transitional feature which is a part of title II of CETA can no longer be considered valid. Local governments can no longer absorb the number of people employed under this legislation. Our Milwaukee County did a reasonable job of employing people under the Emergency Employment Act; however, I am positive we cannot repeat this level of effort in today's economic crisis. Operating costs, wage and benefit increases which are a part of our county government structure have limited our ability to expand our permanent work force. However, I feel there is still a need for employment and services within the county; and we do intend to place people in decent jobs that do not create the expectation for continued services.

We would hope to identify limited short-term tasks which do not create impossible demands for future service, but which do provide an excellent transitional possibility and which do provide needed services for our community.

I do not think the Federal Government can expect local governments to do what our economy itself cannot do—namely, to find permanent unsubsidized jobs for all of our citizens.

With regard to the actual jobs to be made available in the local areas, I am happy to see a flexibility which will allow local areas to improve, beautify, and enhance their jurisdictions. I would hope flexibility in the kinds of positions that can be created would be a feature of any bill signed into law.

I do have some feelings about the salary level suggested recently by the President. The salary level of \$7,000 creates problems for our local labor force. This could permit a coverup for discrimination; it could encourage inequitable employment practices; and it could conflict with local labor organizations. The intent of public service employment is not to create a low-wage pool of secondary labor market jobs. Nor does the \$7,000 maximum provide funds for the supervision which would be needed for these new employees.

I would suggest that the salary limit for public service jobs be set at \$12,000, as it was under the Emergency Employment Act (EEA). This amount would be more in line with what the counties are experiencing, given the increasing costs due to the higher wages resulting from current labor negotiations and from inflation. I am sure that most positions filled under public service employment will be below \$12,000; but some key personnel will be needed to accomplish local goals and to more effectively utilize the skills and training which some of our unemployed residents could bring to us.

Also, the "prevailing wage" requirements would conflict with a \$7,000 salary maximum and would prevent most placement possibilities. At this time, only 163 employees of Milwaukee County's work force of over 10,000 persons are making less than \$7,000 per year.

Although I applaud the President's decision to extend unemployment insurance benefits to persons who have exhausted their regular benefits or who are not eligible for unemployment insurance, I am afraid that the provision which would not allow unemployed individuals an opportunity to participate in this program until after their unemployment compensation benefits are exhausted could mean unemployed individuals could sit home for over a year without working. When there is work that could be done and services that could be provided to a community, I am sure most individuals who are employable would not want to sit home and do nothing.

In summary, then, I do strongly support public service employment. I feel it is the best way that local areas can make an impact on the national economic picture.

From where I sit, any new public service employment money must be funneled through the same structure developed under CETA. To do otherwise will make a mockery of the act which was intended to be comprehensive.

We must have a realistic "trigger" to phase in public service money. This trigger should be at 4.5 percent and graduated upward with increases in money available as the national unemployment rate increases.

This money cannot be restricted through jobs which requires local units of government to continue to employ these individuals. We must provide these individuals with meaningful work experience and have them provide for services needed in the community. But the local economic base could not accept responsibility for employing an additional work force on its limited tax base.

The salary level should be realistic to allow local areas to make maximum use of this work force and to provide needed income for unemployed individuals. The \$12,000 figure which was used under the Emergency Employment Act would provide this opportunity.

Flexibility in occupations is an important feature. The more flexibility, the more local areas can adapt program funds to their local needs.

Finally, these services should be available to unemployed people now. An individual should not have to sit home for up to a year before he can take advantage of this opportunity.

Mr. Chairman, members of the subcommittee, thank you for the opportunity to appear before you and to express some opinions on public service employment. My staff and the staff of the National Association of Counties are ready to work with you in developing legislation to provide meaningful public employment for those in need.

Thank you.

Senator NELSON. Thank you, Mr. Doyne, for your very fine statement in behalf of the National Association of Counties.

How many public service jobs are there in Milwaukee County now under the current program?

Mr. DOYNE. About 212 under title II of the Comprehensive Employment and Training Act of 1973 (CETA).

Senator NELSON. Do you have a history on these jobs? How many of these public service jobs and employees have become permanent by attrition or for some other reason, do you know?

Mr. DOYNE. Title II is too recent to have any meaningful results. However, of the public employment program (PEP) participants, I can give you an educated guess, based on the information that filtered through the Advisory Council, that about 75 percent have found permanent employment in Milwaukee County's program, which covers county government and the 17 suburban areas of Milwaukee County, either villages or cities.

Senator NELSON. When you gave the number in Milwaukee County, you were covering the city of Milwaukee and all the rest of the county, the public service employees?

Mr. DOYNE. I was covering CETA title II participants within Milwaukee County. The total number of public service employees would be around 500 in all programs at this time.

Senator NELSON. Public service employees, all programs?

Mr. DOYNE. Yes.

Senator NELSON. About 75 percent, you say, have become permanent employees?

Mr. DOYNE. Yes, sir, of those in the county's public employment program.

Senator NELSON. What are some examples of the kind of permanent jobs they have taken and the kind of temporary jobs they hold?

Mr. DOYNE. Many of the jobs are in areas of public safety.

For example, some of the young people that we put in through this program as cadets in the sheriff's department have become deputy sheriffs.

We have had some in the areas of air pollution control in Milwaukee County government. That service is now being transferred to the State.

We have had them in the Public Works Department. We have had them in public safety; we have had them in educational, mostly among teacher's aides with the public school system.

That is about it.

There are some working in health services who have been able to receive training and to get into LPN positions.

Senator NELSON. You said there were only—was it 163 employees out of 10,000 in the whole county again who are in the \$7,000 or below salary range?

Mr. DOYNE. Yes, sir.

Those are county civil service employees. Ninety-nine percent of them are civil service employees, and those are two entry level jobs of clerk and clerk-typist, the ones that are below.

Senator NELSON. If that were the limit here, so far as this program is concerned, even if Milwaukee were eligible under the area designation of the administration's bill, there would be very limited number of opportunities within Milwaukee with that limitation; I take it?

Mr. DOYNE. Within Milwaukee County government; yes.

Senator NELSON. And the way you make somebody eligible would be by supplemental payments; I would take it?

Mr. DOYNE. That is correct.

Senator NELSON. How many of the public employees, some 400 that you now have, do receive some supplemental payment from the local jurisdiction?

Mr. DOYNE. Some do, but I do not know how many.

As a matter of fact, some of our civil service employees receive supplemental payments through general assistance program.

Senator NELSON. Is that right?

Mr. DOYNE. Yes.

Senator NELSON. I want to thank you very much, Mr. Doyne, for your very fine statement on behalf of the National Association of Counties.

We appreciate your taking the time to come here and testify.

Mr. DOYNE. Thank you, sir.

Senator NELSON. At this point, a statement from Mayor Henry Maier of the city of Milwaukee will be printed in the record.

[The prepared statement of Mr. Maier follows:]



HENRY W. MAIER
MAYOR

OFFICE OF THE MAYOR
MILWAUKEE

STATEMENT

BY

MAYOR HENRY W. MAIER OF MILWAUKEE

FOR THE RECORD OF THE HEARINGS CONDUCTED ON
PUBLIC SERVICE EMPLOYMENT LEGISLATION BY THE
SUBCOMMITTEE ON EMPLOYMENT, POVERTY,
AND MIGRATORY LABOR OF THE
SENATE LABOR AND PUBLIC WELFARE COMMITTEE

As Mayor of the City of Milwaukee, I share the concern of many other mayors over the growing need for increased public service employment opportunities. While I am heartened that the present Administration is finally willing to make a commitment to the concept of public service employment, I must note, however, that this commitment as it now stands is inadequate to even begin to meet the increasing unemployment problems of the nation's urban areas such as the City of Milwaukee.

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As you know, I have long been an advocate of public service employment opportunities as a means of channeling federal dollars into urban areas to help offset unemployment. When I testified before you on March 9, 1973, I indicated my grave concern that the then proposed federal budgetary cutbacks would have a devastating impact on the poor, the elderly, the untrained, the sick, the school dropouts and the other victims of poverty who are concentrated in America's central cities.. Unfortunately, as you know, the ax fell, and our urban poor have felt the blow. A proposal, such as Senator Nelson's, however, will provide an efficient and effective mechanism as well as additional funds with which to aid the needy residents of our communities and at the same time provided services needed by the community at large.

The City of Milwaukee is actively involved in public service employment programs under both the Emergency Employment Act and Title II of the Comprehensive Employment and Training Act of 1973. Our Emergency Employment Act program has served a total of 2,469 participants from September 1971, through September 30, 1974. However, it should be noted that 1,172 participants were youth aged 14-18 whose participation in the program was limited to a summer work experience-type activity. Of the remaining 1,397 participants, employment opportunities were created in areas such as security, social services, health, education, environmental control and supportive administrative services. Our FY 1974 Title II Comprehensive

Employment and Training Act program, which did not begin until last month, presently has 70 of the total 212 positions filled. These Title II positions have again been created in such areas as education, security, public safety, health and social services, and environmental quality. With the announcement of FY 1975 Title II funds, we anticipate creating a minimum of 250 additional public service employment opportunities. We look forward to further increasing our efforts in this area with the enactment of legislation in line with that proposed by Senators Nelson, Javits, Cranston, and Mondale. Legislation similar to that proposed by President Ford in his economic address to Congress on Tuesday, October 8, 1974, will not serve to substantially benefit the increasing numbers of our unemployed residents because of its restrictive nature.

For example, President Ford's proposal places stringent limitations on salary levels, eligibility requirements of potential participants, and program duration. Such restrictiveness will not enable urban areas to effectively cope with rising unemployment and accompanying inflation. Furthermore, under President Ford's proposal, only labor market areas with an unemployment rate of 6.5% for 3 consecutive months will qualify for Community Improvement Program funds. In the case of the City of Milwaukee which had a city-wide unemployment rate of 7.1% or 20,420 unemployed individuals for the month of July, 1974, and an unemployment rate of at least 10.2% or 10,800 unemployed individuals within our economic development impact areas which contains the inner city, the inclusion of the remaining

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3 counties which comprise the local labor market area, in the strictest definition, decreases the overall unemployment rate to 3.9%. This would disqualify the most populous urban area in the entire state from receipt of these funds.

Additionally, the salary limitation of \$7,000 annually is unrealistic in cities such as Milwaukee, particularly in these times of inflated living costs. Furthermore, for urban areas that must adhere to collective bargaining procedures and union contracts, \$7,000 annually may not permit metropolitan areas to remain in compliance with other federal guidelines such as the "Fair Labor Standards Act" which, among other things, requires equal pay for equal work. For example, City of Milwaukee laborers which comprise one of the most basic jobs available in City government, currently receive a starting salary of \$8,455 per year; custodial workers, another basic job category, receive starting wages of \$7,719 per year.

The proposed 26 week limitation on community improvement projects may serve only to provide "make-work" jobs of a meaningless nature rather than provide for actual unmet public services; many public service projects cannot be accomplished in such a restrictive time-frame. Additionally, such tight time-frames may cause an administrative nightmare as local governments attempt to plan, design, and implement exceedingly short-term projects or as workers are shuffled from one project to another during a period of economic malaise which many experts predict will last longer than 26 weeks.

Failure of local governments to retain the flexibility to transfer participants from one project to another would result in a cruel and inhumane hoax to participants who would find themselves once again unemployed at the conclusion of 26 weeks with little prospects of finding another job in a depressed economy.

Finally, it would appear that the Administration's proposal is another vehicle to increase the role of State Employment Services which we have already seen become prominent under Title I of CETA. This is not always to the advantage of local areas. As you may know, the Employment Service is currently the primary agent utilized by Prime Sponsors to certify the eligibility of CETA Title I enrollees with respect to receipt of welfare and/or unemployment compensation payments. If this certification process must be utilized in the implementation of President Ford's proposal, what will be the additional cost of these services to Prime Sponsors? Will involvement by the Employment Service result in fewer positions created and an increase in the program's administrative overhead? In addition, the administration is proposing additional weeks of unemployment payments which would have to be exhausted before an unemployed worker would be eligible for public service employment. These benefits may well be needed by those who cannot get any kind of job. But it makes little sense to pay the unemployed for doing nothing when they could be earning a living in public service employment if they desired.

Senator Nelson's proposal, on the other hand, attempts to deal more realistically with the severe economic conditions facing us all.

With nationwide unemployment at 5.8% in September, 1974, it is evident that steps must be taken now in an effort to combat the repercussions of rising unemployment rather than allowing unemployment to increase to 6.5% nationally before seeking solutions. By that time too many will have already suffered and the task of curing unemployment would be much more difficult even with public service employment. Senator Nelson's "trigger rate" of 4.5% unemployment attempts to ease the situation now, not later.

At this point, I would like to suggest an amendment of the current \$10,000 annual salary limitation imposed by the Comprehensive Employment and Training Act of 1973. I urge that strong consideration be given to allow local governments to have the flexibility of establishing a 5 - 10 percent range of the total number of public service employment positions created which would have a salary level of \$10,000 to \$12,000 per year as is the case under the Emergency Employment Act. The continued maintenance of a \$10,000 salary level forces many skilled workers to become "underemployed" and places an undue burden on local recruiting and hiring procedures. Underemployment which requires a skilled mechanic to become a seasonal laborer is waste that contributes to economic problems and delays the long-term solution. In addition, such salary flexibility would provide more equitable benefits for program participants in areas of supervision, counseling, job development and placement, and on-the-job training opportunities.

In view of current conditions, I would also strongly

recommend that any future public service employment program should not be evaluated in terms of enrollee placements as now mandated by the Department of Labor in its Regulations published on June 4, 1974. When permanent jobs are in short supply, it is ludicrous to believe that all participants can be successfully transitioned to permanent, unsubsidized employment which simply does not exist. Public service employment in times of economic decline must be viewed as an effective means of income transfer to provide immediate relief to the unemployed. It would therefore appear absolutely necessary that the Department of Labor either lower the current 50% goal for participant absorption or suspend this regulation in its entirety during such periods of high unemployment currently facing our nation.

In closing, I would like to reiterate my support of Senator Nelson's proposal, emphasizing the need to increase the annual wage allowable to \$12,000 as well as implementing the 4.5% trigger mechanism. Let me further emphasize the need for action to increase public service employment opportunities now, not later when thousands and thousands more are out of work at the 6.5% figure. The unemployed of the cities need this program now, the cities themselves need it, and the nation needs it if we are to turn back the rising tide of unemployment.

Senator NELSON. Our next witness is Mr. Nat Goldfinger, chief economist for the AFL-CIO, accompanied by Robert McGlotten, legislative department of the AFL-CIO.

The committee is very pleased to have you here this morning, gentlemen.

Will you please present your testimony however you desire.

STATEMENT OF NATHANIEL GOLDFINGER, DIRECTOR, DEPARTMENT OF RESEARCH, AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS; ACCOMPANIED BY ROBERT MCGLOTTEN, LEGISLATIVE DEPARTMENT, AFL-CIO; AND PHILLIP RAY, AFL-CIO RESEARCH DEPARTMENT

Mr. GOLDFINGER. My name is Nathaniel Goldfinger. I am director of the AFL-CIO Department of Research, and I am here today to express the support of the AFL-CIO for the Nelson-Javits bill, S. 4079, to establish national unemployment rate triggers and substantially increased funds for additional public service jobs.

Accompanying me is Robert McGlotten of the Department of Legislation, AFL-CIO, and Phillip Ray of the AFL-CIO Research Department.

It will soon be three decades since the Employment Act of 1946 committed the Government to promote maximum production, employment, and purchasing power. Yet, some people would have us believe that the only way to achieve full employment or relative price stability is to tolerate unacceptable levels of one or the other.

In other words, there are some who say Americans must lose their shirts or their jobs for this Nation to be economically strong. We say this is ridiculous.

The AFL-CIO believes that placing unemployment and prices on either end of a seesaw is misguided and unconscionable.

The present economic mess is the result of this shallow thinking. Currently, prices and employment are shooting up simultaneously—taking this country to the brink of depression.

You see, Mr. Chairman, we in the AFL-CIO do not look at this current economic mess in terms of statistics and percentages. We think of it in terms of people—husbands who cannot find jobs, housewives who cannot stretch their dollars to match the cash register tape, children denied the education they want, families who cannot afford decent homes.

We are convinced things would not be as bad as they are now if the economic tinkers who have been running things for the last 5½ years had ever thought of people instead of percentages.

So we approach this proposal in terms of what it can do for people—the jobs it can provide for the unemployed and the services these people can perform for those still employed—the people who pay the bills for the Government, the taxpayers.

We are old fashioned enough to believe that a job for an unemployed individual is the first step to turning the Nation from recession to prosperity. Many different measures are needed to bring the present dangerous economic mess under control. S. 4079 attacks one aspect of our present problem, and it is this specific proposal we are here to discuss today.

Before we discuss the specific legislative proposal before this committee, let us talk a little more about the dimensions of the problem.

In 1973, when the unemployment rate was considerably lower than today, the Department of Labor reported that the average number of unemployed was 4.3 million workers, or 4.9 percent of the civilian labor force.

However, such figures are merely an economic statistic—an average number for each month of the year as a whole. Such an economic statistic does not adequately measure the impact of employment on people. The situation in human terms is much greater and much more serious.

The Department of Labor's report on the work experience of the population in 1973 shows that 14.5 million Americans were unemployed at some time during the course of the year.

Of these 14.5 million, almost 4.3 million were unemployed 15 weeks or more. This count omits the 700,000 discouraged workers who are not included because they have abandoned their job search that was utterly fruitless. And even this figure is far less than accurate because of the undercount in the ghetto areas.

Realistically, then, Mr. Chairman, it is no exaggeration to say there were as many as 6 million long-term unemployed in 1973.

Unemployment has risen substantially in the past year and shot up sharply last month.

When the record of the work experience of the population in 1974 is compiled, it probably will show as many as 7 million or more long-term unemployed. And the number is rising.

Moreover, unemployment is not evenly distributed throughout the country and across the entire population. It has been concentrated in the past year, with dire social implications, in the slum districts of America's urban centers, in depressed rural areas, among construction workers, among blacks, and among the unskilled.

The deepening recession, at present, is adding to unemployment among factory workers and bringing depression levels of joblessness to construction workers.

In addition, the Department of Labor reports that unemployment in 51 major metropolitan areas and 566 smaller industrial communities, in the month of September, was 6 percent or more. In some communities, it was doubled and in others it was tripled.

The need for job-creating legislation, such as the chairman's bill, continues to be documented day by day and month by month.

In the 11 months between October 1973, and September 1974, the number of unemployed mounted by 1.2 million—from 4.1 million, or 4.6 percent of the labor force, to 5.3 million, or 5.8 percent. The rise of unemployment is accelerating.

In the month of September alone, the average number of unemployed rose a staggering 440,000, and more than half of these were laid off from their last job. This factor alone is a clear indicator of the severity and depth of this recession, which is worsening daily.

The recession is widening and deepening. On the basis of present trends, unemployment is heading toward 7 percent, or about 6.5 million in the summer months of 1975. Immediate action is needed to assist the unemployed.

So, Mr. Chairman, the need for action is abundantly clear and we think S. 4079 is a fundamental first step.

The AFL-CIO first supported public service employment legislation in the mid-1960's. In the years since, we have grown even more convinced of its urgent need on both accounts—to provide jobs and to provide for otherwise unmet public needs.

The Emergency Employment Act, adopted in 1971 as the result of the hard bipartisan effort of this subcommittee, illustrated the effectiveness of bringing unemployed workers into public service to provide meaningful and needed work.

The President's 1973 manpower report tells part of the story:

As PEP moved into the second and final year of its authorized life, it was apparent that the program's primary goals were being met * * *. Some thousands of workers have been spared the debilitating experience of prolonged unemployment and the objective of finding jobs for veterans has been well served.

The remainder of the story is the additional civic services, such as adequately staffed medical centers, child care centers, adequate fire protection, antipollution work, street maintenance and efficient manned urban transit systems provided in local communities.

Even more important, however, is that fewer people were embraced by the human suffering and personal tragedy that accompanies unemployment, and that society was spared the additional pressure on social problems nurtured by unemployment, such as crime, drugs, and racial discord.

Of course, the program was never as broad as it should have been and never included as many people as it should have included. The vigorous opposition of the administration and the use and threat of the Presidential veto lessened the effectiveness of the program.

What we seek today, therefore, is more substance and less tokenism.

That is why we say that title II of the existing CETA legislation is an inadequate tool for tackling the job of public service employment at present. The 6.5 percent area trigger under title II is too high and removes public service jobs creation from the comprehensive package of many prime sponsors.

In addition, provisions in title I for public service jobs, handicapped by inadequate funding and competing needs to maintain training programs, has resulted in prime sponsors planning to use only 7 percent of title I funds for public service jobs, according to Assistant Secretary of Labor Kolberg in his speech in Snowbird, Utah, a couple of months ago.

Even in areas that meet the 6.5 percent trigger, inadequate funding inhibits the operation of a program of the magnitude necessary to provide unmet public needs and jobs for unemployed workers.

Without questioning the good intent of the CETA legislation, let us be candid about its effectiveness. The urgent need for legislation, such as that we are here to support today, atests to the limits of job creation under the existing manpower legislation.

Your bill, Mr. Chairman, by establishing congressionally approved funding levels, directly related to the national rate of unemployment, would meet that problem.

The authorization levels under CETA were deliberately left open-ended so that the Act could be responsibly funded over the variety of economic conditions that could occur during its 4-year life.

With the current unemployment emergency, it is desirable, it is necessary, that subsequent legislation indicate the appropriate level of response to national unemployment rates. That is why we believe with you, Mr. Chairman, that the Nation needs a national unemployment rate trigger that could begin immediately to release more adequate funds in order to establish a much-strengthened public service jobs program.

Regretfully, some people see the need for public service employment only as a device to be used after the private sector has failed to employ everyone. This implies that these are residual, transitional-type jobs, and will dry up when the private sector once again generates sufficient labor demand.

Moreover, the implication is that these jobs are undesirable and of questionable value to the community.

But the fact is that Government is not only an employer, but a provider as well—a provider of protection, education, health services, construction, transportation, waste disposal, recreation facilities, public facilities, maintenance, and many other services.

The need for these services to be provided, or the alternative of such vital services being unmet, is overriding justification in itself for an ongoing public service program. It is unfortunate that America had to wait for more than 5 million people to be unemployed before enough administration officials became convinced about the viability of a public service employment program as an effective manpower tool.

We have firmly believed ever since the mid-1960's that an ongoing public service employment program is essential to provide jobs for the long-term, hard-core, disadvantaged unemployed, and to provide badly needed services in the communities.

The bipartisan effort that resulted in CETA was a long-needed step toward that goal. Title I and II of CETA move in that direction. However, they are woefully underfunded, and the 6.5 percent area trigger under title II is too high.

Adequate funding and a lower area trigger are essential for an effective continuing program.

Such a continuing program should be strengthened in the present emergency of sharply rising unemployment by adoption of S. 4079 which provides up to an additional \$4 billion for job creation and national unemployment triggers that would release a significant portion of those funds immediately.

We know the national unemployment rate will not subside soon. A continuation of the Nixon-Burns restrictive monetary policy guarantees that.

Just as they have borne the brunt of unemployment during less recessionary times, the teenagers, the disadvantaged, the low-income workers and the minorities in inner cities and rural poverty areas will continue to bear the brunt of unemployment in the months to come. And unemployment, which has already reached depression levels among construction workers, is spreading in manufacturing industries, as well as worsening in construction.

It is past time to stop pretending the private sector will generate enough jobs for everybody, including the hard core unemployed. This simple economic fact has been obscured by those who blame unemploy-

ment on the unemployed—because they have given up looking for work, because they are teenagers or women, or some similar specious reasoning.

An example of the economic value of public service employment was recently given the House committee.

Governor Byrne indicated the high cost of unemployment in New Jersey—\$6,500 for each welfare recipient and \$5,500 for the average unemployment benefit. "At the same time," he said, "the cost of public employment under existing programs was \$7,100."

Then he added this clinching argument, Mr. Chairman, "* * * this was for productive and useful work by taxpaying citizens."

In other words, Mr. Chairman, he knew not only the cost of the program but the value as well.

The benefits of sound job-creating legislation will always outweigh the costs. Dollars and cents accounting is a poor way to measure a program like this. Such calculations do not include the social savings of less unemployment or, on the other hand, the economic loss resulting from able-bodied men and women being forced to sit at home, unable to contribute to the Nation's welfare or their own—a social and an economic waste this Nation must not tolerate.

The administration's proposal is shockingly inadequate. This proposal, to hire only persons who have exhausted all unemployment benefits for short-term work projects that could not last more than 6 months, would not even start until the jobless rate was 6 percent or higher for 3 months.

It would provide only temporary jobs at low wages for experienced workers who would have been jobless for at least 40 weeks. The jobs would "self-destruct" after 6 months, making it likely that they would be mere "make-work" projects rather than the result of planning to meet public needs.

The administration program would gut the basic concept of public service employment.

It is because we feel so strongly about the need for job creation and public service employment that we endorse S. 4079.

Your bill, Mr. Chairman, for hundreds of thousands of unemployed workers, will turn into a reality the promise of a job. The AFL-CIO prefers that funds aimed in combating unemployment be released, beginning at an unemployment rate of 4.5 percent, as your bill provides, Mr. Chairman, rather than some higher figure.

The serious unemployment developments of this year indicate the urgent need for adequate funds at a level less than 6 percent unemployed.

However, withholding 50 percent of the funds until the national unemployment rate rises to 6 percent, as proposed by S. 4079, means that, on the average, more than 5.5 million people will have to go "officially" jobless for 3 months before the full \$4 billion is released.

Senator NELSON. How do you get that 3-month figure?

I do not follow it.

Mr. GOLDFINGER. Well, it is our understanding that the administration bill would not release the full \$4 billion until there was 3 months at a 6-percent unemployment rate.

Senator NELSON. You are talking about the 3-month period that would expire after 6 percent unemployment?

Mr. GOLDFINGER. Yes.

Larger allocations at a lower trigger would provide a more orderly transition from unemployment to public service employment.

In addition to our preference for more of the money to be released at a lower trigger, Mr. Chairman, the AFL-CIO prefers the allocation of funds presented in H.R. 16596, rather than the proposal put forth in S. 4079.

The allocation formula in H.R. 16596 distributes 50 percent of the funds on the basis of the number unemployed in an area, compared to the number unemployed in all areas. The other half of the funds would be distributed on the basis of the number of unemployed in excess of the national unemployment rate. This formula would distribute funds nationwide to meet a nationwide problem and would focus on areas especially hard hit by unemployment.

In summary, the AFL-CIO feels as strongly now as nearly a decade ago that the key to effective manpower policy is job creation at decent wage levels. There is no longer any argument about the need for public service employment. It is a proven method of attacking the dual problems of unemployment and unmet public needs.

Economically, it is the most effective program for the least dollar investment. Now, the only argument is how much and when. We say as much as is needed and as soon as possible.

Senator NELSON. What salary wage level would you establish?

The administration has set a limit of \$7,000. The current CETA is \$10,000. Mr. Doyno, the county executive of Milwaukee, suggested \$12,000.

Do you have any recommended figure?

Mr. GOLDFINGER. Well, the \$7,000 of the administration proposal is absolutely too low. And we certainly agree with the executive of Milwaukee County who appeared here a few minutes ago that this is utterly too low.

As far as an increased ceiling goes, the \$10,000, which is in the existing CETA legislation, may be adequate, and perhaps we should go to \$12,000. We would have to look at this a little more carefully.

The reason that we are a little cautious at this point, and would like to look at that limit a little more carefully, is that there is a danger about going too high here as well as the woefully inadequate nature of the administration's too-low proposal.

The too-high possibility is that too many of these jobs would go to technical- and professional-type people rather than the low-skilled or semi-skilled unemployed.

Senator NELSON. Well, prior to the rather dramatic inflation in the past year, was the \$10,000 figure a practical one in your judgment?

Mr. GOLDFINGER. Yes.

We supported the \$10,000 figure, and probably the implication of your question, Mr. Chairman, is right, that that should be adjusted upward in terms of the inflation of the past year.

Senator NELSON. So that \$10,000 at the time it was enacted was a practical figure, and some adjustment upward to compensate for inflation in your judgment would be an appropriate figure?

Mr. GOLDFINGER. Yes.

Training services and improvements in the administration of manpower programs, while important and necessary, are not ends in them-

selves. Training must be followed by a job if it is to have any value. It compounds the problem to give training and hope to the disadvantaged and then throw them back into the morass from which they came. This is a mistake that must not recur.

So the AFL-CIO supports S. 4709. Amending the CETA legislation to improve its public service employment provisions is urgently needed.

A worker's only hedge against inflation is a job. Hardly any public service jobs are being created under title I of CETA, and the trigger and amount of funding of title II are inadequate in the present emergency.

The legislation this committee takes to the floor of the Senate must move toward the goal of a decent job at a decent wage for everyone willing and able to work.

Senator NELSON. You did have one sentence commenting on the requirement for the exhaustion of unemployment compensation?

Mr. GOLDFINGER. Yes.

Senator NELSON. A State like Wisconsin with 34 weeks now and an additional 13 under the current law, and then an additional recommended 13 would make a year and 2 months, so if I understand the administration's proposal correctly, they would be saying that anybody who was entitled to the 1 year and 2 months would be required to exhaust all benefits before being eligible for public service job under this specific proposal; is that the way you understand it?

Mr. GOLDFINGER. That is my understanding, Mr. Chairman. We think that that proposal is terribly inadequate.

Senator NELSON. I assume that that is going to be a matter of some controversy perhaps in both the House and the Senate since it is an administration recommendation.

What are the basic weaknesses of that proposal from your viewpoint?

Mr. GOLDFINGER. Well, we think that the public service employment program should be for unemployed people and should not be tied to the exhaustion of unemployment insurance benefits under the various State programs.

Furthermore, Mr. Chairman, there are now and, unfortunately, will be even more in the near future unemployed youths, young people, who have never worked and are not entitled to unemployment benefits. Under the administration's proposal, neither they nor welfare mothers who have not worked in the previous year or so would be entitled to unemployment insurance benefits and, therefore, would be excluded from the public service jobs program that the administration is proposing.

Senator NELSON. Correct me if I am wrong—I have not had a chance to study the administration's proposal in depth—but it was my understanding that you have stated it correctly that unless you have lost a job and the job that you lost was within the labor market area, as defined in the administration's proposal, you are not eligible for a job under this program; is that correct?

Mr. GOLDFINGER. That is the bill that the administration presented on the House side. I believe it was last week, Mr. Chairman.

Senator NELSON. It was presented in the Senate side also.

So you have to have lost your job within a labor market area that is eligible.

Mr. GOLDFINGER. Yes.

Senator NELSON. So you have to have been entitled to some unemployment compensation.

Mr. GOLDFINGER. Yes, to have lost the job, as you described, in an area that would have been eligible—in a labor market area that would be eligible and, second, you would have had to have gone through all of the unemployment insurance benefit period.

Senator NELSON. What about somebody who lost a job within a labor market area that does qualify, but the person who lost the job was not covered by unemployment compensation?

Mr. GOLDFINGER. As far as we understand the administration's proposal, such a person would not be eligible for a public service employment job.

Senator NELSON. So you could have people in—I do not know the laws of all the States—there are States that have been in the past anyway and, I suppose, still are States in which unemployment coverage is not required unless you employ four people or six people or more.

Is that still a practice in many areas?

Mr. GOLDFINGER. Oh, yes, unfortunately, that is true.

They would not be entitled.

Senator NELSON. So you can be an employee of a rather long standing with a long employment record who loses his job, her job, but has not been covered by unemployment compensation, and even though they are in the eligible labor market area, it is your interpretation of the administration's proposal that this person still would not be eligible?

Mr. GOLDFINGER. That is our interpretation of the administration's proposal.

I think it is pretty clearly stated in the administration's proposal that that is the way it would work.

Senator NELSON. Well, staff counsel advised me that it is his interpretation that an individual, reading the qualification just recited, would be eligible for 26 weeks of unemployment compensation, and then after he exhausted that, would be eligible under the provisions of the Administration's bill for a public service job.

Is that your interpretation?

Mr. GOLDFINGER. No; that is not our interpretation.

Our interpretation of the administration proposal is that such individual would be entitled to 26 weeks of special unemployment insurance benefits, but would not be entitled to the public service employment jobs program.

Now, it is conceivable that we are wrong in our interpretation, but that is the way we interpreted the administration's proposal, that the public service employment program they are proposing would be for people who are experienced workers, who have been covered by unemployment insurance, the unemployment insurance system.

Senator NELSON. I guess we will have to further clarify it.

It was counsel's understanding that after the 26 weeks of special unemployment benefits, a person would then be eligible for public service employment, but that may not be correct.

That is the interpretation of minority staff also.

Mr. GOLDFINGER. Well, we have been wrong before, Mr. Chairman, and we could be wrong on this.

Senator NELSON. You have been wrong before?

Mr. GOLDFINGER. Yes.

Senator NELSON. If you can think of an example—

[Laughter.]

Senator NELSON. Thank you very much.

Mr. GOLDFINGER. I would be glad to go through the administration proposal again and submit a memo for the record on our interpretation because, as I say, it is conceivable that we are wrong, but our interpretation is that it covers what they call experienced workers who are out of work. That would mean to us, workers who have lost their jobs which were held previously.

Senator NELSON. You could have an experienced worker with a long work record who worked for an employer that did not have unemployment compensation because, in that particular State, the employer employed less than the minimum required for coverage by unemployment compensation; could you not?

So you would have an experienced worker.

Mr. GOLDFINGER. That is possible.

Senator NELSON. Well, in any event, I wish you would take a look at that because, assuming we were to limit public service jobs to exhaustees, it would seem to me that such persons ought to be eligible for a public service job following the 26 weeks of special unemployment benefits they would get under this bill.

Mr. GOLDFINGER. We certainly agree with you. We do not like the administration's unemployment insurance benefit proposal. We do not like that part of it either.

But we certainly do not like that public service employment program which they have proposed because of the criticisms that we have just suggested, and in addition the 6 months nature of the job, which we think is a kind of self-destruct system.

And it would not permit the cities and counties and States to plan ahead for meaningful work.

What we wind up with is a kind of make-work program rather than meaningful public service employment.

Senator NELSON. Or do you run into a situation where if that were the provision that became the law, then the governmental unit just shuffles people?

It is not the individual that gets 26 months; is it? It is the job.

Mr. GOLDFINGER. Oh, no, it is both.

Senator NELSON. Both?

Mr. GOLDFINGER. It is our understanding, Mr. Chairman, that it is both, that it is the project and the individuals.

Senator NELSON. Are you sure of that?

Mr. McGLOTTEN. Yes, Mr. Chairman.

It is clear in the bill that they indicate that any sponsor of community improvement program must assure that the kind of work being performed, when they apply and make application, it must be 6 months project.

To us the interpretation is that it can only be 6-month project, and not only the project but the individual involved. More importantly, I

think it is a clear indication to us that if this kind of proposal was enacted, it would definitely gut the CETA legislation as far as public service employment. There would be no doubt in our mind.

When you talk about title II, 6.5-percent unemployment being eligible, and when you talk about this kind of program, talking about 6.5 percent, then you have no need for title II of public service employment.

I think that is the more important thing that we have to look at here, the kind of work that your committee has put forward in terms of trying to get comprehensive manpower legislation, and then have the Department of Labor, the administration, come along and try to gut it with a make-work program is a disaster.

In addition, I think this committee and the Congress have to give some direction to the Department of Labor to try to deal with the question of public service employment.

I think CETA is a first step in the right direction; I think the Labor Department has to give more direction to the prime sponsors that are out there in those communities and not shirk their responsibilities.

The Department of Labor has done somewhat of a lousy job in terms of dealing with manpower policies of this country. I think we have to give them some direction.

When I say "we," I mean this committee has to give them some direction to start to provide the kinds of services that are necessary so that the counties and States and cities can do the kind of job that we hope will employ people.

Senator NELSON. Thank you very much, gentlemen.

Our next witness is Dr. Carl Madden, chief economist, U.S. Chamber of Commerce.

STATEMENT OF DR. CARL H. MADDEN, CHIEF ECONOMIST, CHAMBER OF COMMERCE OF THE UNITED STATES; ACCOMPANIED BY THOMAS WALSH, STAFF EXECUTIVE, MANPOWER AND DEVELOPMENT COMMITTEE

Dr. MADDEN. I am accompanied by Thomas Walsh, staff executive of the Manpower and Development Committee of the Chamber of Commerce of the United States.

My name is Carl H. Madden. I am chief economist of the Chamber of Commerce of the United States.

I would like to express my appreciation for the opportunity to state the views of the chamber before this subcommittee.

Senator NELSON. The committee is very pleased to have you appear today, Dr. Madden.

Your statement will be printed in full in the record at the conclusion of your testimony. You may present it however you desire.

Dr. MADDEN. Thank you.

The national chamber supports a program of public service employment (1) for locations with 6.5 percent or more unemployment during 3 consecutive months, (2) for workers with no full-time employed adult in the family and who have been unemployed 16 weeks or longer, and (3) for transitional jobs that fill unmet public needs.

There are persuasive arguments on behalf of an expanded program of public service employment. To cushion the impact of the policies of monetary and fiscal restraint needed to curb inflation, taxpayers can finance jobs for those whose joblessness is extended by an economic slowdown.

Quite apart from humanitarian reasons—which in themselves are compelling—it makes economic sense for taxpayers to finance useful public service jobs when people need work that is not available in the conventional public and private sectors. Several advantages can be cited.

1. Public service jobs provide work and training for the participants—not merely income in the form of another transfer payment.

By the way, in this connection, Mr. Chairman, it is our understanding that one out of four people in the labor force today is employed by the public sector, and that one-ninth of all persons' income today consists of transfer payments that are not associated necessarily with work during the current year in which those transfer payments are made.

2. Experience of the last 3 years under the Emergency Employment Act (EEA) demonstrates that local governments can hire large numbers of unemployed in a short period. This capacity has been further strengthened with the decentralization of authority to State and local prime sponsors under CETA.

3. The ratio of jobs created to dollars spent is much higher than could be obtained from a public works program, since almost all funds go for salaries and wages. Moreover, these jobs need not entail the long delay usually associated with getting public works projects started.

4. States and localities apparently have an ample supply of tasks to be done. There is no need to create make-work activities, nor should make-work jobs be condoned or tolerated. Again using the EEA as a prototype, the public service job holder performed tasks generally similar to people on the regular payroll.

5. Jobs established under a public service employment program can be dettriggered automatically to phase out as unemployment decreases, just as they initially are triggered to get underway when unemployment increases.

6. The speed with which jobs become available is also much greater than would be possible under any combination of monetary and fiscal measures.

There are, Mr. Chairman, some potentially adverse effects. The biggest danger of a temporary public service employment program is that it may create a permanent high cost and relatively less efficient public employee labor force, swelling the proportion of public to private employment.

A large long-term program of public service employment raises questions that deserve more serious consideration than are often accorded them.

1. Does the public service employment program put to work the people it intends to? What is the relationship of the number and kinds of job vacancies to the number and skills of the unemployed?

2. Since public service jobs are deemed necessary because of a temporary shortage of conventional public and private jobs, the follow-

ing labor market information becomes essential if this program is fully to serve its intended purposes: How many jobs are available throughout the economy? What are their pay scales and skill requirements? Where are they located? What kinds of jobs are most difficult to fill?

Answers to these questions, along with related information on worker locations and skills, would help the Congress and the administration design a public service jobs program that supplements, rather than competes with, existing opportunities.

This effort can be successful only if the administration revives its monthly job vacancy series—which was terminated in December 1973—and gives as much publicity to the job vacancy rate as it does to the unemployment rate. Unfortunately, labor unions have opposed job vacancy data apparently because they fear that knowledge of vacancies would weaken unemployment policy.

Senator NELSON. I do not understand what you mean by that?

Dr. MADDEN. It is my understanding that labor unions have opposed the collection of job vacancy data in the major metropolitan areas which would be summed and averaged for the Nation to express a national job vacancy rate because they fear that offsetting such a job vacancy rate against the unemployment rate would weaken public policy now directed to dealing with unemployment.

Whereas, it is the view of the chamber that it is only logical and symmetrical to count not only the unemployed workers, but also the jobs which are available that are vacant. And that the net of these two figures is the more accurate representation of the national unemployment situation.

That is a view, by the way, that has been supported for years by such distinguished economists as Arthur Burns, currently the Chairman of the Federal Reserve Board.

Senator NELSON. I can see myself why the figures would be valuable.

But, are you sure they can be used to give you a net figure?

That is to say, you can have a person in Detroit, and there is a job in Milwaukee. That person could not move to take it, or is not qualified, and you could not write that off against that person—what would the net mean?

If you had 4 million unemployed and there were 4 million jobs, it does not mean that you do not have 4 million unemployed who can fill the 4 million jobs, does it?

Dr. MADDEN. The most important meaning of a net figure—and certainly a net figure is not all that would be available on a job vacancy series, so we are not suggesting that it be limited to the net figure—the most important value of the net figure would be that it would be a more accurate measurement for the total economy of the demands and supply of jobs at a given time. Therefore, it would be a more accurate indicator to monetary and fiscal policymakers as to the ability of the economy to produce adequate job opportunities.

And then the policy could be directed to the question of the distribution of those opportunities.

Mr. Chairman, in this connection. I would like to seek permission to include in the record an article from the Public Interest No. 33,

the fall of 1973, by Martin Feldstein, called "The Economics of the New Unemployment."

It is my belief, and a belief that I have developed over the years, that we need to examine the nature of unemployment again in this society.

Martin Feldstein first published his study for the Joint Economic Committee in 1973 under the title of "Lowering the Permanent Rate of Unemployment," a joint committee print of the Joint Economic Committee.

He summarizes this article in the Public Interest. Let me cite you some of his conclusions because they bear on this job vacancy question and on the question of the usefulness of aggregative economic policy in dealing with the lowering of the gross national unemployment rate.

As he says, a high level of unemployment is a persistent problem of the American economy, but he also says the major problem to be dealt with is not a chronic aggregate shortage of jobs, but the instability of individual employment.

He points out it is difficult to replace our old notions about demand—determined unemployment by this new view. But he reviews the nature of unemployment in 1971, a recession year in the economy. He finds the following characteristics of this unemployment.

First, the duration of unemployment is quite short.

Second, loss of jobs in 1971 accounted for less than half of the total unemployment.

Senator NELSON. Loss of jobs?

Dr. MADDEN. Loss of jobs in 1971 accounted for less than half of total unemployment.

Senator NELSON. When you say loss of jobs, you mean somebody voluntarily leaving his job?

Dr. MADDEN. No.

Somebody involuntarily.

Senator NELSON. Involuntarily?

Dr. MADDEN. Yes; 46 percent of the unemployment in 1971 had lost their previous jobs. In more favorable job conditions in 1969, this proportion was only 36 percent. The remainder are those who voluntarily left their last jobs, or reentering the labor force, or never worked before.

Third, it points out the turnover of jobs is extremely high.

He contrasts that with the situation in Great Britain. He points out that judging from his analysis of the data of unemployed for 1971, overall unemployment would remain high even in a very tight labor market.

Finally, nonwhite unemployment rates are higher in every category, or were higher in 1971 in every category.

But, again, job loss accounted for less than half of total unemployment. The current structure of unemployment in the American economy, concludes Feldstein, is not compatible with the traditional view of a hardcore unemployed who are unable to find jobs.

He suggests that youth unemployment is not primarily due to inadequate demand. There are two main sources.

One, unnecessarily slow absorption of new entrants, and, two, low job attachment among those who work.

He argues that the single most effective way of reducing unemployment among new entrants, as well as improving the quality of first jobs, would probably be the establishment of a special Youth Employment Service which the British have done and which, in Florida, began in 1974. A job placement office in all secondary schools is now mandatory in Florida to place students either in jobs or technical institutes or colleges.

This is consistent with the National Chamber's career education policy.

Our policy on career education would support formation of Youth Employment Services in the schools which would provide placement for new entrants to the labor force and would, therefore, reduce the apparent amount of hardship that is associated with a gross national unemployment rate in which the rate of unemployment for young people is extremely high.

I mention that with respect to the question of job vacancies, because it seems to me that we are in danger of operating as policymakers and analysts of policy on the basis of beliefs about facts rather than about the facts themselves.

We are in danger, if I may put it metaphorically, of the generals who are fighting the last war. There have been remarkable changes in the U.S. economy in the last 25 or 30 years since the Employment Act of 1946 was passed; not the least of these is the extremely large increase in the number of women in the labor force, by the way.

But, in any event, this need to look at unemployment anew and to devise policies that are effective in dealing with various types of unemployment leads us, on the one hand, to support a reasonable temporary public employment program, but it also leads us to argue for much better information about the nature of unemployment in order that policies can be developed which are effective in dealing with that unemployment.

Senator NELSON. Who is the author of that article?

Dr. MADDEN. The author of this article is Martin Feldstein.

Senator NELSON. The article will be received for the record and will be printed at the conclusion of your testimony.

Dr. MADDEN. Thank you very much.

If I may go on.

To what extent does voluntary unemployment contribute to the unemployment rate?

I just discussed that question, as Dr. Feldstein had studied it.

So I will go on to the next point.

No. 4, what is an appropriate pay scale for the public service job?

If a large proportion of workers have a loose attachment to their jobs, to what extent is this attitude caused by low pay?

How high must the wage/salary of public service jobs be set to attract and hold these workers?

In this connection, I cannot give you a correct citation, but I will do so. If you give me permission, I would like to enter into the record at this point an article from the U.S. News & World Report of the last couple of weeks on the middle class in the United States, which gives figures concerning the income of those middle-class people.

In this regard, I would ask this question.

If—and I do not have the figures with me, but I can ask it hypothetically and correct the figures if they are wrong—if the median family income in the United States is \$12,000 a year, and if the median family income in the Southeastern United States is lower than the national average, what would be the political effects of paying \$12,000 a year to public service employees in Milwaukee, part of whose pay came from the taxes of taxpayers not only on public service employment in the southeastern United States?

This, I think, is a question of economic and political significance in setting a rate of pay for public service jobs which is considered equitable by the taxpayers who must pay for the creation of these public service jobs.

Senator NELSON. Does that necessarily create the kind of problem you are talking about when these figures are maximums?

You have that in Federal employment now. If you work for the Federal Government as a postmaster or carrier, or any job you want to, those salaries are not adjusted according to the cost of living in that area, are they?

Dr. MADDEN. No.

But we assume from general principles concerning the nature of the economy that a present public servant is capable of and does earn the salary which he receives by producing a product whose value is equal to the salary which he receives, and if he is, for example, more productive than that, he is free under our Constitution and our laws to change his job to one which pays him more in accord with the value which he, in fact, produces.

However, public service jobs created as a congressional act of the exercise of political power have no such rationale unless the job is designed by the authorities and measured to assure that the value produced is, in fact, equal to the salary that is paid.

Senator NELSON. Well, I am assuming that.

You raise the question of how do you justify taxpayer paying taxes to support a salary, public service job in one part of the country, where the income level may be \$12,000 versus another part of the country where the income level is \$9,000, and the jobs are identical and the qualifications of the workers are the same, and the job is as useful and the job is the same job, and it is just as productive.

Yet, in one part of the country, the standards of income are different, so you are raising the question whether this is justifiable.

Dr. MADDEN. That is correct.

Senator NELSON. I think that raises a lot of questions.

Take a look at Federal aid that goes to Mississippi and so forth. You find out that the taxpayers in New York, Wisconsin, and Michigan are paying \$1.30 into the Federal Treasury for every dollar that they get back, and go to those other States and they are paying 70 or 80 cents into the Federal Treasury for every dollar they get back.

Dr. MADDEN. Again, that is on the basis of the principle of progressive taxation which has been adopted by the country, and since taxpayers in such States have higher than average income as compared with the Nation, it is considered equitable for them to contribute a larger share of their tax dollars.

I was giving you the reverse of this, where the poorer sections of the Nation are forced by a law setting, say, a \$12,000 salary maximum for public service employment, to pay a larger than proportional share of their income to finance a job in another section of the country which, in fact, is richer than the section in question.

When I was studying poverty for the chamber of commerce, I went out to Fayetteville, Ark., and I asked the chamber of commerce executive what he thought of the \$3,000 poverty level income. This was in 1966 before some of the great inflation that has occurred.

He said, "Poverty?" He said, "None, one-fourth of the people around here make \$3,000 a year, and most of those who do have got a new Chevrolet."

That is an illustration.

And, by the way, the chamber executive from West Virginia made this following remark. He said, "If they send from Washington any more of these poverty fighters who make more than the Governor, we will not have any poverty in West Virginia."

It was a fact at that time, Mr. Chairman, that some workers under the Juvenile Delinquency Act and under the Poverty Act working in West Virginia for the Federal Government were receiving more than the Governor of the State. That is the nature of the problem which has caused difficulty and might cause difficulty with public service program.

I do not wish to argue that this is any sort of crisis situation. I was wishing to call attention to the equity problem.

Senator NELSON. I am not an economist, but if the more prosperous States are paying 120 percent of the cost of Government, and the poorer States are paying 40 percent of the cost of Government, that ratio remains the same.

If you are paying somebody in Milwaukee \$12,000 for exactly the same job, public service job, as \$8,000 in Mississippi, you are still 120 percent, or whatever the figure is, being paid by that salary there as well as the salary down in Mississippi—I am not sure there is a question of equity.

Dr. MADDEN. Perhaps there is not.

There is another serious question though.

Senator NELSON. The county executive of Milwaukee testified—I do not know if you were here—

Dr. MADDEN. I was here.

Senator NELSON. He states that of the 10,000 jobs, public service jobs in Milwaukee County, there are only 163 in the whole county that pays \$7,000 or less. So, if we set the \$7,000 level for all practical purposes, you would not have anybody eligible for public service jobs in Milwaukee or be eligible for about one-fifteenth of the jobs.

Dr. MADDEN. And I believe the unemployment rate in Milwaukee, the latest figures, shows Milwaukee would not qualify because its unemployment rate is too low.

Senator NELSON. This is the problem of the administration's proposal.

They are using labor market areas that include six or seven very prosperous low unemployment rate suburbs. So that the labor market area is at the rate of about 4.3 or 4.

But if you take the city of Milwaukee, the unemployment is at least 7 percent, and some are arguing higher. You have a situation in which they are 7 percent in a very large market area, but it is defined broadly enough so they are not eligible.

Dr. MADDEN. Yes.

The chamber's position would support your interpretation rather than the administration's interpretation; that is to say, the chamber's position refers to locations rather than to the standard metropolitan statistical areas.

Senator NELSON. Somewhat similar, I take it, to the current CETA?

Dr. MADDEN. Right.

Senator NELSON. Go ahead.

Dr. MADDEN. Is it appropriate to create jobs—

Senator NELSON. Where are you?

Dr. MADDEN. I am sorry, I am at the top of page 5. Is it appropriate to create jobs that compete directly with available lower paying jobs in the private sector? Whatever its faults, the job market in private industry gives a measure of the value in dollars of one person's job as compared to another's. Pricing artificially created public service jobs higher than or even competitive with such private jobs does not merely overstaff the public payroll. It also impairs the ability of the society to get private jobs done that people want done and are willing to pay for.

Senator NELSON. Let me ask you a question on that, if I may. I would assume that if in fact the job is priced higher than a similar job in private employment, that situation would exist whether you have public service employment or not.

What you are really doing in creating public service jobs is that a person who is eligible fits into a slot for a job description that already exists. So if you would, let us say, set a limit of \$7,000, then the job that that individual gets in that city or municipality is a job that is already paying \$7,000 or \$5,500.

If he gets an \$11,000 job, it is a job that is already paying \$11,000 within that municipality, so all you are doing is fitting him into a slot of a wage structure and salary classification that already exists. So if you decide you are going to pay people \$12,000 maximum, anybody who got a \$12,000 job, you haven't created a job that is paying more for comparable work in the private sector. All you are doing is qualifying him for a job that already exists in the public sector.

Dr. MADDEN. However, that gets to the fifth point concerning potentially adverse effects of public employment. It may not be possible to avoid "slippages" in the net number of jobs created, net number referring to the difference between public jobs and private jobs.

A recent paper by the Council of Economic Advisers prepared for the summit conferences concludes that under the Emergency Employment Act, each job slot "created less than a job and that this 'displacement effect'"—that is, the displacement of private employment or other public employment—"increased as time passed and as the possibility of substituting Federal for State and local funds increased. Several estimates put the displacement effect after 2 years in the range of 50 percent."

Senator NELSON. I don't understand what they are saying.

Dr. MADDEN. All right. If you do pay a newly created public service job occupant \$12,000 a year, you will over a time period attract away from other private employment at less pay on a net basis people who would prefer to work at \$12,000 a year in the created public service employment job. Thus, total employment in the Nation would not rise by the full amount of the public service jobs created. It would rise by less than that amount, because employment in private activity or in other public activity would be reduced somewhat by the attraction away from those activities of people who would work instead in the newly created public service job.

And thus, perhaps, if you maintained a permanent public service employment program with salaries that average anything like \$12,000, under current conditions—\$12,000, Mr. Chairman, being approximately the median family income in the United States, that is, the income such that only 50 percent of the families have more than that income and 50 percent have less—you would attract away, I would say, employees so that the ratio of public to private employees, which is now 1 to 3 might become 1 to 2.

In other words, you would swell the ranks of the public sector in competition with the private sector. The only recourse which a businessman has to paying a wage to a worker which is greater than the receipts that worker brings in as a result of being hired is to substitute capital for that worker. And we have seen this happen in respect of restaurant employees, motel employees, elevator operators, check-out people at counters of supermarkets, and the like.

Now, you may argue—and I think there is some merit in it—that there are jobs which are sufficiently unattractive so that we don't want them done, and therefore we pay people a social minimum which rules out those jobs.

Again, though, this is seen by the housewife and the taxpayer, who is financing these jobs, as a reduction in the availability of services which he would be willing to pay for at a slightly lower rate.

And so you have the rise of the do-it-yourself movement, you have the proposal among major motel chains to develop disposable sheets and try to get the customer to learn how to make his own bed. And you have other such moves on the part of private businesses which must, as in the case of the quick restaurants, substitute speed of service for human attention to the customer—and our habits and our economy change as a result of this.

If you want it, fine. But I am simply trying to point out that that is the effect. And that this displacement effect is a reality that could be associated with a permanent public service employment program paying incomes up to the median income for families in the United States.

That U.S. News & World Report article, by the way, points out that only 1 out of 3 families in the United States today has a family income of \$15,000 or more. And so a \$12,000 salary for public service employment is going to compete with the family incomes of something over a fourth of the people in the United States.

And, again, I simply wish to inform the committee about this, as my understanding has it.

Senator NELSON. It seems to me that in your argument you would have to assume, one, that the job being performed in the public serv-

ice field was not necessary—and I think there are quite a few jobs there that are not necessary, that aren't under this program at all, that are part of the permanent program—and you would have to assume that the pay and benefit of public service employment is better than comparable jobs in private employment.

Dr. MADDEN. \$12,000 a year would be better than many.

Senator NELSON. That may very well be the circumstance. The attempted practice of the well-run governmental unit is to have something comparable to private employment. One of the benefits of public employment is stability in the job. And over a long, long period of time.

But it doesn't seem to me that the public service employment program really does necessarily create a threat to private employment—it always would be minuscule compared with the regular public employment. And you are not creating jobs with any of these programs in which they get—in which you pay them a higher salary than anybody else in public service employment filling in that job classification now already gets.

Also—we don't have the figures from all over the country, we have taken a little testimony now and then—Mr. Doyme again commented this morning that 75 percent of the people who took jobs under CETA became permanent employment employees of the municipality, which is a very good objective it seems to me. And it happens very easily by attrition. Somebody goes on in one of these jobs and somebody retires and the person who went on is now qualified to go to the permanent payroll of the municipality itself, which is a good way of giving people, particularly people who are deprived, an opportunity to move into the job market and an opportunity to get the jobs that are mostly reserved for middle-class people anyway.

The biggest employer in America is the Government, as you point out—and the beneficiaries of it are the kids of the middle class who get an education, pass the civil service, get the job. And we have got all kinds of people—I don't blame them—who go to school for the very purpose of getting into Government, as lawyers, as accountants or this or that.

And yet it has always been my hope that we open up opportunity for those who have been deprived of opportunity, have on-the-job training, give them a chance into the biggest labor market there is in the country, because we discriminate quite a bit and there is lots of ability out there. But they can't get in because they never had a chance to go to school, but we can train them.

Dr. MADDEN. This is exactly our argument in the National Chamber, for a new employment minimum wage which would be somewhat less than the adult minimum wage, because we know from experience that young people who move into employment, first of all are not sufficiently productive to justify a full wage of an adult, and second, benefit from the training and the opportunity to learn which they can gain from working at less than the adult minimum wage rather than, as is too often the case now, not working at all.

In this sense, it is our view, and it is supported by independent scholars, that the effect of the continual raising of the adult minimum wage, with no distinction between youths and adults, is the drying up

of the entry type job for the most disadvantaged youth, whose family is most grievously harmed by inflation.

And that gets me to the seventh point at the bottom of page 5. It must be possible to design a continuing program of public service employment that avoids "creaming" and political favoritism.

While the EEA generally gets good marks, an evaluation of it for this subcommittee by the national manpower policy task force states:

The most significant fact about the hiring practices of program agents is that they generally creamed from the available unemployed. In Los Angeles, four-fifths of participants were high school graduates, though this requirement had been waived in most jobs. In Washington, where 62 percent of the participants were disadvantaged and where a conscientious effort was made to help the less employable, 7 of 10 still had graduated from high school. Such creaming will facilitate transition into permanent jobs, but this goal of EEA will be achieved at the expense of the unskilled and poorly educated.

Senator NELSON. Well, I think that is a good point. We have not made a sufficiently effective conscientious effort to give opportunity to those who are disadvantaged and have all the ability necessary, given job training programs, on-the-job training or otherwise, so they can upgrade their skills.

Dr. MADDEN. Our conclusions and recommendations—a program of public service employment raises many problems of cost and administration and falls short of benefits attributed to it by some proponents. But on balance such a program is valuable to society as a means of cushioning the effects of anti-inflation policy for people who, for a prolonged period, cannot find jobs.

We believe that S. 4079 would prematurely spend funds for subsidized jobs. Most economists of all political persuasions now consider an unemployment rate of 4.5 percent as virtual full employment, in the sense that this is the level of unemployment that can be achieved with a combination of aggregated monetary and fiscal policy measures without inflation.

Even at the peak of World War II, when the jobless rate dropped to an all-time low, the national unemployment rate still amounted to 1.9 percent. When we consider the number of part-time and secondary wage earners in a family, an unemployment rate of 4.5 percent today does not, in our view, represent a condition of hardship sufficient to warrant this expenditure.

Senator NELSON. I am happy that you qualified any support for my proposal, because if you were wholeheartedly for it it would ruin us both.

Dr. MADDEN. S. 2993 would not release funds for public service employment until the national unemployment rate exceeds 6 percent. Although this stipulation is an improvement over 4.5 percent, this bill shares the feature of S. 4079 of failing to channel assistance to areas in greatest need.

We believe the Congress adopted the correct approach in CETA, with supplementary funds for public service jobs available only for areas with unemployment of 6.5 percent or more. By the way, this does not mean that we would not recommend that something be done, as I said earlier, about youth unemployment. And we put forward in this testimony a suggestion concerning youth unemployment. And, as a matter of fact, if the success of the United States would be equivalent

to that of Great Britain in a youth employment service, the national unemployment rate in the United States on the average would be reduced by three-quarters of a point.

So it is not a question of not favoring useful employment for people that leads us to conclude, as we do here, about the unemployment rate appropriate for triggering public service employment. It is that there are other policies that are also necessary if we are to cope with the new unemployment rather than locking ourselves into the views and the assumptions about facts of the past.

To insure that this assistance is available to workers in greatest need of help, we recommend, as stated earlier, that eligibility be limited to those who have been unemployed 16 weeks or longer and who have no full-time employed adult in the family.

The longer a person is unemployed, the more difficult it is for him or her to find a job in the open labor market. Public service funds can, therefore, add more jobs to total employment if priority is given to those workers who have been out of a job for an extended period. It is also important that the program avoid giving people an incentive to quit their jobs to obtain more attractive work under a program of public service employment.

With respect to wage and salary levels, we recommend that these jobs pay either the minimum wage or the normal wage in the area for the position filled, with the limitation that funds will not be used for jobs paying more than the most recent "lower family budget," as established by the Bureau of Labor Statistics. This amount is currently \$8,181 for an urban family of four.

The President's proposal—S. 4129—provides a lower wage of \$7,000 and would limit community improvement projects to persons who have used their special unemployment assistance, that is, persons who have been unemployed for more than 39 weeks. This program would therefore be directed to those with still greater difficulty in finding employment, and would complement the program available under CETA.

Senator NELSON. Well, under the current law, CETA, \$10,000 is the maximum that can be paid. My impression has been, from my talks with Governors and mayors and county executives and others, that this has worked out very well.

Do you see that any problem has arisen as a consequence of this \$10,000 maximum?

Dr. MADDEN. I would like to ask my colleague to comment on that.

Mr. WALSH. Well, I think the area of concern to us here, Mr. Chairman, is the extent to which—and all information is not available to respond to it fully—is the extent to which jobs paying to the maximum of \$10,000 or \$12,000 might compete with vacancies in private employment.

We have employers saying to us, "Why do you propose programs of this type when I am unable to obtain help for my plant, my shop, my office?" I believe Mr. Snelling of Snelling & Snelling Employment Services has stated on occasion—and I refer you to the U.S. News & World Report of about a year and a half or 2 years ago—there is a featured article in which he says that he cannot find the people to fill the job vacancies that he has in the various communities around the country.

So we are repeatedly asked, why are we, the chamber, supporting a program of this type when certain of our members cannot find people to serve available job slots.

And to the extent that the created program provides salaries more attractive than might be available in the private sector, then these employers are facing increased competition. And to the extent that you also have that situation, you have a diminished net increase in the number of jobs.

Dr. MADDEN. The displacement effect I referred to earlier.

Mr. WALSH. Perhaps the central interest here, which really hasn't been touched on, is what is the central purpose of a public service employment program? Is it primarily targeted to those most in need, those having greatest difficulty finding employment, or to the whole range of the unemployed, many of whom have professional or semi-professional backgrounds, and, generally, in fairly short order, can obtain employment on their own?

It seems that those at the lower range of the scale, those most in need are those least benefited by a program of this type.

Dr. MADDEN. Unless it is really targeted to them. And I think that this is the thrust of our argument. We favor public service employment. We think it is a humanitarian and an economic measure to be taken, but we do think there are some potential adverse effects and therefore we urge that such a program be carefully designed to deal with the people who most need this kind of help, and not to the people "creamed" by such a program and therefore drawn away from other opportunities that may in fact exist or that may exist in the future, which are being paid for and financed by the normal operation of the economy.

Mr. WALSH. It is of interest to us that the Bureau of Labor Statistics tells us that something like 20-some million jobs pay \$2.50 an hour and less. Now, that is almost 25 percent of your total labor force.

What implications does this have for unemployment? Are these the people who most need help to a better paying job? Perhaps a public service employment program could be directed at wage levels somewhat in this area while concurrently providing training to enable them to obtain better jobs, rather than coming in at a higher level, creating more competition for employers who say they cannot find help for available positions.

Senator NELSON. What if you have 6 or 6½ percent unemployed—the employer says he can't get anybody to fill his jobs—there is either something wrong with his recruiting or—

Mr. WALSH. Well, it has to be recognized, too, that the prominence of complaints is related to the level and type of jobs. The employers having greatest difficulty are not those with the \$25,000 attractive jobs, they are those with the \$2.50 to \$4 an hour jobs—and the seasonal jobs.

Senator NELSON. It has been a long time since I have dealt with the classification question, but when I was Governor of the State of Wisconsin most all of the highest professional jobs in the government, whether it was lawyers or doctors or scientists or accountants, all got less in our State government than they got outside the State government.

Mr. WALSH. That may have changed.

Senator NELSON. I doubt it. Doctors? No way.

Mr. WALSH. Private employment generally.

Senator NELSON. I don't know enough about it any more. But we had trouble getting psychiatrists and doctors even though we paid modestly well for comparable States, because you could make so much more money outside.

Dr. MADDEN. Well, of course, that is another problem entirely. That relates to the public policy concerning the supply of medical services in the Nation, both with respect to the Federal Government and also with respect to the various State governments.

And to the extent that the supply of such medical services is restricted by the unavailability of medical training or by licensing procedures at the State level, which exclude qualified people because of certain formal requirements, or which lay down responsibilities for the private practice of medicine which will not permit paraprofessionals to exercise authority and responsibility, why, then, you will continue to have a shortage of medical services, not only in the States but also for the private client of medical practitioners.

And I can certainly give you plenty of personal experience concerning the shortage of service for private individuals in this very area.

So that is another problem entirely, it seems to me, Mr. Chairman. And, of course, the Congress is working on that problem, much to the encouragement of the public.

Senator NELSON. Well, thank you very much, Dr. Madden, for your very fine contribution to these hearings. We appreciate your taking the time to come.

Dr. MADDEN. Thank you very much.

[The prepared statement of Dr. Madden along with additional material subsequently supplied for the record follows:]

STATEMENT
on
PUBLIC SERVICE EMPLOYMENT (S. 2993, S. 4079)
and
NATIONAL EMPLOYMENT ASSISTANCE ACT (S. 4129)
before the
EMPLOYMENT, POVERTY, AND MIGRATORY LABOR SUBCOMMITTEE
of the
SENATE COMMITTEE ON LABOR AND PUBLIC WELFARE
for the
CHAMBER OF COMMERCE OF THE UNITED STATES
by
DR. CARL H. MADDEN
October 17, 1974

My name is Carl H. Madden. I am chief economist of the Chamber of Commerce of the United States.

The National Chamber supports a program of public service employment (1) for locations with 6.5 percent or more unemployment during three consecutive months, (2) for workers with no full-time employed adult in the family and who have been unemployed 16 weeks or longer, and (3) for transitional jobs that fill unmet public needs.

S. 2993 (Javits, R-N.Y.) would amend CETA (Comprehensive Employment and Training Act of 1973) to authorize an additional \$4 billion for transitional public service employment when the national unemployment rate exceeds 6 percent for 3 consecutive months.

S. 4079 (Nelson, D-Wisc.) would amend CETA to make available an additional \$500 million when the national unemployment rate reaches 4.5%; another \$500 million at 5.0 percent; another \$1 billion at 5.5 percent; and another \$2 billion at 6 percent -- for a total of \$4 billion.

S. 4129 (Taft, R-Ohio) is part of the Administration's effort to deal with the impact of inflation and high unemployment. It would authorize two programs:

- A Special Unemployment Assistance Program (Title I) to establish a temporary program of cash assistance for experienced jobless workers who have exhausted their unemployment compensation benefits, or those not now eligible under the federal-state system.
- A Community Improvement Program (Title II) to provide 6-month work projects for unemployed workers who have exhausted their benefits under the Special Unemployment Assistance Program.

Both programs come into effect in a labor market area with a population of 250,000 or more, when (1) it has an average unemployment rate equal to or in excess of 6.5 percent for three consecutive months, and when (2) national unemployment has averaged 6.0 percent or more for the same period.

The Special Unemployment Assistance Program is almost identical to Title II of the Administration's "Job Security Assistance Act of 1974." That proposal was introduced by Senator Bennett as S. 3257 and was the subject of public hearings last spring by the Senate Finance Committee. We presume that the Finance Committee will now resume consideration of this matter in light of current economic circumstances.

With respect to the Community Improvement Program, \$500 million are authorized when national unemployment averages 6.0 percent for three consecutive months; another \$750 million at 6.5 percent; and another \$1 billion at 7.0 percent.

THE CASE FOR PUBLIC SERVICE EMPLOYMENT

There are persuasive arguments on behalf of an expanded program of public service employment. To cushion the impact of the policies of monetary and fiscal restraint needed to curb inflation, taxpayers can finance jobs for those whose joblessness is extended by an economic slowdown. Quite apart from humanitarian reasons -- which in themselves are compelling -- it makes economic sense for taxpayers to finance useful public service jobs when people need work that is not available in the conventional public and private sectors. Several advantages can be cited.

1. Public service jobs provide work and training for the participants -- not merely income in the form of another transfer payment. The self-esteem of the worker remains intact. Equally important, workers improve or at least maintain work habits and skills, thereby facilitating their moving to non-subsidized jobs.

2. Experience of the last three years under the Emergency Employment Act (EEA) demonstrates that local governments can hire large numbers of unemployed in a short period. This capacity has been further strengthened

with the decentralization of authority to state and local prime sponsors under CETA.

3. The ratio of jobs created to dollars spent is much higher than could be obtained from a public works program, since almost all funds go for salaries and wages. Moreover, these jobs need not entail the long delay usually associated with getting public works projects started.

4. States and localities apparently have an ample supply of tasks to be done. There is no need to create "make-work" activities, nor should "make-work" jobs be condoned or tolerated. Again using the EEA as a prototype, the public service job holder performed tasks generally similar to people on the regular payroll.

5. Jobs established under a public service employment program can be "detriggered" automatically to phase out as unemployment decreases, just as they initially are "triggered" to get underway when unemployment increases.

6. The speed with which jobs become available is also much greater than would be possible under any combination of monetary and fiscal measures. Further, the created jobs can be targeted for people in greatest need -- people who are often the last ones to benefit under broad measures to stimulate the economy.

POTENTIALLY ADVERSE EFFECTS

The biggest danger of a temporary public service employment program is that it may create a permanent high cost and relatively less efficient public employee labor force, swelling the proportion of public to private employment. A large, long-term program of public service employment raises questions that deserve more serious consideration than are often accorded them.

1. Does the public service employment program put to work the people it intends to? What is the relationship of the number and kinds of job vacancies to the number and skills of the unemployed?

2. Since public service jobs are deemed necessary because of a temporary shortage of conventional public and private jobs, the following labor market information becomes essential if this program is fully to serve its intended purposes:

- How many jobs are available throughout the economy?
- What are their pay scales and skill requirements?
- Where are they located?
- What kinds of jobs are most difficult to fill?

Answers to these questions, along with related information on worker locations and skills, would help the Congress and the Administration design a public service jobs program that supplements, rather than competes with, existing opportunities. This effort can be successful only if the Administration revives its monthly job vacancy series -- which was terminated in December 1973 -- and gives as much publicity to the job vacancy rate as it does to the unemployment rate. Unfortunately, labor unions have opposed job vacancy data apparently because they fear that knowledge of vacancies would weaken unemployment policy.

3. To what extent does "voluntary unemployment" contribute to the unemployment rate? Recent studies, such as "Lowering the Permanent Rate of Unemployment," by Dr. Martin Feldstein for the Joint Economic Committee, indicate that:

"Almost everyone who is out of work can find his usual type of job in a relatively short time. The problem is not that these jobs are unavailable but that they are often unattractive ... Decreasing the overall rate of unemployment requires not merely more jobs, but new incentives to encourage those who are out of work to seek employment more actively and those who are employed to remain at work ... Even with the high unemployment of 1971, more workers quit manufacturing jobs than were laid off."

This finding has policy implications. Clearly, the public should not be taxed in order to provide public service jobs for people who quit their last job or who refuse available work they consider unacceptable.

4. What is an appropriate pay scale for the public service job? If a large proportion of workers have a loose attachment to their jobs, to what extent is this attitude caused by low pay? How high must the wage/salary

of public service jobs be set to attract and hold these workers? Is it appropriate to create jobs that compete directly with available lower-paying jobs in the private sector? Whatever its faults, the job market in private industry gives a measure of the value in dollars of one person's job as compared to another's. Pricing artificially created public service jobs higher than or even competitive with such private jobs does not merely overstaff the public payroll. It also impairs the ability of the society to get private jobs done that people want done and are willing to pay for.

If private employers must pay more than is justified by what people will pay for goods and services, then private jobs dry up as businessmen substitute capital for labor. This is what has already happened to many hotel and restaurant service jobs and is now happening to many crafts' and mechanics' jobs.

5. It may not be possible to avoid "slippages" in the net number of jobs created. A recent paper by the Council of Economic Advisers prepared for the "Summit" conferences concludes that under the Emergency Employment Act, each job slot "created less than a job and that this 'displacement effect' increased as time passed and as the possibility of substituting federal for state and local funds increased. Several estimates put the displacement effect after 2 years in the range of 50 percent."

6. It is misleading to imagine that a public service job program is without cost to the economy, not only in job displacement but in the real resource cost of public job creation. Funds for public service jobs must be derived either from an increase in taxes or an increase in debt, or both.

An increase in taxes diminishes purchasing power and an increase in debt increases borrowing costs -- two consequences that depress effective demand and employment, resulting in a job loss that must be deducted from jobs created by public service employment. To the extent that these jobs are paid for by public borrowing, they tend to stimulate money creation through the banking system just as any other such government borrowing. Then the real resource cost is paid through the regressive "tax" of inflation in a dangerous sleight-of-hand. Public service employment is not a way to avoid economic reality.

7. It must be possible to design a continuing program of public service employment that avoids "creaming" and political favoritism.

While the EEA generally gets good marks, an evaluation of it for this sub-committee by the National Manpower Policy Task Force states:

"The most significant fact about the hiring practices of program agents is that they generally creamed from the available unemployed. In Los Angeles, four-fifths of participants were high school graduates, though this requirement had been waived in most jobs. In Washington, where 62 percent of the participants were disadvantaged and where a conscientious effort was made to help the less employable, seven of ten still had graduated from high school. Such creaming will facilitate transition into permanent jobs, but this goal of EEA will be achieved at the expense of the unskilled and poorly educated."

We must recognize that, to a large extent, the type of person hired is determined by the kinds of jobs made available. Sanitation laborers will obviously be more severely disadvantaged than teachers and engineers. Hence, the higher the pay scale for a public service jobs program, the more likely those who are most able to compete in the open labor market will be hired, and the more likely the jobs can be made transitional to regular jobs in the public or private sector.

There is, then, a partial conflict between hiring the most severely disadvantaged and moving these workers to regular jobs. This conflict can be relieved by continuing a program of manpower training and supportive services to help qualify the least skilled for better jobs.

CONCLUSIONS AND RECOMMENDATIONS

A program of public service employment raises many problems of cost and administration and falls short of benefits attributed to it by some proponents. But on balance such a program is valuable to society as a means of cushioning the effects of anti-inflation policy for people who, for a prolonged period, cannot find jobs.

We believe that S. 4079 would prematurely spend funds for subsidized jobs. Most economists of all political persuasions now consider an unemployment rate of 4.5 percent as virtual full employment. Even at the peak of World War II, when the jobless rate dropped to an all-time low, the national unemployment rate still amounted to 1.9 percent. When we consider the number of part-time and

secondary wage earners in a family, an unemployment rate of 4.5 percent today does not, in our view, represent a condition of hardship sufficient to warrant this expenditure.

S. 2993 would not release funds for public service employment until the National Unemployment rate exceeds 6 percent. Although this stipulation is an improvement over 4.5 percent, this bill shares the feature of S. 4079 of failing to channel assistance to areas in greatest need.

We believe the Congress adopted the correct approach in CETA, with supplementary funds for public service jobs available only for areas with unemployment of 6.5 percent or more.

To ensure that this assistance is available to workers in greatest need of help, we recommend, as stated earlier, that eligibility be limited to those who have been unemployed 16 weeks or longer and who have no full-time employed adult in the family.

The longer a person is unemployed, the more difficult it is for him or her to find a job in the open labor market. Public service funds can, therefore, add more jobs to total employment if priority is given to those workers who have been out of a job for an extended period. It is also important that the program avoid giving people an incentive to quit their jobs to obtain more attractive work under a program of public service employment.

With respect to wage and salary levels, we recommend that these jobs pay either the minimum wage or the normal wage in the area for the position filled, with the limitation that funds will not be used for jobs paying more than the most recent "Lower Family Budget," as established by the Bureau of Labor Statistics. This amount is currently \$8,181 for an urban family of four.

The President's proposal (S. 4129) provides a lower wage of \$7,000 and would limit community improvement projects to persons who have used their Special Unemployment Assistance; i.e., persons who have been unemployed for more than 39 weeks. This program would therefore be directed to those with still greater difficulty in finding employment, and would complement the program available under CETA.

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The economics of the new unemployment

MARTIN FELDSTEIN

A HIGH level of unemployment is a persistent problem of the American economy. During the past 20 years, the average rate of unemployment exceeded 4.5 per cent. In only one post-War year (1953) did unemployment drop below three per cent. Although every segment of society is affected, some groups have unemployment rates that are several times as high as the national average. At the end of the first half of 1972, more than nine per cent of the non-white labor force was unemployed. Among men under 25, the unemployment rate was 11.5 per cent. These high unemployment rates imply substantial personal and aggregate losses. Moreover, as I shall emphasize below, the American pattern of unemployment is a symptom of a more serious failure in the development and use of our nation's manpower.

Unfortunately, there is no reason to expect that the next 20 years will be better than the last. Without substantial new policy initiatives, American unemployment rates will remain significantly higher than those that prevail in Western Europe and in most other industrial nations. Now that unemployment has fallen from the very high rates of 1970 and 1971, it is important to ask whether there is anything that can be done to lower permanently the average rate of unemployment to three per cent or below.

I recently examined this question in a study prepared for the Joint Economic Committee of the U.S. Congress.¹ Although my conclusions and proposals should be regarded as tentative, I believe that it is important to stimulate discussion about these issues at the current time. The basic conclusions of my study can be summarized briefly:

First, I believe that we probably can lower the permanent unemployment rate to a level substantially below the average of the post-War period. An average unemployment rate significantly less than three per cent, and possibly close to two per cent, for those seeking steady full-time employment is a realistic goal for the next decade.

Second, the economy is not likely to achieve such a goal, or indeed to perform any better than it did in the past two decades, without significant changes in employment policy.

Third, expansionary macroeconomic policy cannot be relied upon to achieve the desired reduction in unemployment. Any possible increase in aggregate demand that does not have unacceptable effects on the rate of inflation would leave a high residue of unemployment. I believe that this is true even if one is very optimistic about the effect of increases in aggregate demand on inflation. The structure of unemployment and the current functioning of our labor markets imply a high overall rate of unemployment even when certain key unemployment rates are extremely low. Better management of aggregate demand has a role to play, but it cannot do the entire job.

Fourth, lowering the overall rate of unemployment will require new types of policies aimed at increasing the stability of employment among young workers, at eliminating unnecessary seasonal and cyclical fluctuations in labor demand, and at increasing the speed with which the unemployed return to work. Several such policies are suggested below.

I. The limited efficacy of increasing demand

Most macroeconomic analyses of unemployment are based on ideas about the causes and structure of unemployment that are

¹ See Martin Feldstein, *Lowering the Permanent Rate of Unemployment*, A Joint Committee Print of the Joint Economic Committee (Washington, Government Printing Office, 1973). See also the hearings of the Joint Economic Committee published as *Reducing Unemployment to 2 Percent*, Hearings before the Joint Committee, October 17, 18, and 26, 1972 (Washington, Government Printing Office, 1972).

inappropriate and out of date. The basic framework of Keynesian economics, conditioned by the experience of the 1930's, has always emphasized the inadequacy of aggregate demand as the source of unemployment. The conventional view of post-War unemployment might be described as follows: "The growth of demand for goods and services does not always keep pace with the expansion of the labor force and the rise in output per man. Firms therefore lay off employees and fail to hire new members of the labor force at a sufficient rate. The result is a pool of potential workers who are unable to find jobs. Only policies to increase the growth of demand can create the jobs needed to absorb the unemployed."

This picture of a hard core of unemployed workers who are not able to find jobs is an inaccurate description of our economy and a misleading basis for policy. A more accurate description is an active labor market in which almost everyone who is out of work can find his usual type of job in a relatively short time. *The problem is not that these jobs are unavailable but that they are often unattractive.* Much of the unemployment and even more of the lost manpower occurs among individuals who find that the available jobs are neither appealing in themselves nor rewarding as pathways to better jobs in the future. For such individuals, job attachment is weak, quitting is common, and periods without work or active job seeking are frequent. *The major problem to be dealt with is not a chronic aggregate shortage of jobs but the instability of individual employment.* Decreasing the overall rate of unemployment requires not merely more jobs, but new incentives to encourage those who are out of work to seek employment more actively and those who are employed to remain at work. As I shall explain below, an important part of these incentives is a change in the kinds of jobs that are available.

It is difficult to replace our old notions about demand-determined unemployment by this new view. Let me therefore describe in more detail some of the characteristics of American unemployment during the past decade. I will begin with the experience of the total labor force and then consider differences among demographic groups.

First, the duration of unemployment is quite short. Even in a year like 1971 with a very high unemployment rate, 45 per cent of those unemployed had been out of work for less than five weeks. In 1969, this proportion was almost 58 per cent. Similarly, very few are without jobs for as long as 27 weeks; in 1969 this was 4.7 per cent and in 1971 it was 10.4 per cent of all the unemployed.

Second, loss of jobs accounts for less than half of total unemployment. In 1971, only 46 per cent of the unemployed had lost their previous jobs. In the more favorable market conditions of 1969, this proportion was only 36 per cent. The remainder are those who voluntarily left their last jobs, are reentering the labor force, or never worked before. In 1969, with an overall unemployment rate of 3.5 per cent, losing one's job contributed only 1.2 per cent to this figure.

Third, the turnover of jobs is extremely high. Data collected from manufacturing establishments show that total hirings and separations have each exceeded four per cent of the labor force per month since 1960. Moreover, the number of quits has consistently exceeded layoffs during the past five years. Even with the high unemployment of 1971, more workers quit manufacturing jobs than were laid off.

A comparison of these figures with corresponding data for Great Britain indicates that the British achieve a generally lower unemployment rate partly by having a very different structure of unemployment.² During the 1960's, Britain's average unemployment rate (as adjusted by the U.S. Department of Labor to the U.S. definition) was only 2.7 per cent. The structure of British unemployment corresponds more closely to the traditional picture of cyclically inadequate demand, chronic structural unemployment in particular regions, and a very low level of "frictional" job search. Despite the lower overall unemployment rate, British durations of unemployment are much longer. While 13.6 per cent of unemployed men were out of work for 27 weeks or more in the United States in 1971, in Britain the corresponding figure was 23.8 per cent in a recent period of high unemployment (April 1969). Similarly, while only five eighths of American unemployed men were out more than five weeks, in Britain the same fraction of men was out more than eight weeks. This longer duration is compatible with a much lower overall unemployment rate only because many fewer men become unemployed in the first place. One indication of this is that British turnover rates are approximately half of U.S. levels. Britain achieves a low unemployment rate by completely avoiding much of the short-term unemployment that prevails in the United States. Some of the specific ways in which this will be examined later in this article.

² A study of the British experience is particularly useful because Britain, unlike some other European countries, does not maintain full employment for its own labor force by permitting temporary immigration of foreign laborers.

Demographic differences

Perhaps the most important characteristic of our current unemployment problem is the differences in unemployment experience among demographic groups. The unemployment rates in certain groups are not only very high but are also quite unresponsive to changes in the aggregate demand for labor. This implies that fiscal and monetary policies that drastically cut the unemployment rate of mature men would still leave a high overall unemployment rate.

To study these differences I have estimated the relation between the unemployment rate in each demographic group and the concurrent unemployment rate for men over 24 years of age. This rate for mature men provides one of the best measures of cyclical variation in labor market pressure. Table 1 presents the results of this analysis. Column I gives the 1971 unemployment rates in eight different demographic groups, ranging from four per cent for white men to 32 per cent for non-white teenagers. Column II shows the sensitivity of each unemployment rate to labor market pressure (i.e., the change in that specific unemployment rate that would occur when the rate for men over 24 years of age changes by one per cent). For example, a one per cent fall in the unemployment rate for mature men would lower the teenage male unemployment rate by about 1.5 per cent. A change in aggregate demand, therefore, has a greater absolute effect on the teenage unemployment rate than on the rate for mature men. Nevertheless, variations in aggregate demand account for a relatively small fraction of the high level of teenage male unemployment. Even if the rate for mature men were depressed to 1.5 per cent—below the level reached at any time in the post-War period—the analysis implies

TABLE 1. *Differences in Unemployment Experience Among Demographic Groups*

DEMOGRAPHIC GROUP	I	II	III
	UNEMPLOY- MENT RATE, 1971	SENSITIVITY TO RATE OF MATURE MEN ¹	UNEMPLOYMENT RATE WHEN MATURE MEN ¹ UNEMPLOYMENT IS 1.5 PER CENT
Males, 16-19	16.7	1.45	11.4
Females, 16-19	17.4	0.26	13.7
Whites, 16-19	15.2	1.03	10.8
Non-whites, 16-19	31.8	0.26	24.5
Males, white, 20+	4.0	0.92	1.7
Males, non-white, 20+	7.3	2.33	3.3
Females, white, 20+	5.3	0.59	3.2
Females, non-white, 20+	8.7	0.99	6.1

¹ The mature men unemployment rate refers to all men over age 24.

that the male teenage rate would be at about 11.4 per cent. This is shown in Column III. Although the absolute sensitivity of male teenage unemployment to changes in aggregate demand is a serious problem, it is the very high level of the cyclical troughs that prevents macroeconomic policy from reducing that unemployment to a level below five per cent.

The figures reported in Table 1 indicate that overall unemployment would remain high even in a very tight labor market, but they do not explain why individual unemployment rates behave so differently. Some understanding of this at a relatively crude empirical level can be obtained by examining the proportions of the unemployed in different demographic groups who are job leavers, job losers, new entrants, and reentrants.

Table 2 shows that the primary difference in the structure of unemployment for mature males and for mature females is the higher unemployment rate for women among those who are reentrants to the labor force. Unfortunately, the term "reentrant" is unclear. It includes not only women who return to the labor force after caring for a family for a number of years, but also those who are seeking work after a brief period of voluntary withdrawal from the labor force. This component of the higher unemployment rate of women probably represents both the natural frictional unemployment at a second entry into the labor market and the result of a weaker attachment to employment on the part of some women who move temporarily in and out of the labor force. The higher rate of women's unemployment due to job leaving provides support for this view of weaker labor force attachment.

Although teenagers have a slightly higher and more cyclical rate of unemployment due to job loss, the much higher teenage unemployment rates are clearly due to the high rate for new entrants, reentrants, and job leavers. Although these components are also cyclically sensitive, they remain very high even in a year with a

TABLE 2. *Composition of Unemployment by Demographic Groups, 1971*

	ALL UNEM- PLOYED	MALE 20+	FEMALE 20+	BOTH SEXES 16-19	NON- WHITES
Total Unemployment Rate	5.9	4.4	5.7	16.9	9.9
Per cent Distribution					
Lost last job	46.3	66.3	42.2	18.5	42.4
Left last job	11.8	11.4	14.2	9.2	11.2
Reentered labor force	29.4	19.6	39.3	32.5	31.6
Never worked before	12.5	2.7	4.3	39.8	14.8

tight labor market. I shall return to discuss this more fully in the next section.

Finally, non-white unemployment rates are higher in every category, but again job loss accounts for less than half of total unemployment. Even though non-whites have more difficulty in finding employment, unemployment due to voluntary separations and withdrawals from the labor force is approximately twice the level for whites.

The evidence presented in this section can be summarized briefly: *The current structure of unemployment in the American economy is not compatible with the traditional view of a hard core of unemployed who are unable to find jobs.* Even with the high unemployment rate of 1971, the durations of unemployment were short, job losers accounted for less than half of unemployment, and quit rates generally exceeded layoffs. An examination of the past experience of individual demographic groups indicates very substantial variation in the response of unemployment rates to aggregate demand and implies that even an extremely tight labor market would leave some groups with high unemployment rates. The next three sections examine why these unemployment rates are not more sensitive to aggregate demand and suggest possible policies to deal with these problems.

II. Unemployment among young workers

Unemployment rates for young persons seem outrageously high. In 1971, male teenagers had an unemployment rate of 16.6 per cent. Even among those aged 20 through 24, the unemployment rate was 10.3 per cent. If unemployment in these groups could be reduced to the same rate as for mature men, the overall rate would fall by more than one third.

Similar results are obtained if attention is limited to the full-time labor force and to persons whose major activity is not attending school. Among male teenagers in the full-time labor force, the 1971 unemployment rate was 16.9 per cent; for 20-24 year olds, it was 10.0 per cent. Among males aged 16 through 21 whose major activity was not going to school, the unemployment rate was 13.5 per cent.

An examination of the British experience indicates that such relatively high rates among young persons can be avoided. The 1961 British census³ showed that the unemployment rate among

³ It is necessary to use census data for Britain because continuous unemployment statistics are based only on registered unemployment; there is no continuous survey data.

male non-students aged 16-17 was only 2.1 per cent. The same rate also prevailed for 18-19 year olds and 20-24 year olds. For 25-34 year olds, the rate then fell to approximately 1.6 per cent. British young people have extremely low unemployment rates, both absolutely and (by comparison with the United States) in relation to older workers. I shall return later to what I believe are some of the reasons for the very favorable British experience.

Youth unemployment is not primarily due to inadequate demand. The statistical analysis described above indicates that the unemployment rate of young persons would remain high even in a very tight labor market. There are two main sources of the chronic high unemployment in this age range: (1) unnecessarily slow absorption of new entrants and (2) low job attachment among those at work. Because of the slow absorption, a very significant part of the unemployment of young workers is among new entrants to the labor force and others who are seeking their first full-time job. New entrants to the labor force spent an average of 9.1 weeks until their first employment. Among teenagers, new entrants contributed 6.7 per cent to the unemployment rate; new entrants therefore accounted for 40 per cent of total teenage unemployment.

The single most effective way of reducing unemployment among new entrants as well as improving the quality of first jobs would probably be the establishment of a special Youth Employment Service. The British experience with such a program suggests its potential impact in America. In a recent year in which approximately 280,000 boys between 15 and 17 entered the labor force,⁴ the Youth Employment Service arranged 200,000 employment placements for boys in that age group. While some of these placements are not for new entrants, the magnitude of the British achievement is enormous. Part of their success is due to their direct contact with students: Nearly 80 per cent of school leavers who are not going to universities are interviewed in school by the Youth Employment Service.

I would favor a federal program that reimbursed states for the cost of operating a Youth Employment Service that met certain federal standards. The Service should be separate from the regular Employment Service and should deal only with persons below 21 years of age. Although available to those who have already left school, it should focus mainly on an active program of advising and placing those who are about to leave. A participant

⁴ Compulsory education in Britain did not extend beyond 15; approximately one fourth of those new entrants between 15 and 17 were 15-year-olds.

state should require each student to be interviewed by the Youth Employment Service before he graduates from high school or is allowed to leave school legally. Making a Youth Employment Service an integral part of the educational system should facilitate the transition from school to job. The knowledge that everyone entering the labor force is seen by the Youth Employment Service would encourage employers to list jobs that are not now given to the regular Employment Service. If those leaving school are more aware of the options open to them, they are more likely to find a job with which they will be satisfied. They will not only find a better job in this way, but will also be less likely to leave that job in an illusory hope of improving their position.

The instability of teenage employment

The second source of unemployment—the high rate at which young men and women lose jobs, quit jobs, and drop out of the labor force—is both a more serious problem and a more difficult one to solve. Much of the unemployment among experienced young workers occurs not because jobs are unavailable but because they are unattractive. For many young workers, the available entry-level jobs are also dead-end jobs. They offer neither valuable training nor opportunities for significant advancement within the firm. Since employers have made no investment in these workers, they do not hesitate to lay them off whenever demand falls. Since comparable jobs are easy to find, these young workers do not hesitate to quit. The growth of our economy during the past few decades now permits relatively high wages even for those with entry-level jobs. Among the young and single, these high wages encourage an increased demand for leisure. If the content of the job and the structure of the firm's employment policy do not outweigh this, job attachment will be weak and quit rates high.

All of the evidence points to this highly unstable character of employment, rather than to any long-term difficulty in finding jobs, as the primary source of unemployment among experienced young workers. First, the mean duration of unemployment is much lower for this group than for the rest of the labor force. Even in 1971, when the mean duration for all unemployed was 11.4 weeks, among 16-21 year olds the mean was only 8.5 weeks; while 24 per cent of all workers were unemployed for more than 15 weeks, only 15 per cent of 16 to 21 year olds were. Second, unemployment among job leavers and those reentering the labor force is much more

important for younger workers than unemployment among job losers. In 1971, job leavers and reentrants contributed 7.1 per cent, or more than two thirds, of the unemployment among teenage experienced workers. Third, these high reentrant rates appear to be associated with relatively high rates of being outside the labor force. In 1971, among 16-21 year old males whose major activity was not attending school, more than 13 per cent were not in the labor force. The "non-employment rate" (i.e., the ratio of the unemployed plus those outside the labor force) is therefore an extremely high 27 per cent. Of those 16-19 year olds outside the labor force and not in school, only about one tenth stated the inability to find a job as the reason for not seeking work. Another one tenth indicated ill health and home responsibilities. The rest are reported in the general "all other reasons" category. For 20-24 year olds, the results are very similar; for only one tenth of those outside the labor force was an expected inability to find work the reason for not seeking employment. Finally, a survey⁵ that followed the same group of young men from October 1966 through October 1968 found that approximately one fourth of black 16-20 year olds had three or more spells of unemployment and about half had two or more inter-firm shifts during the 24 months. Among whites the proportion experiencing at least one spell of unemployment was similar (after educational differences are taken into account), but multiple spells of unemployment were less common. Still, one fifth of whites and two fifths of blacks between 16 and 24 who were completely out of school experienced some unemployment during those two years despite the very low overall national unemployment rate.

Students and non-students

Why is employment so unstable and labor force attachment so weak in this age range? Why do young American workers experience unemployment rates so much higher than those of their British counterparts? I believe that a fundamental reason is the types of jobs that are available and the lack of adequate reward for stable employment. I will return below to discuss this in more detail and to suggest possible remedies. First, however, I want to emphasize two ways in which the figures overstate the magnitude

⁵ The National Longitudinal Survey, sponsored by the U.S. Department of Labor. See Parnes, *et al.*, *Career Thresholds*, Vol. 1, Manpower Research Monograph No. 1, U.S. Department of Labor (Washington, Government Printing Office, 1970).

of the social and economic problem of unemployment among young people.

Part of the high quit rates and rates of leaving the labor force merely reflects the impact of our educational system and the seasonal character of the labor force activity of students. Those who have not stopped their formal education seek full-time employment when schools are closed and may also seek different part-time jobs during the school year. Since attending school is the major activity of more than 23 per cent of the labor force between 16 and 21 years of age, the peculiar labor market behavior of that group has a substantial impact on the statistical picture of youth unemployment. If those who are looking only for part-time work are not counted in the unemployed, the unemployment rate for 16-21 year olds in 1971 drops from 15.0 per cent to 10.2 per cent. Moreover, many of those who leave school and take jobs later return to being full-time students. High unemployment among young Americans is therefore in part a reflection of our commitment to providing many more years of schooling than is common in other countries, and is a price we pay for a very fluid educational system which encourages people to move back and forth between full-time work and full-time education.

In considering the gap between the unemployment rates of young persons and of more mature workers, it is important not to lose sight of their differences in motivation and attitudes. Most young workers have no family responsibilities and many continue to live with their parents. It is significant that the 1971 unemployment rate for 16-24 year old males who were classified as "household heads" was only 6.4 per cent while all others in this age-sex group had an unemployment rate over 16 per cent. Although today's high wage rates provide a substantial reward for working, they also permit a comfortable standard of living with significantly less work or less responsible work than was required 20 years ago. Many young persons want more leisure than is consistent with full-time employment and a permanent attachment to a particular firm. They prefer to alternate between working and other activities rather than to seek and hold permanent employment. These remarks are not intended as criticism. The behavior of these young persons is seen in better perspective by comparison with our student population. The major activity of over 40 per cent of 16-21 year olds is attending school. The academic schedule provides frequent long vacations. For those in higher education, the daily routine is varied and the individual is generally free to choose his own

activities and pace of work. Perhaps much of the high turnover and voluntary labor force withdrawal among young non-students reflects an attempt to enjoy the same freedom and occupational irresponsibility that we take for granted in our student population of the same age.

The extremely high unemployment rates are therefore not quite what they seem. They reflect the peculiar labor force behavior of students and the temporary and voluntary unemployment that young people can afford in an affluent society. Despite this, I believe that there does exist a real and serious problem. The high turnover rates and voluntary unemployment are also a response to the unsatisfactory type of job that is available to many young workers. These are often dead-end jobs with neither opportunity for advancement within the firm nor training and experience that would be useful elsewhere. The young worker's incentive to stay at work is often further reduced by a seniority system that implies that the newest employees are most likely to be laid off during the next small business downturn. Moreover, the lack of sufficient opportunities to begin careers leading to high-paying jobs or to obtain valuable on-the-job training in industry and business is no doubt responsible for an excessive reliance on formal education. I shall not venture to guess how many of our college students might be served better by working than by going to school if more adequate jobs were available.

The minimum wage and opportunities for training

At the root of this problem is the hard economic reality that firms cannot afford to offer useful on-the-job training to a broad class of young employees. A firm can generally provide the opportunity to acquire new marketable skills—by on-the-job training, detailed supervision, or even just learning by experience—only to a worker whose net product *during the period of training* is at least equal to his wage. Unfortunately, the current minimum wage law prevents many young people from accepting jobs with low pay but valuable experience. Those who come to the labor market with substantial skills and education need not be affected by the minimum wage. They are productive enough to permit employers to pay at least the minimum wage while also providing further training and opportunities for advancement. But for the disadvantaged young worker, with few skills and below-average education, producing enough to earn the minimum wage is incompatible

with the opportunity for adequate on-the-job learning. For this group, the minimum wage implies high short-run unemployment and the chronic poverty of a life of low-wage jobs.

In this way the minimum wage law has an unambiguously harmful effect on some young workers. Even if an individual were willing to "buy" on-the-job training by taking a very low wage for six months or a year, the minimum wage law would not permit him to do so. It is unfortunate and ironic that we encourage and subsidize expenditure on formal education while blocking the opportunity for individuals to "buy" on-the-job training.⁶ The British experience contrasts sharply with our own. More than 40 per cent of male employees under 20 are classified as apprentices, articulated clerks, and formal trainees; less than 18 per cent of males between 16 and 19 are students.⁷

The burden of this effect of the minimum wage law falls most heavily on the disadvantaged. Because they bring little to the labor market, they are able to obtain little in exchange. It is clear from the few successful programs in training the disadvantaged that for some time these workers produce little if any net revenue over the costs of training. A job at the minimum wage will not permit any significant amount of training. The disadvantaged youth for whom more formal education is unsuitable is therefore forced into dead-end jobs without training or opportunities for advancement. In the short run, this means high absenteeism, high quit rates, and high turnover. The long-run effects are even more serious. The lack of additional training for those who start with low skills makes them part of the permanent poor. For the disadvantaged, the minimum wage law may have the ironic effect of lowering lifetime incomes by a very large amount.

Note that this view of the harmful effects of applying the minimum wage law to young workers is quite different from the usual proposition that the minimum wage law creates unemployment because at the established level the supply of workers exceeds the demand. The evidence on that is ambiguous. It is clear that there is no lack of jobs in the sense that nearly any young person can get a job, but it is not certain that they *all* could. The important point is that, because of the minimum wage law, many of the jobs

⁶ There are some strange exceptions to this, such as hospital schools of nursing that charge very low fees and obtain substantial services from the student nurses. Presumably, a *negative* wage is consistent with the minimum wage law but not a low positive wage!

⁷ Britain has no minimum wage law. Other countries with a minimum wage often treat young workers differently from older workers.

that are available do not provide young workers and their employers with an incentive for stable employment.

The problem then is to remove the barrier to better on-the-job experience and training that is currently posed for some young workers by the minimum wage law. There are a variety of ways to do this. The method that one prefers depends in part on whom one wants to bear the cost of these better job opportunities. One obvious solution would be to modify the minimum wage law so that its full force does not apply to young workers. This would put the full cost of the better training on the young workers themselves. Although there is strong opposition to changing our current minimum wage system, the case for a minimum wage is clearly the weakest when applied to young workers. At best, the minimum wage is an administratively simple way of providing a minimum annual income for every family with a full-time working member. It suffers even in this context from its failure to relate that income to family size. This is particularly relevant to young workers who are single and who often live with their parents.

Youth employment scholarships

There are, however, two practical objections to relying solely on a reduction in the minimum wage for young workers as the means of facilitating better job experience. First, some young workers could simply not afford to take a job that would provide adequate training and experience. The low incomes associated with such jobs would effectively exclude those with family responsibilities. Single individuals who had to support themselves would also be eliminated from the best programs; the cost of some successful training programs has been so high that without a direct subsidy employers could offer little more than a "tuition-free education." Second, many of those who could both afford and benefit from a low-wage job with training would not take the opportunity. Uncertainty about the future value of the training and impatience for immediate income would lead many to jobs with higher pay but less useful experience. Some form of subsidy is therefore necessary if sufficient on-the-job training is to be achieved. Given the substantial direct and indirect subsidies that are now given to students, a program of subsidies for young workers is only equitable. Such subsidies would also help to reduce the current distorting incentives to choose formal education rather than learning on the job.

The advantage of removing the minimum wage barrier to train-

ing could be achieved without any change in the minimum wage if a subsidy were paid to employers for all young workers. This would, however, be a very inefficient way to deal with the problem because it would provide the same subsidy regardless of the young person's family income. Such a program would either yield relatively little useful training or be very expensive. A more reasonable solution would be to combine a decrease in the minimum wage with a stipend that is related to the financial situation of the young worker and his family.

A wide variety of alternative programs, differing in the degree of control that the government exercises over the individual's training, could be designed. *Central to all such programs would be a Youth Employment Scholarship paid to young workers as a supplement to their wage income.*⁸ At one extreme, each individual would receive his scholarship and make whatever job arrangements he wished. The program would rely on the individual worker to select the job that offered him the most valuable combination of training and current wage. The danger, however, is that because of uncertainty, ignorance, or impatience, many would fail to take advantage of the opportunity to acquire training and would seek the highest current wage.⁹ At the other extreme are arrangements like the current JOBS program in which the government contracts directly with firms to provide specific training to individuals selected in a particular way. Neither the rate of acceptance of this program in the business community nor the end results for the trainees have been encouraging. The contract route places undue emphasis on the formal characteristics of the program and puts the government in the inappropriate role of buying specific educational services rather than of subsidizing suitable job settings for young workers. Along the spectrum of possibilities between these two extremes are different combinations of prior approval, supervision, and incentive payments.

III. Four sources of adult unemployment

Unemployment among mature workers reflects several distinct

⁸ Although the size of each scholarship should be related to each individual's circumstances, a minimum stipend independent of family income would be desirable. This would both influence the character of the program and partially offset the current indirect subsidies of formal education that benefit all students.

⁹ This tendency could be partly controlled by making the size of the scholarship larger if the wage rate is lower.

problems. Identifying these separate aspects suggests a mix of possible policies for lowering the unemployment rate. This section will discuss four reasons why the adult unemployment rate is higher than it should be. Several possible policies will be discussed briefly. The next section will consider in more detail the potential effects of changing our unemployment compensation system.

Some unemployment is, of course, the inevitable consequence of a healthy and dynamic economy. The changing mix of output and the process of technological advance displace workers who generally become temporarily unemployed. Women often return to the labor force as their children grow older; in 1971, reentrants accounted for 40 per cent of the unemployment among women 20 years old and over. Families occasionally migrate to new areas in order to find better employment opportunities and then spend time searching for work. All of these sources of unemployment produce important gains for the economy and often for the unemployed themselves. It is clear that they should not be discouraged. In particular, it is important to avoid the temptation—to which other countries have sometimes succumbed—to prevent temporary unemployment by permanent subsidies for unwanted output and inefficient technology.

Although some unemployment among adults is appropriate, the actual unemployment rates among experienced men clearly represent an undesirable and unnecessary waste of resources. In the post-War period, the unemployment rate among males aged 20 and over averaged 3.5 per cent. In 1971, it was an unfortunate 4.4 per cent. As already noted, the rate has generally been higher among women than men. In 1971, it was 5.7 per cent. The combined unemployment rate for adults (persons aged 20 and over) was 4.9 per cent. These rates, and the U.S. post-War experience in general, are much higher than the unemployment rates experienced in most other industrial nations. Even Britain, which unlike some other European countries does not maintain full employment by temporary imports and exports of foreign laborers, achieved an average adult unemployment rate below 2.5 per cent in the 1960's. What could be done in the United States to achieve a comparable performance?

Although better management of aggregate demand has a more important role to play in lowering the adult unemployment rate than in improving the teenage employment situation, macroeconomic policies cannot do the job alone. This point has already been stressed and examined statistically. It is now time to consider the more specific reasons why a variety of policies are needed to achieve

a more desirable level of unemployment among adult workers. To do so, it is useful to distinguish and analyze the implications of four different sources of adult unemployment: (1) the cyclical and seasonal volatility of the demand for labor; (2) the weak labor force attachment of some groups of workers; (3) the particular difficulty in finding permanent employment for persons with very low skills or other employment disabilities; and (4) the average of several months of unemployment among job losers.

Cyclical and seasonal variation in demand

The American unemployment rate is not only higher than the rates observed in foreign countries but also much more cyclically volatile. During the 1960's, the total U.S. unemployment rate varied from 3.5 per cent to 6.7 per cent. The cyclical variation in unemployment—the gap between peak and trough—was 3.2 per cent. The unemployment rate was nearly twice as high in the worst year as in the best. During the same decade, the corresponding British unemployment rate (adjusted to U.S. definitions) varied from 2.1 to 3.4 per cent. The cyclical variation was only 1.3 per cent, substantially less than half of the U.S. gap. Despite the much lower rate in the best year, the cyclical swing only increased the British rate by some 60 per cent.

It would be wrong to infer from these data that Britain's less volatile unemployment rate is due to a more stable growth of demand and production. A comparison of American and British experience shows instead that changes in aggregate demand have a substantially smaller impact on employment in Britain than they do in the United States. More specifically, I have examined statistically the relation between annual changes in the unemployment rate and the corresponding changes in industrial production in the two countries. The results show that a one per cent change in industrial production has about twice as big an effect on the unemployment rate in the United States as it does in Britain. Moreover, while nearly all of the year-to-year variation in the U.S. unemployment rate can be explained by fluctuations in industrial production, the association between unemployment and industrial production is much weaker in Britain.

British unemployment is less volatile because there is more cyclical labor hoarding and more disguised unemployment in British firms. The reasons for this difference in behavior are unclear. It may reflect specific differences in seniority arrangements and unemploy-

ment insurance provisions or more general differences in industrial structure, in the competitiveness of product markets, and in long-established national attitudes about the proper relation between employers and employees. Although British employment practices bring advantages in the form of income maintenance and job security, these benefits are paid for by a lower aggregate productivity of labor. It would clearly be valuable to study why British firms and workers have chosen to respond differently from their American counterparts.

A variety of special schemes might be developed in the United States to encourage firms to reduce the sensitivity of employment to changes in aggregate demand: required minimum notice before employees are laid off, large compulsory severance payments, a guaranteed annual wage, substantial tax penalties (or rewards) for volatile (or stable) employment, and the like. Similar policies have already been adopted by some European countries; however, such actions can only lower the volatility of unemployment by reducing the efficiency of the labor market and therefore lowering real wages. There is no reason for the government to impose a lower wage and correspondingly greater employment security than the employees themselves actually want. Collective bargaining agreements can achieve any desired degree of employment security through the same techniques of minimum notice, supplementary unemployment benefits, and so on. The outcome of collective bargaining, moreover, can reflect the employees preferences and the real opportunity costs of lost earnings. The government should only provide inducements to disguised unemployment to the extent that these are considered a more efficient form of deficit spending or that they provide tangible benefits to persons other than the individual employees and employers. It should go without saying that the government should also avoid policies that artificially stimulate the responsiveness of unemployment to changes in aggregate demand. Nevertheless, as I will discuss below, our current system of unemployment compensation has the undesirable effect of stimulating the volatility of unemployment in this way.

Seasonal variation in employment demand raises quite different issues from the cyclical variation that has been discussed until now. Seasonal unemployment is clearly not involuntary. An individual who accepts a job with seasonal fluctuations knows that he will be laid off or at least that there will be a significantly higher probability of being laid off. The total effect of seasonal variations in unemployment is substantial. During the twelve months from June 1971

through May 1972, the seasonally adjusted unemployment rate remained nearly constant, varying only between 5.2 and 5.5 per cent. In the same period, the seasonally unadjusted rate varied from a low of 4.5 per cent to a high of 6.3 per cent. If seasonal unemployment could be avoided completely, the average unemployment rate would fall by more than 0.75 per cent. While some seasonal unemployment may be technically necessary, other seasonal unemployment could no doubt be eliminated by changes in production methods, increased holdings of inventories, the integration of firms with complementary seasonal demands, and other means. Additional reductions in seasonal unemployment could be achieved if workers who are seasonally laid off would make the transition to new jobs with less time out of work. If these improvements could eliminate half the current seasonal unemployment, more than 300,000 man-years of unemployment could be avoided every year. It should be emphasized, however, that some amount of seasonal unemployment is desirable. Even if public policies could be designed to eliminate seasonal unemployment completely, this would only be achieved at substantial real economic costs. The proper aim of public policy should be to avoid distorting the natural pattern of seasonal unemployment that would reflect both the preferences of employees and the attempts of employers to produce at minimum cost. I will discuss below the ways in which our current system of unemployment insurance encourages excessive seasonal layoffs and unnecessarily long unemployment among those who have been laid off.

Weak labor force attachment

Unemployment caused by weak labor force attachment is generally a smaller but more serious problem among adults than among young workers. While some of the unemployed adults who are not seeking permanent employment are still students or are mothers with young children, the social problems are associated with the group with low skills and little education. These adults suffer from the same limited opportunities as some of the young workers described in the last section. Because they have low skills, little education, and generally bad work habits, they never enter the mainstream of employment opportunities. The only jobs open to them are the dead-end jobs with low pay and no future.

High unemployment among the men and women in this "secondary labor market" reflects their rejection of the jobs that are

available.¹⁰ Many of those with very limited job opportunities prefer to remain unemployed rather than accept what they consider undesirable jobs. Many others who take these jobs soon quit.

Boston's experience with trying to secure employment for a large group of such low-skill workers dramatically illustrates that the problem is not providing jobs but making these jobs acceptable to the unemployed. During the eight months beginning in September 1966, Boston's ABCD program referred some 15,000 disadvantaged workers to jobs. Seventy per cent were actually offered jobs. Nearly half of the job offers—45 per cent—were rejected. Of those who did accept work, less than half remained on the job for one month. A very high proportion of these separations were voluntary. Even among those over age 25 who were being paid more than \$1.75 per hour in 1967, the separation rate in the first month was 33 per cent.

What can be done to reduce unemployment among low-skilled adult workers? It is clear that the problem cannot be solved by increasing aggregate demand in order to create more jobs. There is no evidence of a shortage of jobs for this group. The Boston experience shows that jobs can be found but that they will not be accepted.¹¹ *Lowering the rate of unemployment requires steps to bring the characteristics of the actual jobs and the standards of the acceptable jobs closer together.*

It is sometimes suggested that expansionary macroeconomic policy can play an important role by improving the quality of the jobs available to the least able workers. Those who support this view argue that the better jobs and higher pay that become available in a tighter labor market will reduce the voluntary unemployment and non-participation among this group. There is, unfortunately, insufficient data with which to evaluate this proposition. The aggregate unemployment statistics by age, sex, and race do not provide enough detail to identify the low-skilled workers. Although such workers are a disproportionately large fraction of non-white males, it is impossible to say how much of the fall in unemployment for this group during any cyclical tightening is actually due to a reduction in voluntary unemployment among those who are able to find better jobs.

¹⁰ See P. Doeringer and M. Piore, *Internal Labor Markets and Manpower Analysis* (Lexington, Mass., 1971), Chapter 9, for an extensive discussion of the characteristics of the secondary labor market.

¹¹ The special problem of those with such severe employment handicaps that they cannot earn the minimum wage will be discussed below. See P. Doeringer, *Programs to Employ the Disadvantaged* (Englewood Cliffs, New Jersey, 1969), for a more detailed description of this experience.

The best available evidence—the statistics on labor force participation rates—indicate a pessimistic conclusion. Since 1948, the labor force participation rates of non-white adult males have dropped dramatically: from 97.2 per cent to 92.0 per cent among 35 to 44 year olds, and from 94.7 per cent to 86.9 per cent among 45 to 54 year olds. (Among white males in those age groups the changes were extremely small: from 98.0 per cent to 97.0 per cent and from 95.9 per cent to 94.7 per cent.) This nearly threefold increase in voluntary withdrawal from the labor force occurred during a 25-year period in which wage rates rose nearly 50 per cent. This is clearly contrary to the notion that higher wage rates would reduce voluntary non-employment. Much of the decrease in labor force participation occurred at the same time as labor markets were tightening. From 1961 through 1969, while the overall unemployment rate was falling from 6.7 per cent to 3.5 per cent, non-white adult male labor force participation rates also continued to fall: from 94.8 per cent to 92.7 per cent among 35 to 44 year olds and from 92.3 to 89.5 per cent among 45 to 54 year olds.

Similar conclusions are implied by the fall in the labor force participation rates of non-white adult males living in urban poverty neighborhoods during the period from 1967 through 1969, when the unemployment rate for that group was falling sharply. In 1967, with an unemployment rate of 5.7 per cent among non-white adult males in urban poverty areas, 19.6 per cent of that group were neither employed nor seeking work. By 1969, their unemployment rate had fallen to 4.3 per cent, but despite the tightening of the labor market, non-participants rose to 21.4 per cent of that population group.

The evidence on non-participation rates contains two lessons. It is a warning that macroeconomic expansion and tighter labor markets are unlikely to bring a significant reduction in the voluntary unemployment that characterizes low-skill groups. It is also a reminder that the officially defined unemployment rate is the tip of the iceberg. For these low-skill groups, withdrawal from the labor force is much more common than official unemployment.

Manpower programs and voluntary non-employment

Recognition of these limits of expansionary macroeconomic policies has encouraged the creation of several major manpower programs during the past decade. All these programs share the common philosophy that the best way to reduce non-employment in

the groups designated as disadvantaged is to provide training that can improve the quality of jobs open to them. During the nine years from 1963 through 1971, there were more than six million new enrollments in federal manpower programs. The total federal cost of these programs from 1963 through 1971 was nearly \$7 billion; in 1971, the federal obligation was \$1.5 billion.

Despite 10 years of experience with these large programs, there has been no clear and definitive evaluation of their impact. We do not know whether unemployment rates are lower and participation rates higher for those who have enrolled in a manpower program than for those with the same characteristics of age, sex, education, etc., who have not. There have apparently been no controlled experiments to compare the effects of institutional training under the MDTA program with on-the-job training in the JOBS program. The isolated evaluations of particular local experiences or the results within individual firms have generally suggested that manpower programs have positive but small effects. The interpretation of these evaluations is clouded, however, by a lack of adequate controls and by the problem of self-selecting trainees. The clearest successes have been obtained by large firms that have combined expensive periods of on-the-job training with opportunities for further employment and advancement.¹²

Among adults who have been out of school for several years or more, the handicap of low skills is exacerbated by the problem of bad employment habits. Absenteeism, frequent lateness, petty thefts, and high quit rates are characteristic of workers in the secondary labor markets. It is difficult for them to break these habits and conform to the discipline of mainstream employment. The possibility of preventing these problems by means of better experience and training for young workers makes the policies discussed earlier all the more important.

Both macroeconomic policies and manpower programs seek to reduce non-employment by making the available work more attractive. It is important not to lose sight of the fact that the extent of voluntary non-employment also depends on the attractiveness of not working. Today's welfare rules are a notorious deterrent to work for those who are receiving welfare. Moreover, the rapid rise during the last decade in the value of public assistance available to a

¹² See Robert Hall, "Prospects for Shifting the Phillips Curve Through Manpower Policy," *Brookings Papers on Economic Activity* (1971), for a discussion of this evidence and a generally pessimistic view of the potential of manpower programs. Peter Doering provides several case studies in *Programs to Employ the Disadvantaged* (1969).

family with little or no earnings—including cash payments, Medicaid, food stamps, and housing subsidies—has substantially increased the attractiveness of non-employment or intermittent employment for those with low skills. The increased levels of unemployment compensation also encourage intermittent work, especially among two-earner families.

There is also the complex problem of unreported earnings among low-income families. Some of this derives from criminal activities or from lawful services performed for illegal employers. But cash payments designed to avoid taxes and to prevent reductions in unemployment compensation or welfare benefits are also important. For casual workers in the secondary labor market, cash payments can avoid federal income taxes at a minimum marginal rate of 14 per cent, plus combined employer and employee social security taxes in excess of 10 per cent, plus state income, unemployment compensation, and workmen's compensation taxes. These taxes may easily total more than 30 per cent of the worker's gross pay. By evading taxes and receiving payment in cash, the effective net wage can be increased by nearly 50 per cent. This provides a substantial incentive to both employers and employees in situations where record-keeping practices can be lax to share the potential gains of non-reporting. The higher wages in such casual labor markets are a further inducement to intermittent employment.

The most effective way to achieve a substantial reduction in non-employment among low-skilled groups is to combine improved manpower programs with a reexamination and redesign of the current adverse incentives.

The current unemployables

In addition to those who are cyclically unemployed or voluntarily out of work, there is a substantial residue of unemployables who would be unable to find steady employment even in a very tight labor market. Permanent physical disability, subnormal intelligence, or psychological problems severely limit the productivity of these men and women. The problem is most serious among those with both a physical impairment and limited education. Law and custom prevent firms from lowering wages to the levels at which it would pay to hire handicapped individuals.

Although vocational rehabilitation could improve the prospects for some of them, in many cases—especially among those who are older and less educated—the costs of additional training would ex-

ceed the benefits. *Two forms of job creation for these permanently disadvantaged workers have been suggested: subsidies to firms and direct permanent public employment. A third option, integrating the minimum wage law with general income maintenance, is also possible.*

Wage subsidies to private firms are designed to fill the gap between the productivity of these very low-skilled workers and the minimum wage. The primary objection to such a policy is that much of the subsidy would be paid for hiring workers who would have been hired anyway. Although this problem might be reduced by a careful procedure of certifying eligible handicapped workers, such a process would inevitably involve a large number of arbitrary individual decisions. The task would be made more difficult by the need to specify different subsidies for different degrees of occupational handicap. The scope for abuse, however, would be very much limited if the total wage (including the subsidy) were limited to the legal minimum wage in that type of employment and if the handicapped individual could take his wage subsidy to any employer. Since most workers can earn more than the minimum wage, there would be no incentive to seek an inappropriate wage subsidy. Even if low-skill workers in general were subsidized excessively, there would be no undue subsidy to employers if workers could take these subsidies to any firm. Competition among firms for these subsidies would pass the advantage of the subsidy back to the low-income workers themselves. The most serious problem with the subsidy plan would then be that substantial government funds would go to raising the wages of very-low-paid employees rather than to reducing unemployment.¹³ A system of wage subsidies to close the gap between the productivity of handicapped workers and the minimum wage is therefore quite appealing. It would of course be appropriate to permit state and local governments to compete with private firms in hiring workers with wage subsidies.

Permanent public employment for those who are currently unemployable in the private sector is advocated by those who doubt the potential efficacy or cost-effectiveness of private wage subsidies. A further advantage claimed for public employment is that the gov-

¹³ A second objection to the use of wage subsidies is that for some workers no feasible subsidy would be large enough to induce an employer to hire them if managers fear that, because of their unreliability, production lines would be interrupted, machinery destroyed, and so on. This is unlikely to be a very serious problem. Although such unreliability may make some people unemployable at any wage in some firms and occupations, there are clearly other jobs in which they could be profitably employed at a sufficiently low net wage.

ernment, unlike private employers, could give primacy to job creation and make the production of a useful product a secondary consideration. Such a philosophy currently guides the program of sheltered workshops for the blind and for others with severe physical or mental impairments. Should it, however, be extended to those with less obvious occupational handicaps? The difficulty with a program of public employment is indicated by the question posed by Charles Schultze and his colleagues:

What would be the appropriate size of a public employment program? The answer depends on the answers to two other questions: How many potential enrollees are there, and what proportion of them would actually enroll? . . . Two alternative actions might be taken to determine the "proper" size of a public employment program. One would be to guarantee a job to everyone applying, and find out how many do apply. A more practical procedure would be to start at a relatively low level and, if the jobs offered at that level were quickly snapped up, to offer more until some acceptable degree of saturation is reached.¹⁴

The number of enrollees would, of course, depend on the rate of pay and the conditions of work. If the pay were not limited to the minimum wage, workers would be drawn away from productive private employment into these unproductive public positions. Even if these special public employees were only paid the minimum wage for manufacturing employees, workers who are currently employed in private jobs in agriculture and services would find public employment more advantageous. If the managers of the public employment program consider any useful output to be of secondary importance, public employment is likely to be less productive and therefore more costly to the nation than private wage subsidies. Moreover, if the case for subsidized job creation rather than direct income support is based on the value to the individual of a sense of accomplishment, it is important that the employee be involved in useful production. There seems little reason to support a program of public employment with little concern for production unless a program of private wage subsidies has been tried and rejected.

An alternative to the development of a formal wage subsidy program is to integrate the minimum wage law and the system of income maintenance. With a negative income tax, such an integration could be accomplished simply if the minimum wage were interpreted as applying to the sum of the employee's market wage and

¹⁴ C. Schultze, E. Fried, A. Rivlin, and N. Teeters, *Setting National Priorities: The 1973 Budget* (Washington, Brookings Institution, 1972), pp. 200-201.

the income maintenance payment converted to an hourly basis.¹⁵ The rules would have to take into account the problems of families with more than one earner, of varying wage rates, and of temporary unemployment, but this could be done without altering the basic notion of integrating income maintenance and the minimum wage. Such an integration would strengthen the income maintenance provisions for those who would otherwise be involuntarily unemployed while avoiding the cumbersome administrative problems of direct wage subsidies.

Duration of unemployment

A worker who is laid off often does not accept the first job offer in his own line of work but investigates several job possibilities over a period of weeks before accepting new employment. Part of this process of searching is information gathering. The worker who has not recently been unemployed generally does not know what wage and working conditions his own skills and experience will command in the market. He spends time locating relevant jobs and learning about them. Part of the search also consists of delaying in the expectation that the next job offer may be better. The greater the individual's uncertainty and the greater the variance of wage rates and working conditions in his relevant market, the longer he will tend to search.

Not all unemployment can be interpreted as conscious or unconscious search. Some skilled workers and union members know just what the local market wage is in their occupation and prefer to

¹⁵ For example, if the minimum wage is \$2 per hour, an individual who receives \$1500 per year in income maintenance would be treated as receiving support of 75 cents per hour for 2000 hours and could therefore accept a job that paid anything over \$1.25 per hour. The actual application of such a principle would take into account the fact that the annual income maintenance payment depends on the amount that the individual earns. As a simplified example, consider an income maintenance scheme that pays an annual amount A equal to a basic payment B (that depends on family size) less one half of the annual earned income INC : $A = B - \frac{1}{2} (INC)$. The income maintenance and minimum wage rules might be integrated by defining income, for the purpose of the minimum wage control, as 2000 times the individual's market wage ($WAGE$). This implies that the hourly income maintenance payment ($a = A/2000$) is: $a = B/2000 - \frac{1}{2} \times INC/2000 = B/2000 - \frac{1}{2} WAGE$. The gross wage to which the minimum wage law applies is then the sum of the market wage and the hourly income maintenance payment: $Gross Wage = WAGE + a = WAGE + B/2000 - \frac{1}{2} WAGE = B/2000 + \frac{1}{2} WAGE$. An individual with a basic payment of \$3000 therefore earns a gross wage of \$1.50 per hour plus one half the market wage. If the minimum wage is \$2.00 an hour, the individual can accept a job with a market wage above \$1.00 an hour. If the basic payment is smaller, the minimum market wage is higher. If the basic payment exceeds \$4000, the individual can accept any form of employment.

wait until such work becomes available rather than accept alternative work at lower pay. Some workers are waiting to be rehired into the same job from which they were temporarily laid off because of a seasonal or cyclical fall in demand or because of scheduling problems. Some workers, especially those with severe handicaps, are not able to find any employment. At the other extreme, some of those who report themselves as unemployed and looking for work are actually temporarily out of the labor force and not interested in finding employment.

The average duration of unemployment during the post-War period has been about three months. This varies cyclically: In 1971, it was 11 weeks; in 1969, it briefly dropped below eight weeks, and in 1961, it rose to over 16 weeks. These mean durations reflect a very skewed distribution. Although the mean in 1971 was 11 weeks, more than two thirds of the unemployed had durations of less than 11 weeks and 45 per cent were out of work for less than five weeks.

Any reduction in the mean duration of unemployment would lower the average unemployment rate. *A fall of one month in the average duration of unemployment would lower the unemployment rate from 4.5 per cent to less than 3.0 per cent. Even a two-week reduction would reduce the unemployment rate by 0.75 per cent.* Those who stress the importance of search activity suggest that the duration of unemployment could be reduced by improving the flow of job market information. The computerized "job banks" recently developed by the Department of Labor are a primary example of how this might be done.

The duration of unemployment also depends on the cost to the unemployed of remaining out of work. Our current system of unemployment compensation substantially reduces—indeed often almost completely eliminates—the cost of temporary unemployment. Because unemployment compensation affects not only the duration of job search by the unemployed, but also the cyclical and seasonal variation in labor demand and the job attachment of many low-skill workers, it will be dealt with more generally in the next section.

IV. The effects of unemployment compensation

For more than 30 years, unemployment compensation has provided valuable support for millions of unemployed workers and has been an important source of security to millions more who are employed. It is important to reexamine and strengthen this system by adapting it to the changing nature of unemployment.

All of the basic features of our current unemployment system were designed and adopted in the depths of the Depression. The modern Keynesian principles of income determination were neither understood nor accepted. Now we are all Keynesians. We have come to accept the government's general responsibility for maintaining a high level of demand through variations in spending, taxation, and monetary policy. The structure of unemployment has changed accordingly. The large pool of long-term unemployed workers has been replaced by a much smaller relative number whose durations of unemployment are also much shorter. Almost every unemployed person can now find a job in a very short time. But despite the changing nature of unemployment, the system of unemployment compensation continues essentially in its original form.

Under the economic conditions that have prevailed in the post-War period, our current system of unemployment compensation is likely to have increased the average rate of unemployment. The usual presumption, that unemployment compensation reduces unemployment because it automatically increases government spending when unemployment rises, is really irrelevant. The same fiscal stimulus would now be provided through other expenditure increases or tax cuts by a government committed to maintaining aggregate demand. The primary effect on aggregate unemployment of our current system of unemployment compensation is not its contribution to aggregate demand but its adverse impact on the incentives of employers and employees. As a result, unemployment compensation is likely to increase nearly all sources of adult unemployment: seasonal and cyclical variations in the demand for labor, weak labor force attachment, and unnecessarily long durations of unemployment.

Our current system of unemployment has two distinct but related bad incentive effects. First, for those who are already unemployed it greatly reduces and often almost eliminates the cost of increasing the period of unemployment. Second, and more generally, for all types of unsteady work—seasonal, cyclical, and casual—it raises the net wage to the employee relative to the cost to the employer. The first of these effects provides an incentive to inappropriately long durations of unemployment. The second provides both employers and employees with the incentive to organize production in a way that increases the level of unemployment by making the seasonal and cyclical variation in unemployment too large and by making casual and temporary jobs too common. Both of these disincentive effects require further explanation.

A detailed example can be very helpful. Consider a worker in Massachusetts in 1971 with a wife and two children. He earns \$500 per month or \$6000 per year if he experiences no unemployment. She earns \$350 per month or \$4200 per year if she experiences no unemployment. If he is unemployed for one month, he loses \$500 in gross earnings but less than \$100 in net income. How does this occur? A reduction of \$500 in annual earnings reduces his federal income tax by \$83, his Social Security payroll tax by \$26, and his Massachusetts income tax by \$25. The total reduction in taxes is \$134. Unemployment compensation consists of 50 per cent of his wage plus dependents' allowances of \$6 per week for each child. Total unemployment compensation is therefore \$302. This payment is not part of taxable income. His net income therefore falls from \$366 for the month if he is employed (i.e., his \$500 gross earnings less \$134 in taxes) to the \$302 paid as unemployment compensation. *The combination of taxes and unemployment compensation imposes an effective marginal tax rate of 87 per cent*—i.e., the man's net earnings fall by only 13 per cent of his gross pay (\$64) when he is unemployed for a month. The same very high marginal rate continues for several more months. If he returns to work after one month, his annual net income is only \$128 higher than if he returns after three months. Moreover, part of this increase in income would be offset by the cost of transportation to work and other expenses associated with employment.

If the man does not become unemployed but his wife loses her job, the implied marginal rate may be even higher. If she is unemployed for three months, her gross earnings fall by \$1050 but the family's net income may fall by only \$72. The fall in earnings reduces taxes by \$297 while the unemployment compensation provides \$525 in regular benefits and an additional \$156 in dependents' benefits.¹⁰ *The effective marginal tax rate is over 93 per cent. If the family has three children instead of two, the family's net income is actually higher if the woman is unemployed for three months than if she works for that period.*

These astounding figures are not very sensitive to the specific details of the example. Extremely high effective marginal rates would also be implied if the man were not married, or if he were married but his wife did not work, or if his income were 30 per cent higher or lower. For example, a single man with earnings of \$500 per month

¹⁰ In Massachusetts the wife may collect dependents' benefits when her husband is still employed if she has previously listed the children as income tax dependents.

faces a 78 per cent marginal rate. If he is married with two children and his wife does *not* work, his marginal rate is 84 per cent. With monthly earnings of \$650, the unemployed married man with two children has an effective marginal rate of 83 per cent; if his monthly income is \$350, the marginal rate is 87 per cent. In every case, a middle-income or lower-income individual loses almost no net income if he is unemployed for a short time. Only as incomes rise substantially does the net income loss become significant. For a married man with two children and monthly earnings of \$900, the effective marginal rate when he becomes unemployed is 63 per cent; with monthly earnings of \$1500 the marginal rate falls to 49 per cent.

In some industries the cost of unemployment is reduced further or even made negative by the supplementary unemployment benefits paid by employers under collective bargaining agreements. The effect of these is particularly important because it continues to apply on an earnings-related basis even above the level at which the state unemployment compensation plans reach their maximum.

Incentives to prolonged unemployment

How do people respond to these very high rates of marginal net unemployment compensation? The response of course varies among individuals and differs according to specific circumstance. But the overall effect is almost certainly to increase the duration of the typical spell of unemployment and to increase the frequency with which individuals lose jobs and become unemployed.

Consider first the duration of unemployment. As we have seen, a man who normally earns \$500 per month will lose only about \$75 of additional net income if he remains out of work for two months instead of one month. Each additional week of unemployment costs him less than \$20, substantially less if there are costs for traveling to work, union dues, and other expenses connected with employment. The unemployed person who does not expect to be recalled by his previous employer can expect to find a better job by searching and waiting for a longer time. Because the cost of additional waiting time and searching time is so very low, the unemployed worker is encouraged to wait until there is almost no chance of a better job. For example, since finding a job that pays as little as five per cent more means an increase in net income of approximately \$200 per year, even an additional 10 weeks of unemployment would pay for itself within a year. It is clear that an individual who is actively

searching for a better job in this way is neither loafing nor cheating. He is engaged in trying to increase his long-run income. *His search is economically rational from his personal point of view but inefficiently long for the economy as a whole.* The unemployed individual loses valuable productive time in order to achieve a slight gain in future income because taxpayers provide a \$1000 subsidy during his 10 weeks of increased search.

Not all the increased duration of unemployment is due to the search for a better job. When the return to work adds less than \$20 to the week's net income, there is certain to be a strong temptation to use some time for doing repairs and other tasks at home or simply taking a short period of additional vacation. Some who are waiting to be recalled to a previous job may also engage in casual work for unreported income. All of these temptations are likely to be even stronger when there is another person in the family who is employed. Glaring evidence of this type of voluntary unemployment is found in the "inverse seniority" provisions that are now part of the employer-employee agreements in several industries; these provisions give workers with more seniority the privilege of being laid off *earlier* than other workers and rehired *later*.

There are, of course, rules in our unemployment compensation system designed to limit the extent to which individuals voluntarily extend their duration of unemployment. A worker who is deemed unavailable for work or who refuses suitable employment may be disqualified from receiving benefits. Although this may prevent flagrant abuses and deter some from any voluntary unemployment, it is commonly observed that many who could find employment in their own line of work are able to continue receiving unemployment benefits. The state Employment Service is limited in its ability to find suitable jobs for unemployed workers because it is only notified of a fraction of all openings. Moreover, it is not at all difficult for a worker who is interviewed by a prospective employer to avoid being offered a job if he prefers to remain unemployed.

Incentives to more unstable employment

Longer durations of unemployment are only the first of the bad incentive effects identified above. The more general effect of unemployment compensation is to increase the seasonal and cyclical fluctuations in the demand for labor and the relative number of short-lived, casual jobs. It does this by raising the employee's net wage for such unstable jobs relative to the cost to employers. This

distortion in the cost of unstable employment influences the patterns of production and consumption in the economy. *Because the price of unstable labor has been artificially subsidized, employers organize production in a way that makes too much use of unstable employment.* Similarly, the economy as a whole consumes relatively too much of the goods that are produced in this way.

A worker who accepts a seasonal job knows that he will be laid off (or will have a much greater risk of being laid off) when the season ends. Similarly, a worker in a casual or temporary job or in a highly cyclical industry knows that he is much more likely to be laid off than a worker with a regular job in an industry that is not cyclically sensitive. If there were no unemployment compensation, workers could be induced to accept such unstable jobs only if the wage rate were sufficiently higher in those jobs than in the more stable positions in which they could find alternative work. The pay differentials among jobs would reflect the chances of being laid off and the expected duration of unemployment after being laid off. The higher cost of labor in unstable jobs would induce employers to reduce the instability of employment by greater smoothing of production through increased variation in inventories and delivery lags, by additional development of off-season work, by incurring costs to improve scheduling, by less cyclical sensitivity of employment to changes in production, by the introduction of new techniques of production (e.g., new methods of outdoor work in bad weather to reduce seasonal layoffs), and so on. The higher wages in unstable employment would also increase the prices of the output produced by such firms and industries. The higher prices of these goods and services would reduce the demand for them. This would further reduce the amount of unstable employment in the economy.

In the absence of unemployment compensation, the amount of unstable employment would reflect the employees' balancing of higher wages and employment stability, the employers' attempts to produce at minimum cost, and the consumers' choice among goods and services at prices that reflect their cost of production. The effect of unemployment compensation is to offset the market forces that would otherwise prevent an excessive amount of unstable employment. Because unemployment compensation provides a subsidy to workers in unstable employment, it reduces the wage differential required to attract workers to seasonal, cyclical, and temporary jobs. Because employers pay a relatively small premium for their unstable employment, there is little incentive to reduce this instability. Finally, the prices of these goods and services do not reflect the

higher social cost of production with unstable employment. The taxpayers subsidize the consumption of those goods whose production creates the most unstable employment.¹⁷

Imperfections in financing

To what extent are these harmful incentives offset by the current method of financing unemployment compensation through an experience-rated employer tax? Employers contribute to the state unemployment compensation fund on the basis of the unemployment experience of their own previous employees. Within limits, the more benefits that those former employees draw, the higher is the employer's own tax rate. The theory of experience rating is clear. If an employer paid the *full* cost of the unemployment benefits that his former employees received, unemployment compensation would provide no incentive to an excess use of unstable employment. Although money wages would not be substantially higher for such jobs, the total cost to the employer would be.

In practice, however, experience rating is a very imperfect check on the disincentive effects of unemployment compensation. There are three reasons for this. First, the extent of experience rating is limited by a maximum rate of employer contribution. The maximum rate applies when its reserve ratio is below some low level, generally five per cent or less. In the long run, any firm in which average annual benefits generally exceed average annual contributions will pay the maximum rate of the tax. A firm in a seasonal industry that lays off 20 per cent of its average labor force for two months each year will pay the maximum rate if the average wage of those laid off is equal to or greater than \$500 per month. More generally, using the three-month mean unemployment duration and assuming that those who become unemployed had earned an average of \$500 per month, any firm in which an average of 11 per cent of the average labor force become unemployed each year will pay the maximum. A study of experience in Massachusetts found that in 1959 the maximum tax rate was paid by 31 per cent of construction employers, 40 per cent of apparel manufacturers, and 26 per cent of leather manufacturers. For any firm that already pays the maximum rate,

¹⁷ In describing the harmful effects of unemployment compensation, I do not wish to imply that these outweigh the benefits of the program. Unemployment compensation provides valuable support and security to millions of workers. The problem, however, is to redesign the system to preserve the advantages while reducing the harmful incentives. I will return to this below.

there is no cost for additional unemployment and no gain from a small reduction in unemployment.

The second reason that the current method of experience rating has only a limited deterrent effect is that the relation between current layoffs and contributions is often quite weak. This is partly because the unemployment tax reflects the firm's entire experience since the beginning of the unemployment compensation system. A firm that has paid contributions in excess of benefits for a long time will have a very high reserve ratio and a contribution rate that will not respond to a change in the layoff rate for a long time. The weak link between layoffs and the contribution rate is also due to the way in which the system pools all workers in the firm. A firm in which most employees are not subject to seasonal or cyclical variations can have high layoff rates for certain jobs and in certain product lines without increasing its contribution rate.

Even if there were neither a maximum rate nor a minimum rate and the contribution rate responded quickly and continuously to changes in the unemployment rate, there would still be a strong incentive to excessive unemployment. This occurs primarily because a worker who is temporarily unemployed avoids income tax and social security payroll tax at his maximum marginal rate on the lost earnings while paying no tax on the unemployment compensation. Since the marginal rate for even relatively low-income families can be over 30 per cent when federal, state, and payroll taxes are combined, the tax effect is quite substantial. In the example discussed above, a married man with a working wife and two children whose wage rate is \$500 per month would receive only an extra \$64 of net income by reducing his unemployment from two months to one month; if his unemployment benefits were taxed in the same way as other earnings, he would receive more than twice as much, \$154. The \$90 differential represents a current subsidy out of general tax revenues in addition to the unemployment compensation.

In summary, it is clear that our current unemployment compensation system provides incentives to employers and employees to behave in ways that increase the rate of unemployment in our economy. Although there have been no careful studies to assess the magnitude of these incentive effects, there is a variety of statistical evidence to support the common observation that these effects are economically important. It has been shown that the number of weeks of unemployment per year declines sharply as the wage rate increases. Moreover, mean durations of unemployment appear to be longer in states with more ample unemployment benefits. The very existence

of the "inverse seniority" provisions shows that some workers value the opportunity to become unemployed.

The lessons of the British experience

The recent British experience is particularly interesting. Until 1966, unemployment insurance in Britain paid a relatively low flat-rate benefit that was not related to the unemployed person's previous earnings. There was also an additional flat-rate dependents' allowance. The "earnings-related supplement," first payable in September 1966, provided for an additional payment equal to one third of the claimant's previous average weekly earnings between £9 and £30. The maximum supplement was therefore £7. The total benefit is subject to a maximum of 85 per cent of the average weekly earnings. The effect of the earnings-related supplement was, in effect, to convert the British system from one with very low relative unemployment benefits for all but the lowest wage group to a benefit structure more similar to that in the United States.

In October 1966, one month after the change in unemployment insurance, British unemployment began rising dramatically. The number of registered unemployed rose from 340,000 in September to 436,000 in October and 543,000 in November. The registered unemployment rate for males rose from 1.6 per cent in August to 3.3 per cent in January. It is, of course, difficult to know how much of this increase should be attributed to the change in unemployment compensation. Other macroeconomic and tax policies occurred at approximately the same time. It is noteworthy, however, that unemployment rates had been above three per cent only once before in the post-War period (during an unusually bad winter) and that such a rapid rise in the rate of unemployment had not been seen before. Moreover, the male unemployment rate has remained over three per cent ever since. The previous relation between the unemployment rate and the vacancy rate ceased to hold after 1966. An examination of the occupational composition of unemployment shows that the proportional rise in unemployment was greatest among skilled married workers and least among the lower-paid unskilled workers (who would benefit less from the earnings-related supplement). The increase among professional, technical, and administrative occupations was also greater than would be expected on the basis of recessions in the recent past. A survey of unemployed workers designed to evaluate the effect of the earnings-related supplement found a significant effect: An increase of £1 per week in

the level of unemployment benefits tended to increase the length of unemployment by almost half a week. Although there are problems in interpreting each piece of data on the British experience, the evidence as a whole clearly indicates that the new method of earnings-related unemployment compensation has raised the level of unemployment.

There is little room for doubt about the qualitative conclusion that our current system of unemployment compensation increases the rate and duration of unemployment. Although the magnitude of this effect is unknown, it should be emphasized that rather small changes in the duration of unemployment, the cyclical and seasonal fluctuation in labor demand, and the frequency of temporary jobs can have a very important impact on the overall rate of unemployment. A reduction of two weeks in the current average duration of three months would by itself lower the overall rate of unemployment by 0.75 per cent. If one third of the seasonal unemployment were avoided, the overall unemployment rate would fall by an additional 0.25 per cent. If the cyclical variation in labor demand were also reduced by 20 per cent,¹⁸ this would reduce unemployment by another 0.25 per cent. A decrease in the number of casual temporary jobs would have a further impact. Although each of these changes is small, the total effect is a fall in the unemployment rate of more than 1.25 per cent. These numbers should not be interpreted as specific estimates of the extent to which our current system of unemployment compensation raises the unemployment rate. They should be viewed as illustrations of the powerful cumulative effect of small changes in the several sources of adult unemployment. It is quite possible, however, that the disincentive effects of our current system are responsible for at least this much increased unemployment.

Improving the current system

The challenge at this time is to restructure the unemployment compensation system in a way that strengthens its good features while reducing the harmful disincentive effects. The virtue of our system is that it permits the family of a lower-income or middle-income worker who is temporarily unemployed to maintain approximately its previous level of spending. Although the fall in net income is relatively greater among higher-income workers, almost all in-

¹⁸ Recall that the post-War cyclical variation in British unemployment is substantially less than half the American experience.

sured families are protected against a substantial change in net income. The disadvantage of our current system is that it raises the rate of unemployment and imposes a loss of economic welfare. This welfare loss occurs because the unemployment compensation system encourages each individual employee to act in a way that is in conflict with the interests of all employees as a group. More specifically, although most of the cost of the unemployment benefits and the reduced federal and state tax collections falls ultimately on employees as a whole,¹⁹ each individual employee is induced to behave in ways that increase this cost. It is rational for the unemployed individual to delay returning to work and for the job seeker to give less than the correct weight to the risk of future unemployment. For the group as a whole, however, such behavior incurs costs that far outweigh the benefits. This is the essence of the loss of economic welfare.

What could be done to reduce the harmful disincentives without losing the valuable features of unemployment compensation? Some gains could be achieved by removing the ceiling on the employer's rate of contribution and by lowering the minimum rate to zero. Employers would then pay the full price of the unemployment insurance benefits. The change in the rates of contribution would encourage employers to stabilize production and employment. It would also tend to increase prices for goods produced in firms with unstable employment. This would have the effect of shifting production to firms and industries with more stable employment.

Further improvement could be achieved if unemployment insurance benefits were taxed in the same way as other earnings. This would eliminate the anomalous situations in which a family's net income is actually reduced when an unemployed member returns to work. More generally, it would significantly reduce the very high implicit marginal tax rates that an unemployed person faces when he considers returning to work. It would also end the distorting situation in which, for the same total cost to the employer, a worker with some unemployment during the year receives more net income than a fully employed worker. Since the lowest-income families pay no income tax, the taxation of unemployment benefits would not be a burden to the poor. Even at higher incomes, the total effect on family income of taxing benefits would be small even though the marginal effect is sizable. In any case, the current system is inequita-

¹⁹ The fact that the tax is nominally paid by employers is irrelevant. The variable rate makes the incidence issue more complex, but the statement in the text is essentially correct.

ble in imposing a higher tax on an employed person than a person *with the same net income* and family circumstances who does not work steadily throughout the entire year.

An individual experience plan

A much more important reform could be achieved by shifting the basis of experience rating from the firm to the individual. This would have the advantage of making the individual consider properly the costs of a longer duration of unemployment and of a job with a greater risk of unemployment. One possible way of shifting the experience rating would be to calculate a reserve ratio for each individual. The individual reserve ratio would be defined in the same way that it now is for employers: the difference between the cumulative contributions made and the cumulative benefits received by that individual, divided by the individual's recent covered earnings.²⁰ Each individual would have a prescribed contribution level based on his current reserve ratio. With individual experience rating it would be necessary to have a maximum rate of contribution.

There are a variety of possible ways to finance these contributions. One possibility would be to require that employers pay the maximum rate of contribution for each employee with the provision that the employee receives, as a wage supplement, the difference between the maximum tax and the contribution that is required on the basis of his own reserve ratio. A wage supplement based on the individual's past experience would have the effect of rewarding workers who have had shorter durations of unemployment and encouraging individuals to seek more stable employment.

Under this individual experience plan, an unemployed worker would receive benefits just as he does now.²¹ However, the longer he remains unemployed, the more his own reserve position would fall. When he returns to work, he would receive no wage supplement or a reduced supplement until his reserve ratio reached the appropriate level. The individual experience plan in effect provides an opportunity for an unemployed person to borrow against his future earnings (at a zero rate of interest). Because the individual will repay these benefits, it should be possible to raise the benefit

²⁰ The additional administrative costs would be small in comparison to the advantages. Only two additional numbers, cumulative contributions made and cumulative benefits received, would have to be added to the individual's Social Security record.

²¹ The individual experience plan does not eliminate the desirability of taxing unemployment benefits.

rise in each income class and to increase the maximum benefit. Other special features, such as allowing workers to withdraw a lump-sum amount to pay for moving expenses or to cover the costs of tuition in a private training program or educational institution, should also be possible. In short, by introducing individual experience rating into our current system, unemployment compensation can provide greater security without the current harmful disincentives.

There are, of course, a number of problems that would have to be solved in the design of a practical individual experience plan. Benefits would have to continue even after an individual's reserve is exhausted. Moreover, he must not be permitted to have such a large negative reserve ratio that there is no incentive for him to try to raise his reserve position. Some provision must also be made to reward retiring workers who have accumulated positive reserves. But these and other problems could be solved by balancing the objectives of income security and improved incentives. The result of doing so can be a more efficient economy and a much lower rate of unemployment.

Reducing the rate of unemployment

All the analysis in the current study supports the conclusion that our permanent rate of unemployment can be lowered substantially without inducing an unacceptable rate of inflation. It is important to recognize, however, that macroeconomic policy is unlikely to lower the permanent rate of unemployment much below the 4.5 per cent that has prevailed during the post-War period. Nevertheless, a series of specific policies could reduce the unemployment rate for those seeking permanent full-time employment to a level significantly below three per cent and perhaps closer to two per cent.

Speeding the absorption of young workers into employment and stabilizing their employment through better on-the-job training could lower the overall unemployment rate by at least 0.5 per cent. The current minimum wage law prevents many young people from obtaining jobs with low pay but valuable experience. Reducing the minimum wage for young workers might be useful but it would not be sufficient. A more effective policy would emphasize Youth Employment Scholarships that temporarily supplement earnings and allow young workers to "buy" better on-the-job training.

Better management of aggregate demand has a more important

role to play in lowering adult unemployment than in improving the teenage employment situation. Nevertheless, even here macroeconomic policy can only achieve a small part of the total possible reduction in unemployment. The current system of unemployment compensation encourages excessive delays in returning to work. It also provides both employers and employees with the incentive to organize production in a way that increases the level of unemployment by making the seasonal and cyclical variation in unemployment too large and by making temporary jobs too common. A restructuring of the unemployment compensation system could reduce the unemployment resulting from cyclical and seasonal instability and from unnecessarily long durations between jobs by an additional 1.25 per cent or more. Further desirable reductions in unemployment could be achieved by subsidizing wages or incomes for handicapped workers and others with very low skills. There is, in short, no reason to allow the high average rate of unemployment that has prevailed in the post-War period to continue in the future.

[Excerpt from the U.S. News & World Report, Oct. 14, 1974]

SPECIAL REPORT

SQUEEZE ON AMERICA'S MIDDLE CLASS

A new and restive spirit is emerging in a key element of U.S. life—people of moderate income and views. In this article and those that follow, you get an in-depth look at 100 million Americans, now caught up in economic insecurity and attacks on their values.

An era of self-doubt and change is dawning for the great American majority that calls itself middle class.

This critical mass of U.S. voters a few years ago survived sustained attack on its treasured values from a broad range of dissenters—intellectuals, black militants, young radicals and "hippies."

In 1972, riding a wave of prosperity, middle-class Americans gave an almost unprecedented margin of victory in the presidential election to Richard M. Nixon, a man whom they saw as "one of us" in character and conservatism.

A turnabout. Today, in contrast—

So-called middle Americans now find themselves disillusioned and enmeshed in anxieties of many kinds.

An economic surge that brought unparalleled advances in means and status during the 1960s has turned sour on them as inflation erodes their savings, their plans for educating their children, and their own security in old age.

The national leadership in which most had placed their trust is out of office in the wake of massive scandals reaching deeply into the White House.

Within the ranks of the middle class itself, uncertainties are growing.

Disaffection with its fiercely held values from the past—patriotism, hard work, respect for authority and dogged faith in the future—is spreading from its more-affluent sectors into the middle-class "hard core," composed of white-collar and blue-collar workers. As evidence—

- Noncollege youths of the "lower" middle class are moving steadily toward relaxed social and moral attitudes generated by more-affluent young people on campuses in the 1960s, a Daniel Yankelovich survey showed last spring.

- Most of today's dropouts, unlike those of the 1960s, are from less-affluent families, according to such reports as "Down and Out in Berkeley," a study of "street people" in that university town. The study was prepared by Henry Miller, associate professor of social welfare, and graduate student Jim Baumohl, of the University of California.

- Disillusionment of the American people in terms of politics, the economy and the individual's role in society is found to be rising, according to a Louis Harris survey. Steepest increase in the past eight years: from 22 per cent to 58 per cent in suburban strongholds of the middle class.

As fissures develop within the middle class, attacks from the outside have eased up somewhat—but not entirely.

Among many young people, especially those with a college background, the phrase "middle class" is used as an epithet. Books and magazine articles still make disparaging remarks, as in a recent article in a religious magazine which roundly condemned "our middle-class moral theology" as being intolerant, hypocritical and shallow.



In response to adversity and criticism, more and more of the so-called middle Americans now are rethinking their attitudes toward the present—and hopes for their future. A Chicago salesman describes his feeling:

"The Great American Dream isn't fun any more. Somehow you never get ahead, and dreaming about vacations in the sun and sailing on the bay isn't very realistic when you have four children to clothe and feed."

These troubled Americans have shared common convictions generally attuned to a desire for stability and a close focus on personal concerns.

It was not until the early nineteenth century, however, that the term "middle class" began to come into general use. For decades thereafter it was applied most often to professional people, such as lawyers or doctors, along with other citizens of some standing in the community, such as businessmen, prosperous farmers and skilled craftsmen.

Scholars point out that being middle class a century ago was rewarded with respect and some status within the general community—that the heroes of Horatio Alger's novels, for instance, did not become millionaires but honorable tradesmen and merchants.

Bringing the shift. What launched the middle class on its biggest change, some historians believe, was the "New Deal."

From new labor laws came new authority and aspirations for unions and workingmen. Growth of big government created a multiplying bureaucracy that soon became a stronghold of middle-class status and security.

More dramatically, the years after World War II brought upward movement in education, income and travel for more people—and mass communications, especially television commercials, made "middle class" the status norm in America.

Today, the economic definition of the U.S. middle class



usually is applied to the vast majority of those making anywhere from \$10,000 to \$25,000 or thereabouts.

By that yardstick, in 1963, about 40 per cent of all U.S. families fell into this category. At present, the figure comes to almost 52 per cent—and, as the charts on page 45 show, the gains are found to be stronger in the upper reaches of the middle class. Even so—

In a nation where street cleaners and truck drivers sometimes earn almost twice the salary of an experienced high-school teacher, the economic yardstick by itself is seen as misleading unless others—family background, education or occupation—are taken into consideration.

For instance, there are skilled and well-paid workers who still describe themselves, in pride or humility, as "working class," and intellectuals of middle income who disparage the middle class and all that it supposedly stands for.

Despite such abstractions, the imprint of middle America cuts deeply across the nation.

Television series, from the era of "I Love Lucy" to the present-day "Maude," have celebrated its virtues. Advertisers appeal almost entirely to appetites of the middle class, largely ignoring special interests of the impoverished or the wealthy.

In essence, social critics say, this has made the middle class an Everyman's—or Everywoman's—Club for almost anyone who wants to join, whether secretary, teacher, lawyer, white welder, black cab driver or storekeeper.

Says Irving Kristol, editor and the Henry R. Luce Professor of Urban Values at New York University:

"In America, if you think middle class, you will probably become middle class. Perhaps you're on a lower rung than you expected to reach, but you do have the sense of belonging. It goes with owning a home, a car, a telephone and educating your kids. You're being what an American citizen is supposed to be—self-reliant and achieving."

Highly affluent Americans often call themselves "middle class" and identify themselves with its attitudes—perhaps, in some cases, hoping to establish themselves as "good guys."

Another definition. At the other end of the economic scale, a black mother who is on welfare in St. Louis stretches her meager income to dress her children in worn but clean clothing, and gets them to church every Sunday morning.

At dinnertime, whether she is serving neck bones or the occasional chuck steak, the family uses the prized set of "good" dishes purchased at a church bazaar, and a "real linen" table cloth. She explains:

"That's middle class, to know how to do the right thing."

It is such Americans, driven by aspirations and the need for "belonging," who have filled the nation's suburbs, flooded its colleges with their children, supplied most of the manpower for Vietnam.

They have traveled over the world, and a few have reached the moon.

They tend to take their community duties more seriously than other Americans. Charity drives depend on the middle class to provide not only their dollars but also their time to meeting goals. In 1972, three quarters of those with a family income of \$10,000 or more a year voted, compared with a national average of less than two thirds.

As testimony to their ambition, both spouses hold down jobs in 55 per cent of all middle-class couples.

Meantime, however, middle-class incomes—more than any others—are hit by a doubling of the maximum Social Security tax in the last six years. And families earning between \$10,000 and \$25,000 pay half the nation's U.S. income tax—while getting little of the bounty bestowed on the poor through welfare programs, or the rich through subsidies and tax breaks.

Result, in a troubled economy, is a financial squeeze that is forcing such families to watch outlays closely.

A California poll conducted recently by Field Research Corporation found this:

Families earning \$10,000 a year and over led all others in cutbacks on electricity, gas and telephone. More than any other class, those in the \$10,000-20,000 range were economizing on food—and they ranked second only to the poorest families in cutbacks on recreation and entertainment spending.

More, too, were working overtime, "moonlighting" on second jobs or putting additional family members to work than was true of any other class.

Their economic woes. Despite scrimping, the new-found status of middle Americans is eroding at the edges.

Increasingly, young couples are finding it difficult or even impossible to buy a house they can afford.

Middle-aged parents—even those in the so-called upper middle class—are agonizing over the problem of getting their youngsters through college at costs ranging up to \$20,000 over a four-year period for each child who attends a private institution of superior quality.

Among the elderly, the blows dealt by inflation to many middle-class retirees living on fixed pensions and incomes are becoming heavier.

Stories of privation among such persons abound in the daily press—of a retired schoolteacher in New York suffering from near-starvation, or neatly dressed retirees in Miami picking through garbage containers for food.

Today, it is becoming clear to economists that the economic pains of the self-defined middle class in America are hurting seriously—both financially and psychologically. A strongly pessimistic view comes from John C. Raines, professor of religion at Temple University:

"We are not middle, we are not mobile, and we are not affluent. We are up against the wall and going nowhere—and neither are our kids."

These economic and social pressures are breeding a new and "unsilent" majority of Americans—a middle class no longer bound as before to the dictates of "respectability" and conventionality.

A more active role. Middle-class home-owners are now found to be demonstrating against property-tax increases and shortcomings in public transit. Senior citizens of widely differing economic levels are pushing for bigger Social Security checks and better services for the elderly. Suburban housewives are in the forefront of "women's liberation" in many metropolitan areas.

At one time, middle-class Americans of some affluence confined their activism to "acceptable" outlets, such as the

(continued on next page)



SQUEEZE ON AMERICA'S MIDDLE CLASS

(continued)

League of Women Voters, that stressed "educational" campaigns rather than agitation.

Now such organizations themselves are becoming more militant and outspoken, and a "bluing" process is overtaking the middle-class outlook as a whole.

Professionals once disdainful of joining blue-collar workers in collective-bargaining strikes are flocking to labor unions. The Department of Labor reports that about 3 million professional and technical people—lawyers, architects, journalists and others—are operating under union-made contracts.

Whites of Eastern and Southern European descent are pressing for cultural recognition, and a bigger share of public spending on community improvement.

Blacks are becoming more visible in the ranks of middle America, joining with white voters in such cities as Los Angeles and Detroit to elect black mayors in a common drive against urban crime and decay.

The latent power of middle-class Americans is gaining notice from the Industrial Areas Foundation of Chicago, which the late Saul Alinsky founded many years ago to train organizers of community-action groups.

This agency once concentrated its efforts largely on organization of the poor, especially minorities. Now it is shifting its emphasis to middle-class organizing. Director Edward Chambers explained:

"We thought that if we could organize the poor and minority groups, we'd have a power base from which we could make changes.

"Now we know that if you dumped all the poor people, all the blacks, Chicanos, Indians and every other poor minority group together, you wouldn't have enough power to make changes in Springfield, Ill.—much less in Washington."

As a result, foundation-trained organizers are working with middle-class "action" groups in six States and are eyeing other areas where similar groups can be mobilized to deal with such problems as inferior schools, soaring prices of food, pollution, tax inequities and zoning changes.

Their political power. In recent years, the American middle class has often been portrayed as neglected and powerless by comparison with blacks and other minorities who have won notice of politicians by means of demonstrations and violence.

Arising now is the question of whether the new militancy of the middle class, and a broadening of its ranks, will give it a more decisive voice than before in the making of laws and Presidents.

Recently Jeffrey Hart, a syndicated columnist and professor of English at Dartmouth College, wrote:

"There has come into being a vast middle-American constituency, which increasingly transcends regional and ethnic differences. . . . Yet neither [Presidents] Eisenhower nor Nixon focused on the interests of middle America in shaping the national agenda, and so far Gerald Ford—in image, at least, Mr. Middle America—shows no sign of doing so either."

The latent power of these Americans was pointed up recently in New York State where Representative Hugh Carey, running against the hand-picked candidate of the State's party leadership, won decisively the Democratic

nomination for Governor. Mr. Carey's backing was largely a middle-class coalition; his opponent relied heavily on the intelligentsia and the poor.

Measuring political power. Still, scholars of moderate political views point out that a consistently powerful bloc is not likely to emerge from a group that has its own conflicting pressures.

Vice Chancellor Eugene Eidenberg of the University of Illinois' Chicago campus, a political scientist who worked closely with middle-class voters as a city official in Minneapolis, makes this point:

"Political candidates tend to think of the middle class as a power bloc, but this power is more potential than actual, because there is no homogeneous middle class."

Furthermore, signs are developing that middle Americans—whoever they are and whatever they believe—are changing, in much the same way that the middle class of the 1890s rejected Populism but later gave considerable support to Progressive candidates.

Sociologist David Riesman has pointed out that parents of



Equal-rights demonstration by League of Women Voters points up the new militancy among many middle-class organizations.

the upper middle class have been strongly influenced by the ideas of their rebellious youngsters. And the rebels of the 1960s are found to be settling down to middle-class pursuits—finding jobs, getting married and sometimes getting into conventional politics.

Some social critics say this process is spreading to middle Americans of lower income as their children are swept up in change.

Evidence is that the transition will go on for many years, generating self-doubts and deep conflicts within the ranks of those who call themselves middle class.

Few social or political analysts, however, deny that such Americans will continue to play a strong—though it is not sharply defined—role in the continuing evolution of the United States.

Said Professor Eidenberg:

"I'm more impressed than ever by the centrist stability of the American middle class. You had Watergate, the President's resignation, inflation out of control—yet look at the polls and elections and they show no evidence whatsoever that middle-class Americans are rushing toward radical solutions, as some of the Marxists have been predicting. This is a remarkable fact:

"After one of the most turbulent eras in our country's history, the Republic still stands—and the middle class doesn't have to worry that it has lost its muscle."

A Closer Look at the Middle Class—

PROFILE OF 28 MILLION FAMILIES

Though there is no official definition of "middle class," a general picture of such a group can be drawn by studying the characteristics of families that earned from \$10,000 to \$25,000 of income in 1973. Based on facts and figures issued by the Government, the Economic Unit of "U. S. News & World Report" sketched this profile of America's middle-income families—

NUMBER: Just Over Half of All Families in U. S.

Of all U. S. families—

- 28.4 million, or 52 per cent, had incomes of \$10,000 to \$25,000
- 39 per cent had incomes of less than \$10,000
- 9 per cent had incomes of more than \$25,000

INCOME: An Average of \$18,300 a Year

Among middle-class families, those headed by self-employed professionals had the highest average income, \$17,600 in 1973, followed by managers and administrators and salaried professionals, with \$17,000 for each group.

WAGE EARNERS: Two Per Family

Wives in more than half—55 per cent—of all middle-class families are at work. Counting children, there are 2 wage earners in the average middle-class family, compared with 1.6 for all families.

RACE: Proportionately More Whites

93 per cent of all middle-class families are white, compared with 89 per cent for the U. S. population as a whole.

AGE: Relatively Young

54 per cent of the heads of middle-class families are under 45. Median age: About 43, compared with 45 for all families.

FAMILY SIZE: Bigger Than Average

The average size of middle-class families is 3.7 persons, compared with 3.5 for all families.

EDUCATION: Better Than Average

Heads of middle-class families comprise 58 per cent of all families headed by college graduates. More than two thirds—70 per cent—of all middle-class families are headed by someone with at least four years of high school.

DWELLING PLACE: Heavily Urbanized

96 per cent of all middle-class families live in cities or suburbs, compared with 95 per cent for all families.

STOCKHOLDERS: Three Out of Every Five

Of America's 31 million stockholders, 18 million are in the \$10,000-to-\$25,000 income bracket, holding stocks worth 150 billion dollars at the end of 1973.

TAXPAYERS: Half the Income-Tax Load

More than 26 million middle-income families filed federal income-tax returns in 1972, declaring 390 billion dollars in income and paying 46.6 billion in taxes—or 50 per cent of all individual income taxes paid.

Source: U. S. Commerce and Treasury Dept., Services & Exchange Commission

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THE RAVAGES OF INFLATION

For families of four in \$10,000-to-\$25,000 income bracket—

	IN 1970	IN 1973
AVERAGE INCOME	\$15,500	\$16,300

Federal Taxes . . . \$ 2,392 . . . \$ 2,640
LEFT AFTER TAXES . . . \$13,108 . . . \$13,660

"Inflation Tax"
Since 1970 \$ 3,079

REAL INCOME, in 1970 dollars . . \$13,108 . . \$10,581

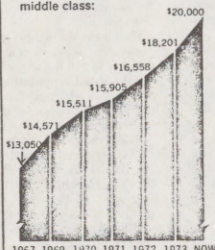
THUS: Average middle-income family in 1973 had 19 per cent less buying power than the comparable family three years earlier.

NOTE: "Inflation tax" is based on 26.1 per cent hike in consumer price index from 1970 to 1973.

Basic data U. S. Commerce Dept., Commerce Clearing House

THE RISING COST OF MIDDLE-CLASS LIVING

Based on annual average budgets for an urban family of four needed to provide a relatively comfortable standard of living—toward the upper levels of the middle class:



CHANGE IN 7 YEARS: UP 53%



HOW PEOPLE SPEND THEIR MONEY

Breakdown of the annual average budget—\$18,201 in 1973:

	Spending	Share of Budget
Housing	\$4,386	24 per cent
Food	\$4,020	22 per cent
Clothing	\$1,456	8 per cent
Transportation	\$1,315	7 per cent
Medical care	\$692	4 per cent
Personal care	\$390	2 per cent
Education, recreation, tobacco, other family consumption	\$1,191	7 per cent
Life insurance, gifts, other items	\$1,024	6 per cent
Taxes	\$3,727	20 per cent

Source: U. S. Dept. of Labor; 1974 estimate by USN&WR Economic Unit

Senator NELSON. Our next witness is Prof. Robert Lekachman and Sumner Rosen, who is substituting for Lillian Roberts.

Senator Javits asked me to welcome you here today. He had a commitment in New York, so it was not possible for him to attend the hearings.

You go ahead and present your testimony however you desire.

STATEMENT OF ROBERT LEKACHMAN, DISTINGUISHED PROFESSOR OF ECONOMICS, HERBERT H. LEHMAN COLLEGE, CITY UNIVERSITY OF NEW YORK

MR. LEKACHMAN. My name is Robert Lekachman. I am professor of economics at the Herbert H. Lehman College, City University of New York. I appreciate the chance to testify here and to express my support for the vital notion of public job creation.

I believe that the arguments are enormously powerful in behalf of Federal funding of employment on behalf of the growing army of men, women, and young persons who seek but do not find openings in the private sector. I am equally convinced that even when the economy surmounts its present perils, if under present leadership it does so, the long-run need for Federal involvement in employment will persist. By now it should be clear that the failed dream of full employment can be converted into reality only through determined governmental action.

I would like to speak first about the immediate problem and end very briefly with a word or two about the longer run needs of the economy.

In September unemployment rose to 5.8 percent, a leap in 1 month of 0.4 percent. Optimists suggest that this number will peak at 6½ percent. Pessimists mutter figures like 7, 8, and 9 percent. On this score, I am among the pessimists. Inevitably these and still higher rates of unemployment are already common experience for vulnerable groups, occupations, and localities. In New York State at last report unemployment in Suffolk, Erie, and Niagara counties was 7, 9, and 11 percent, respectively. The rates in New York City and Buffalo were 7 and 8.5 percent. For blacks, unemployment for some time has approached or exceeded double-digit figures. One out of every three black teenagers, is jobless, a truly horrifying human situation. The collapse of home construction and the decline in auto sales have idled building tradesmen and automobile workers at rates approximating twice the national experience.

It is common observation that unemployment is a particularly severe penalty imposed upon socially exposed groups. Thus the higher rates of general unemployment which have occurred during the Nixon years have halted and reversed the slow but encouraging improvement in the ratio of black to white income which took place in the 1960's under the benign influence of steady growth, diminishing unemployment rates, and effective civil rights statutes. Present rates of unemployment threaten as well to erode the gains in the direction of equality made by women and increase the resistance of majority groups to enforcement and extension of affirmative action programs in corporations, universities, and government agencies.

Unemployment welshes on the promise of opportunity which is at the heart of the American dream of personal success and material improvement. If I may here inject a personal word, I am moved to cite the instance of the City University of New York where only recently I have begun to teach. That university pursues an enlightened open admissions policy, old in the State universities of the Middle West but new to backward New Yorkers, which guarantees to every high school graduate resident in the city a place either in a senior or a junior college. Although there are no tuition charges, students, generally unable to rely upon family assistance, almost invariably hold part-time jobs. Many work a full 40-hour week in addition to their academic programs. Most of their families scrape along on incomes between \$8,000 and \$14,000 in an urban locality where, according to the conservative estimates of the Bureau of Labor Statistics, the moderate living budget for typical families of four exceeds \$14,000.

Almost all of my students are first-generation college entrants from Irish, Italian, Jewish, black, and Spanish-speaking working class and lower middle class families. These are ambitious, industrious young people who look forward to careers as accountants, teachers, computer programmers, and business managers. Unless high employment is restored and maintained, many of them will be disappointed through no fault of their own. A society as socially strained and racially explosive as ours tampers at its extreme peril with the aspirations of latecomers to the American festival of abundance.

There are at the least two additional short-term considerations which support a substantial program of public job creation on generous terms. One arises from the energy situation. In the main the positions likely to be created by congressional action—in schools, hospitals, conservation, environmental enforcement, and public protection, are energy-thrifty not alone by comparison to Pentagon expenditures upon unneeded weaponry but also by contrast to energy consumption in most of American manufacturing.

The second concerns our present inadequate attempts to curb inflation and the prospects of a more determined policy. By itself, almost any antiinflationary program increases unemployment. But it is neither fair nor politically feasible to concentrate the costs of a national policy upon the unemployed.

It follows that unless new jobs are generated and sensibly financed—preferably by closing some of the more outrageous loopholes which now deface the Internal Revenue Code and by increasing taxes on incomes in excess of \$25,000—anti-inflationary efforts will grind to a screeching halt simply because no President can expect reelection during a time of serious recession. In making such a response, the public registers the legitimate expectation that Congress and the White House will use their considerable powers to stabilize the economy.

Opinions vary widely on the size and scope of a sensible program for the rest of 1974 and 1975. For my part, I suggest that at a minimum Congress ought to think in terms of a \$10 billion program designed to create at least a million new jobs without restriction as to type. I am of course aware that this sum is more than twice the size of many congressional proposals—indeed including the one under

present consideration—and a larger multiple of the meager program vaguely alluded to in President Ford's economic message to a joint session of Congress. However, I point simply to the fact that even such an effort would leave unemployed over 4 million people. It is worth recalling that at the 1938 peak of the WPA effort, WPA employed 3,250,000 men and women, 6 percent of the national labor force.

Contemporary responses have been much smaller. Between 1971 and 1973, our small public employment program never hired more than 300,000 at any one time, substantially less than one-half of 1 percent of the current labor force. Those who worry about leaf-raking and hole-filling, the canards with which WPA's critics smeared a generally excellent program, might be reassured by the New York Times' Eileen Shanahan's thoughtful evaluation of the public employment program in the September 29, 1974, edition of that newspaper. And I quote.

Aside from size, it differed from W.P.A. in another major respect: while the jobs it provided were paid for out of Federal funds, it was the state and local governments that decided what the jobs were to be. Local public service financed by Federal funds ranged from putting extra guards on the payroll so art museums could stay open for longer hours to beefing up police, fire and public transit departments and educational services.

There were almost no accusations that the jobs were make-work. In fact the evaluations of the worth of the work done under the PEP program have been so unanimously favorable that no one today advocates public-service employment except as a program managed by state and local governments.

A word I think here about the longer run. I think that a permanent public job creation agency is highly desirable even after we survive our current inflation, recession, and energy shortages.

We ought not allow economists' discredited Phillip's curves and complacent conversation about inflation-unemployment tradeoffs—or, I might add, after hearing Dr. Madden's testimony, learned demonstrations that the structure of the labor force has changed in ways which justify higher rates of unemployment—we should not allow such considerations to disguise our disquietingly bad postwar employment history. Although the Employment Act of 1946 states a commitment to "maximum" employment, it is a commitment that has rarely been fulfilled since that year. If anything, recent performance has deteriorated. Unemployment in 1953, a business cycle peak in general activity, fell to 3 percent. In 1956, the next cyclical peak, unemployment never fell below 4.2 percent. In 1959–60, unemployment stuck at 5.3 percent. In our own day, during the last 3 years, unemployment has averaged 5.5 percent, a dispiriting deterioration from the 3.7 percent average during 1966–68.

Unnecessary unemployment is ironically paralleled by the opportunity for its own elimination, the appropriate staffing of essential governmental services. What the observant New Yorker can report is no doubt the common experience of other communities. In my city recently, three major public library branches are threatened with closing unless additional funds for personnel are somehow scraped up. Hospitals, schools, parks and museums reduce their services and curtail the number of hours in which they are supplied. Streets are dirtier, parks are more dangerous, and medical care more sporadic for want of money and people to provide them at minimum levels.

As long ago as 1965, President Johnson's automation commission estimated that according to existing staffing criteria the deficit in public jobs was more than 5 million, a figure coincidentally close to measured unemployment in late 1974.

I might add on this score, again if I might interpolate a comment on Dr. Madden's testimony, that if a public job program does diminish the number of people making beds in motels and washing dishes in restaurants and shifts these people into jobs as school aides, paraprofessionals, health workers and the like—I, for my part, would regard the shift of employment as a national gain, not only for the individuals who are benefited but for the community which diminishes the number of unpleasant, low-paying, dead-end jobs which it requires to fill its needs.

Americans have incompletely come to terms with the needs of an increasingly urban and suburban society. The quality of life in that society is tightly entwined with the quality of the services and amenities which public agencies provide or fail to provide. Not the least of the disservices inflicted upon his countrymen by Richard Nixon was his persistent denigration of public activity and corresponding exaggeration of the asserted natural superiority of private sector performance.

The need of the moment, I need scarcely stress, is immediate congressional action in support of public employment. In the near future, however, I strongly hope that this committee and other Members of Congress will give favorable consideration to the target of full employment which in the generation since World War II we have allowed to slip out of sight. I hope especially that Congress will fully discuss and adopt H.R. 15476, the Equal Opportunity and Full Employment Act of 1976, sponsored in the House by Congressmen Hawkins and Reuss and in this body by Senator Humphrey, among others. This imaginative measure, among its other attractive features, restores some of the job guarantee mechanisms imbedded in the original 1945 Wagner-Murray full employment bill, the robust parent of the feeble Employment Act of 1946.

Thank you.

Senator NELSON. Thank you, Mr. Lekachman, Economist Gerard Adams, of the University of Pennsylvania, testified recently before the new Senate Budget Committee on the subject of the effect of Federal budget cuts on unemployment. Using the Wharton econometric model of the economy, Mr. Adams states that a \$3 billion public service employment program would more than offset a \$10-billion cut in other areas of the Federal budget.

Would you mind commenting on that analysis?

Mr. LEKACHMAN. Well, I don't know the details, of course, but if the cut came primarily in the military sector, which is capital-intensive and labor-saving—

Senator NELSON. You mean that part of the military budget which is capital-intensive?

Mr. LEKACHMAN. Yes; not in personnel costs—presumably in weapons procurement.

Senator NELSON. The personnel costs I think now are somewhere upwards of 60 percent of the total budget.

Mr. LEKACHMAN. Yes; I would assume that if this shift were to be plausible in the computer's terms, that there would have to be a sharp cut in weapons procurement where the operations are highly capital-intensive and labor-thrifty.

If one cut \$10 billion in that area or some smaller sum, and shifted a part or all of it to public employment, I am sure that the employment gains would be substantial. I have no specific comment on the rough magnitudes, but the direction sounds sensible.

Senator NELSON. Well, thank you very much for your very thoughtful testimony.

Mr. Rosen?

STATEMENT OF SUMNER ROSEN, BOARD MEMBER, NATIONAL CONFERENCE ON PUBLIC SERVICE EMPLOYMENT

Mr. ROSEN. Mr. Chairman, my name is Sumner Rosen. I am on the faculty of the Empire State College in New York, and I am a board member of the National Conference on Public Service Employment. And I am here to present testimony prepared originally by Lillian Roberts, who is the chairperson of the National Conference—and if I may, after having presented that testimony, to add a few comments of my own.

Just a word first about the National Conference. It is in part a monument to the late Prof. Russell Nixon, who with others of us, including Mr. Lekachman, who is on the board, I think deserves great credit for having over recent years legitimized and raised public consciousness on the question of public service employment as a necessary permanent and legitimate feature of public policy.

And I think both Professor Lekachman and I are both proud to have been part of that effort.

Let me first present her testimony. There were in September 1974, as compared with a year previous, 1.1 million more people unemployed. For the work force as a whole, this is an unemployment rate of 5.8 percent. For teenagers, it is 16.7 percent, for blacks 9.8 percent, for black teenagers 32.4 percent. For us as human beings, for America as a country, this is intolerable. It is intolerable in terms of those unemployed, their families and their communities. And it is intolerable for all of us.

But these figures do not tell the whole story. They exclude those who would seek work were it available, those who work part time when they wish to work full time.

Let me depart for a moment, Mr. Chairman. Noting Dr. Madden's introduction of the Feldstein article, I would like to offer for the record an article in the September–October 1972 issue of the magazine *Social Policy* by Profs. Bertram Gross and Stanley Moses, entitled "Measuring the Real Work Force, 25 Million Unemployed," which I think is a systematic and very useful treatment of the biases, distortions and omissions in the development of unemployment data, and comes to diametrically opposite conclusions to those of Professor Feldstein.

Senator NELSON. That will be received for the record and printed in the record at the conclusion of your testimony.

Recently, there has been talk that today's unemployment figures cannot be compared to earlier figures because of the shifting composition of the work force. In effect, what is being said is that as the work force includes increasing numbers of women, youth, blacks, the hurt is not so great. And only 10 days ago, President Ford's newly appointed head of the CETA-established National Manpower—and Mrs. Roberts points to the anomaly of "Manpower" in these days of Women's Liberation—Policy Task Force, in testimony before the other body, declared that newly established public service employment should not be made available to women whose husbands are employed or to youth—the former should be encouraged to stay home and the latter to stay in school.

A recent report by the National Planning Association, "A Public Service Employment Program: Effective Manpower Strategy," July of 1974, summarizes well a quite different perspective.

To serve the range of social and economic objectives for which public service employment is suited, a permanent national program should be established. The program must be triple-tiered.

First, a broad national program should be established to provide some funds for public service jobs regardless of the level of national unemployment. Such a program simply recognizes the fact that there are and always will be people in the labor force for whom public service employment is appropriate and perhaps essential.

Second, there should be a second-tier program which recognizes that whenever the economy slows down and unemployment rises, the economic and social need for public service employment will increase. In these circumstances, the basic program should be increased according to a formula as the national unemployment rate goes up.

Third, the program should take cognizance of the fact that even in good times there are some local areas which suffer disproportionately high rates of unemployment. Additional funds should be made available to provide public service jobs in these areas.

We are at a time when all three "tiers" are required. That is, there are persons who have been out of work for a long time. Second, as I have indicated, there are increasing numbers of those who are newly unemployed. Third, there are areas where unemployment is exceedingly high.

Basically, the three bills before the committee, S. 2993, S. 4079, and S. 4129, address the issue of the present increase in unemployment.

We can look at four issues as regards each bill: When and how the program is to be started—that is, the "trigger"? How big is the program? Who will get the jobs? What will be the quality of the jobs?

Because we believe there is need now for a public service employment program, we favor the lowest possible "trigger" and the most flexible exercise of it. Thus we favor the initial trigger level in S. 4079. At the present level of unemployment, were it now the law, S. 4079 would release \$2 billion. At 6 percent unemployed, a level most commentators believe we will reach soon, S. 4079 will have released \$4 billion, as would S. 2993, while S. 4129 would have released only \$500 million. Thus, as regards the point at which the program is triggered, the lower level in S. 4079 is far preferable. A further desirable feature of S. 4079 is that it increases the dollar increments at successive half

percentage point increases of unemployment. This device recognizes that the problem grows progressively more serious as unemployment increases.

A second aspect of the "trigger" is presented by the proposal contained in S. 2993 for multiple triggers, that is, the program can be initiated not only when unemployment reaches 6 percent, but also by act of Congress or declaration of the President.

Because we believe there is need for a program to employ the maximum number of people, we favor a program of maximum size. Here again, S. 4079 provides the most money soonest, while S. 4129 provides less money overall.

Because we believe schemes which favor one group as opposed to another are either discriminatory or will pit one group against the other—previously unemployed versus newly unemployed, those already in the labor force versus those who seek to enter it, black versus white—and because simple justice requires it, we favor eligibility for those who are unemployed, using, I might add, a very inclusive definition of "unemployed."

And here again the Gross-Moses article and other pieces of that kind are instructive and helpful.

Again, S. 2993 and S. 4079 meet the standard more appropriately than S. 4129. Indeed, S. 4129 presents a scheme which is in several ways deficient as to who will be eligible. It is deficient in that it excludes from eligibility those who wish to work but have not. And for those who have worked, it excludes people from the public service jobs for nearly a year. A longer term for unemployment benefits—and broader coverage—of course, are desired achievements. Indeed, the recently announced program in France for a year's pay in case a person is laid off is an admirable standard. And, in general, I might add, Mr. Chairman, I think we would be instructed by paying more attention to European and other practices which teach us a good deal about combining far more humane social policies with the maintenance of the private sector and a healthy economy.

However, to condition access to public service employment establishes a mandatory dependency counter both to belief in work and the benefits to individuals and the community of that work.

Because we believe that the quality of work performed by those employed in a public service employment program is a key issue, we favor those steps necessary to achieve that goal. Here, again, S. 4129 is deficient. It is deficient in the low-salary levels it proposes, but most of all it is deficient in its requirement that programs be limited to 26 weeks.

The temporariness of the program will surely conduce toward, if not assure, that the work will not be quality work. Indeed, it denigrates public employment. In that regard, we have had experience in New York City with a makeshift public service—the so-called WREP program. It is a program which fails on two counts. First, it forces welfare clients to work while not providing them with the wages, benefits and work conditions to which workers are entitled. And, second, it exploits present workers, undercuts their rights, and encourages a perception of the public's work as second class.

Before concluding, there is a special point regarding women. There has been a rapid increase in female-headed families—up a million between 1970–1973, compared with an increase of 1.1 million in the 1960's. And, now, 35 percent of all black families are female-headed.

From the point of view of the children concerned, one of six of all children are in single-parent families. Nearly 40 percent of all black children are in such families.

And these are the families which are poor. Between 1969–72, the median income of female-headed families is down. Some 38 percent are below the poverty line.

For some, of course, adequate support to remain at home is appropriate. For others, work is desirable and desired. But without adequate day care, there truly is not equal access to public service employment. However, day care facilities are full. We need an absolute increase in the number of slots available. A way to achieve this is to employ under a public service employment program persons to care for children, in both family and institutional day care, so as both to increase the number of day care slots and to provide employment. And that is to both those who work in the day care centers and those who are liberated and able to take jobs they are motivated and able to take.

To conclude, S. 4129 is deficient in terms of when and how it is triggered, who is eligible, and the work to be carried out. Parenthetically, it is really a pejorative conception of public service employment, which I think we have to put behind us, politically, now and forever.

Both S. 2993 and S. 4079 have desirable features. Between them, S. 4079 is more desirable in that the trigger is lower; the multiple trigger is also an interesting feature.

What we must achieve now is a sizable program, beginning immediately, available to all unemployed, with assurances of quality work.

SENATOR NELSON. What level limitation would you set, if any, on public service job income maximum?

MR. ROSEN. Well, I am for a high level. I think the \$12,000 level that we used in the Emergency Employment Act was appropriate and useful.

There is, of course—there are two problems. One is the problem of legitimating public employment, public service employment, by recognizing the right of people to earn decent wages and salaries. And the other, which comes with it, is to prevent the loading of public employment payrolls by the most highly qualified to the exclusion of the working poor.

So one really wants a healthy mix of slots, but I would by no means exclude those at the middle technical and professional levels, which is symbolized by the \$12,000 maximum.

There are one or two other things that I wanted to mention, if I may. As an economist, I am reminded, of course, by this discussion of the old notion of the Keynesian shelf of public works. And since we are revising that old idea, but I think we are giving it much more flexible and much more modern dress—but the link between them leads to this point, namely, I think public employment legislation needs to take seriously the planning requirement. That is, if we are to have the modern equivalent of a shelf of public works, that is, an inventory of

needed public service functions to be performed, then the prime sponsors in CETA, the states, the regional manpower offices of the Department of Labor, I think need to take seriously the planning and preparing exercise that is required.

And I think the Emergency Employment Act suffered—and I expect that Title II of CETA may also suffer—from the lack of appropriate planning. So that there is a hasty improvised quality to what is done.

If we end up well, so much the better—but a great deal of waste is guaranteed in that.

So I would hope that legislation could include funds and support and recognition of the need—and assistance to help State and localities to do some intelligent planning, and to do it not only individually, but as the CETA recognizes, collaboratively where the labor market is appropriate.

The other comment that I wanted to make has to do with the link between employment strategies and training strategies. And here I would also welcome the importation into legislation of some of the concepts that were first expressed in CETA, which recognized the need to attack artificial barriers to employment, to recognize the necessity of dealing with the problems of the working poor, the dead-ended jobholder, and to harness manpower activities to enhance the long-run prospects—and particularly the longrun career prospects and upward-mobility prospects of those, of new entrants into the labor force, those who are the products of inadequate education, those who find themselves dead-ended either because they were victimized in school or by circumstance. Many of them we found in their thirties and forties who are condemned to dead-end jobs.

However expansionary the economy becomes and however favorable the labor market, some of the long-term studies that I have seen, including one that we ourselves at the Institute of Public Administration conducted, show that low-income workers in significant numbers are trapped in low-level dead-end jobs and their job prospects do not increase, do not improve commensurate with the general increase in the median income and in occupational advancement for the population as a whole.

So those notions, I think, would be very appropriate in legislation of this kind.

Thank you, Mr. Chairman.

Senator NELSON. Thank you very much, gentlemen, for your very valuable contribution to this hearing. We appreciate your taking the time. Without objection, certain additional materials will be included in the record at this point.

[The articles referred to and subsequently supplied follow:]

BERTRAM GROSS AND STANLEY MOSES

Measuring the Real Work Force: 25 Million Unemployed

The annual average rate of unemployment, as reported "officially" by the Department of Labor, was 5.9 percent during 1971. Based on the "official" civilian labor force, which was reported as \$4.1 million, this percentage represented a total of 4.99 million persons who were unemployed.

As a result of the assiduous activity of the Department of Labor, the Bureau of the Census, and various other government agencies, we possess a great deal of information about the numbers and characteristics of the employed and unemployed. They have been studied and restudied and researched and analyzed according to the various sorts of attributes that distinguish people—sex, age, race, industry, occupation, and income among others—and presented to us in an impressive array of data and information. The most critical of all these indicators in terms of political interest and concern is the unemployment rate. Its rise or fall is taken as the major gauge of the extent to which the society is succeeding in meeting the needs and aspirations of people for work. And, indeed, the official rate is an important indicator of trends and developments regarding the economy, people, and jobs.

But it is far from being a complete and accurate picture of the real dimensions of unemployment in the United States. The official figures are calculated in relation to the official labor force. To be considered a part of the labor force, and consequently eligible for inclusion in the ranks of the unemployed, a person must be willing and able to work and in addition must have actively sought a job during the last four weeks immediately preceding the monthly Current Population Survey. There is no record, however, of the many

people of different sexes, ages, and races who are willing and able to work but who, because they have concluded (quite rightly) that suitable opportunities do not exist, are not seeking employment. These millions of persons are the major focus of this article.

Our estimates reveal a "real," as contrasted with "official," employment rate of 24.6 percent for the nation and 25.3 percent for New York City. In other words, 25.6 million people are unemployed. Labor force definitions have been constructed so as to exclude millions of people in order to understate the dimensions of unemployment and the extent to which the economic system has failed to generate adequate and suitable job opportunities. The people who make up the unofficially unemployed must be considered in any attempts to provide meaningful and socially desirable work for these millions of Americans who are able and willing to work if suitable opportunities were presented.

What is involved here is a redefinition of full employment and a return to the intent of the proposed Full Employment Bill of 1946, before it became aborted into the Employment Act, calling upon the federal government to create and maintain conditions under which "there will be afforded useful employment opportunities, including self-employment, for those able, willing, and seeking to work, and to promote *maximum* employment, production and purchasing power."

The problem goes back to the Murray-Wagner Full Employment Bill of 1945, an important element in the campaign for postwar full employment waged by a broad coalition of liberals, unions, and small businesses. The bill aimed at winning a federal guarantee of regular, useful, and remunerative employment for all Americans able and willing to work. But the Employment Act that finally emerged in 1946 was a compromise that in essence (apart from some complex linguistic tangles) expressed a federal commitment not to guarantee full employment but to prevent another mass depression. It also set up two economic

BERTRAM GROSS is Distinguished Urban Affairs Professor at Hunter College.

STANLEY MOSES is an Assistant Professor in the Department of Urban Affairs at Hunter College.

planning agencies—the Council of Economic Advisers and the Joint Economic Committee—that were remarkably effective in developing the “blow up” economics of welfare-warfare growthmanship and in distracting attention from inequality, oligarchical concentration of power, and the noneconomic aspects of economic policy.

To break out of these narrow confines and restate a full employment guarantee in terms appropriate to the last third of the twentieth century is an exciting task. It requires organizing people to demonstrate for jobs instead of merely for relief. Above all, it requires breaking loose from many tortuous establishment concepts bearing on the questions of “how many additional jobs?” and “what kind of jobs?”

The original Full Employment Bill used the words *regular*, *remunerative*, and *useful*. The first of these is still good. The second must now be interpreted in terms of decent wages with opportunities for advancement. The third needs substantial redefinition. Far too many jobs, including many in the human service sector, are useful only in the sense that they serve to augment profits, bureaucratic power, or careerist rat races. Many of us used to think that the major task of readjustment was to replace war work with civilian work. It is now becoming increasingly clear that merely increasing budgets and adding job slots will be themselves do nothing to humanize a brutalizing public service bureaucracy.

Five new words must now be added: *suitable*, *fair*, *fulfilling*, *nonexploitative*, and *peaceful*. *Suitability* covers far more matters than we have time to touch on at this point. But one aspect is essential: part-

changes in our politicoeconomic structure. This is why it is important not to let the struggle over jobs for the poor continue to play its historic function of distracting attention from more fundamental social change.

Most recent debates on the number of additional jobs needed have revolved around a numbers game in which percentages of the so-called labor force are juggled around by so-called experts. The more liberal economists favor reducing official unemployment to 4, 3, or even 2 percent. This would reduce current official unemployment from 5 million to 3.4 million, 2.6 million, and 1.7 million, respectively. Others say that Nixonian full employment would exist when the number is reduced to 5 percent—or about 4.3 million. Some Nixon administration officials are even maintaining that current *real* unemployment is just a little over two million—since about three million of the reported unemployed are women and teen-agers, and women and teen-agers don't really count. Beyond these areas of dispute, official recognition is now given grudgingly to a *poverty undercount*; that is, about two million additional people who do not appear in the official statistics because the Census undercounted the population in poverty areas, because they had given up looking for jobs that are not there, or because they worked part-time at babysitting or minding a store.

The genuine undercount, however, is far more substantial. It stems from the very concept of officially defined unemployment, which includes only those actively seeking work. In contrast, the more logical, indeed the more human, definition of unemployment

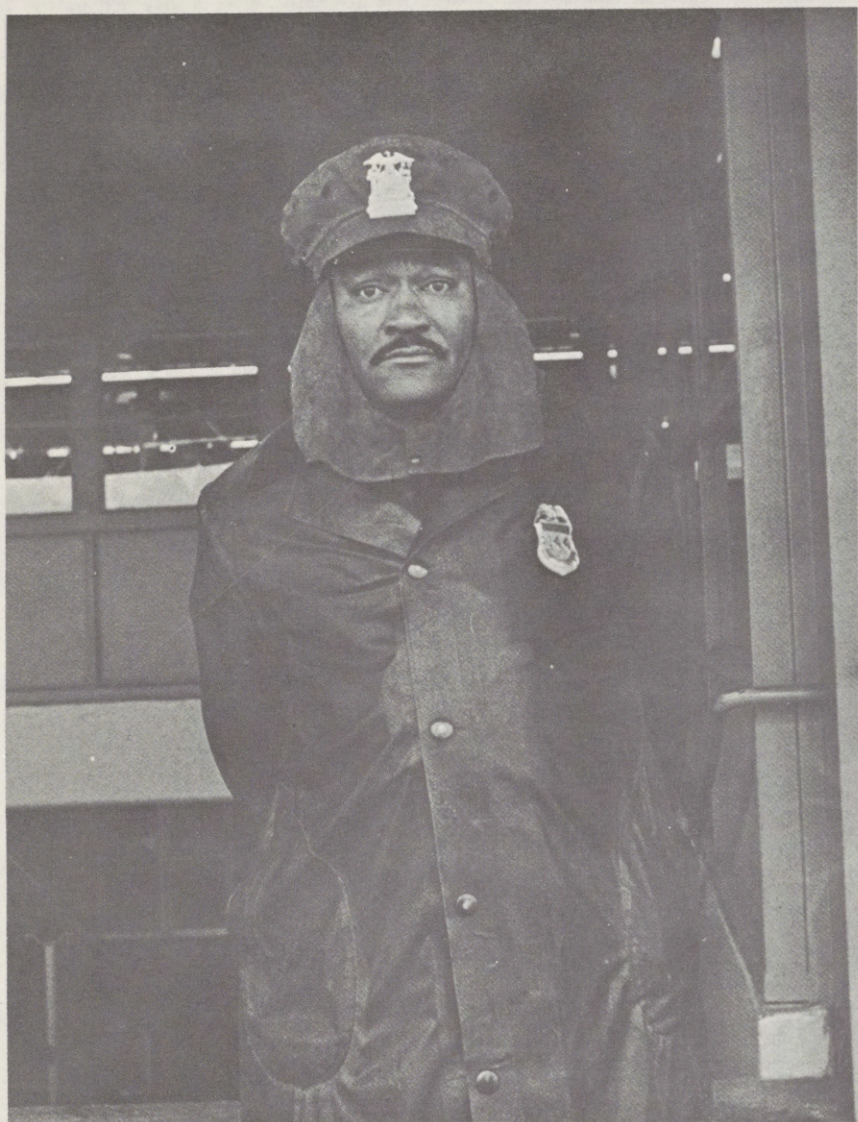
“Our estimates reveal a ‘real,’ as contrasted with ‘official,’ employment rate of 24.6% for the nation and 25.3% for New York City.”

time employment opportunities with fringe benefits for those not willing or able to work full-time. True full employment must also be *fair*—not only for Blacks and other minority groups but also for women, who comprise the majority of the country's labor potential. It should be *fulfilling*, rather than humiliating or dehumanizing. It should be *nonexploitative*—neither taking the resources of developing nations on unfair terms of trade nor degrading our own physical environment through excessive increases in energy conversion and materials processing. And, above all, it should be *peaceful*, getting along without the stimulus of either military expenditures or “beggar thy neighbor” trade policies with other countries. Even casual reflection on these various points suggests that any new full employment program for technoidustrial America requires fundamental

would be *all those who are not working and are able and willing to work for pay*. Whether someone is actively seeking a paid job would no longer be the important point. The question would be whether he or she *wanted* full- or part-time work and was able to do something that might be truly useful. Using this concept we would certainly find many millions of additional people now stamped “unemployable” or pushed out of the official labor market by one or another device. The following table on “Real Unemployment in the United States” presents some of our preliminary estimates of discounted and unrecorded unemployment.

The concepts of real labor force and labor potential refer to those who would be potentially employable in conditions of peacetime full employment. We are not talking about the potential labor force that

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SEPTEMBER/OCTOBER 1972

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REAL UNEMPLOYMENT IN THE UNITED STATES, 1971
(preliminary estimates)

	(millions)
1. Official labor force (including Armed Forces)	85.8
2. Gainfully employed (including Armed Forces)	81.1
3. Official unemployment	
a. Numbers	4.7
b. As percentage of civilian labor force	5.7%
4. Unofficial unemployment	
I. Disclosed but set aside	
a. Underemployed	2.7
b. Job wanters	
1. Discouraged	.8
2. Encourageable	3.6
II. Hidden and ignored	
c. Unemployables	1.0
d. Housewives	5.0
e. Men (25-54)	.5
f. Older people (55 and over)	4.0
g. Students	3.0
h. Enrollees in manpower programs	.3
Subtotal (4)	20.9
5. Real labor force (1 plus 4, excluding underemployed)	104
6. Real unemployment	
a. Millions	25.6
b. As percentage of real labor force	24.6%

might exist during conditions of national mobilization where all people who are capable of accomplishing any sort of work would be encouraged or compelled to take jobs. The real labor force differs from the national mobilization potential because in addition to the official labor force it includes the millions who once tried to get work and have been discouraged from it, and those who would become available if suitable opportunities were presented.

Clarity on "real unemployment" is crucial to meaningful policy. If full employment is enacted as a goal of public policy within the limited association of unemployment with welfare recipients, we can be sure that the nature of employment will be undesirable and unsuitable. Only when full employment policy is discussed and understood in terms of the needs and abilities of people of all sexes, ages, and races will we be able to develop policies for all of the unemployed.

EXPLANATION OF TABLE

1. *Official labor force*—The Armed Forces are included in order to provide perspective on shifts from military to civilian employment. The institutional population, about two million, is excluded—a questionable omission considering the many very low paying jobs held by the resident population.¹

2. *Gainfully employed*—Refers solely to jobs involving direct cash payment. It does not include the unpaid work performed by about 35.4 million persons, mostly women, who are not in the labor force and are engaged in "keeping house," or the millions more who hold paid jobs and also keep house.²

3. *Official unemployment*—Based upon official Department of Labor categories, which consider only those persons who do not have a job at the current time, but who are available for work and have conducted an active search for a job during the four-week period preceding the Current Population Survey.³

4. *Unofficial unemployment*—Refers to those people who are able and willing to work and would be seeking jobs, either full- or part-time, if suitable opportunities were available. Suitability is a complex matter involving the nature of the work, pay, status, working conditions, and opportunities for personal growth and advancement. Millions of people, especially older people and housewives, who would not be available for full-time jobs, would be very available and most eager for part-time employment. Another aspect of suitability relates to the provision of services that would facilitate job holding, such as adequate day-care arrangements.

In our consideration of unofficial unemployment, we build upon the knowledge and evidence provided by the De-

partment of Labor—knowledge that has been "disclosed but set aside"—and supplement this with our own estimates of additional hidden and ignored unemployment. What follows is a discussion of each of these eight categories, along with an explanation of the basis for our estimates. We have not considered all of the people not in the labor force who might be likely to be unofficially unemployed. For example, young people not attending school who are also not in the labor force, disabled people not on public assistance who are not in the labor force, and so forth. There also exists overlap and double counting between some of the groups—for example, (b) job wanters, (c) unemployables, and (d) housewives. Nevertheless, we present these groups in the following manner because they represent a clear delineation of the non-labor force population according to the major activities pursued.

I. *Disclosed but set aside:*

a. *Underemployed*—The national figure of 2.7 million refers to the more limited underemployment of those who are working part-time and desire full-time jobs.⁴ These people are included in official labor force data and are counted as employed. This figure, based on a quarterly survey by the Labor Department, does not include the many millions more who are underutilized in jobs below the level for which they are trained or capable. We are also not considering the concept of subemployment, which is a special form of labor force analysis applied to urban areas with high percentages of the poor and minority groups. Subemployment subsumes underemployment and also consists of unemployment, 50 percent of male non-labor force participants in this area, numbers of males not reflected in the Census undercount, and those earning substandard incomes. Recent studies indicate that the rate of subemployment in sixty poverty areas located in fifty-one cities is about 61 percent.

b. *Job wanters not in the labor force*—The national figure of 4.4 million appears in the *Manpower Report of the President 1972*.⁵ This category has been applied by the Department of Labor since 1967 and has been part of research on "persons not in the labor force, by desire for jobs and reason for nonparticipation." The group was divided into those who stated they were not seeking employment because they "think they cannot get a job"—discouraged workers—and those who cited a variety of other reasons for not seeking work (school, home responsibility, ill health)—encourageable workers. We consider both the discouraged and encourageables as the groups most likely to seek jobs if suitable opportunities were available. Together with the underemployed they total 7.1 million people who are disclosed as a result of official surveys, but are set aside and not included in the statistics on official unemployment.

II. *Hidden and ignored unemployment*—This refers to the millions of other persons who have been excluded from the official figures on unemployment.

¹Statistical Abstract of the United States, 1971, Table 327, p. 210.

²Ibid.

³Ibid.

⁴Manpower Report of the President, 1972, Table 825, p. 190.

⁵Ibid., Table A-8, p. 167.

c. *Unemployables*—This refers to recipients of public assistance, most of whom have been classified as unemployable in order to meet legal eligibility requirements. Of course, we have always known that this was not a true description of the population. Many are now being compelled to admit the duplicity of our statistical categorization—both liberals and conservatives who cooperated in this fiction out of a marriage of political convenience. *Statistical Abstract of the United States*⁸ reports 3.2 million adult recipients of ADC and general assistance. This figure does not include the old, blind, or permanently disabled, who number another 3.1 million. We are conservatively estimating that one million members of the former group would desire employment if suitable opportunities were presented.

d. *Housewives*—35.4 million persons were reported as not in the labor force and keeping house.⁷ We conservatively estimate that about one in seven of this group would desire jobs if suitable employment were available. Labor force participation rates have been increasing for women at all ages. Of late the increase has been greatest for young women in their twenties. There exists some overlap between this group and the ADC mothers who are included under unemployables.

e. *Men (25-54)*—There are about 1.6 million men between the ages of twenty-five to fifty-four who do not participate in the labor force.⁸ About 100,000 have already been referred to under the heading job wanters. We conservatively estimate that about one in three, .5 million, would enter the labor force if suitable opportunities were presented.

f. *Older people*—7.2 million persons between the ages of fifty-five to sixty-four were nonparticipants in the labor force in 1971, of whom 1.6 million were males. An additional 16.2 million aged sixty-five and over were nonparticipants.⁹ The push out and drop out rates are higher among the fifty-five to sixty-four age group. Workers in this group are encouraged to retire early and are also discouraged from seeking employment when they lose their jobs. Enforced retirement and leisure serve the same function that schooling does for the young. We are making a very conservative estimate that about one in five of the fifty-five to sixty-four age group would seek a job if suitable opportunities were available, resulting in an increase of 1.5 million to real unemployment figures.

g. *Students*—9.2 million persons over the age of sixteen were reported as not in the labor force and enrolled in school.¹⁰ We are estimating that about a third of this group would desire a job if suitable opportunities were presented. The schooling system has been developed as an alternative to labor market participation for the young. This has resulted in higher participation rates for each age group, a lengthening of the educational careers of the young, and often undesired extension of adolescence. The latter especially results from insufficient job opportunities. Many of the young are marking time in school and would prefer a job.

h. *Enrollees in manpower programs*—About 500,000 were enrolled in these programs in 1971. This does not include the 700,000 who are involved in various aspects of the Neighborhood Youth Corps, many of whom are in school and therefore considered under the heading of students. We conservatively estimate that 60 percent of this group would prefer a suitable job over participation in a training program, resulting in an increase of .3 million to the real unemployment figures. Manpower programs represent a new system of schooling designed to make people employable. While it often may not accomplish that purpose, it certainly does achieve the goal of keeping people out of the labor market and official unemployment calculations by developing another schooling system.

5. *Real labor force*—Our concept of real labor force differs from the concept of work potential. The work potential of a society refers to the fact that all people are capable of performing some kind of work and could be mobilized to do so during periods of national crisis or emergency. Our estimates for real labor force and real unemployment extend traditional concepts and categories to include those groups who do not participate in the labor force because they have been pushed out, dropped out, or discouraged, and who would be most likely to seek work if suitable opportunities were presented.

6. *Real unemployment*—This is the total of those disclosed by official unemployment data plus those who have been disclosed but set aside and those who have been hidden and ignored. We have deliberately presented conservative estimates; we haven't even projected a figure for older workers over sixty-five. We believe that our figures reflect a truer picture of the extent to which the current economic system has failed to generate an adequate number of jobs to meet the needs and desires of people.

⁸Statistical Abstract of the United States, 1971, Table 463, p. 91.

⁷Ibid., Table 327, p. 210.

⁸Manpower Report of the President, 1972.

⁹Ibid., Table A-7, p. 166.

¹⁰Statistical Abstract of the United States, 1971, Table 327, p. 210.

¹¹Manpower Report of the President, 1972, Table F-1, p. 261.

THE ATLANTIC

Getting On With the Nation's Business

I. HOW TO FIGHT INFLATION

by Melville J. Ulmer

"My first priority is to work with you to bring inflation under control," Gerald Ford told the Congress. "The state of our economy is not so good." In this first of two articles dealing with the problems confronting the new President, an economist suggests how the government might attack the pernicious and seemingly contradictory phenomena of ballooning inflation and growing unemployment. In the second article, beginning on page 48, a former State Department official takes issue with President Ford's other major commitment. "I have fully supported the foreign policy of President Nixon," said Mr. Ford. "This I intend to continue. . . . There will be no change of course." Why there should be a profound change of methods, and at least some change of course, is argued by Thomas L. Hughes.

Mark Twain's familiar line about the weather fits inflation perfectly these days, and like the old joke itself, that's no laughing matter. Prices at retail this autumn were up more than 10 percent above a year ago, so obviously no one has done much about it. Moreover, the universal consternation greeting every new skyward thrust in the cost of living, while entirely justified, diverts attention from the fact that inflation is an old story. It cannot be explained simply by Mr. Nixon's economic miscalculations, the avarice of the Arabs, the ill-timed grain deals with Russia and China, or any other particular unfortunate event of the recent past. Prices have increased in every year but one—1949—since the end of World War II. The advance has accelerated steadily, riding a bit more slowly during recessions and then ever faster with each succeeding recovery. The trend is symptomatic not of a sudden epidemic, but of a progressive ailment for which the antidotes tried have been either ineffective or worse. I think "worse" comes closer, and that virulent though it is, the disease would subside and disappear if properly treated.

Then why isn't it? Every noncommunist country, without exception, is in the throes of inflation, often greater than ours. Even the Soviet Union and

The giant American economy, like Prometheus bound, is chained to the rock of an outworn ideology, unable to use its powers in its own defense.

Red China risk at least mild infection as their trade with the West expands. If effective remedies are available, what's stopping all the other countries?

The answer to those questions comes in two pieces. First, the United States comes closer to being self-sufficient than any of its trading partners, and hence is in a unique position to control its own destiny. True, for particular industries or commodities such as coffee, chrome, or petroleum, imports are critical, or at times may be. Nor can one easily forget those other reminders of interdependency—the recurrent international crises of the dollar in recent years, and closely related to those, the levy charged annually for our grandiose posture of world leadership: \$5 billion to support troops abroad, plus another \$7 or \$8 billion to protect or assist our NATO allies and countless friends among the underdeveloped countries. Our multinational companies have also been cementing international relationships, investing \$3 to \$5 billion annually in production abroad from Rotterdam to Johannesburg, Winnipeg to Buenos Aires. Obviously, we are not immune to the economic cycles, whims, trade policies, or disasters of the rest of the world. Nevertheless, the fact of overriding importance for present purposes is that before the recent energy crisis, total United States imports came to only 5 percent of our gross national product, and even after the quadrupling of the price of oil, reached no more than 6 percent. The corresponding figure for most of our trading partners ranges from 15 to 50 percent. We influence *them* powerfully. Their economic impact on *us* is relatively small. Any tail can wag its dog sooner than international trade can swing the American economy.

Unlike other noncommunist countries, therefore, our impotence before the tides of inflation and recession cannot be attributed to limited economic capabilities. President Ford will not have that convenient excuse, any more than his predecessors did. We must look to the use we are making of the endowments we possess. I see the giant American economy, like Prometheus bound, chained to the rock of an outworn ideology, unable to use its powers in its own defense, despite their mighty potentialities.

Back in the 1940s that outworn ideology was known as "the new economics." It has two sides: one negative, one positive. The former, if anything, is the more important, for it dictates a comforting

forbearance—the assurance that the market system is just ducky and in *that* area at least, the less government, the better. In short, the old Adam Smithian doctrine of laissez-faire is reasserted, though with one important exception. On the positive side the old-new economics yields the magical key to capitalism's nirvana of perfect stability—the now familiar Keynesian rules by which government can maintain full employment without inflation. When unemployment threatens, according to the formula, lower income taxes and interest rates. That should boost spending, production, and employment. When inflation threatens, do the opposite. That should retard spending and prices—and also, be it noted, production and employment. So goes the theory.

When first promulgated, in the form just described, the doctrine met fierce resistance in the business community, which feared a hyperactive government. It took some ten years, until the late 1950s, for most industrial leaders to appreciate its attractions. In the first instance, the doctrine reaffirmed the most sacrosanct of all articles of faith in orthodox economics: the proposition that the private, profit-generated market is a more efficient decision-maker than is society, operating through government. In the second instance, it provided a course of action for stabilization that conscientiously observes that faith. Fiscal and monetary policies require no direct interference with the decisions of business or households. They just alter the circumstances under which those free decisions must be made. For most businessmen, after a time, and for most economists and politicians, the lure of the Keynesian doctrine—with its ardent promise and its solemn reassurance—became irresistible. Today, it effectively locks the economy in an ideological straitjacket, despite the conspicuous gap between promise and performance. Guided by the Keynesian rules of play over the past thirty years, the American economy has traveled on an endless roller coaster with alternate rises in either unemployment or prices, or worst of all, intractable increases in both at the same time.

Nor are the commitments to this ideology significantly relaxed whether Democrats or Republicans, liberals or conservatives, are at the helm of the nation. Naturally, the two sides bicker constantly, but on stabilization policy their differences invariably concern mere tactical details—despite the headlines—not strategy. From one Administration to the next, the promise is faithfully delivered that a little more dexterity, a little more patience, will do better next time. In their traditional reverence for free competitive markets, the leading politicians and their economic pundits on both sides struggle

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mainly to be first in line at the altar. In actual practice, to be sure, their piety is on occasion qualified, though with a frequency that has fluctuated not so much because of shifts in ideology as because of changes in circumstances. In the 1930s governmental intervention came almost to be the rule rather than the exception. It is possible to contend, with some substance, that the long-term trends of population growth, congestion, industrial pollution, economic concentration, and the increasing interdependence of human beings have required a gradual secular expansion in the scope of government participation in economic affairs, in the United States and elsewhere. In contrast, the dominant ideology has remained relatively constant, a condition that has warred with remarkable success against new approaches to inflation as well as some other social problems.

Even in academia, where one might expect more ferment and flexibility, faith in conventional policy has remained undaunted. The bulk of economists today, perhaps exemplified by Paul Samuelson (MIT Nobel laureate), Walter Heller (economic adviser to President Kennedy), and Arthur Okun (economic adviser to President Johnson), hold to a fairly firm *laissez-faire* position, with principal exceptions allowed for fiscal or monetary stabilization policies and the relatively rare need for direct regulation occasioned by "natural" monopolies such as public utilities, or severe "externalities" such as the pollution distributed by automobiles. A highly voluble but small minority of economists, led intellectually by Milton Friedman, are sterner devotees of *laissez-faire*, opposing all administrative stabilization efforts, both fiscal and monetary, and viewing with distaste nearly every other attempt by government to influence or "distort"—as they see it—the free and beneficent forces of competition. An even smaller minority, the best known of whom is John Kenneth Galbraith, would allow for so many exceptions to the sway of *laissez-faire* that one is inclined to describe their position in more positive terms: they advocate economic planning.

Without this background, I think, it would be impossible to explain the present stampeding inflation and the persistent failure of the Nixon Administration at any point since its inception to achieve a reasonable degree of balance in the American economy. Ideologically, President Nixon and those who served as his economic advisers—Arthur Burns, George Shultz, Herbert Stein, William Simon, Kenneth Rush, and the rest—lie somewhere between the classical Friedmanites and the neoclassicists of the Samuelson-Heller-Okun school, though they are emotionally closer to the

former. But in practice, and under the force of circumstances, they assumed positions barely distinguishable from that of the neoclassicists, and have even borrowed reluctantly—and perhaps, therefore, so ineffectually—from the Galbraithian "planners." It was neither an idle boast nor an abject confession when President Nixon at one point called himself a Keynesian. And yet the American economy, during the Nixon Administration, behaved even more erratically, and strayed even further from the goal of "full employment without inflation," than at any other time since World War II—and its performance over the last three decades has at no point been edifying.

What went wrong? What, if anything, went right? When he first took office, President Nixon was faced with a stubborn and vigorous inflation, proceeding at the rate of about 5 percent per annum, which with customary political alacrity he attributed to the fiscal irresponsibility of his predecessor. (Note that a 5 percent annual increase in prices would cut the purchasing power of savings and pensions in half within fourteen years; what, then, can be said of our current 10 percent rate?) Unemployment in January, 1969, was somewhat under 4 percent of the labor force, or below what most orthodox economists ever since the Kennedy Administration have euphemistically termed the "full employment level." Under such circumstances the stabilization procedures, as dictated by conventional Keynesian doctrine, are unmistakably clear. The economy must be "dampened," which means that the total volume of the nation's spending must be reduced, since it presumably has been outrunning the full-throttled pace of production. To accomplish this, as suggested earlier, taxes may be increased, public outlays may be cut, or credit may be rendered scarcer and more expensive in order to discourage investment. Where the emphasis is placed, whether on fiscal measure or on monetary policy, depends on circumstances, according to the doctrine, and also, in practice, on the bias of the administrators.

But the important thing in dampening the economy is to reduce or sufficiently retard the nation's volume of spending through one means or another, which is exactly what the Nixon Administration did, placing emphasis, as it happens, on monetary restraints. The result was a "credit crunch" in 1970, with some interest rates zooming to 10 percent, and a buildup of unemployment to more than 6 percent of the labor force by the summer of 1971—nearly double the level which existed when Mr. Nixon took office. To be sure, there was some

improvement regarding inflation. It was down to a 4 percent annual rate, compared with the more than 6 percent it had reached at its peak in 1969, before the dampening took effect. But profits and the stock market were also down; and there was no denying that the vaunted "game plan" for stability, proudly announced by the President's economic advisers shortly after his inauguration, had produced a resounding recession.

There is an obvious moral and a warning in this experience for our present, highly inflationary situation. At no point in history have Keynesian remedies succeeded in retarding even mild inflations without invoking recessions. Will a successful war against the rampant, two-digit scamper of prices today require a depression? It is a peril of current policy we shall confront a bit later. We return first to the economic odyssey of Mr. Nixon at its critical point in the summer of 1971.

In all, it was not a situation that an ambitious Administration—ambitious to succeed itself, that is—could live with, particularly with a presidential campaign just ahead. To relieve unemployment, which at that time was drawing most of the opposition's fire, fiscal and/or monetary restraints would have to be relaxed, according to the Keynesian formula. Once again, this is exactly what the Nixon Administration did, and in fact fiscal as well as monetary measures were brought vigorously into play. But there was one rub: the renewed spur a business expansion might give to prices.

To counter that difficulty, and still proceed with the promised economic recovery, Mr. Nixon borrowed from the planners. In August, 1971, he ordered a temporary wage-price freeze, which was called Phase I. Phase II followed three months later, establishing a more flexible system of controls, though it too was advertised as a definitely temporary expedient for confronting an "emergency." It is worth recalling that these actions were not viewed with enthusiasm by the bulk of orthodox economists, whom I have labeled neo-classicists. Direct regulation of the economy is not in their lexicon; and accordingly some, such as Gardner Ackley (a former Council of Economic Advisers chairman under President Johnson), flatly opposed the mandatory controls in favor of "jaw-boning," or moral suasion. Mr. Nixon's own advisers accepted the controls with the tight-lipped resignation of good soldiers in receipt of a bad order. But the important fact is that the President followed Keynesian doctrine to the letter up to this point, and thereafter too, even though, under the pressure of circumstances, some extra trimming was added.

The consequences were not of a type to reinforce

mankind's faith in the reliability or precision of conventional economic science. True enough, production picked up and corporate profits flourished even more. The unemployment rate dipped modestly. But definitely disconcerting was the pressure that built up quickly and powerfully under the price level. Even while the strictest of the Administration's controls, Phases I and II, were in effect, the pace of the price advance accelerated swiftly, from 2.6 percent to a 4 percent annual rate in less than twelve months. Then, when Phase II was abandoned at the start of last year, and the entire control system during the next several months gradually disintegrated, the price rise quickly doubled and then some. Although the rate of unemployment was still embarrassingly high, never much below 5 percent, the Nixon Administration was faced with the awkward obligation, under Keynesian rules, of restraining the economy. Ironically, we had just recovered from a deliberately negotiated recession; now we faced another one.

One precious perquisite of politicians of the loyal opposition is that of second-guessing, and in this popular pastime Democrats have had considerable practice over the past six years. If only mandatory wage-price controls had not been abandoned so soon, they say, inflation would have been conquered. Their conclusion is not so obvious. As observed above, a brisk upward surge of prices began well before the controls were lifted, though some of the credit for this was no doubt due to bumbling, listless administration. Furthermore, in hearings before Congress, Democratic economists like Ackley and Okun either actively opposed mandatory regulation or straddled. The complacency of Democrats on the subject of stabilization is not supported by their record either before or during the Nixon Administration. For their part, partisan Republicans who look back at the recent past naturally see the source of their difficulties in ineluctable fate. The temporary Arab embargo on oil, and the subsequent quadrupling of its price, are the villains of their piece. Somehow it escapes their notice that in the six months *before* the embargo, consumer prices and wholesale prices were rising at annual rates of 9 and 14 percent respectively, figures that are just as horrifying now as they were then. Moreover, in dramatic contrast with those of Europe and Japan, *our* economy is within 10 or 15 percent of self-sufficiency in petroleum.

More instructive than political infighting is the observation that at every step of the way since January, 1969, President Nixon has been faithful to the Keynesian doctrine as promoted by Democratic as well as Republican authorities. By clamp-

Through the summer, despite all the "dampening," inflation ascended dizzily to new heights.

ing down on expenditures in the current crisis, the federal government's record \$23 billion deficit was cut nearly in half between the fiscal years 1972 and 1973. In fiscal 1974, with the boost inflation itself gave to tax receipts, the deficit was reduced further toward zero. At least as dramatic was the restraint applied to the monetary side. The prime interest rate was lifted to 10 percent in 1973 and then to an unprecedented 12 percent this summer. No expert is needed to tell the public how futile these measures have been. But, like some bill collectors, you have to know the present quandary well to hate it.

Here, then, is the picture. Through the summer of this year, despite all the "dampening," inflation ascended dizzily to new heights. Caught short by the price leap of 1973, unions were demanding and getting wage increases of from 10 to 20 percent, auguring a stiff "cost-push" on the price level in the months ahead. Although the monetary brakes applied so determinedly by Federal Reserve Chairman Arthur Burns were having less effect on inflation than the London rainfall, they did provoke reactions, including and reaching beyond the plunging stock market and the squeeze deliberately imposed on the nation's banks. Public utility companies, which are heavily dependent on borrowed funds, were cutting back sharply on earlier plans for expansion. So was the centrally important automobile industry, with its slumping sales. Residential construction was also dropping as the cost of mortgage money mounted. Spurred by the new wage increases, retail sales continued upward but not as fast as production, so that inventories accumulated. In some industries, therefore, reductions in output were imminent. So much for the minus signs, which in fact outnumber the pluses.

The liveliest spot in the economy, stimulated by the ever higher prices, was the profit returns in most of the manufacturing and all of the mining industries. With the two important exceptions noted above, according to the Commerce Department, the profits of corporate business were sufficient to finance a brisk investment in new plants and equipment, at a pace about 10 percent above a year ago.

Meanwhile, the booming sales of planes, tanks, and missiles for Middle East oil money were a shot in the arm for defense contractors. On balance, for the economy as a whole, measures of aggregate production were tilting just slightly downward, with unemployment edging menacingly above the 5 percent level it had reached earlier in the year. The economy seemed to be treading the narrow line of a preternaturally overheated, slowly developing recession, with the possibility of veering

dangerously, like a frightened horse, in either direction. Continued efforts to apply fiscal and monetary restraints, as the Administration promised, posed the peril of a sudden, definite downturn, even depression. A relaxation of the brakes—say a reduction of income taxes as a few Democratic senators proposed—proffered a gratuitous stimulus to an inflation that was already the greatest in America's peacetime history. At best, the prospect was for continued stagnation—a slow increase in the number of jobless, if only because of a growing labor force, and precious little relief from inflation. That was the dilemma faced as the leaves turned color this autumn.

Especially among liberals the belief persists that the sorry record just outlined is the consequence of an ineptness peculiar to the Nixon Administration. But I do not think that view can be supported, despite the Administration's awkward propensity for confusing its hopes with its economic forecasts, and despite its obviously half-hearted, fumbling efforts to exercise price and wage controls. I think not because, as just demonstrated, the fundamental burden for achieving stability was placed upon standard Keynesian fiscal and monetary measures, precisely as most orthodox economists (Republican and Democratic) have advised. And I think not because nothing in the historical record suggests that such measures, despite the weight of authority behind them, can bring stability no matter how cleverly they are used.

Romanticizing the past is always a perilous practice, and especially so in the present context. Though one frequently reads that this or that adjustment must be made in taxes or in monetary policy in order "to restore stability," the fact is that not once in the three decades since World War II ended have we experienced an economic situation that could reasonably be called stable. Choose any year and you will find that it was characterized by either excessive unemployment or inflation. Nor can this failure to attain balance be attributed to naive lapses in the application of Keynesian doctrine.

The fiscal and monetary policies associated with that doctrine have been followed in the United States, loosely or strictly, ever since the Truman Administration, though they have never lived up to their flamboyant billing. Whenever the economy has been pumped up to reduce unemployment, inflation has developed. When business activity has been squeezed to retard inflation, unemployment has risen. And the economy has been moving like a seesaw as the famed Keynesian fiscal and mone-

The unskilled, many of the semi-skilled, and those whose crafts have become technologically obsolescent represent a submerged group in the labor force.

tary measures have been brought into play to do first one, then the other. Full employment without inflation has never been achieved, not even for a short period. Not since World War II have we had full employment, if what I would consider an entirely honest standard—a 2 percent unemployment rate—is the criterion. But judged even by the conventional 4 percent unemployment rate, periods of full employment have been confined to the inflationary aftermath of World War II and the more “overheated” portions of the Korean and Vietnam Wars. Only in that one year, recessionary 1949, did prices fail to rise. The main difference between previous Administrations and Mr. Nixon’s, in chasing the will-o’-the-wisp of economic stability, is that the bias in business fluctuations toward inflation has grown progressively stronger, reflecting the spreading psychological adaptation of society to a hard fact of economic life: the virtually certain prospect of constantly rising prices.

Many economists call this inverse relationship between unemployment and inflation the “Phillips curve,” though the use of that term conveys a firmer connection between the two variables, and a higher degree of predictability, than apparently prevails. Surely, if there was a definite Phillips curve in the 1950s and the early 1960s, it has without question shifted sharply since then. In the earlier period, in the Truman-Eisenhower-Kennedy Administrations, an unemployment rate of 4 percent seemed to generate an annual price increase of about 3 to 4 percent. Allowing unemployment to mount to 5 percent would have brought the inflationary rate down to between 2 and 3 percent. The unfavorable turn of circumstances in the Nixon-Ford Administration has changed all that. Now, with inflationary psychology running high, a 5 percent unemployment rate has been coupled with an 8 to 10 percent annual increase in prices. A 4 percent unemployment rate, which in my estimation would still be too high, can probably be achieved only with a doubling of the present rate of price increase—that is, a Latin American type of inflation at its worst. If the task of maintaining a stable economy was supremely difficult before, it is virtually impossible now, so long as we remain tied to the Keynesian approach, meek prisoners of an outlandishly skittish “Phillips curve.”

To escape from that bondage also requires escaping from the neoclassical-classical commandment, *Thou shalt not interfere with the forces of the market*. Liberating our minds and institutions from such inhibitions can make a dramatic difference. The causes of inflation can be faced frankly and corrected. Full employment without inflation, currently treated by so many economic and political

authorities as an elusive mirage, can be transformed into an achievable reality. We come now to consider the roots of instability, and to the antidotes that become feasible once our thralldom to neoclassical economics is broken.

Perhaps the most familiar explanation for inflation relates to what I would rank as an important contributing cause—the behavior of big business and unions. Prices and wages in the more monopolistic industries are pushed ahead, anticipating inflation and hence helping to ensure that it will come to pass. No question that their behavior has exercised an irresistible pressure on the price level. Over the past twelve months or so this force has been intensified by the Agriculture Department’s prior decision to cut farm output at a peculiarly strategic juncture, on the eve of an unprecedented increase in demand at home and abroad. The energy crisis, another encomium to our national foresight, provided an extra spur to inflation. But though important, none of these factors is fundamental in the sense that if it were eliminated, the unemployment-inflation dilemma would disappear. The Phillips curve, with all its theoretical amendments and statistical qualifications, was around long before Earl Butz became Secretary of Agriculture or the scarcity of energy was noticeable. And in considerable measure the aggressiveness of monopolistic industry and labor is itself a predictable reaction to a constantly rising price level, an exacerbating result rather than a cause. By definition, monopolies are in a more advantageous position to protect themselves than the rest of us—so advantageous that I would warmly endorse a permanent authority for exercising government control over their prices and wages and for otherwise protecting the public interest. In these most important sectors of the economy, the famed wizardry of the neoclassical, “freely competitive” market is missing. Bare economic power prevails, puissant enough to shape the tastes of consumers and the decisions of the state as well as prices and output. Society must either control it or be controlled, as Galbraith has so eloquently argued. And yet there is a more basic cause of the unemployment-inflation dilemma than the power of big business, one that must be confronted if a serious effort to achieve stability is ever to be mounted.

I refer to a maladjustment in the nation’s supply and demand for labor, an imbalance that can be corrected only by another kind of direct government intervention. The demand for labor has been preponderantly biased toward highly skilled and extensively trained personnel, increas-

ingly so since the end of World War II. The supply of labor has been, and is, too heavily biased toward those with little or only rudimentary training. The latter—that is, the unskilled, many of the semi-skilled, and those whose crafts have become technologically obsolescent—represent a kind of submerged group in the labor force. They are unemployed all or a very large part of the time. Nor can they be absorbed into the working labor force, through crude efforts to expand the entire economy, without invoking inflationary pressures in other sectors of the labor market.

The nub of the problem is illustrated by the figures in the accompanying table. Here I list comparative unemployment rates for the two most highly skilled and the two least skilled of the Bureau of Labor Statistics occupational classifications. Note that the impact of recessions, including the very serious ones of 1958 and 1961, is virtually negligible for professional workers, managers, and administrators. Their unemployment rates of 2 percent or less, maintained in those years, are quite consistent with full employment, by anyone's definition. Even in the partly recessionary year of 1972, when circumstances became most adverse for engineers, physicists and such, through cutbacks in the space program and military procurement, unemployment of professional workers rose to no more than 2.4 percent. In contrast, recession years were full-fledged depressions for the unskilled and the semi-skilled, throwing 10 to 15 percent out of jobs. Inflation was retarded in those years, but at whose cost?

Nor does the situation change so substantially for the submerged group in prosperity, though naturally there is improvement. The more startling change, in the buoyant years of 1966 and 1969, appears in the nearly unbelievable low unemployment rates reached for the skilled and the highly trained. The figures, rates of from a little less to a little more than one percent, suggest strongly that jobs were chasing men, as indeed they were. More pertinent, they indicate that long before many of the unskilled can be absorbed into jobs in private industry, highly inflationary increases are generated in wages, salaries, and fees for others. It is significant that until the recent spectacular rise of food and petroleum prices, the advance in the cost of living since January, 1969, was led by services.

We return, with this additional evidence, to a conclusion suggested earlier. It is futile to attempt to reach full employment by the crude Keynesian technique of expanding aggregate demand. Repeated efforts to do so have their main effect in stimulating inflation, leading to the subsequent "correctional" recessions. The roller-coaster pattern of economic activity since World War II, and the progressive escalation of the price level, are a tribute to our unreasoning devotion to these self-defeating fiscal and monetary manipulations. If full employment without inflation is ever to be achieved, it must be by a more direct route.

To this end, the submerged group should be viewed as a potential national asset rather than a burden. It represents available manpower that can be used in the public's behalf. Yet it is wasted,

UNEMPLOYMENT PERCENTAGE RATES

Year	All Workers	MOST SKILLED		LEAST SKILLED	
		Professional and Technical Workers	Managers and Administrators	Laborers, Nonfarm	Operatives
1974*	5.2	1.9	1.8	9.6	6.8
1972	5.6	2.4	1.8	10.3	6.7
1969	3.5	1.3	0.9	6.7	4.4
1966	3.8	1.3	1.0	7.4	4.4
1961	6.7	2.0	1.8	14.7	9.6
1958	6.8	2.0	1.7	15.1	11.0

*June

Source: Bureau of Labor Statistics

even though in one way or another, through unemployment insurance, welfare, or other benefits, it is maintained at public expense. If we were not slaves to outmoded tradition, what reaction would appear more logical than to allow the unemployed to work in the public service? In mass transportation, the development of public energy resources, environmental improvement, or care of children, the aged, and the mentally ill, the needs are most numerous and pressing. What would be more coldly economical, considering that the jobless are available to the public at about half their apparent cost: say an average salary of \$8000 minus the \$4000 or so that is now paid by society in any event for their maintenance? What better mode is there for rehabilitating the disadvantaged than to give them the opportunity to be useful, learn on the job, utilize whatever capacities they have, and earn their own way? Surely there is no more direct route to full employment.

With equal certainty, I think, there is no more direct route to price stability. If full employment were guaranteed by the pledge of public jobs, the federal government's budget could be directed fearlessly to the objective of maintaining a steady price level. The economy could be "dampened" with impunity when necessary, as it is right now, for the distress of mass unemployment would be a mere memory of a less enlightened past. No longer would the periodic need arise to pump up the economy to inflationary heights in order to relieve the misery of the jobless. There would be no unemployed except for the small, unavoidable minimum of those who are, at any time, briefly between jobs or otherwise temporarily displaced. And no longer would the submerged group be thrust into the front lines of defense against inflation, asked periodically to sacrifice what jobs they have—usually the most unpleasant and the lowest paid—for the welfare of the rest of us. Indeed, this weaker segment of the labor force would meet with better pay and working conditions than it could ever win in private industry. Nor could this improvement in their condition, as some have feared, provoke an inflationary upsurge in the wage level in general. The typically unemployed, those I have called "submerged," represent an essentially *noncompeting* group vis-à-vis the remainder of the labor force. Would the fees of physicians or the salaries of mechanics be affected if the wages of garbage collectors and cleaning women rose—even if they were doubled?

"Growing old," said philosopher Maurice Chevalier, "isn't so bad when you consider the alternative." It is the alternative that should be kept in mind when I point out that the cost of public em-

ployment must be met fully by higher taxes. Keeping prices stable requires it. The newly employed government workers, with improved incomes, would surely expand their outlays on consumer goods of most kinds. That potential contribution to inflation would have to be offset by a contraction in the outlays of others. Only an appropriate tax increase would do it, hardly a universally popular step—*unless it is realized, with rare honesty, that a price must be paid for services of all kinds, public as well as private.*

Those who are old enough to remember may perceive a connection between the proposal just advanced and some familiar landmarks of the 1930s—the Works Progress Administration (WPA), the Public Works Administration (PWA), and the Civilian Conservation Corps (CCC). The apparent resemblance, however, could be misleading. The New Deal measures were taken when one fourth of the nation's labor force was unemployed and the world economy had collapsed. Their desperate goal was to relieve distress, restore dignity, and rebuild purchasing power for some of the 13 million jobless, out of a demoralized total labor force of just 51 million. What contribution to the nation's output the projects yielded was a secondary consideration, although a surprising number of fine buildings, roads, bridges, dams, guidebooks, and works of art do service to this day as a result of those efforts. Since an important contingent objective was to bolster the country's plummeting demand for goods and services, the WPA, PWA, CCC, and some other public enterprises were financed largely through government deficits. In nearly all respects the present proposal is different.

Employment of the jobless today, in the national service, would function as one major and critical element of an integrated plan for maintaining economic stability, for avoiding inflations as well as recessions. It would be deliberately shaped to satisfy the glaring, unfulfilled needs of the public sector, much more conspicuous now than they were forty years ago. It would be creatively organized to match techniques of production to the available talents and learning abilities of the jobless. It would be meticulously financed by taxes, in the long run. But in the shorter run—and this is most important of all—the pledge of a job guarantee would supply the missing link in stabilization policy today: it would make possible the use of tax changes, boldly and without inhibition, to keep the nation's spending on a steady, noninflationary and nonrecessionary course.

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Nor would the cost of the public employment program I envisage be anywhere near as great, relatively speaking, as were the emergency job-creating expenditures during history's greatest depression. I estimate that 3 million government jobs, on the average, would be sufficient to maintain full employment without inflation, when combined with the other elements of the plan summarized below. Its *net* cost to the taxpayer I estimate at \$10 billion, about 2 percent of the total taxes currently paid to federal, state, and local governments. The *gross* cost of the projects, based on an average salary of \$8000 and an allowance for overhead and materials, would be \$36 billion. The *net* cost is obtained by deducting offsetting savings: \$26 billion in reduced payments for unemployment insurance benefits, family welfare, food stamps, manpower training programs, housing and medical subsidies, and other social services out of the nation's total annual bill for "social welfare" of about \$220 billion. These are my best *guesses*. If day-care centers, run by some of the new government employees, were available, how many welfare mothers would take jobs if they could get them? How many fathers, in all the "mother-headed" households, would climb out of closets and other anti-social-worker shelters?

Yet the prospect of a tax increase of any kind, for a public severely strapped by a rising cost of living, raises a question and a challenge. Could we achieve a respect for government service, a pride in public works, a spirit of imaginative common enterprise that would permit public administrators to formulate and conduct productive programs? If the answer were clearly yes, and if our country were blessed with the creative national leadership it has missed for so long, then I think the modest net increase in taxes required might be gracefully accepted. The grace would be enhanced if people knew that they were getting their money's worth—or more than that—in the form of useful, badly needed government activities. Even enthusiasm is conceivable if the public were convinced that the way was open, at long last, for a stable society. That the measure is not infeasible politically is suggested by the qualified endorsement recently given a small public-employment program, "if unemployment exceeds 6 percent," by the conservative Republican Arthur Burns. Just three years ago, in response to similar ideas, Burns and his Nixonian colleagues had opined, "We don't want any more WPA's. Around here, we believe in private enterprise." No doubt "the times, they are a-changin'."

The American economy now is in the state of a critical pneumonia patient with a dangerously fluctuating fever, palpitating heart, and pernicious

anemia. No matter what miracle drug is administered, no immediate return to normal can be expected. Given the proper regimen, however, the prospect is for definite improvement in the weeks or months ahead, and eventual recovery. Let us suppose, as we may reasonably hope for another time and another Administration, that the necessary basic ingredients are available: a progressive, creative national leadership and a government service of good repute and spirit. Then the following four-step formula for economic stability would be feasible:

1. Selective price and wage controls embracing all sectors of the economy characterized by concentrated power and any others, such as health care, in which quasi-monopolistic exploitation is likely. The controls would *not* be intended to replace market prices, collective bargaining, or competitive activities generally. They would be standbys, ready for use whenever and wherever necessary to protect the public interest. The mere announcement of this program, together with an obvious readiness to enforce it, would do much by itself to suppress the present psychology of inflation.

2. Enlistment of the jobless in the national service to fulfill the unsatisfied needs of the public sector. For maximum efficiency, development of the program should be gradual, extending over perhaps three or four years. When completely in force, the number of public jobs required for full employment would probably vary between 2 and 4 million, bearing an average net cost (after offsetting welfare and similar deductions) of \$10 billion—not far from annual defense expenditures on *research* alone. At the present juncture, with the economy out of hand for so long, public employment would no doubt extend toward the upper end of that range before inflation could be quelled completely.

3. A conscientious paring of the present federal budget, cutting waste and special-interest subsidies. Vigorously pursued, even allowing for "political realities," these cuts could meet a good part of the cost of public employment.

4. A rise in taxes to meet the balance of the cost, or in any event to keep the nation's total spending at the amount required for a stable price level.

Most orthodox economists today solemnly intone the judgment that full employment without inflation is impossible. It is, and will remain so, as long as we allow their quaint prejudices of the past—the orthodox ideology—to substitute for reason in public policy. □

Senator NELSON. This hearing will now stand adjourned.
[Whereupon, at 12:13 p.m., the subcommittee adjourned.]

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