

# Job creation programmes: the United States experience

Diane WERNEKE<sup>1</sup>

## Introduction

The recent economic environment of severe recession combined with rapid inflation has presented policy-makers in most industrialised countries with the difficult problem of how to reduce unusually high levels of unemployment while attempting to slow down the rate of price increase. Constrained by the need to keep prices as stable as possible, most governments have been cautious about using conventional expansionary fiscal and monetary policies to alleviate unemployment. They have thus sought to develop manpower policies compatible with the two objectives of a stronger labour market and better price behaviour.<sup>2</sup>

It is possible to distinguish three types of manpower policy that attempt to tackle the problem of high unemployment. The first type accepts existing labour supply and demand as given and attempts to make the labour market more efficient by means of placement activities, worker counselling, labour mobility projects and the like. The second aims to adapt the labour supply to the requirements of structural change by such means as training programmes designed to provide needed skills or to upgrade the most disadvantaged groups of workers. The third tries to alter the composition of labour demand by establishing programmes to increase the number of employment opportunities.

The purpose of this article is to examine the United States' experience with manpower policies of the second and third categories: those which actively set out to change supply and demand characteristics. While a significant effort has been made over the years to promote institutions providing skill training, the current emphasis both in the United States and in many other countries is on job creation programmes that have a direct and immediate impact on unemployment. These are largely aimed at increasing labour demand by some form of government subsidy, but as opportunities for certain groups

---

<sup>1</sup> International Labour Office.

<sup>2</sup> See, for example, Jean Mouly and Robin Broadfield: "Employment objectives and policies in the industrialised market economy countries", in *International Labour Review*, Jan.-Feb. 1976, pp. 85-95.

are given priority the programmes also attempt to affect patterns of labour supply.

After a brief description of the economic context in which they operate, the article will consider the programmes themselves. It should perhaps be explained that earlier programmes under the Manpower Development and Training Act<sup>1</sup> (MDTA) and the Economic Opportunity Act<sup>2</sup> (EOA) were centrally administered by the Federal Government. More recent programmes have been decentralised under the Comprehensive Employment and Training Act<sup>3</sup> (CETA), which superseded the MDTA and EOA in 1973. The idea behind the change is that the labour needs of a community can best be determined at local level. We shall therefore examine the implications of decentralisation, discuss the extent to which the programmes have achieved their objectives, and finally consider some possible orientations for manpower policy in the future.

### **The economic setting**

With an unemployment rate in the United States of over 8 per cent during 1975, manpower policies have figured large in discussions of action to ease the effects on the labour market of slow recovery and anti-inflationary policy. However, the Government actually began an active manpower policy in the 1960s in response to a number of emerging problems. At the beginning of the 1960s the economy was characterised by relatively high unemployment due both to lack of aggregate demand and to structural problems in the labour market. The over-all unemployment rate was averaging about 6 per cent, which was thought to be unacceptably high, and in addition it was clear that certain categories of workers were experiencing disproportionate difficulty in finding work. Among Blacks, joblessness averaged 11 per cent—double the rate of their White counterparts. At the same time, workers below the age of 19 were having job-finding difficulties as the first of the postwar baby boom cohort began to enter the labour market. Unemployment among this group averaged over 15 per cent. A sluggish economy resulted in slow expansion of employment opportunities, so that many people became discouraged and stopped looking for work. Thus the over-all unemployment rate may have understated the excess capacity in the labour market. Tax cuts were introduced to remedy this situation and stimulate aggregate demand, while the Manpower Development and Training Act and the Economic Opportunity Act instituted specific manpower policies designed to assist the more disadvantaged groups.

Sustained growth during the second half of the 1960s brought unemployment down below 4 per cent, and though the MDTA and EOA programmes were too small to have a significant over-all impact, coupled with generally

---

<sup>1</sup> ILO: *Legislative Series*, 1962—USA 1; 1965—USA 2; 1966—USA 2 A.

<sup>2</sup> *Ibid.*, 1966—USA 2 B.

<sup>3</sup> *Ibid.*, 1973—USA 1.

rising labour demand, they helped many who had been at a disadvantage in the competition for jobs. However, the rapid growth also accelerated inflation and thus brought into conflict policies to promote high levels of employment on the one hand and price stability on the other. Much has been written about the Phillips curve trade-off between relative price stability and full employment<sup>1</sup>, and it is not necessary to go into the question here. The role of manpower policy in this context was to reduce the trade-off by providing the needed skills, bridging geographical and information gaps, and matching workers and jobs. Accordingly, with a view to increasing productivity and relieving labour supply bottlenecks, skill training either on the job or in an institutional setting became an important focus of policy until the 1970 recession.

With the economic downturn of 1970-71, attention shifted from the disadvantaged to the cyclical problems of rising unemployment combined with growing inflation. At that time prices were increasing at more than 5 per cent a year and the unemployment rate rose sharply to nearly 6 per cent. In fact, the acute deterioration of the trade-off relationship became the dominant characteristic of the United States economy and the chief problem of manpower policy in the first half of the 1970s. In 1975 more than 8 million people were actively seeking work, while an additional 1.2 million "discouraged" workers had dropped out of the labour force. Although every major group in the labour force experienced a significant increase in unemployment, women, teenagers and Blacks suffered proportionately more than the rest. One in seven Black males was looking for work and unable to find it, while the unemployment rate for Black teenagers soared to 35 per cent. In poor areas of large cities unemployment ran at over 15 per cent. Thus, manpower policy-makers had to cope with an exceptionally high level of over-all unemployment while at the same time attempting to help groups with long-term or structural unemployment problems.

### **Job creation under the MDTA and EOA**

Under these two Acts a number of programmes were established to provide employment opportunities for specific groups which were experiencing difficulty in finding steady jobs. The largest of these, the Neighborhood Youth Corps Program, was set up for the benefit of young people from poor families between the ages of 16 and 21. It attempted to deal with their particular problems, for example lack of work experience, inappropriate qualifications and the high turnover typical of the casual, low-wage jobs most frequently open to them. Funded by the Federal Government, the Corps paid the wages

---

<sup>1</sup> See, for example, Charles Holt *et al.*: *The unemployment-inflation dilemma: a manpower solution* (Washington, Urban Institute, 1971); George Perry: *Inflation and unemployment* (Washington, Brookings Institution, 1970); and Jean Mouly: "Prices, wages, unemployment: inflation in contemporary economic theory", in *International Labour Review*, Oct. 1973, pp. 329-343.

of participants in work projects sponsored by either public or private non-profit agencies. The projects mostly took the form of local community services and were divided into three categories, namely in-school, summer vacation and out-of-school. Projects of the first kind were designed to provide part-time jobs for students so that they could earn enough money to remain at school during the current year. The second and third kinds were intended to assist and indeed encourage students to return to school for another year, and this was done by providing counselling services along with income-earning opportunities. Altogether, about 5.8 million young people were helped by this programme between 1964 and 1974. In 1973 more than 600,000 were enrolled in the programme at an annual cost of \$511 million.

Similar in concept to the Neighborhood Youth Corps although significantly smaller, the Operation Mainstream programme was designed to help adults. It was focused on the chronically unemployed, largely in rural areas, and provided community service jobs such as the improvement or upkeep of parks, schools, roads and other kinds of public property. The beneficiaries were mainly male heads of family with an average age of 45. Enrolment fluctuated between 20,000 and 30,000 a year, and in 1973 the scheme cost \$83 million. Little attention was given to skill training; the point of the programme was to provide incomes slightly above the legal minimum in return for useful service to the community.

In response to shortages of professional staff and with the object of providing opportunities for the disadvantaged, a programme was established to create "subprofessional" employment. By this was meant jobs such as teachers' aides (for example day care in schools) and clerical or health care assistants. New Careers, as the programme was called, was based on the belief that entry requirements for many professional and related occupations were artificially high. The Federal Government therefore offered subsidies to public service employers to hire unemployed and disadvantaged workers for entry-level jobs, to provide them with on-the-job training and to open up promotion prospects for existing employees. At the same time the programme attempted to qualify enrolled programme participants for further advancement by paying for additional academic work. In general, New Careers enrolled persons with a higher level of education and work experience than other manpower programmes. It was later merged with other public service employment schemes into a programme called Public Service Careers, the idea being that expanding state and local employment would provide the disadvantaged not only with jobs but with promotion ladders. The new programme reached a peak enrolment of 66,000 participants in 1972, the cost for that year being \$117 million.

All the above-mentioned programmes established employment projects administered by public and, to a lesser extent, private non-profit agencies. Private industry was not significantly involved in job creation until 1968, when the National Alliance of Businessmen (NAB) set up Job Opportunities in the Business Sector (JOBS). This programme provided technical and financial assistance to private industry for the hiring, training and upgrading

of hard-core unemployed and disadvantaged workers. Administered by the National Alliance and funded by the Department of Labor, the programme was intended to provide not only jobs and training but also a full range of support services to assist satisfactory job adjustment. The extra cost of training the disadvantaged could be met by government subsidy if a firm chose to apply for reimbursement; many firms, however, undertook hiring and training at their own expense in response to a publicity campaign by the NAB.

Many smaller job creation programmes proliferated under the MDTA and EOA, but none of them differed significantly from the major ones described above. The major emphasis was on providing employment for the young, the old and the poor, and the programmes were centrally administered and funded by the Government. Beginning with the adoption of the Emergency Employment Act of 1971, these two characteristics changed. The Public Employment Program (PEP) established by the Act had two new major aims, namely to serve as a countercyclical tool to combat unemployment caused by the recession, and to act as a pilot project for the decentralisation of manpower programmes and services. As a result of the first of these aims PEP beneficiaries were typically not disadvantaged, and, in pursuit of the second, local authorities were given a considerable say in designing and administering the projects. Essentially, the programme operated in the following manner. Federal funds were made available to states and localities when the unemployment rate equalled or exceeded 4.5 per cent for three consecutive months. Additional funds were provided for areas where the rate was 6 per cent or more for the same period. When unemployment receded below the specified rates, funding was discontinued subject to due notice. This was an emergency scheme and, as such, was established for a duration of two years. With the funds local authorities were to hire unemployed persons as teachers, policemen, clerks, and so on. These public service jobs were intended to be transitional; in other words they were intended to last only until the worker could find employment elsewhere. It was hoped that as business conditions improved PEP employees would move to permanent jobs in the private or public sectors. The programme was implemented with remarkable speed. Nearly \$1,000 million out of a two-year authorisation of \$2,250 million was disbursed in the first year to about 750 localities, and 226,000 persons obtained employment. During the programme's duration a total of 340,000 people were employed in public service jobs and an additional 317,000 workers were hired for summer jobs.

#### **Job creation and decentralisation under the CETA**

Enacted in 1973, the Comprehensive Employment and Training Act embodied a substantial redesign of manpower policy. The Act attempted simultaneously to consolidate and decentralise the nearly 10,000 fragmented manpower projects across the country. It was also thought that the existence of specific programmes under the MDTA and EOA such as the Neighborhood

Youth Corps and Operation Mainstream with their federal rules and regulations limited the ability of local communities to adapt or design manpower schemes to meet their particular needs. Under the new legislation, therefore, local officials were to sponsor comprehensive manpower programmes in their areas and decide on the mix of services they would make available.

The over-all objective of CETA was to provide employment opportunities for the unemployed and for the disadvantaged. The former implied direct job creation efforts, while the latter meant employment plus training and other support services. The first section of CETA (Title I) authorised job training, counselling, education and other services to increase the employability and productivity of persons enrolled in the programmes. It was thus partly directed at changing the structural characteristics of the labour market. In the context of high and rapidly rising unemployment, however, direct job creation received the major emphasis.

Under Title II (and later Title VI) federal funds were authorised for a major public employment programme. Similar in structure to its forerunner, PEP, the CETA job creation programme was designed to create opportunities for transitional employment in jobs providing needed public services in areas of substantial unemployment.<sup>1</sup> Recognising the unequal geographical distribution of unemployment, CETA made funds available to areas where the unemployment rate was 6.5 per cent or more for three consecutive months; equally, they automatically ceased when the rate fell below 6.5 per cent for the same length of time. This "triggering" mechanism underscored the countercyclical nature of the programme. By tying funding to a specific threshold it was hoped that the programme could be applied quickly in a recession and terminated as unemployment receded during the recovery phase of the cycle. Funds were allocated among eligible localities according to the proportion of unemployed persons living in them and, in order to maximise the number of jobs created, it was laid down that 90 per cent of these federal funds had to be allocated to wages and employment benefits. For the same reason federal contributions were limited to the creation of jobs paying \$10,000 a year or less. Because the major purpose of the programme was to increase employment, attempts were made to guard against the substitution of CETA funds for the usual federal, state or local ones by laying off employees and then rehiring them. Thus it was specified that, to be eligible for employment under CETA, individuals must have been unemployed for 30 days prior to application, and that priority should be given to those who had been longest unemployed and had exhausted their unemployment insurance benefits. The CETA public employment programme was initially funded at \$850 million and about 105,000 jobs<sup>2</sup> were created. As the recession deepened, Con-

---

<sup>1</sup> US Department of Labor: *Manpower report of the President, 1975*, (Washington, US Government Printing Office, 1975), p. 48.

<sup>2</sup> This is expressed in terms of man-years of employment. To the extent that participants are enrolled in projects for less than one year, the numbers benefiting under the programme will exceed the number of man-years of employment created.

gress enacted the Emergency Jobs and Unemployment Assistance Act, which brought the total level of funding to \$2,500 million for 1975, thus providing for about 325,000 jobs annually. Nevertheless, with more than 7 million unemployed, this meant that the programme had the potential to absorb only 5 per cent of them.

It will be clear from the foregoing that the United States has tried out a variety of job creation programmes. The objectives of the earlier projects established under the MDTA and EOA were to enhance the employability of certain target groups and to provide jobs for them. Although these are also CETA objectives, they share their position, sometimes unequally, with the countercyclical employment goal. It is in terms of these differing aims that the effectiveness of the programmes must be evaluated.

### **The evaluation of job creation programmes**

There have been a variety of studies on the effectiveness of United States manpower programmes in achieving their stated objectives. For a number of reasons these evaluations have been mixed. Definitive criteria for the evaluation of social action programmes are almost always difficult if not impossible to formulate. Although cost-benefit analysis is frequently used, the technique conceals many complexities and some of its applications are of doubtful reliability or usefulness owing to assumptions which must be made about cost and benefit calculation as well as the chosen rate of return.<sup>1</sup> Another frequently used measure of effectiveness is cost per job created; this may be a relevant concept when comparing similar programmes, or programmes versus alternative economic policies, but it provides only a partial evaluation because the benefits accruing are ignored. Other criteria measure effectiveness only indirectly: change in employment status, for example, which purports to show the degree to which a programme provides people with jobs and/or improves their income-earning prospects. Another major impediment to evaluation is the inadequacy of data, which, together with the limitations of evaluative techniques, makes it difficult if not impossible to obtain an unambiguous picture.

These shortcomings aside, it is possible at a general level to examine a programme's performance in terms of its stated objectives. For example, does a programme which sets out to create jobs and work skills for young people succeed in doing this? The method proposed for this section is therefore to take the explicit objectives of each programme, to see how they contribute to the over-all goal of manpower policy, and to compare the actual results

---

<sup>1</sup> Benefits are generally measured by determining the increment in a participant's future expected lifetime earnings attributable to the programme in comparison with a control group of comparable individuals. Future expected benefits are discounted to the present at an arbitrarily determined rate of interest and compared with costs, usually total resource costs. Thus there is room for variation in the calculation of benefits, choice of control group and selection of the discount rate.

with both of these to assess the programme's performance. Where possible, reasons for failure or success will be suggested. As pointed out in a study<sup>1</sup> by Levitan and Taggart, six elements tend to be critical in the performance of manpower programmes: (1) the ability of programme administrators and of project leaders at the local level; (2) the degree of support from the vested interest groups; (3) the quality of the clientele to be served; (4) the adequacy of support services; (5) the economic climate; and (6) the timing and preparation of the programme.

The over-all objectives of United States manpower policy in the 1960s were to provide employment for those who needed it and, at the same time, to increase their employability.<sup>2</sup> In the following comparison we shall see how far the above-mentioned programmes succeeded in achieving these goals. Our analysis will draw on the various evaluative studies which have already been carried out. It should be noted at this stage that one of the chief difficulties in the evaluation of manpower programmes is the "lack of ... agreement (among policy-makers and researchers alike) on [their] specific objectives".<sup>3</sup> Many indeed have several, and it is often difficult to determine which has highest priority. For example, the Public Employment Program (PEP) was designed to provide "something for everyone".<sup>4</sup> Owing to its diverse objectives, PEP must be assessed "as a compromise between different goals and demands. ... It must be determined whether more could have been accomplished in one area without sacrificing elsewhere ... and whether a different combination of goals should be sought in the future."<sup>4</sup> In fact, the effectiveness of a programme can only be gauged to the extent that its goals are made explicit, so that its performance relative to these goals can be measured. However, since in this case the programmes had several aims, the results will be measured against each as well as against the over-all objective.

### **The effectiveness of job creation programmes under the MDTA and EOA**

In general, the aim of these programmes was to guarantee some type of job opportunity for all individuals seeking to work, and in particular for members of the various disadvantaged groups who had been left out of the economic mainstream. The experience has been mixed.

The Neighborhood Youth Corps (NYC) had the two objectives of providing work experience and encouraging school attendance through income

<sup>1</sup> Sar A. Levitan and Robert Taggart: *Social experimentation and manpower policy: the rhetoric and the reality* (Baltimore, Johns Hopkins Press, 1971), p. 7.

<sup>2</sup> In this connection see Sar Levitan, Garth Mangum and Ray Marshall: *Human resources and labor markets* (New York, Harper and Row, 1972), pp. 341-342.

<sup>3</sup> Jon H. Goldstein: *The effectiveness of manpower training programs*, US Congress, Joint Economic Committee, Studies in public welfare, Paper No. 3 (Washington, US Government Printing Office, 1972), p. 20.

<sup>4</sup> Sar Levitan and Robert Taggart: *Evaluation of the first 18 months of the Public Employment Program*, US Congress, Senate Committee on Labor and Public Welfare (Washington, US Government Printing Office, 1973), p. 3.



derived from project jobs. Both were clearly synergetic to the over-all policy goal of increasing the employability of young workers. However, the results raise questions about the scheme's effectiveness. As regards work experience, one study found that "the programme offers income and activity to the young who are unemployed and poor, but the significance of the experience is limited because some sponsors do not appear to use 'free labour' as efficiently as they might".<sup>1</sup> Moreover, it concluded that, although the programme had provided income and employment to underprivileged young people, it appeared "to have done nothing more for their employability than the passage of time would have accomplished".<sup>2</sup> As regards increased employment and earnings for participants, another study found that the programme had had a significant impact, while a third found the benefits had been trivial.<sup>3</sup> In fact, "the post-high school increase in earnings experienced by former NYC participants was due entirely to their increased labour force participation relative to the control group".<sup>4</sup> However, this study found "a consistent pattern in the data indicating that Blacks benefited more than Whites, . . . had larger earnings differentials relative to their counterparts than Whites, and . . . also had reductions in unemployment, while Whites did not".<sup>4</sup> One possible explanation may be that the placement efforts of NYC officials overcame discrimination barriers.

With respect to the goal of encouraging school attendance, a study of Washington (DC) and Pittsburgh (Pennsylvania) reported that school drop-out rates were lower than predicted<sup>5</sup> but more recent evidence has suggested that this positive result may have resulted from the selection of "those who were least likely to drop out anyway. For comparable groups, drop-out rates were apparently not improved."<sup>6</sup>

In general, then, it seems that the performance of the programme did not measure up to its stated goals or to over-all manpower policy objectives. Of course, certain projects were more effective in some places than others. The weak points seem to have been programme structure and planning, quality of administration and the motivation of the beneficiaries.

Evidence on the performance of Operation Mainstream is scarce. The main goal was an expansion of the number of employment opportunities for chronically unemployed workers, but juxtaposed with this was the improvement of promotion prospects. The conflict between these two objectives arose from the fact that the beneficiaries were older and living in rural areas where there were few alternative employment opportunities. None of the projects provided work experiences particularly different from those the participants had had

---

<sup>1</sup> Levitan, Mangum and Marshall, op. cit., p. 344.

<sup>2</sup> Ibid., pp. 343-344.

<sup>3</sup> See Goldstein, op. cit., pp. 41-43.

<sup>4</sup> Ibid., p. 43.

<sup>5</sup> V. Lane Rawlins: "Manpower programs for disadvantaged youths", in *Industrial Relations* (Berkeley), May 1972, p. 192.

<sup>6</sup> Levitan and Taggart: *Social experimentation* . . . , op. cit., pp. 33-34.

in the past.<sup>1</sup> The programme's record in placing them in permanent unsubsidised jobs was poor—less than 20 per cent in most projects.<sup>2</sup> As regards employment creation, however, it was found that the programme seemed to have been successful in securing employment for its target group.<sup>3</sup>

New Careers also aimed to create new jobs and upgrade existing ones for disadvantaged workers. Although the programme was generally considered a qualified success with respect to the first goal, the second was not achieved. Several reasons can be given for this. The programme tended to select only the best prepared among the poor, so that obstacles to employment were less than they might otherwise have been.<sup>4</sup> However, Levitan and his colleagues found that most projects ran into a number of problems with respect to occupational upgrading. Career planning was difficult because the subprofessional concept was new and professional protectionism hindered the creation of worth-while jobs and career ladders. Even in health and education, the fields with the largest job potential, the employment offered was at a very low level and little progress was made, to take one example, in enabling nurses' aides or licensed practical nurses to become registered nurses without undergoing formal training.<sup>5</sup>

Until the establishment of Job Opportunities in the Business Sector (JOBS) employment creation was restricted to the public sector. This scheme was founded in 1968 when, despite low levels of over-all unemployment, there was growing concern about the lack of opportunities for members of disadvantaged groups. The objective of JOBS was to place such persons who needed on-the-job training and support services in private industry jobs requiring a significant level of skill. The programme certainly furthered the over-all manpower policy objective of increasing employment and employability. The target was to create 500,000 private sector jobs within three years; at the end of the period the Labor Department reported that 494,000 trainees had been hired. Retention, however, was only 47 per cent<sup>6</sup>, indicating a relatively high turnover rate. The factor which seems to have influenced the programme most was its sensitivity to labour market conditions. This is inevitable in any programme involving the private sector because there must be an incentive to create jobs for disadvantaged workers. In this case the initial incentive was the very tight state of the labour market, in which many firms had difficulty filling vacancies. As a result, they were more willing to adapt their recruitment policies and risk higher costs to attract new employees. The government subsidy to cover the extra cost of training disadvantaged

---

<sup>1</sup> Levitan, Mangum and Marshall, op. cit., p. 346.

<sup>2</sup> Alan E. Fechter: "Public service employment: boon or boondoggle?", in National Commission for Manpower Policy: *Proceedings of a Conference on Public Service Employment* (Washington, 1975), p. 131.

<sup>3</sup> Ibid., p. 132.

<sup>4</sup> Levitan, Mangum and Marshall, op. cit., pp. 348-349.

<sup>5</sup> Ibid., p. 348.

<sup>6</sup> Goldstein, op. cit., p. 57.

workers may have been a further incentive, but it is clear from the number of "voluntary" contracts (i.e. where no subsidy was to be granted), which amounted to nearly three-quarters of the total for the first three years, that it played a secondary role. In 1970, as unemployment rose, the programme turned out to be quite vulnerable to the recession. Firms laid off workers and cancelled JOBS contracts, the participation of employers in new JOBS contracts fell off substantially, and funds which had been earmarked in anticipation of continued growth were reallocated to other programmes.<sup>1</sup>

However, performance was mixed even before the slump in business conditions. Although the data were inadequate, a number of studies reached the conclusion that the gains were not always very real, in that many of the jobs filled under the programme were traditionally held by semi- and unskilled persons in any case: "even where 'disadvantaged' persons were employed, they were often those who would have gotten the jobs in the absence of the programme".<sup>2</sup> There appear to be several reasons for this. First, in order not to discourage employer participation in the programme, contract negotiations were rushed through with only limited scrutiny of training cost estimates and of how training and support services were to be provided.<sup>3</sup> Monitoring apparently was non-existent, at least in the early stages. In many cases, therefore, beneficiaries received little more training than was normally offered, so that the firms applying for federal subsidies may have been overpaid.<sup>4</sup> Lack of qualified support services may also have hampered the programme's performance; "in many cases the training of supervisors and fellow employees turned out to be more important than training the new recruits".<sup>5</sup> Attempts were made to involve existing shop-floor workers in aiding new recruits, but these were not widespread. Finally, the programme provided no incentive for the retention of workers. Firms were paid a subsidy only during the training period, which created "an opportunity for employers with high turnover rates among their low-skilled workers to subvert the programme".<sup>6</sup> This resulted in an unusually high termination rate and increased the vulnerability of the programme to the rise in general unemployment.

Over-all, "programme effectiveness may be dependent on the willingness of firms to invest time, effort and resources in their attempts to produce successful employees".<sup>7</sup> However, it should be recognised that upgrading disadvantaged workers is expensive, and firms may require a substantial incentive to undertake it even in relatively favourable labour market conditions.

<sup>1</sup> Goldstein, op. cit., p. 60.

<sup>2</sup> Levitan and Taggart: *Social experimentation...*, op. cit., p. 49.

<sup>3</sup> Goldstein, op. cit., p. 58.

<sup>4</sup> Ibid., pp. 58-59; and Levitan and Taggart: *Social experimentation...*, op. cit., pp. 49-50.

<sup>5</sup> Levitan, Mangum and Marshall, op. cit., p. 354.

<sup>6</sup> Goldstein, op. cit., pp. 60-61.

<sup>7</sup> Otto A. Davis *et al.*: "An empirical study of the NAB JOBS Program", in *Public Policy* (Cambridge (Massachusetts)), Spring 1973, p. 258.

In general it may be said that the success of the job creation efforts on behalf of disadvantaged workers during the 1960s was qualified. Both public and private sector programmes successfully created jobs which were, on the whole, filled by the types of worker for which they were intended. However, the training provided seems to have been insufficient to give the participant the means to upgrade his position or move into permanent employment. In addition, private sector participation suffered from the adverse economic climate.

### **The effectiveness of PEP and CETA**

With the onset of the recession in 1970, the emphasis of manpower programmes changed noticeably. While the over-all goals of increasing employability and employment remained, the focus shifted to the latter as major programmes assumed a countercyclical role. In general, the main objectives of counter-recessionary manpower schemes were "(1) to provide as many jobs as possible for those out of work as a result of cyclical changes in the economy, and (2) to provide stimulus to the economy through increases in purchasing power".<sup>1</sup> Job creation projects were oriented towards public service needs (e.g. for teachers and police). The programmes being of a cyclical nature, efforts were directed to providing transitional employment opportunities so that, when economic activity picked up again, workers would be free to seek more permanent employment in the public or private sectors. There was also a move to decentralise the administrative structure of the programmes because it was thought that needs could best be recognised at local level and could be met more quickly without a centralised bureaucracy.

The Public Employment Programme (PEP) was the first effort in this new direction. According to most studies, PEP was clearly a success in creating as many jobs as possible given the level of funding. Indeed, "the pace of implementation exceeded almost everyone's expectations".<sup>2</sup> More than 160,000 jobs were created in the first year at an average annual cost of \$7,500 per job. The impact was maximised inasmuch as over 90 per cent of the federal funding went to wages and salaries.<sup>3</sup> Several other elements provide a measure of PEP's success. On average, participants remained in the programme for more than a year, and public sector jobs accounted for more than 70 per cent of all post-programme employment, suggesting that they were sufficiently attractive to encourage continuity.<sup>4</sup> With regard to the transitional nature of

---

<sup>1</sup> Thomas Barocci: *The Canadian job creation model and its applicability to the US*, a study prepared for the Joint Economic Committee, United States Congress, September 1975, p. 19.

<sup>2</sup> Levitan and Taggart: *Evaluation of the first 18 months of the Public Employment Program*, op. cit., p. 5.

<sup>3</sup> *Ibid.*, pp. 5-7.

<sup>4</sup> *Longitudinal evaluation of the Public Employment Program*, Preliminary report on the analysis of Wave IV (Rockville (Maryland), Westat Inc., 1974), p. 8-3.

employment provided by PEP, one study found that nearly two-thirds of the former participants questioned considered their PEP experience to be helpful in finding post-programme employment. "By any of the measures we chose—labour force participation rates, unemployment rates, hourly wages—PEP participants in general were better off after enrolling than they were before."<sup>1</sup>

The programme's success in achieving the employment goal was partly due to the type of worker enrolled. State and local project agents generally hired the best qualified, while those at a disadvantage on the labour market were similarly at a disadvantage in PEP. These included the inexperienced young, women, and persons with less than a secondary education. Those hired were likely to have experienced only short-term unemployment and might have been expected to find regular employment faster than a more disadvantaged worker. As one study put it, PEP was a success as an employment strategy "partly because it came along at the right time: a time when there were many experienced unemployed and underemployed workers seeking jobs".<sup>2</sup>

With respect to the policy objective of providing needed public services, there is not much evidence available. The make-work image of public job creation notwithstanding, a number of evaluations concluded that workers enrolled under the programme performed necessary public services and that their productivity was in line with that of non-programme employees.<sup>3</sup> Not surprisingly, the jobs provided were similar to those already being carried out at state and local levels, and it appears that PEP jobs served to restore the growth rate of local government payrolls, which had slowed down during the recession, to a rate closer to the long-term trend.<sup>4</sup> While such jobs were by definition less necessary than those already funded by state and local governments, a General Accounting Office evaluation considered them to be of value to the communities served, citing examples of public facilities which were able to remain open longer hours and of increased staffing in overworked departments.<sup>5</sup>

On the basis of PEP's performance in creating jobs and of the evidence available regarding productivity, it appeared that decentralisation was a satisfactory method of proceeding. Case studies<sup>6</sup> suggest that, on the whole, states and localities acted as equitably as the Federal Government in funding projects in areas of severe unemployment and in identifying local needs for

---

<sup>1</sup> *Longitudinal evaluation of the Public Employment Program*, op. cit., p. 8-3.

<sup>2</sup> *Ibid.*, p. 8-7.

<sup>3</sup> *An evaluation of the economic impact project of the Public Employment Program*, Vol. 1, Final report (Washington, National Planning Association, 1974), pp. 122-124.

<sup>4</sup> Levitan and Taggart: *Evaluation of the first 18 months of the Public Employment Program*, op. cit., p. 14.

<sup>5</sup> US Department of Labor: *Manpower report of the President*, 1975, op. cit., p. 47.

<sup>6</sup> Levitan and Taggart: *Evaluation of the first 18 months of the Public Employment Program*, op. cit., pp. 30-32.

public services. The very diversity of projects supported the original reasoning behind decentralisation. Giving local officials flexibility in designing and implementing their own projects was justified, "as the national goals were generally realised in the aggregate, though local areas used the money in widely divergent ways".<sup>1</sup> One criticism that emerged was the relatively low emphasis which state and local governments gave to serving the disadvantaged, but this was mainly due to the sometimes conflicting exigencies of counter-cyclical action and human resource development. In the absence of specified priorities, the decisions made by planners could not readily be faulted.<sup>1</sup>

Job creation programmes under CETA, which superseded PEP, had similar aims. The emphasis under Title II was on areas of the country where unemployment remained high when the national average dropped. Structural labour market problems were tackled by giving those regions with the severest unemployment problems the most scope to hire labour. The Title VI programme, rushed out in response to the 1974 recession, had the stated purpose of "hiring unemployed persons as quickly as possible for jobs providing needed public services".<sup>2</sup> Preference was to be accorded to experienced workers who had been unemployed for 15 weeks or more, or had exhausted their entitlement to unemployment insurance benefits. Under these two titles, therefore, CETA attempted to combine the goals of reducing cyclical and structural unemployment. Unfortunately, evaluation of CETA programme performance with regard to these two goals is hampered by the impact of the 1974 recession, which brought exceptionally high levels of unemployment. The urgency of this situation was such that efforts could no longer be concentrated on combating the employment consequences of structural change.

Like their PEP predecessors, the CETA programmes were successful in providing a large number of jobs in a relatively short space of time during a period of rising unemployment. In the first six months nearly 310,000 were created under the two titles (nearly twice the number created under PEP) at an average cost of \$7,800 per job.<sup>3</sup>

However, the success of the PEP and CETA programmes in creating jobs needs to be qualified in two ways. First, we should compare their cost with that of other approaches to reducing unemployment. Second, because employees hired under public service projects perform similar services to those normally provided by state and local governments, there is a possibility that federal subsidies may be substituted for state funding and that regular workers may be displaced.

As regards the first point, a number of studies have been carried out. One of the most interesting tested the impact on employment of an additional federal government outlay of \$1,000 million under four alternative policy

---

<sup>1</sup> US Department of Labor: *Manpower report of the President, 1975*, op. cit., p. 49.

<sup>2</sup> *Ibid.*, p. 50.

<sup>3</sup> US Congress, Congressional Budget Office: *Temporary measures to stimulate employment: an evaluation of some alternatives* (Washington, US Government Printing Office, 1976), p. 32.

assumptions.<sup>1</sup> The simulations showed that "the largest and most rapid, short-run impact on employment would be produced by PEP. The number of additional jobs provided would approximate 200,000—twice the number generated by each of the other alternatives at the end of one year."<sup>1</sup> Compared with public works such as housing, office and highway construction, public service employment projects create from 2½ to 3½ times as many jobs for the same amount of federal expenditure.<sup>2</sup> Thus maximising job creation through short-term public service employment programmes appears to be relatively economical.

However, the foregoing assumes that all the jobs generated are new employment opportunities, and this raises the issue of displacement effects. Both PEP and CETA ruled that funds should be used for the creation of new posts. Former employees of project administrators could not be re-engaged until they had been off the job at least a month, thus limiting the possibility of "paper" hirings or the mere transfer of a worker from one payroll to another. There was also a provision for monitoring the projects to ensure that the posts were not the same as those already budgeted or vacant. The relevant data are not yet available for CETA, but it appears that under PEP the jobs created initially represented net additions to the total number of public employment opportunities. Only a tenth of PEP beneficiaries were former employees, and many of these had been teachers.<sup>3</sup> However, the impact on employment lessened as the programme continued because the longer the notice of federal funding for public service employment, the more likely it is that the funds will be used for projects already scheduled. Estimates of displacement after PEP had been operating for a year ranged from 35 to 50 per cent, and in the long run the rate may be expected to rise as states and localities fill vacancies with programme beneficiaries.<sup>4</sup> While public service employment programmes have been successful in generating employment, therefore, their performance must be qualified by the existence of a large displacement effect.

### Conclusions

Job creation programmes in the United States have been used (a) to provide jobs for workers unable to find employment when labour markets

---

<sup>1</sup> The policy assumptions tested were: (1) a reduction in federal personal income tax rates; (2) an increase in federal procurement; (3) an increase in regular federal grants-in-aid to state and local governments; and (4) an increase in PEP funding. See Andrew F. Brimmer: *A new American dilemma: the task of reconciling growth in productivity and employment* (Speech to the Joint Boards of Directors of the Federal Reserve Bank of St. Louis, 13 April 1972), p. 21.

<sup>2</sup> Peter Henle: *Economic effects of public works and public service employment*, Paper prepared for the Congressional Research Service, 20 February 1975.

<sup>3</sup> Levitan and Taggart: *Evaluation of the first 18 months of the Public Employment Program*, op. cit., p. 7.

<sup>4</sup> See, for example, George E. Johnson and James D. Turnola: *An impact evaluation of the Public Employment Program* (Washington, US Department of Labor, Office of the Assistant Secretary for Policy, Evaluation and Research, 1974).

are functioning efficiently, and (b) to create temporary jobs in the public sector for unemployed yet often experienced workers during periods of recession. The logic of putting unemployed persons to work in useful jobs is difficult to dispute. However, we have seen that the first type of programme was not in practice very successful, and although countercyclical job creation has been effective in relation to the funds available these programmes also run into problems. If job creation programmes are to be an effective means towards the national goal of providing employment for all who need it, therefore, several critical issues must be solved.

First, there is the question of who is to be served. With the phasing out of the MDTA and EOA programmes, target groups were no longer clearly specified under CETA. Fundamentally, in the context of continuing high unemployment, the issue is whether to focus on human resource development by placing priority on the employment of those who experience chronic difficulty in competing for jobs or whether to help workers with an established labour market attachment who have been temporarily rendered idle by economic conditions. In fact, it is questionable how effectively countercyclical and human resource development objectives can be combined in one programme. The disadvantaged will be helped most by programmes which provide for sustained help, training and upgrading, but such action may be incompatible with providing as many jobs as possible, as quickly as possible and at the least cost per job.

Related to this first issue is the question of training. None of the programmes discussed in this article contained much provision for training in spite of their professed goal of increasing the employability of disadvantaged workers. Experience with institutional training programmes in the 1960s was disappointing because suitable jobs were often not available to trainees upon completion of their courses. Yet if job creation programmes are intended to alleviate structural problems in the labour market, much more training and other support services must be provided than in the past with a view to increasing productivity, employability and earnings.

In the present economic climate the inflationary impact of job creation programmes must also be considered. The extent, composition and location of unemployment need to be taken into account. To the extent that efforts are concentrated on less skilled groups, high-unemployment areas, or periods of high over-all unemployment, they almost certainly generate little or no inflationary pressure. During a strong recovery cycle, however, programmes like those of PEP and CETA may contribute to inflation. This suggests that countercyclical programmes must be able to phase in and out swiftly. Experience with the PEP and CETA programmes shows that they can be put into action quite quickly, but the possibility of running them down in a short space of time has not yet been tested. In order to ensure flexibility, therefore, programmes should be designed for rapid completion. Many observers have noted that expansion of public service employment is quite easy, but contraction may be another matter.



The displacement effect inherent in job creation programmes also poses a serious problem. Substitution could be reduced if jobs were explicitly separated from the regular operations of states, counties and municipalities, and if the programmes were oriented towards more closely defined target groups.