

The Comprehensive Employment and Training Act: Early Readings from a Hybrid Block Grant

THE INTERGOVERNMENTAL GRANT SYSTEM:
AN ASSESSMENT AND PROPOSED POLICIES



**ADVISORY
COMMISSION
ON
INTERGOVERNMENTAL
RELATIONS**

Washington, D.C. 20575
June 1977

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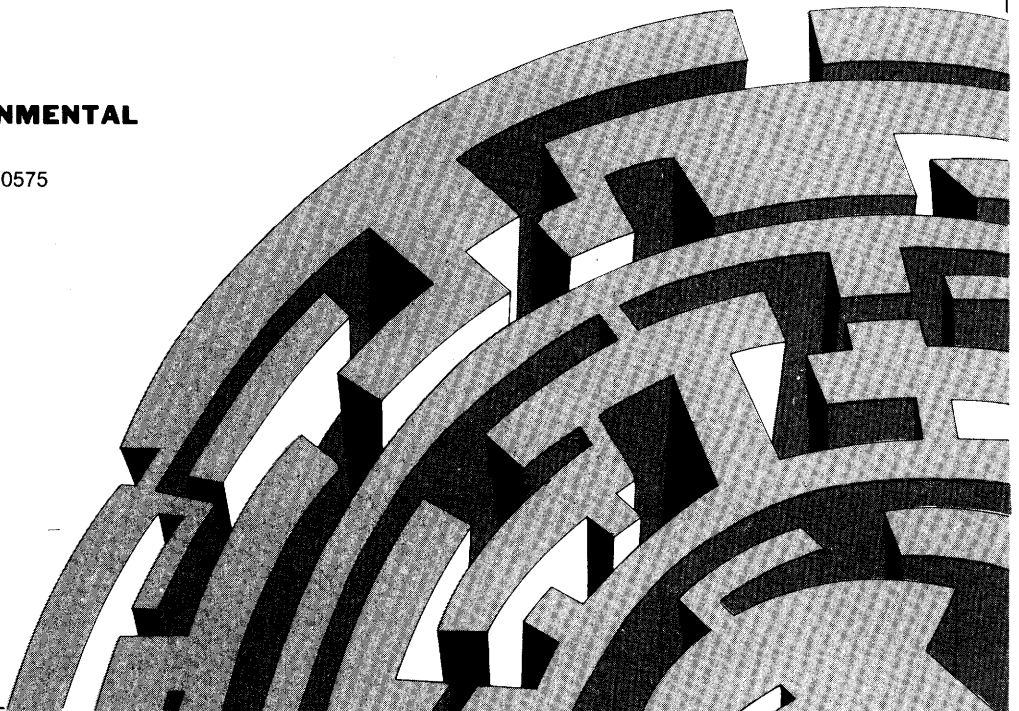
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Preface

Pursuant to its statutory responsibilities authorized in Section 2 of Public Law 86-380, passed during the first session of the 86th Congress and approved by President Eisenhower on September 24, 1959, the Commission singles out particular problems that impede the effectiveness of the federal system for study and recommendation.

The current intergovernmental grant system was identified as such a problem by the Commission in the spring of 1974. The staff was directed to probe four features of this system: categorical, the range of reform efforts that stop short of consolidation, block grants, and the changing state servicing and aid roles. This report is the seventh in the series that resulted from this basic Commission decision. It deals with Title I of the *Comprehensive Employment and Training Act*—the first federal-local block grant to be enacted in modern times—and it is one of five studies concerning the block grant phase of the 14-volume overall federal aid report. This report was approved at a meeting of the Commission on December 17, 1976.

Robert E. Merriam
Chairman

Acknowledgments

This volume was prepared by the governmental structure and functions section of the Commission. Carl Stenberg had major responsibility for the staff work. Bruce McDowell and Albert Richter assisted in the drafting of recommendations and provided valuable advice and criticism during the writing of the report. Beverly Preston had the major responsibility for typing and coordinating preparation of the volume. She was assisted by Evelyn Nolin and Linda Silberg. Carol Monical Wright furnished indispensable library services.

The Commission and its staff had the benefit of review by, and comment on, this work from a number of persons knowledgeable about the employment and training field. Those who were involved in "thinkers" and "critics" sessions on the scope, methodology, and results of the study, or who reviewed and commented on individual chapters, included: Charles Washington, Howard Hallman, James Gwinn, Everett Crawford, Jon Weintraub, Nancy Re Mine, Alan Beals, John Gunther, Ralph Conroy, James Young, Sandy Kisla, Charles Cartes, William Mirengoff, Lester Rindler, Hugh Duffy, Robert Honig, and Martin Jensen.

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Completion of this volume would not have been possible without the help of the persons identified above. Full responsibility for content and accuracy rests, of course with the Commission and its staff.

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Glossary

AFDC	– Aid for Families With Dependent Children
ARA	– <i>Area Redevelopment Act of 1961</i>
CAA	– Community action agencies
CAMPS	– Cooperative Area Manpower Planning System
CBO	– Community-based organizations
CEP	– Concentrated Employment Program
CETA	– <i>Comprehensive Employment and Training Act of 1973</i>
CMP	– Comprehensive Manpower Program
DOL	– U.S. Department of Labor
EDA	– Economic Development Administration
EEA	– <i>Emergency Employment Act</i>
EOA	– <i>Economic Opportunity Act of 1964</i>
ETA	– Employment and Training Administration, Department of Labor
HEW	– U.S. Department of Health, Education, and Welfare
HUD	– U.S. Department of Housing and Urban Development
JOBS	– Job Opportunities in the Business Sector
MDTA	– <i>Manpower Development and Training Act of 1962</i>
MTA	– “Manpower Training Act of 1969”
NAS	– National Academy of Sciences
NCMP	– National Commission for Manpower Policy
OEO	– Office of Economic Opportunity
OIC	– Opportunities Industrialization Centers
OMB	– Office of Management and Budget
PEP	– Public Employment Program
SER	– Service, Employment, and Redevelopment (Jobs for Progress)
SES	– State employment service
SMSC	– State manpower services council
TAG	– Technical assistance guides (issued by ETA)
WIN	– Work Incentive Program

Introduction

Most laws passed by Congress and implemented by the federal executive branch contain manpower implications. Yet, defense contracts, highway construction programs, housing subsidies, veterans' assistance, agricultural price supports, and other major national undertakings have effects on the labor force that have often been ignored.

Since 1917 and the federal-state vocational education program, the employment needs of various groups in our society have been recognized by Congressional legislation. Normally, this response has been piecemeal in terms of both the services provided and the clientele served. The impact of these remedial efforts on the labor market, the private sector, state and local governments, and the federal executive branch frequently has been overshadowed by national conscience and political feasibility considerations. Although several steps have been taken since the early 1960s to develop clearer, more consistent, and better coordinated approaches to the delivery of employment and training services, until recently the manpower field could be characterized as a patchwork of programs lacking a policy framework.

In light of this environment, the passage of the

Comprehensive Employment and Training Act (CETA) in 1973 must be considered as more than just another step in the incremental reform of federal manpower programs. Instead of the nationally oriented, narrowly focused approach taken in most existing federal categorical grants in this area, the framers of CETA sought to decategorize, decentralize, and unify the intergovernmental manpower system through the block grant instrument.

This report assesses CETA's record. In some respects, it is still too early to discern if the basic reform objectives have been achieved. But it is possible to describe some of the major changes that have occurred in intergovernmental decisionmaking relative to the nature, scope, and direction of manpower services; to analyze the issues and problems associated with CETA implementation; and to recommend desirable and feasible changes in the act or its administration. Moreover, because CETA was the first block grant to provide direct funding to local governments, it can offer valuable insights on the design and operation of federal-local block grants and on the states' role in these types of programs.

Chapter I

The Categorical Heritage

The federal government's initial intervention in manpower occurred 60 years ago with the federal-state vocational education program. Its involvement gradually was expanded through the Vocational Rehabilitation Administration (1920), the United States Employment Service (1933), the GI bill (1944), the *Employment Act of 1946*, and the *National Defense Education Act of 1958*. Most observers, however, associate federal manpower programs with the New Frontier and Great Society enactments of the 1960s,¹ because these categorical programs were aimed more directly at structural unemployment in the labor market, particularly among the disadvantaged, caused by educational and skills deficiencies and by technological displacement.

FEDERAL INITIATIVES

Between fiscal years 1961 and 1970, annual federal manpower outlays grew from \$520 million to approximately \$3.5 billion.² Three pieces of legislation were largely responsible for this increase: the *Area Redevelopment Act of 1961* (ARA), the *Manpower Development and Training Act of 1962* (MDTA), and the *Economic Opportunity Act of 1964* (EOA). These statutes embodied an attempt to formulate and articulate a twofold national manpower policy. On the one hand, the programs authorized by MDTA sought to increase the employment of skilled and unskilled workers through training, job creation, and work experience. On the other hand, the programs authorized by ARA and EOA sought to target resources to the poor, racial minorities, youth, and other segments of the population most

adversely affected by unemployment and to furnish them with skills training, job placement, and support services programs.

The *Area Redevelopment Act* provided a base for the development of these national manpower policy objectives. Designed to stimulate economic growth in high unemployment areas as a means of realizing the Kennedy Administration's full employment goal, the act authorized loans to companies to relocate or expand existing facilities in economically depressed areas. Local governments were eligible for financial aid to make improvements in public facilities required for this industrial and commercial development. Occupational training and subsistence allowances for unemployed workers in development areas were also authorized, largely as a means of assuring firms taking such risks that a skilled labor supply would be available.

The manpower programs under ARA mainly reflected the vocational education thrust of post-World War II federal efforts in this field. Its impact was constrained by the effects of the recession and limited enrollments. Yet, from the standpoint of future developments in federal manpower policy, the act underscored the national interest in "retooling" individuals to give them the basic skills demanded by the private sector.³

In 1962, President Kennedy submitted to the Congress a more comprehensive proposal for dealing with the problem of unemployment—the *Manpower Development and Training Act*. Congress approved the measure and authorized an initial annual funding level of \$100 million. Four main objectives of MDTA have been identified:

1. To meet labor shortage needs in specific industries,
2. To provide employment opportunities for the unemployed,
3. To upgrade the labor force, and
4. To provide an escape from poverty.⁴

During the first five years of implementation, MDTA emphasized the retraining of skilled workers who were unemployed or underemployed as a result of automation or technological change. Eligibility was restricted to heads of households who had at least three years of job experience. Institutional (classroom) and on-the-job training programs were the focal points of this effort. The former was administered by the Departments of Labor (DOL) and Health, Education, and Welfare (HEW) in conjunction with the state employment service (SES) and state vocational education agencies. The SES identified the occupations most receptive to skills training and handled the selection, certification, and placement of enrollees in remedial programs. The state vocational education agencies approved curricula and monitored the training, most of which was conducted by local community agencies or skills centers operated by local schools.

On-the-job training programs were administered by the Department of Labor. Grants were authorized for private nonprofit organizations to locate and develop job opportunities with private firms willing to hire and train the unskilled and disadvantaged. Employers received subsidies to cover additional costs incurred as a result of hiring these workers.

Shortly after its inception, it became apparent to MDTA administrators that the best qualified were receiving the bulk of the services and that relatively few resources were being made available to the hardcore unemployed. Efforts to remedy this problem included a 1963 amendment to the act, broadening its coverage to include youth, and an administrative rule that one-third of all job placements were to come from among the lesser qualified. Nonetheless, the disadvantaged had significantly lower rates of training completion and job placement.⁵

Only about 100,000 workers were enrolled annually in federally sponsored manpower programs from 1962 to 1964. During this period, a slight decrease in the unemployment rate occurred, but this was largely due to national economic expansion. As a result of the "creaming" effect of MDTA, unemployment among racial minorities, youth, and the uneducated remained high.⁶

The Great Society manpower programs were designed to deal directly with the problems of the disadvantaged

and hard-to-employ members of the labor force. The most significant measures were contained in the *Economic Opportunity Act of 1964*, as amended in 1967—Community Action Programs, the Job Corps, the Neighborhood Youth Corps, Operation Mainstream, Adult Basic Education, the Work Experience Program, Public Service Careers and New Careers Programs, Special Impact, and the Concentrated Employment Program.⁷ Although their clientele and approach differed, the general thrust of these programs was to provide jobs and training for disadvantaged persons. Another common characteristic was strong direction from administrators of the Office of Economic Opportunity (OEO). Sometimes this was accompanied by the bypassing of states and localities and establishing direct relationships with nonprofit organizations, community groups, and others—largely due to the belief that state and local governments were unwilling or unable to meet the needs of the hardcore unemployed.

The manpower programs launched as part of the War on Poverty signaled a major shift in the objectives of manpower policy—away from reducing structural unemployment and toward contributing to the elimination of poverty and discrimination. Jobs, after all, were a way of achieving economic self-sufficiency as well as personal dignity.

These objectives were also reflected in Congressional amendments to MDTA between 1963 and 1966. By FY 1967, 65% of all enrollees were to be from among disadvantaged youths and adults and half of all MDTA funds were to be used for on-the-job training. Although structural unemployment was still a concern, of greater importance was the need to equip untrained and uneducated individuals with basic skills and to place them in private sector employment. The effects of these actions would be to upgrade the overall labor force and to provide the disadvantaged with an escape from poverty.

Beside MDTA and EOA, two other federal initiatives during the 1960s occupy an important position in CETA's categorical heritage: the Opportunities Industrialization Centers (OIC) and the Work Incentive Program (WIN). Established in 1964 as a private nonprofit organization and funded by DOL, HEW, and OEO, the OIC prepares racial minorities, especially unemployed blacks, for entry-level jobs. As will be seen, the OIC has received strong support from Congress over the years.

The WIN program was mandated by the 1967 amendments to the *Social Security Act* to provide supportive services (e.g., day care, basic education, social and medical services) as well as skills and job training to public assistance recipients. Administered by DOL and

HEW through SES agencies and local welfare offices, WIN's objective is to reduce welfare rolls by placing Aid for Families with Dependent Children (AFDC) recipients in jobs. WIN emphasizes the need to couple manpower programs with social welfare services in order to enhance prospects for long-term employment.

Incremental Reform Efforts

By 1967, responsibility for manpower policy and programs was diffused widely throughout the federal executive branch. Although OEO and DOL accounted for 63% of the \$2.2 billion in outlays during that year, other agencies were involved by varying degrees in the administration of federal manpower funds.⁸ At least 17 categorical programs were in existence, most of which had been established in response to the special employment training needs of particular clientele groups.⁹ Many of these programs approached manpower-related services from the standpoint of the mission, clientele, priorities, and programs of the parent agency. As a result, different types of employment and training opportunities were provided to different groups and individuals under different conditions, funding levels, and intergovernmental relationships. Not surprisingly, coordination became a major challenge, as can be seen in the following description of the intergovernmental fragmentation of responsibilities that emerged by 1967:

The Department of Agriculture, in dealing with farmers, has substantial powers with respect to farm labor, despite the fact that the Department of Labor has responsibility for the placement of farm laborers. The training programs for the rehabilitation of injured workers are administered by the Department of Health, Education, and Welfare in collaboration with a whole set of state agencies. The development of job programs and training programs for blacks was assigned to the Office of Economic Opportunity, which proceeded to establish regional offices and state offices entirely apart from the Department of Labor structure. In brief, as the War on Poverty expanded, the agencies involved in administering its programs proliferated into a complicated administrative maze.¹⁰

Coordination also was a problem within the Department of Labor. The Manpower Administration was

responsible for managing more than 10,000 separate contracts with service deliverers under the various categorical programs within its jurisdiction.

One response to this fragmentation was the coordination thrust of the 1967 Concentrated Employment Program (CEP), under which a single local sponsor, usually a community action agency (CAA), would negotiate a contract to handle all EOA and MDTA funds in a target area. Eighty-two CEPs were established.

Major responses to the fragmentation of effort, however, were administrative, such as the Comprehensive Manpower Program (CMP) concept. In FY 1973, pilot comprehensive programs were set up by DOL in three states, two counties, and one consortium of seven cities and three counties. The intent was to test the feasibility of decentralizing responsibility for planning and operating all manpower programs to a single jurisdiction or body representing several local units. The focal point of such responsibility was the chief elected official. For the most part, the nine sponsors handled EOA and MDTA funds and, to a lesser degree, dealt with the WIN program and the public employment programs launched by the *Emergency Employment Act of 1971*.

The major administrative response to fragmentation of effort was the Cooperative Area Manpower Planning System (CAMPS), first established under a 1967 inter-agency agreement and formalized the following year by an executive order. The major purpose of CAMPS was to link together intergovernmental manpower planning and resource allocations. The national CAMPS committee was chaired by DOL's manpower administrator, with the membership comprised of representatives from HEW, OEO, the Economic Development Agency (EDA), Housing and Urban Development (HUD), Interior, Agriculture, the Civil Service Commission, and the Environmental Protection Agency. State, areawide, and local CAMPS committees were formed under the auspices of the SES to exchange information, identify needs, inventory programs, set funding priorities, and coordinate activities.

Beginning in 1969, federal planning grants were awarded to governors to set up CAMPS committees and hire planning staffs. The following year, funds were provided to mayors for similar purposes. Basically, it was expected that local and areawide plans would be prepared annually within the framework of DOL guidelines, sent to the state and integrated into a statewide plan, and subsequently approved by the parent federal agency after regional office review. The national CAMPS plan would be a compilation of the expenditures of participant agencies. However, CAMPS committees did not really influence federal funding decisions (except in

the case of MDTA where they did help set priorities), nor did they monitor sponsor performance or evaluate program results. By 1973, over 400 areawide or local CAMPS committees were in existence, each state had a manpower planning council, more than 1,200 full and part-time staff positions were supported by federal dollars, and annual appropriations had reached the \$18 million level.¹¹

In 1972, CAMPS committees were reconstituted as advisory councils, largely as a result of concerns about the strong influence of manpower administrators on the federal, state, and local levels. Their membership was broadened to include voting representatives of client groups, business, and labor. In addition to functions previously performed by CAMPS committees, the advisory councils (called manpower area planning councils) were to make recommendations on plan contents and program funding to local elected officials, who would have approval authority over these matters. With their expanded membership base and direction by local chief executive officers, the advisory councils were increasingly considered by federal officials to be instruments of decentralization as well as coordination. At the state level, similar efforts were launched to make the governor responsible for manpower planning on a statewide basis and in areas not covered by local planning councils, as well as to expand the composition of the state manpower planning councils.

In retrospect, the goals of the CAMPS effort—coordination and decentralization—seem to have been quite ambitious, if not unrealistic, in view of the highly fragmented and feudalistic nature of the manpower planning and service delivery system at that time. CAMPS committees and advisory councils confronted a variety of major obstacles in attempting to accomplish their goals. These problems included domination of activities by manpower agency representatives, conflict between the governor and officials of larger cities, poor quality plans, vague policy statements, inadequate data, insufficient program evaluation, and limited participation by client representatives. Most of these problems, however, were an outgrowth of a basic flaw in the design of this approach—state and local agencies lacked authority to make resource allocation decisions.

... CAMPS' greatest weakness was the looseness of its structure. The guidelines specified that no signatory would relinquish any administrative authority over its programs. Since the function most significant to state and local sponsors, allocation of funds, remained outside the domain of CAMPS

committees' work, the agencies had little to gain by active participation in CAMPS. As for those agencies that funded overlapping programs—Labor, HEW, and OEO—they already had staked out their territories for operations and generally were careful not to get in each other's way. Therefore, as long as needs were greater than allocations and with agencies not having to compete for funds, the so-called CAMPS' planning process was more a make-work project than real policy formulation.¹²

Although the CAMPS effort did not effectively coordinate or decentralize the manpower programs, it did produce some positive results that were later useful in the formulation of CETA. The value of regular communications and information exchanges among various federal agencies involved in this area was recognized, and these interactions laid a basic groundwork for coordination. The manpower planning profession also received a strong impetus from federal funds. Planners began to inventory the employment and training needs of their jurisdictions, identify resources available to meet them, and develop projections of future conditions. The concept of client involvement in planning, priority setting, and policymaking was established. Moreover, local and state elected officials were drawn into the planning process and assumed leadership positions in intergovernmental manpower relationships.

REDEFINING THE FEDERAL ROLE

During the implementation of CAMPS and CMP, several legislative steps were taken to deal with the diffusion of manpower programs. In terms of the future direction of national manpower policy and program structure, the most significant measure was the proposed "Manpower Training Act of 1969" (MTA).

In August 1969, President Nixon introduced a series of proposals that formed the core of his "new federalism" domestic policy. In an address to the nation and in subsequent special messages to the Congress on welfare, manpower, and revenue sharing, the President called for a fundamental departure from the trends in federal-state-local relations that had developed over the previous 30 years. The "new federalism" of the 1970s would be an administratively decentralized and programmatically decategorized system. The deliberate intent of these proposals was to reverse the flow of power, funds, and responsibility away from the federal government and

toward the states, localities, and the general public; to reduce the size and power of the federal bureaucracy; to simplify intergovernmental administrative machinery; and to bolster the authority of elected officials of general purpose governmental units and curb that of private nonprofit organizations, special districts, and other "paragovernments."¹³

The proposed "Manpower Training Act" reflected several of the key components of "new federalism:"

- consolidation of the *Manpower Development and Training Act* with Titles I-A (Job Corps) and I-B (Community Work and Training Program) of the *Economic Opportunity Act*, with administrative responsibility assigned to DOL;
- provision of flexible funding arrangements for manpower training services, featuring a single grant to the states instead of several separate grants, and a requirement that recipients provide one dollar in cash or in-kind contribution for each nine federal dollars;
- a three-stage decentralization arrangement under which a state would administer one-fourth of the federal funds allocated to it when a comprehensive manpower planning capability had been developed, two-thirds of such aid when a comprehensive manpower training agency to administer unified programs had been set up, and all federal funds when it met "objective standards of exemplary performance in planning and carrying out its manpower service system;"
- gubernatorial designation of prime sponsors in major metropolitan and other appropriate areas, who would be either elected central city chief executives or an organization composed of such officials and representing 75% or more of the area's population, to prepare plans for incorporation into the statewide manpower plan;
- improvement of allowances for welfare recipients who enter training and creation of a career development plan geared to the capabilities and ambitions of trainees;
- establishment of a National Computerized Job Bank to match potential workers with job openings; and

- authorization for use of the comprehensive manpower training system as an economic stabilizer, with up to an additional 10% of the amount appropriated being triggered by the national unemployment rate reaching 4.5% for three consecutive months.

Although MTA was a high-priority item on the "new federalism" legislative agenda, the bill also reflected a consensus on the need for comprehensive manpower reform that had begun to emerge in the late 1960s. The President's Committee on Manpower, established under Title I of MDTA to make recommendations on national manpower matters, had been particularly influential in identifying ways to better coordinate planning and program operations, which provided an impetus for the establishment of CAMPS and CEP. Many of the problems that MTA was intended to address were spelled out in the *Manpower Report of the President*, issued in January 1969 as the Nixon Administration was about to take office.¹⁴ As a result of this background, one observer noted that "MTA was a happy marriage of traditional Republican philosophy and expert opinion within the manpower subgovernment."¹⁵

MTA was not the only major manpower reform bill considered by the 91st Congress. Although it occupied a middle-ground position by decentralizing several aspects of manpower decisionmaking to the states while still reserving to DOL sufficient authority to intervene on behalf of city and county sponsors, other measures called for a federal-state relationship that was more or less decentralized and provided more or less opportunity for federal intervention. In addition, some bills went beyond administrative restructuring and authorized the creation of a national public employment program for the disadvantaged.

Proposed legislation that was more nationally oriented and geared to job creation as well as training and employment services received strong support from organized labor, civil rights groups, and urban spokesmen—all of which were highly influential members of the so-called "manpower subgovernment." In the manpower field, as in others, "subgovernments" are a product of functional fragmentation in the executive and legislative branches of the federal government as well as in the intergovernmental system. This tendency was accelerated by the rapid growth of grants-in-aid during the 1960s. In this environment, national policy-making usually is a process of aggregating the specialized interests and activities of several key actors, including federal program administrators and their state and local counterparts, Congressional committee members and

staff, and clientele groups.¹⁶ The subgovernment system is closed to outsiders. Rooted in the status quo—and reinforced by the forces of pluralism and professionalism—it can be remarkably resistant to changes, even those of an incremental nature. Such was the case with respect to manpower reform.

Although a general consensus had been developing over the years about the need to streamline manpower planning and service delivery, it was soon dissipated amidst controversy over the various bills embodying different approaches to realizing this objective.¹⁷ A major stumbling block that MTA proponents encountered was the status of successful categorical programs. Administration spokesmen were unable to present a convincing case as to how these programs would be affected by decentralization and decategorization. A second area of disagreement was whether the specific instances of state conflict with and neglect of central cities in manpower matters as revealed by hearing witnesses reflected more deep-seated and widespread tensions between these jurisdictions. Once again, the administration was unable to give adequate assurances that the states would manage manpower programs effectively and equitably.

The controversy between the administration's philosophy and the subgovernment's pragmatism stalled the drive for reorganization. As a compromise measure, a bill combining limited program restructuring with a public service jobs authorization was approved by the House of Representatives. In his description of the House deliberations, Roger H. Davidson provides a striking example of subgovernment politics in action:

The compromise measure . . . was quickly ratified by the full Education and Labor Committee, even though only three of its members knew what it contained. The action is eloquent testimony to the power of committee specialists in the House of Representatives, especially when these specialists are buttressed by relevant outside interest groups. Committee members simply had to rely on the experts—O'Hara, Quie, and Steiger—as to the content of the document before them. Democrats arriving for the meeting were greeted at the door by AFL-CIO and U.S. Conference of Mayors-National League of Cities lobbyists, who had kept abreast of the negotiations and now urged passage. Republicans were greeted with a letter from Secretary Hodgson indicating his warm personal support for the

measure, which he termed "consonant with the basic principles of manpower program reform (President Nixon) proposed." Some members were miffed that the bill had been written at the eleventh hour; and three conservative Republicans voted against it because of the public service jobs provision. But they could do nothing to halt the bill: it had been authored by the leading manpower experts in the House, had the blessing of the committee and subcommittee chairmen, and was vouched for by the Nixon Administration.¹⁸

Disagreement over the degree of decentralization and the desirability of a federal job-creation effort carried over to the Senate and to the conference committee's attempts to reconcile the bills approved by each house. The President's concern over the authorization of WPA-type jobs led to his veto of the act ultimately agreed to by the conferees.

The MTA experience underscores the fact that subgovernment politics at the national level makes radical change in this and other public policy areas unlikely. If change occurs, it is, more often than not, minor in scope and substance. Hence, new program initiatives or major alterations to those existing must go through a Congressional gauntlet often extending over years. The final product usually emerges in a significantly different form from the initial proposal.

The Advent of Special Revenue Sharing

Given the realities of Congressional decisionmaking, the defeat of MTA was considered a temporary setback; in 1971 another effort was launched. This time, the administration proposed manpower reform within the context of six "special" revenue sharing proposals. The basic thrust of these measures was to consolidate existing categorical aids into block grants to states, to reduce the number of "strings" attached to such funds, and to increase the flexibility and discretion of recipients in administering them.¹⁹

The proposed "Manpower Revenue Sharing Act" was intended to reform an area where past federal efforts, in the President's judgment, had been:

. . . overcentralized, bureaucratic, remote from the people they mean to serve, over-guidelined, and far less effective than they might be in helping the unskilled and the

disadvantaged. The reason: by and large, their direction does not belong in Federal hands.²⁰

Although reflecting essentially the same philosophy as its predecessor and, in the administration's view, building on the foundation established by deliberations in the 91st Congress, manpower revenue sharing proposed an even greater degree of decentralization than MTA. In effect, state and local governments would make the decisions and the federal government would provide the funds. Several key provisions of the 1971 act illustrate this basic relationship:

- There would be no matching or maintenance-of-effort requirements for recipients.
- Shared revenues would be allocated by statutory formula (based on the proportionate number of workers, unemployed persons, and low-income adults) and paid over automatically with no need for recipients to file applications.
- Prior to the receipt of special revenue sharing allocations, states and localities would prepare and publish annual statements of program objectives, anticipated uses of federal funds, and following public discussion, publish the final statements on program activities for the coming year.
- Recipients would submit plans to DOL for review and comment, not approval.
- DOL would play a facilitative and "watchdog" role, involving the provision and exchange of labor market data, evaluation of recipient performance, and monitoring of fiscal accountability.

This basic approach also applied to the issue of the fate of existing categorical programs. President Nixon left no doubt that this was appropriately a state-local decision:

My proposal neither mandates nor terminates any programs. It provides that the continuation, expansion, or modification of each program would be determined, as it ought to be, by the test of performance alone—and determined by the state or community which the program serves. Programs

that have proved themselves in practice could be continued with the use of federal funds provided. Indeed many current categorical programs probably would continue and expand in response to local needs once arbitrary federal restrictions were removed. On the other hand, programs whose past claims of effectiveness are not justified by the record deserve to be replaced by others more responsive to community needs. Vesting the program authority in governments close to the people will make it harder for programs to coast along on their momentum from year to year, and easier to tailor manpower assistance to on-the-scene realities.²¹

In view of rising unemployment rates, the Congress was more interested in public service jobs than in restructuring the intergovernmental manpower system. Recognizing this concern, the drafters of the manpower revenue sharing bill included an authorization for the creation of transitional jobs—after two years, participants had to be moved onto the public employer's regular payroll or into other employment. Instead of comprehensive reform, however, the Congress opted for a new categorical program, the *Emergency Employment Act of 1969* (EEA). This act authorized a Public Employment Program (PEP) to provide transitional jobs in the public sector. Considerable discretion was accorded recipients over the use of federal funds. President Nixon signed the measure, but once again, the quest for manpower reform had received a setback.

THE BLOCK GRANT COMPROMISE

The *Comprehensive Employment and Training Act of 1973* (CETA) was an outgrowth of administrative and legislative efforts commencing in 1967 to coordinate and consolidate manpower planning and service delivery. It was, however, no more than another incremental reform. Given the power of the manpower subgovernment to resist functional and jurisdictional change, the consolidation of categoricals under CETA must be considered a major accomplishment. An analysis of the legislative history and key provisions of the act provides some illustrations of the strategic—and symbolic—uses of the block grant instrument.

In the wake of Congressional hostility or apathy toward the initial six special revenue sharing proposals, in 1973 the Nixon Administration submitted a second package of grant consolidations. A manpower special

revenue sharing bill was not among them. Instead, the administration claimed that sufficient authority to streamline manpower programs already existed. Citing certain provisions of the *Economic Opportunity Act*, the experience of the CEP and WIN programs, and the spirit of the general revenue sharing program that the Congress had approved in 1972, the *Manpower Report of the President* concluded that,

... existing manpower legislation provides the authority and administrative initiatives the precedent for moving into the revenue sharing design and away from the single-purpose program concept toward a consolidated service approach.²²

Another impetus, according to the assistant secretary of Labor, was the urging of the Appropriations Committees of both Houses of the Congress to accelerate decentralization and decategorization.²³

In the manpower field, the revenue sharing model basically involved making single grants for comprehensive employment and training services (amounting to about 70% of FY 1974 appropriations for MDTA and EOA) to local chief executive officers in labor market areas over 100,000 population and to governors for distribution to jurisdictions outside these areas as well as for coordination and planning. Recipient discretion and flexibility in tailoring these funds to their needs would be maximized and federal "red tape" would be minimized. An application and approval process plus procedures for publicizing objectives also were contemplated.

Given the Congress' generally unsympathetic treatment of the administration's 1969 and 1971 proposals, taking such a bold administrative initiative was an understandable and desirable course of action to some observers. Others, however, believed that this move was a direct challenge to the lawmaking authority of Congress and to the power of the manpower subgovernment. And, it put the administration on a confrontation course with the legislative branch.

The attempt to blur, if not eliminate, the lines between categorical programs through administrative actions proved successful in motivating supporters and defenders of the manpower status quo in the Congress to rise to the occasion. The pending expiration of both MDTA and the *Emergency Employment Act* in June 1973 provided another strong incentive for legislative action. The House Select Subcommittee on Labor and the Senate Subcommittee on Employment, Poverty, and Migratory Labor both began work on a new bill, in

consultation with the administration. In April 1973, the "Job Training and Community Services Act of 1973" and the "Emergency Employment Amendments of 1973" were introduced by Senators Gaylord Nelson (Dem., Wis.) and Jacob Javits (Rep., N.Y.). In November 1973, the "Comprehensive Manpower Act of 1973" was introduced by Representatives Dominick V. Daniels (Dem., N.J.) and Marvin L. Esch (Rep., Mich.). These bills had two objectives—to revamp categorical programs and to create public service jobs. Hearings were held shortly after their introduction. Not surprisingly, many of the tensions that had accompanied the emergence and expansion of the federal government's role in manpower in the early 1960s arose again.

Generally speaking, the debate over manpower reform turned on the matters of proper federal-state roles, responsibilities, and relationships. In particular, the interest and capacity of the states in employment and training services was a bone of contention. Although the sentiment of most witnesses at the hearings was favorable toward administrative decentralization and program decategorization, the question of whether a federal-state or federal-local arrangement should be established was far from settled.

The Senate measure was labeled as a "state bill." States as well as local governments were eligible to serve as prime sponsors of manpower programs and were assigned a major role in comprehensive planning and technical assistance. Although the National Governors' Conference did not take a position on the Senate bill, the governors who testified expressed their support and warned subcommittee members about the dangers of bypassing the states. Gov. Calvin Rampton of Utah, for example, contended:

I am convinced that a strong [state] role will ultimately allow greater self-determination by local government than will expansion of direct Federal-local relationships. Bypass of states will, in my opinion, not only replace categorical fragmentation with political fragmentation, but will, in the long run, increase the federal role, not diminish it.²⁴

In response, spokesmen for the National League of Cities-U.S. Conference of Mayors asserted that in view of the states' fiscal record in the manpower area, "funding for manpower programs channeled through the state would defeat the entire concept of local control and decentralization."²⁵ A major concern of these mayors was the states' authority under the bill to establish regional planning districts:

... we strongly reject the idea of multiarea planning districts, imposed by state governments, as has been proposed in the past. First of all, such proposals have been only a thinly veiled means to substitute state decisionmaking for Federal decisionmaking, leaving the cities with no more authority than before. Second, they neglect the fact that such state-imposed areas have no real permanency. The governor or the legislature may choose to change districts at will. But multiarea planning which builds from local government—out of local means—and evolves, based on programmatic and political considerations, does have the potential to endure and to assure local authority and accountability.²⁶

Turning to the federal government's role, state and local witnesses were in accord with the basic thrust of the measure. Appropriate federal-level activities, in their view, included research and development, provision of labor market information, operation of a computerized job bank, allocation of formula and discretionary funds, and review and approval of prime sponsors' applications. In addition to these "supportive" activities, some sentiment was voiced in favor of retaining at the national level certain specialized programs, such as the Job Corps, or those impacting on particular groups, such as Indians and migrant and seasonal farm laborers. Strong support also was expressed for separate legislative treatment of OICs rather than merging them into a comprehensive program. Dr. Leon Sullivan, president of OIC, expressed his concerns about the effects of decentralization:

OIC can only survive if there is some provision in the law to protect us. We know of no place to go except to the federal government, where the laws are made. OIC wants to help make revenue sharing work. We have already adopted a national policy to cooperate with mayors of cities, supervisors of counties, and governors of states.

We want to help, but unfortunately in a survey we find problem city after problem city where OIC will be wiped out completely or merged with something else, destroying the independence which makes its unique contribution to the community workable.

In some cities we find they will not be wiped out or merged, but their funding will be cut by one-half or two-thirds.²⁷

Although most witnesses believed that the bill went too far in the direction of decategorization and decentralization or struck an inappropriate balance between federal, state, and local responsibilities, the Nixon Administration indicated that it did not go far enough in incorporating the revenue sharing model. Even though the measure reflected the major fiscal components of this approach (the absence of matching and maintenance-of-effort requirements) representatives of the Department of Labor testified that it contained several provisions that narrowed the flexibility of states and localities in designing programs and allocating resources or provided a "legislative mandate for categorical programs."²⁸ Examples of the former included a requirement that sponsors include descriptions of services for middle-aged and older persons and those with limited English-speaking ability in their program statements, submitted as a condition for receiving funds. A provision requiring the Secretary of Labor to give detailed information in his annual report to the Congress concerning state and local programs for summer work experience for disadvantaged youth also was considered to be a strong incentive for categorization. Similarly, provisions intended to assure continued private sector participation in federal manpower programs, such as by the National Alliance of Businessmen in Job Opportunities in the Business Sector (JOBS) and the OIC and Jobs for Progress (SER) organizations were opposed as being thinly veiled attempts to categorize.

Among the other features of the bill that the administration found offensive were provisions that 17.5% of the annual appropriations be set aside for community action programs (viewed as inappropriate given DOL's traditional responsibilities); that any general unit of local government over 75,000 population but not large enough to be a prime sponsor would be guaranteed specific amounts of funds to undertake programs (viewed as not leaving states sufficient discretion); that 15% of each state's allotment be earmarked for carrying out its responsibilities (viewed as excessive); and that the state employment service, CAAs, and other community-based organizations and educational institutions be involved in the planning and program implementation activities of employment and training councils (viewed as being too prescriptive and likely to lead to council domination by service deliverers).

The administration's position was greeted with bipartisan Congressional skepticism. A fundamental concern with the revenue sharing model was reflected in Sen. Javits' question to the DOL witness: "Will the federal government, no matter what we pass, take the ultimate underwriting responsibility that it will see that

the services are delivered?”²⁹ Although the response was affirmative, the case was not convincing. As Senator Javits concluded:

... I do not consider that administration policy satisfactory, and I shall do my utmost to fight to make it different and satisfactory.

I do not care what label you put on the package, call it special revenue sharing if you like ... in my opinion, the federal government, having appropriated money for manpower training, has to underwrite the appropriation so that manpower training will be delivered, and if the locality or state or anybody else falls down, we will step in and do it.

I can accept every caveat you give me, but I do not accept the proposition that the customer—to wit, the American taxpayer—will not get manpower training because somebody down the line has fallen down. ...

That is why I have always joined with Gaylord Nelson in these bills. That is what we, having authorized and appropriated, will see is done.

We will choose the means—localities, mayors, governors, anybody you like—but we will see that it gets done and delivered.³⁰

These admonitions from the ranking minority member of the Committee on Labor and Public Welfare to administration spokesmen underscored the weakness of the revenue sharing model from the standpoint of political acceptance in the Congress: it provided neither a philosophical basis nor a clear-cut method for the federal government to intervene in state and local decisionmaking to insure that the program interests of the Congress were being adequately addressed. The revenue sharing model embodied a “bottom-up” approach to accountability through publication of reports, public hearings, and representation of community interests on advisory councils. Once plans and program statements emerged from this review process, as a practical matter, little leverage concerning substantive decisions could be exerted over sponsors from the national level. In reality, except for auditing and other “watchdog” functions, DOL’s role would have involved mainly assuring that “procedural due process” was followed.

Congress, on the other hand, prefers the categorical model, which embodies a “top-down” approach to

accountability. This approach is characterized by legislation that contains specific program authorizations, calls for scrutiny of plans and applications by the federal administering agency, and offers financial incentives (such as variable matching and bonus payments) for particular undertakings. Although the Congress embraced the revenue sharing model in the *State and Local Fiscal Assistance Act of 1972*, many members considered this inapplicable to block grants that emerge from a consolidation of categorical. No middle-ground model that balances accountability with flexibility existed in 1973—or at the present time. And none of the major elements of the categorical model were found in the manpower revenue sharing proposal.

On July 6, 1973, the Senate Committee on Labor and Public Welfare issued a report on the proposed “Job Training and Community Services Act of 1973.” Among the major amendments made during the course of the hearings and other deliberations were:

- an authorization for the Secretary of Labor to designate smaller jurisdictions as prime sponsors when certain conditions were met;
- a requirement that the Secretary of Labor establish an ongoing program of monitoring and evaluation of the effectiveness of programs carried out under the act, and that local councils commission independent evaluations of their services;
- the addition of a provision to the required contents of a sponsor’s program assuring that priority in funding training projects has been given to those that have long-term employment potential;
- a clarification of the committee’s intent regarding the categorical treatment of Indians, migrant and seasonal farmworkers, persons of limited English-speaking ability, Vietnam veterans, middle-aged and older persons, and OIC and Jobs for Progress programs; and
- a requirement that state-designated area planning councils be coordinated with existing regional bodies, such as economic development districts and comprehensive health planning councils.

Although the bill had a number of categorical features, it was geared, for the most part, to streamlining

the structure of federal manpower programs and to according states and localities a substantial role in the planning and delivery of employment and training services. It was clearly a compromise between the design of existing categorical grants in this area and the revenue sharing model. The philosophy and pragmatism underlying this approach was underscored by Sen. Nelson during the hearings:

Just so you understand, I have supported the concept of returning these programs to the state government at least for 15 years before the administration took that position. . . . you ought to return to the state and local governments every single function performed by the federal government that can in fact be performed effectively at the local level. It is an administrative bureaucratic monstrosity down here in Washington, and we just do more damage to the country through the bureaucracy than you would have as a consequence of the various varieties of incompetence or corruption that you will from time to time find in the State and cities. . . .

We drafted a bill here that went as far as I think we can pass.³¹

Three months after the Senate bill was reported, the House Select Subcommittee on Labor began hearings on the proposed "Comprehensive Manpower Act of 1973." As in the Senate, under consideration were measures to reform manpower programs as well as to provide public service employment. Also, like the Senate, the bills had been introduced with bipartisan support, particularly from the ranking members of the subcommittee and full committee. In his opening remarks, Rep. Daniels described the basic thrust of the House bills:

The bills do not create manpower revenue sharing, but they do authorize the federal government to grant state and local governments the authority to conduct manpower programs while retaining for the national government its responsibility to assure that federal dollars are spent consistently with federal manpower policy objectives.³²

Although a number of technical differences existed between the Senate and House versions, they shared the same basic objectives and were in general accord on most substantive provisions. Other than public service employ-

ment, the major points where the House bill differed from the Senate measure included:

- a general description of the kinds of activities that could be undertaken without reference to specific existing programs (OIC, Operation Mainstream, Jobs for Progress, JOBS, New Careers, Neighborhood Youth Corps) also included in the comprehensive manpower services authorization;
- a population floor of 100,000 for all types of general local governmental units to qualify as prime sponsors, in contrast with 150,000 for counties and 100,000 for cities;
- allocation of 80% of the annual appropriations for comprehensive manpower services (Title I) among the states based on the relative number of unemployed and previous year's allotment of manpower funds, in contrast to 75% of the appropriations being distributed in accordance with the relative number of unemployed and of adults with an annual income below the Bureau of Labor Statistics' lower living standard budget;
- authorization of 1% of the funds apportioned to states to be used for the operating costs of a state manpower services council and 5% to encourage consortia arrangements, as opposed to 15% being reserved for state services and consortia incentives;
- no requirement that sponsors set up broadly representative employment and training councils;
- specification of additional conditions to be met by states in order to qualify as prime sponsors, including provision of services in areas not covered by local sponsors, assurance of participation of state agencies in service delivery, and willingness to prepare a plan and facilitate the statewide coordination of employment and training programs;
- establishment of a state manpower services council to review local prime sponsor and state agency plans, monitor program operations, and make recommendations to improve program coordination and implementation;

- authorization of grants to state boards of vocational education for the provision of agreed upon services in areas under the jurisdiction of local prime sponsors; and
- creation of a categorical youth service program.

DOL officials appearing before the subcommittee on behalf of the Nixon Administration stated that the House approach to manpower reform was basically consistent with the President's objectives and was more acceptable than the Senate version. However, several areas of concern were mentioned. These included provisions prescribing the composition of state manpower services councils and assigning them a review role vis-a-vis prime sponsor plans (viewed as being too rigid and contributing to delay in program implementation); authorizing grants to state vocational education boards (viewed as a return to categorization); and "holding harmless" previous recipients during the transitional period (viewed as not making available sufficient funds to meet the needs of sponsors with significantly reduced formula allocations and delaying the startup of programs in areas that had been unfunded in the past, mainly counties).

The provisions of greatest concern to the administration related to the Secretary of Labor's role:

We find that the federal involvement stipulated in the current proposals is excessive. In too many instances we find heavy burdens of factfinding and determination required to be made by the Secretary of Labor that will lead inevitably to the intrusion of federal staff into the local decisionmaking process. In fact, the impression received from a review of the variety and depth of determinations required of the Secretary is that virtually no plan of a prime sponsor or the sponsor of a public employment program could be developed locally without some degree of onsite participation by a representative of the Department of Labor.³³

As an alternative approach, DOL officials testified, prime sponsors should be required to certify their compliance with statutory and administrative requirements. At the same time, it was contended that shifting the burden of proof to sponsors would not abrogate the Secretary's stewardship responsibility over appropriations. Although a brief discussion ensued over the conditions under which funds might be withheld, the

House seemed to be more receptive than the Senate had been to the administration's position.

By late 1973, the general mood of the House was shifting toward the decategorization and decentralization of manpower programs and the creation of public service jobs. Nevertheless, some witnesses before the subcommittee urged consideration of the merits of consolidating existing categorical grants while retaining national authority over programs. The AFL-CIO strongly advocated this position as well as the federalization of state employment services:

A comprehensive national manpower program must be national in scope. It would retain overall federal control of policy and direction, while sharing administration of programs with state and local governments. It would assure a comprehensive approach and consolidation and coordination of all manpower activities under a central administration and, at the same time, retain such significant categorical programs as the Job Corps. In addition, it should have enough flexibility to allow the emphasis to be shifted from one type of program to another, as the situation might warrant; to give special manpower aid to depressed areas; to provide specialized training and job assistance to groups with special manpower needs; and to provide for a large-scale public service employment program.³⁴

By and large, a spirit of compromise prevailed. Although most spokesmen for state and local government had specific amendments to suggest that would further the cause of their constituencies, care was taken to stay within the bounds of what was considered politically acceptable to both the Congress and the President. The testimony on behalf of the National League of Cities-U.S. Conference of Mayors, for example, focused on the need to revise the formula for allocating funds, to provide adequate amounts of "hold harmless" dollars, and to expand the role of smaller cities as prime sponsors and consortia participants. The National Governors' Conference was mainly concerned about clarifying the position of the governor in designating local prime sponsors, administering programs in the balance-of-state area not covered by an individual local sponsor or consortia, coordinating state and local planning on a statewide and regional basis, and designating substate manpower planning agencies. Although these were important issues, they were secondary to the need

to enact legislation that would not be vetoed. The degree to which the participants in the manpower subgovernment were willing to compromise in order to achieve this objective was underscored by the spokesmen for the National Governors' Conference:

A great deal of compromising also has been going on outside this committee. I am sure you realize. When this manpower debate began—with the introduction of the administration's Manpower Training Act of 1969—governors, vocational educators, and the state employment service all were arguing for a near dominant role in manpower programs—but most of them have come to accept the reasonableness of a cutoff somewhere around 100,000 or 150,000 population. Community Action Agencies and private nonprofit groups have largely dropped their insistence that specific funds be earmarked for them. The Secretary of Labor, and his regional manpower offices, have of course made tremendous concessions, offering to yield much of their authority in the interest of more relevant programs designed and administered at the state and local level. The administration had yielded significantly on retaining some aspects of the *Emergency Employment Act*.

We all recognize now that all of us have a role to play in manpower programs. What is crucially important is that you bring us together in this legislation. Don't drive us apart.³⁵

On November 21, 1973, the House Committee on Education and Labor issued a report on the "Comprehensive Manpower Act of 1973." The House bill, in the committee's judgment, reflected the bipartisan consensus that had been evolving over the previous four years on the substance of legislation to accomplish comprehensive manpower reform. The specific points of agreement included:

- merger of separate program authorizations;
- supplementation of training programs with employment programs;
- consolidation of federal agency administrative activities;
- decentralization of management responsibilities to state and local elected officials; and

- development of more flexible service delivery arrangements to meet diverse community and individual manpower needs; . . .³⁶

Few major changes were made by the committee in the provisions dealing with manpower programs; the changes made were mainly in response to the problems raised by administration spokesmen. Although the House bill came closer to the revenue sharing model than did the Senate version, the committee was not reluctant to express its intent with respect to areas where authority and responsibility would be decentralized. Two examples illustrate this point. First, Title I of the measure contained a broad description of the types of activities that prime sponsors could fund and did not mandate the continuation of particular categorical programs. But, the report stated:

The failure to list specific categorical programs is not intended to indicate that such programs should not continue to be funded. In fact the Committee has been particularly impressed with certain categorical programs such as OIC, SER, and Operation Mainstream which have made substantive contributions to providing training and employment for those in particular need of them. The Committee intends that such successful programs should be continued to be funded by local prime sponsors and has made special provision to insure that this will be feasible. Thus Section 503(d), which provides that certain funds shall be distributed in the Secretary's discretion, requires the Secretary to take into account the need for continued funding of such programs of demonstrated effectiveness.³⁷

Second, with respect to the federal government's role, the committee accepted the Nixon Administration's suggestion that prime sponsors be permitted to certify to the Secretary of Labor that they are in compliance with all statutory provisions in lieu of requiring this official to make findings and investigations to arrive at such determinations. Although it was noted that "the Committee does not expect the Secretary of Labor to second guess the good faith judgment of the prime sponsor,"³⁸ it also was made clear that the Secretary's stewardship role was not passive:

The Committee wants to emphasize that it

does not consider the designation of a prime sponsor and the approval of the plan as an irrevocable decision and that it intends that the Secretary of Labor annually reconsider the qualifications of prime sponsors and their plans.³⁹

... the Secretary may not rely on the certification alone. He must also exercise his own independent judgment and cannot absolve himself of the responsibility that the bill places on him to insure that federal funds are expended in accordance with the requirements of federal law. It is intended that prime sponsors will seek modifications in their approved plans where changes in local needs and conditions warrant them, and the Committee expects the Department of Labor to establish procedures under which shifts in the amounts allocated by a prime sponsor to particular program activities under its approved plan shall be submitted to the Secretary for his approval. Where all statutory requirements are not complied with, the Secretary is given ample authority to provide manpower services without going through the prime sponsor.⁴⁰

The Committee recognizes that the proportion of funds which should be devoted to such public service programs or, indeed, which should be devoted to any other type of manpower activities, such as institutional training or youth programs, must reflect the realities of the local labor market and not any preestablished criteria. Accordingly the Committee has included a provision prohibiting the Secretary ... from disapproving any state or local plan solely on account of the percentage of funds devoted to a particular eligible activity. He may, of course, disapprove a plan because funds are not utilized to carry out the purposes of the act.⁴¹

It is the intent of the Committee that the Secretary has ultimate responsibility for assuring that manpower programs and policies are carried out in accordance with the purposes and provisions of the act.⁴²

The foregoing statements leave no doubt that the House considered decategorization and decentralization

desirable, but not to the extent that these actions would signal an abdication or a significant reduction of federal responsibility in the manpower area. Direct intervention in sponsor decisions concerning programs to be continued or launched, funding priorities, and other matters was not contemplated. But, the committee was careful to include statutory provisions and statements of intent that would give both DOL and the Congress sufficient leverage to insure that moneys were being spent on programs of national as well as state and local interest.

On December 18, 1973, the House and Senate conferees issued their report on the manpower program reform and public employment legislation that had been under consideration for ten months. Renamed the *Comprehensive Employment and Training Act of 1973*, the bill largely reflected the House approach. Unlike earlier efforts at compromise, the Senate conferees were willing to recede on most of the substantive areas of conflict between their bill and the House version. Moreover, all managers signed the conference report. This spirit of compromise and unanimity was mainly attributable to pressures building on Congress to pass legislation that would keep alive some programs funded under the expiring MDTA and EOA authorizations. The balance struck in the House between decategorization and decentralization of manpower services and retention of a federal oversight role was acceptable to both the legislative and executive branches. And, there were sufficient assurances that some of the more popular and successful categorical programs could be continued within or in conjunction with the block grant, that a new public employment effort could be launched, and that a Presidential veto could be avoided.

These elements were essential to the politics of manpower reform. All principal parties seemed satisfied with the compromise—at least as it was embodied in statutory language. On December 20, 1973, the full House and Senate agreed to the conference report. Eight days later, the President signed CETA into law.

The Balancing Act

The compromises that were necessary to gain Congressional and Presidential approval of CETA resulted in a block grant that was a hybrid from the outset. Some elements of both the revenue sharing and categorical models were retained. At the same time, other provisions were aimed at a middle-ground position between recipient discretion and national accountability. A brief review of the act's major features illustrates the nature of the balancing act performed by its architects. (These provisions will be amplified in subsequent chapters.)

Title I establishes a program of block grant assistance to state and local governments (prime sponsors) for comprehensive manpower services, including training, employment, counseling, testing, placement, and supportive services. Cities and counties of 100,000 population or more, or combinations of local governments (consortia) in which one member meets this population floor, are eligible to be prime sponsors. States may assume this role in areas not covered by local prime sponsors (balance of state). In order to receive funds, sponsors must prepare a comprehensive plan. Although the sponsor determines the mix of existing and new programs most responsive to its manpower needs and the amounts of funds to be allocated to each activity, the plan must give adequate assurances that services will be made available to unemployed, underemployed, and disadvantaged persons most in need of assistance. The final plan is to be published in a newspaper of general circulation and submitted to the governor and appropriate state and areawide A-95 clearinghouses for review and comment. If it is approved by the Secretary of Labor, a grant agreement is executed. In addition to the plan preparation, review, and publication process, local sponsors are required to establish a broadly representative planning council to provide advice on goals, plans, policies, and other matters. The states must establish a manpower services council to review and comment on all prime sponsor plans, monitor their implementation efforts, and make recommendations to state agencies and local prime sponsors for improving coordination and program effectiveness.

Eighty percent of the funds authorized under this title are distributed among prime sponsors in accordance with a three-factor formula: 50% of this amount is allotted based on relative amounts of previous manpower funding; 37.5% based on the relative number of unemployed persons; and 12.5% based on the relative number of low-income adults. Five percent is set aside for the Secretary of Labor to use to encourage the formation of consortia, 5% for vocational education grants, and 4% for state manpower services. The remaining amounts constitute the Secretary's discretionary funds.

Six other substantive titles of CETA provide for the following:

- Title II authorizes funds to prime sponsors or Indian tribes to provide unemployed and underemployed persons with transitional public service jobs in areas of substantial unemployment (unemployment of at least 6.5% for three consecutive months) and, where feasible, to

furnish training and other services to enable such persons to move into nonsubsidized employment.

- Title III authorizes the Secretary to furnish manpower services in addition to those provided under Titles I and II to special target groups having a particular need for assistance, including Indians, migrant and seasonal farm workers, youth, offenders, persons of limited English-speaking ability, older workers, and others who suffer from disadvantages in the labor market. Funds also are authorized for the Secretary to undertake research, labor market information collection and dissemination, evaluation, and training and technical assistance.
- Title IV continues the Job Corps within the Department of Labor.
- Title V creates a National Commission for Manpower Policy to identify the nation's manpower goals and needs, examine and evaluate federal and federally assisted manpower programs, make recommendations to the Secretary on national manpower issues, and make an annual report to the President and the Congress.
- Title VI, added to CETA in December 1974 by the *Emergency Jobs and Unemployment Assistance Act*, authorized a one-year appropriation of \$2.5 billion for public service employment programs across the country (not only those specified in Title II).
- Title VII contains definitions of terms and generally applicable provisions, such as those concerning nondiscrimination, workmen's compensation, minimum wages, and political activity.

Seventeen existing categorical programs were consolidated into Title I of CETA. In addition to broadened functional scope, the block grant removed matching, maintenance-of-effort, and many administrative requirements that had been in effect prior to merger. Decategorization, however, was only partial, as was the decentralization of responsibility for manpower planning and service delivery. As can be seen in the above summary, four of the act's substantive titles authorized

categorical programs to serve the needs of particular clientele groups. Although prime sponsors are permitted to interchange funds among the various titles, the Secretary of Labor plays a major role within each title in determining how the grants will be used. Even in Title I, the Secretary has considerable influence over the use of funds. For example, the Secretary reviews prime sponsor comprehensive plans to determine, among other things, if there are adequate assurances that services will be provided to "those most in need of them," and that due consideration has been given to continuing programs of "demonstrated effectiveness." Failure to give such assurances and consideration is a basis for revocation of the plan and withholding of payments to sponsors. Not

to be overlooked is the fact that one-fifth of the appropriations for Title I are distributed by the Secretary, largely on a discretionary basis.

In summary, the compromises reflected in the CETA legislation were significant from the standpoint of Congressional and Presidential approval. Yet, the need to embrace multiple objectives, to include rather vague or imprecise statutory language concerning the extent of the Secretary's powers vis-a-vis prime sponsors, and to alleviate the concerns of the manpower subgovernment through explicit or implicit "reategorization," all contributed to uncertainties about how the act would be implemented. The following chapter assesses the first three years of block grant operations under CETA.

FOOTNOTES

¹ For further information on the history of federal manpower programs, see Garth L. Mangum, *The Emergence of Manpower Policy*, New York, NY, Holt, Rinehart, & Winston, Inc., 1969; and Garth L. Mangum, *The Manpower Revolution: Its Policy Consequences*, New York, NY, Garden City, 1965.

² U.S. Bureau of the Budget, *Special Analyses, Budget of the United States, Fiscal Year 1970*, Washington, DC, U.S. Government Printing Office, 1969, p. 147.

³ Evan Clague and Leo Kramer, *Manpower Policies and Programs: A Review, 1935-75*, Kalamazoo, MI, The W.E. Upjohn Institute for Employment Research, 1975, pp. 11-12.

⁴ Sar Levitan and Garth Mangum, *Federal Training and Work Programs in the Sixties*, Ann Arbor, MI, Institute of Labor and Industrial Relations, University of Michigan-Wayne State University, 1969, p. 23. See also Garth L. Mangum and John Walsh, *A Decade of Manpower Development and Training*, Salt Lake City, UT, Olympus Publishing Co., 1973.

⁵ See Garth L. Mangum, *Evaluating the Manpower Development and Training Act*, Baltimore, MD, The Johns Hopkins University Press, 1968.

⁶ Clague and Kramer, *op. cit.*, p. 17.

⁷ For a description of these and other federal manpower programs, see U.S. Department of Labor, *Manpower Report of the President*, Washington, DC, U.S. Government Printing Office, 1963-75; and U.S. Department of Labor, *Employment and Training Report of the President*, Washington, DC, U.S. Government Printing Office, 1976.

⁸ HEW (Office of Education, Bureau of Adult and Vocational Education, Welfare Administration, Vocational Rehabilitation Administration), the Veterans' Administration, and the Departments of Interior, Commerce (Economic Development Administration), Housing and Urban Development, Agriculture, and Defense.

⁹ Vocational Rehabilitation, MDTA Institutional and On-the-Job Training, U.S. Employment Service, Neighborhood Youth Corps, Job Corps, Concentrated Employment Program, Job Opportunities in the Business Sector, Work Incentive Program, Civilian Skill Training, Operation Mainstream, Public Service Careers, New Careers, Special Impact, Opportunities Industrialization Centers, Work Experience and Training, Community Work and Training, and Adult Basic Education.

¹⁰ Clague and Kramer, *op. cit.*, pp. 31-32.

¹¹ For further information concerning the CAMPS experience, see Sar A. Levitan and Joyce K. Zickler, *The Quest for a Federal Manpower Partnership*, Cambridge, MA, Harvard University Press, 1974, pp. 44-73.

¹² Levitan and Zickler, *op. cit.*, p. 60. See also Stanley H. Ruttenberg, *Manpower Challenge of the 1970's: Institutions and Social Change*, Baltimore, MD, The Johns Hopkins University Press, 1970, pp. 50-51.

¹³ See Richard P. Nathan, *The Plot that Failed: Nixon and the Administrative Presidency*, New York, NY, John Wiley & Sons, 1975; Leigh Grosenick, ed., *The Administration of the New Federalism: Objectives and Issues*, Washington, DC, American Society for Public Administration, 1973; and "The New Federalism: Theory, Practice, Problems," *The National Journal*, Washington, DC, National Journal, March 1973.

¹⁴ U.S. Department of Labor, *Manpower Report of the President, 1969*, Washington, DC, U.S. Government Printing Office, 1969.

¹⁵ Roger H. Davidson, "Policy Making in the Manpower Subgovernment," in Michael P. Smith and Associates, *Politics in America: Studies in Policy Analysis*, New York, NY, Random House, 1974, p. 89.

¹⁶ For further information on the subgovernment concept, see Douglas Cater, *Power in Washington*, New York, NY, Random House, 1964, pp. 17-22; Terry Sanford, *Storm Over the States*, New York, NY, McGraw-Hill, 1967, p. 80; and Deil S. Wright, "Intergovernmental Relations: An Analytical Overview," *The Annals of the American Academy of Political and Social Science*, Philadelphia, PA, The American Academy of Political and Social Science, November 1974, pp. 14-16.

¹⁷ For an indepth examination of the history of Congressional manpower reform efforts from 1969 to 1971, see Roger H. Davidson, *The Politics of Comprehensive Manpower Legislation*, Baltimore, MD, The Johns Hopkins University Press, 1972.

¹⁸ Davidson, "Policy Making in the Manpower Subgovernment," *op. cit.*, p. 99.

¹⁹ See Advisory Commission on Intergovernmental Relations, *Special Revenue Sharing: An Analysis of the Administration's Grant Consolidation Proposals* (M-70), Washington, DC, U.S. Government Printing Office, 1971.

²⁰ "Special Revenue Sharing for Manpower, The President's

Message to Congress, March 4, 1971," *Weekly Compilation of Presidential Documents*, Washington, DC, U.S. Government Printing Office, March 8, 1971, p. 419.

²¹ *Ibid.*, p. 421.

²² U.S. Department of Labor, *Manpower Report of the President, 1973*, Washington, DC, U.S. Government Printing Office, 1973, p. 32.

²³ U.S. Congress, Senate, Subcommittee on Employment, Poverty, and Migratory Labor, *Job Training and Employment Legislation, 1973: Hearings*, 93rd Cong., 1st Sess., Feb. 27, March 6, April 3 and 12, and May 3 and 4, 1973, Washington, DC, U.S. Government Printing Office, p. 280. See also the memorandum from DOL's solicitor on "Authority Under MDTA to Implement Revenue Sharing," *Ibid.*, pp. 356-58.

²⁴ *Ibid.*, p. 54.

²⁵ *Ibid.*, p. 76.

²⁶ *Ibid.*, p. 106.

²⁷ *Ibid.*, p. 591.

²⁸ *Ibid.*, p. 282.

²⁹ *Ibid.*, p. 290. It should be noted that Section 401(a) of the bill authorized the Secretary of Labor to revoke a prime sponsor's designation and withhold funds whenever he determined that the sponsor engaged in discriminatory practices, incurred unreasonable administrative costs, neglected to give due consideration to the continued funding of programs

conducted previously under EOA or MDTA that had demonstrated their effectiveness, did not provide reasonable assurances that training and other services would lead to employment or enhance self-sufficiency, or failed to carry out the purposes of the act.

³⁰ *Ibid.*, p. 291.

³¹ *Ibid.*, p. 287.

³² U.S. Congress, House, Select Subcommittee on Labor, *Comprehensive Manpower Act of 1973: Hearings*, 93rd Cong., 1st Sess., Oct. 24 and 29, 1973, Washington, DC, U.S. Government Printing Office, p. 42.

³³ *Ibid.*, p. 81.

³⁴ *Ibid.*, p. 131.

³⁵ *Ibid.*, p. 110.

³⁶ U.S. Congress, House, Committee on Education and Labor, *Comprehensive Manpower Act of 1973: Report*, 93rd Cong., 1st Sess., Nov. 21, 1973, Washington, DC, U.S. Government Printing Office, p. 2.

³⁷ *Ibid.*, p. 7.

³⁸ *Ibid.*, p. 8.

³⁹ *Ibid.*

⁴⁰ *Ibid.*

⁴¹ *Ibid.*, p. 7.

⁴² *Ibid.*, p. 9.

Chapter II

The Implementation Process

An assessment of the CETA block grant experience must recognize two critical factors that shaped implementation efforts and conditioned their results—time and economic conditions. The CETA legislation is only three years old. Although this period is sufficiently long to discern changes from the categorical mode of planning, allocating funds, and decisionmaking, most observers believe that more time will be needed before the results of these procedural changes can be determined in terms of individual participants, the nation's labor force, and the economy. After all, the first year of the program was largely a break-in period, because both previous and new recipients of federal manpower dollars had to set up an apparatus to plan for, allocate, and administer block grants. Most of these organizational efforts were conducted under ambitious time schedules.

The degree of sophistication in manpower planning and program development varied widely from recipient to recipient. Most CETA prime sponsors had little experience and relied on staff members who had administered the PEP program or on previous service deliverers. Moreover, the adaptability of many jurisdictions to the block grant was limited because they inherited a service delivery system that had been geared to categorical programs; hence, much time had to be devoted to accommodating old interests into a new decategorized structure. This change was particularly difficult for some large cities that experienced a reduction in categorical funding levels as a result of the CETA allocation formula.

The transitional difficulties were exacerbated by the severe economic recession that began in the fall of

1974. The unemployment rate began to spiral, jumping from 5.5% during the first quarter of FY 1975 (the initial year of CETA implementation) to more than 9% by the fourth quarter—the highest since the end of the Depression. Acting under pressures to spend federal funds quickly to abate unemployment, local governments directed substantial resources to public service jobs under Titles I, II, and VI of the act. From the standpoint of both Congressional intent and subgovernment politics, problems were created as the block grant began to function more and more like countercyclical aid and less and less like a traditional assistance program geared to meeting structural unemployment problems. From the standpoint of recipient capacity building, problems were also created as planning, program development, and management assistance needs were subsumed by the push to distribute the money.

In light of these factors, the following analysis of CETA implementation should be regarded as an early look at the block grant in operation rather than a definitive investigation of the strengths and weaknesses of this instrument. Other studies are underway that will probe the CETA experience in greater depth and over a longer time period.¹ The purpose here is to undertake a process evaluation of the conversion from categorical to block grant decisionmaking in the manpower field. This evaluation, in turn, will provide a basis for determining the extent to which the essential traits of the block grant instrument are embodied in CETA.

The following examination covers the first two years of CETA, reflecting the effects of time and the economy on decategorization. The first part discusses

the initial 12 months of CETA implementation. In view of the categorical heritage, the time crunch, and the lack of sponsor experience, this startup period provides a glimpse of the immediate administrative problems confronted during the transition to the block grant. The next part covers the second year of CETA. During this period, sponsors should have resolved most of their early transition difficulties and begun to make decisions on the manpower program mix best suited to their employment and training needs. Even though the diversity of sponsor expertise makes it unlikely that a sharp change from categorical to block grant behavior can be discerned, a gradual shift of this type should be registered for most recipients.

THE TRANSITION PERIOD

The first nine months of 1974 were a frantic period for the Department of Labor's (DOL) Manpower Administration: CETA regulations and technical assistance guides were drafted; transfers of personnel and authority from the central to the regional offices of DOL were arranged; prime sponsors were designated; a procedure for distributing funds was developed; and Title I and II plans were reviewed and approved. By October 1974, 98% of the Title I grant agreements had been signed with sponsors and 287,000 persons had been enrolled in Title I programs. All of this activity took place under the watchful eye of the manpower subgovernment.

In view of the hybrid nature of the CETA block grant and the explicit and implicit statutory constraints on the authority and discretion of state and local governments, the transition from categorical to block grant administration was a critical stage. Although there had been general agreement in the Congress on the need for less rigid program categories and more recipient flexibility in funds use, the resolution of specific issues associated with decategorization and decentralization was in the hands of DOL. These included such questions as: How specifically should national goals be stated? How much discretion should be accorded sponsors? How and under what conditions should federal officials overrule state and local decisions? In short, would DOL adopt the revenue sharing model, the categorical model, or a middle-ground approach in administering the act? A spokesman for the AFL-CIO put it this way: "We didn't get all the (statutory) language we wanted. I feel that there is enough to clearly indicate the federal role. Whether or not this Labor Department administers it that way is another thing."²

Generally speaking, DOL's decision on how to implement the act was a compromise that gave both opponents and proponents of special revenue sharing some basis for claiming victory. Certainly, the intent was not to "put the money on the stump and run," as critics of the administration's proposals had once claimed. Nor was it to turn back the clock to the categorical grant days. A content analysis of the *Regional Office Handbook*, issued as a supplement to the regulations, revealed the following examples of what one observer has called the "but on the other hand approach" that characterized the effort to strike an administratively feasible and politically desirable balance between national and state-local interests:

The act requires there be a strong and active federal role at all stages of plan review, assessment of plan implementation and provision of technical assistance to assure that a prime sponsor's program is in compliance with all the provisions of the act and the Secretary's regulations. . . .

(But) the Secretary will not second guess the good faith judgment of the prime sponsor in developing and implementing a program to meet the needs of the area. . . .

However, the Secretary may not rely on certification alone to insure that federal funds are expended in accordance with the law.

(But) the federal government will not intrude in the day-to-day operations or decisionmaking processes of the prime sponsor. . . .

The prime sponsor's judgment in developing and implementing its CETA program will prevail as long as it is consistent with the purposes and provisions of the act. The (Department of Labor) . . . will not interpose its judgment on a prime sponsor's plans or operations unless there is clear evidence that the sponsor's actions are not in compliance with the purposes and provisions of the act.³

Given this ambiguity, actual implementation experience, rather than the language in the act and administrative regulations, provides the key to answering questions about the degree of decentralization under the block grant. The following discussion attempts to identify changes in the grantor and grantee roles that began to emerge during the transition period.

Prime Sponsor Designation

Although decategorization was an important objective of CETA, the authorization of comprehensive manpower programs was not a unique feature of the act. A precedent for this approach is found in the 1967 amendments to the *Economic Opportunity Act*, which authorized the Office of Economic Opportunity (OEO) and DOL to jointly designate a single prime sponsor to handle local manpower programs. Neither agency, however, could agree on how to carry out this arrangement.⁴ The new element in CETA was the requirement that prime sponsors be elected officials of general purpose governmental units. This approach was a departure from categorical traditions. But, associated with the "benefits" of this generalist involvement were certain "costs" in block grant implementation.

For FY 1975, DOL designated 403 governmental and other units that were eligible to be prime sponsors under the act. These included 214 counties and cities, 134 combinations of these jurisdictions (consortia), 47 balance-of-state sponsors, and four rural Concentrated Employment Program (CEP) sponsors. Eighty percent of the \$1.58 billion Title I appropriation was allocated to these sponsors in accordance with their previous manpower funding level, number of unemployed persons, and number of adults in low-income families.⁵ Table II-1 shows the distribution pattern.

Although Title I is labeled "Comprehensive Manpower Services," block grants accounted for only 34% of the \$3.742 billion total FY 1975 CETA appropriation. In addition, although DOL had jurisdiction over nearly 70% of the federal funds for employment and training, several other departments and agencies also administered programs of this type. These included: HEW (social services, vocational rehabilitation, high school work study, CETA support); the Veterans' Administration (on-the-job training, vocational rehabilitation, veterans' assistance centers); the Community Services Administration; the Equal Employment Opportunity Commission; and the Departments of Housing and Urban Development, Justice, Commerce, and Interior.⁶ During the first year of CETA's operation, the fiscal scope of the block grant was limited to about one-fifth of the total federal outlays for employment and training purposes.

The failure of Title I of CETA to encompass a substantial portion of the federal government's grants in this area meant that the authority of elected officials to plan, develop programs, and allocate funds to deal with structural unemployment problems was largely confined to the block grant arena. Moreover, in

view of the various channels through which employment and training dollars flow into a jurisdiction, the elected official needed to be concerned about coordination of undertakings supported by block grants, by CETA categoricals, and by non-CETA categoricals. The importance of this role was underscored by the National Commission for Manpower Policy:

The authority and prestige of the locally elected official can be a major influence in effecting greater program coordination. If the chief elected official (governor, mayor or county executive) indicates an interest in achieving the maximum benefit from the manpower program resources available and sees value in a more coordinated effort, there is a greater likelihood that manpower coordination will occur. Without the in-

Table II-1

Profile of Title I Prime Sponsors, FY 1975

Type	Number	Percentage of Funds Allocated ^a
City ^b	58	22.4%
County	156	15.3
Consortium ^c	134	30.5
State ^d	47	31.2
CEP ^e	4	0.5
Territory ^f	4	0.2

^aTotal does not add to 100.0% because of rounding.

^bIncludes three jurisdictions where city and county are coterminous.

^cIncludes five statewide consortia.

^dIncludes the District of Columbia and Puerto Rico; statewide consortia are listed as consortia.

^eIncludes only funding to CEPs from Secretary's discretionary amount.

^fTitle I provides at least \$2 million to be allotted among Guam, the Virgin Islands, American Samoa, and the Trust Territory of the Pacific Islands.

Source: U.S. General Accounting Office, *Progress and Problems in Allocating Funds Under Titles I and II—Comprehensive Employment and Training Act*, Washington, DC, U.S. Government Printing Office, January 1976, p. 28.

volvement of the chief elected official, coordination is not impaired but rather denied a valuable assist.⁷

This task, however, was potentially complicated and controversial, especially for elected officials who lacked previous experience in the employment and training field.

Most of the prime sponsors had not received federal financial support for manpower purposes prior to FY 1975. Only about 30 sponsors had conducted CEP or Comprehensive Manpower (CMP) programs; half had been awarded multiyear CAMPS grants in 1969 or 1970. In August 1973, when it became apparent that elected officials would play a major role under manpower reform legislation, DOL began to make operational planning grants to jurisdictions that had not received CAMPS funding and would qualify as prime sponsors under the new act. Many of these sponsors were counties that had not been eligible for CAMPS grants except through a joint city-county planning body.

This lack of sponsor experience with previous categorical grants was a mixed blessing. On the one hand, necessary administrative structures and processes, as well as working relationships with business, labor, and other interests, could be established without being unduly compromised or curtailed by past commitments or actions. On the other hand, some sponsors were ill-equipped to respond effectively to the various demands of the act and DOL's regulations during the startup period.⁸ The unfamiliarity of most sponsors with manpower programs, coupled with pressures for prompt action generated by passage of the act in the middle of the fiscal year, led many recipients to rely more heavily on existing categorical grant arrangements than otherwise might have been the case.

Organizational Decisions

Organizational, rather than programmatic, matters dominated the first year of CETA operations. Three major decisions had to be made by sponsors: the formation of consortia, the creation of planning councils, and the establishment of an internal administrative structure.

CONSORTIA

Although eligibility for financial assistance was based on jurisdictional population size, the act contained incentives for individual local governments to

broaden their coverage of a labor market area by combining into "consortia." DOL's regulations defined this entity as:

... consisting of general local governments which are (A) located in reasonable proximity to each other; (B) each of which retains responsibility for operation of the program; (C) at least one of which has a population of 100,000 or more persons; and (D) which as a consortium, can plan and operate a comprehensive manpower program that provides administrative and programmatic advantage over the other methods of delivering services under the act.⁹

Local governments could receive an additional amount of up to 10% of their Title I allocation if they joined a consortium that covered 75% or more of a labor market area.

As is indicated in Table II-1, one-third of the prime sponsors during FY 1975 were local, statewide, or balance-of-state consortia. All but 25 of these 140 sponsors received bonus funds. However, surveys undertaken by both the CETA evaluation staff of DOL's Employment and Training Administration (ETA)¹⁰ and the Committee on Evaluation of Employment and Training Programs of the National Academy of Sciences (NAS)¹¹ reveal that the availability of incentive funds was an important, but not primary, factor responsible for the formation of consortia. Greater administrative efficiency was reported by participants in the ETA study as the main reason, while the NAS interim report found that "decisive factors in the formation of consortia were mutual trust based on previous successful joint efforts and the ability to agree on the distribution of authority and resources."¹² Table II-2 shows the results of the ETA survey.

The decision to form a consortium normally was made by the chief executive or administrative officer. Several considerations entered into this decision, i.e., past regional relationships, urban-rural or central city-suburb cleavages, and compatibility of needs. As suggested in Table II-3, existing regional bodies, DOL regional offices, and the state had little influence on these decisions.

The absence of influence by councils of government and regional planning commissions in consortium formation carries over to the role of these bodies in the decisionmaking process, which is dominated by CETA administrative staff and representatives

Table II-2

**National Estimate of Reasons Most Frequently Cited
by Respondents for Formation of Consortia**

Reasons Cited	Percent Citing Reason in Principal Jurisdiction ^a		
	CETA Administrators	Chief Executive Officers	Federal Representatives
Incentive bonus	53%	63%	66%
Other financial advantages	43	34	19
Better labor market coverage	63	62	43
Better use of training and other facilities	47	64	33
Administrative efficiency	65	80	75
Other programmatic advantages	26	15	7
Other administrative advantages	19	17	24

^aColumn totals add to more than 100% because each respondent could identify as many reasons as appropriate.

Source: U.S. Department of Labor, Employment and Training Administration, Office of Manpower Program Evaluation, "Consortia Prime Sponsors in Fiscal 1975," Washington, DC, DOL, July 24, 1975, unpublished draft, p. 8.

Table II-3

Key Individuals or Groups Involved in Decision to Form Consortia

Individual or Group	Number of Respondents Citing Individual or Group		
	CETA Administrators	Chief Executive Officers	Federal Representatives
TOTAL^a	17	17	17
Chief executive officer/chief administrative officer	16	13	9
City/county council	5	7	3
Regional council of government or planning council	4	2	2
Regional office	2	1	3
State	1	—	—
Other, do not know, no answer	1	1	6

^aColumn entries exceed totals because each respondent could identify as many decisionmakers as appropriate.

Source: U.S. Department of Labor, Employment and Training Administration, Office of Manpower Program Evaluation, "Consortia Prime Sponsors in Fiscal 1975," Washington, DC, DOL, July 24, 1975, unpublished draft, p. 13.

of the largest local member (see Table II-4). These findings suggest an absence of communication and coordination between manpower consortia and established regional bodies, which handle comprehensive regional planning, A-95 review, and functional planning, during the early stages of CETA implementation. Some coordination, however, does take place among consortia and between individual sponsors and consortia, but mainly through informal arrangements.

PLANNING COUNCILS

The act requires prime sponsors to establish planning councils that are broadly representative of clientele groups. The purposes of this mechanism are to provide access to particular individuals and community-based organizations affected by CETA and to give them an opportunity to make recommendations on the sponsors' goals, policies, plans, programs, and procedures. DOL's regulations specify additional conditions: councils must represent the geographic area being served, sponsors must insure the participation of community and target groups in the planning process, and councils must monitor and evaluate CETA pro-

grams in the sponsor's jurisdiction and analyze on a continuous basis employment and training needs. In the final analysis, these bodies were intended to be advisory mechanisms because sponsors retain full program authority, and the chief elected official chairs about half of the councils and designates the chairperson in the remainder.¹³

Within the general framework established by the act and DOL regulations, sponsors may exercise considerable discretion over council composition. During the first year of CETA operations, the size of a planning council ranged from ten to 30 members. The average was 21 members for city sponsors, 19 for counties, 22 for states, and 27 for consortia. In a typical council, about 35% of the members were from client groups or community-based organizations, 25% from business and labor, 15% from educational institutions, and 10% from other groups. The remaining 15% of the membership were local elected officials (see Table II-5).¹⁴ Approximately half of the council members had previously served in a similar capacity in federal manpower categorical grants.¹⁵ In general, council members, administrators, and planning staff were satisfied that the various interests in the employment and

Table II-4

National Estimates of Relative Distribution of Major Decisionmaking Responsibilities in a Consortium, as Seen by the CETA Administrator

Decisionmakers	Percent Citing Type of Decision ^a		
	Policy Decisions	Administrative Decisions	Evaluation and Monitoring Decisions
Principal jurisdiction	60%	77%	42%
Other individual member	27	7	—
Consortium executive board	61	22	27
Council of governments	—	—	3
Manpower planning council	41	—	15
CETA administrative staff	52	76	89
Other specially created body	—	2	2
Other, no answer	19	4	19

^aColumn totals add to more than 100% because respondents could identify as many individuals/groups as appropriate.

Source: U.S. Department of Labor, Employment and Training Administration, Office of Manpower Program Evaluation, "Consortia Prime Sponsors in Fiscal 1975," Washington, DC, DOL, July 24, 1975, unpublished draft, p. 18.

Table II-5

Size and Composition of an Average Council ^a

Community Sector	Average Number on Council During FY 1975	Percent of Total Membership
TOTAL	22	100%
Elected officials	2	11%
Employment service	1	6
Vocational education	1	5
Public schools	1	5
Community colleges	0.5	3
University	0.5	2
Vocational rehabilitation	0.5	2
Business	4	16
Labor	2	9
Clients	4	17
Consortia	1	4
Community-based organizations		
CAA	1	5
OIC/SER/Urban League	0.5	1
Other	2	9
Other sectors	1	3

^aMean based on size and composition of 64 councils.

Source: U.S. Department of Labor, Employment and Training Administration, Office of Manpower Program Evaluation, "Consortia Prime Sponsors in Fiscal 1975," Washington, DC, DOL, July 24, 1975, unpublished draft, p. 11.

training field were adequately represented.

Although few significant structural changes were evident from the advisory bodies associated with CAMPS or other earlier programs, there was a shift under CETA toward greater influence on the part of the CETA administrator and staff and a decline in that of manpower service agencies. Another marked change was heightened interest on the part of elected officials in council activities.¹⁶

INTERNAL PLANNING AND ADMINISTRATIVE STRUCTURE

The reliance of CETA upon elected officials of local and state governments, as opposed to private nonprofit organizations, helped expand and institutionalize manpower planning within these jurisdictions. Moreover,

closer links were developed between planners and program administrators.

About three-fourths of the prime sponsors placed the unit responsible for CETA planning and administration directly under the chief elected officer or in an agency closely associated with this official. The CETA administrator usually reports formally to, and works closely with the chief elected or chief administrative officer. This proximity to the political leadership of a community enhanced the clout of the CETA unit, made coordination easier, expedited policy clearances, and helped simplify administrative procedures.¹⁷ At the same time, CETA units appear to be relatively independent. Although the chief elected officer may appoint council members, review budgets, advise on staff hiring, and consider policy recommendations, the CETA administrator's views generally carry great weight in planning and policy formulation and, to a somewhat lesser extent, in program funding.¹⁸

In staffing CETA units, priority was given to former employees of categorical programs that had been folded into the block grant. Hence, a substantial number of professional staff members were knowledgeable about manpower planning and administration. The ETA survey, for example, found that 80% of the staff in the 60 survey sites had pre-CETA experience—usually in the CEP, CAMPS, and PEP programs.¹⁹ A large number of these personnel, however, had temporary status and could not benefit from the tenure and retirement benefits of those in the civil service. This classification reflected uncertainties over whether a sustained level of federal funding would be achieved. It also was due to the reluctance of CETA administrators to delay hiring until the civil service agency would certify positions, conduct and evaluate examinations, and develop lists of qualified candidates.²⁰

Operations and Outcomes

The preceding discussion indicates that two significant organizational changes occurred in the transition from a categorical to a block grant mode of administration: general purpose governmental units became the preferred grantee, and elected officials assumed a key role in decisionmaking. Otherwise, sponsors inherited an advisory structure and professional staff that were basically carryovers from earlier programs. These factors, coupled with time pressures on the implementation process, rapidly changing unemployment levels, and the inexperience of many sponsors conditioned the extent to which Title I operations and outcomes departed from those of the

categorical era. These differences can be probed in four major areas of decision: planning, use of service deliverers, resource distribution, and participant characteristics.

PLANNING

Title I authorizes the use of federal aid for a wide range of manpower programs and activities, including:

- outreach, recruitment, orientation, counseling, testing, placement, and followup services;
- classroom instruction;
- subsidized on-the-job training by public and private employers;
- payments to persons in training for which they receive no remuneration;
- supportive services, such as health care, child care, residential support, and other assistance, to enable individuals to take advantage of employment opportunities;
- development of labor market information;
- assistance to community-based organizations providing manpower services; and
- transitional public employment programs.

In addition, CETA's Title I funds may be used for the special target groups (e.g., Indians, migrant and seasonal farmworkers, youth) identified in Title III and for Job Corps programs authorized in Title IV. The mix of these services and whether they are to be provided through previous or new manpower programs and delivery organizations are matters decided by prime sponsors.

In order to be eligible for block grants, a sponsor must submit a plan to the Secretary of Labor for approval. In addition to describing the service mix, the plan must indicate short and long-term performance goals and areas to be served as well as give assurances that persons "most in need" will receive adequate treatment.

According to the ETA's survey projections, about 40% of the prime sponsors reported adopting goals for FY 1975 Title I programs that were basically the same as those for the earlier CAMPS activities.²¹ For the

most part, long-term goal statements were vague, not results oriented, and incapable of being measured.²² The principal short-term goal was to start the program.

Part of CETA's categorical heritage was the specification of a number of target groups to be served by federal manpower funds. These included the poor, youth, minorities, older workers, and others. The act defines these groups very generally as "economically disadvantaged, unemployed and underemployed" or as "those most in need." Although DOL's regulations refined and clarified the statutory language, considerable latitude still is accorded sponsors in determining which target groups will be served and their relative priority. Thus, a sponsor can focus on the needs of the disadvantaged, the structural problems of the labor market, and/or the special difficulties involved in cyclical unemployment. A case study of the manpower program experience in Boston, MA, indicated five groups in need of employment and training services and some implications of decisions to serve one or more of them.

(1) Sponsors may choose to serve the most disadvantaged—those with little education, few skills, and the greatest likelihood of facing discrimination. Family heads whose dependents require additional attention may also be counted among the most disadvantaged. To help these groups requires efforts which have high costs, long duration, and probably low success rates. (2) In contrast, sponsors may choose to serve persons with fewer strikes against them and who could be helped at lower costs, thereby registering a high proportion of successful efforts. Many unemployed and low-wage workers as defined by CETA will fall into this category. (3) A third strategy might be to aim manpower programs at the groups constituting the largest proportion of the needy, for example, urban youth or, in some areas, urban whites. But with limited funds, their numbers among the needy could not be expected to be reduced substantially. (4) Conversely, intensified assistance to smaller groups—the non-English speaking, for example—would be more likely to yield a recognizable impact in well-defined neighborhoods. (5) Finally, another option might be to direct manpower efforts at socially volatile groups like drug addicts or former offenders, at high

per capita costs and little guarantee of success.²³

According to ETA's survey results, sponsors were inclined during the transition period to include in their plans programs that had been launched prior to CETA enactment. Projected nationwide, about two-thirds of the CETA planners relied on previously existing programs as the determinant of target groups.²⁴ Data on population, labor market and economic conditions, and other factors related to this decision generally were unavailable or not used. Most changes in program direction that were made by sponsors were shifts in funding for projects or in service deliverers or the addition of new programs to serve particular groups. As NAS observed, "... past experience in operating programs and gut reactions appeared to be more important in reaching decisions than the availability of statistical profiles."²⁵ Although reliance on the categorical constituency benefited, to some extent, the disadvantaged, ETA concluded:

... it appears that the result of the negotiations on target groups and service deliverers in the first part of 1975 was retention of "something for everybody" in the plan—i.e., a strategy of dispersed, rather than target group, impact.²⁶

The effects of the decision to make only incremental changes are reflected in Table II-6, which shows the pre- and early post-CETA service mix. The national projections suggest that substantially fewer block grant funds were planned for classroom training. Cities appear to be the only sponsors interested in maintaining institutional training at categorical levels. Otherwise, no significant overall shifts appear in the types of program activity. Two points of interest, however, are that states and consortia planned to allocate more resources for work experience than previously, and that counties planned to allot substantially more of their Title I funds to public service jobs than other sponsors. According to ETA, about one-third of all sponsors decided to use block grants for public service employment purposes.²⁷

One characteristic of the block grant instrument is recipient flexibility. This feature was underscored during the first year of CETA as sponsors made adjustments in their planned Title I expenditures in response to steadily worsening economic conditions and unemployment rates. Table II-7 reveals that between December 1974 and June 1975, prime sponsors made a

significant increase in their planned use of work experience and slight decreases in planned outlays for classroom training, on-the-job training, and services to clients. These revised plans indicate that significant departures from categorical funding levels occurred in each area of activity as the block grant program matured.

These findings suggest that despite their broad based representation and fairly extensive advisory activities, the planning councils did not exercise much influence during the first year of program operations. For example, as shown in Table II-8, both council members and planning staff reported that issues relating to service mix had been raised. Council recommendations on these and other matters normally were adopted by the chief elected official, although in most cases the council merely had suggested approval of the staff's plan. The chief executive officer's views may have predominated in the decisionmaking process, especially because this official appointed most council members, attended meetings, and occasionally served as the chairperson.

To probe the issue of council impact, ETA survey participants were asked to classify the amount of input into four "areas of comment" surrounding the selection of service deliverers—development of selection criteria and procedures, review of potential deliverers, recommendation process, and the judgment of council members on council influence. The results indicated that on the average, the councils had major input in 15% of the sponsors, modest input in 55%, and minimal or no input in the remainder. Higher levels of participation were registered in counties and consortia than in cities or the balance-of-state area.²⁸

For the most part, the planning councils did not spend much time deliberating on the plan, largely because of time pressures. Only 20% of the sponsors drafted the plan or worked closely with the staff on its development. Usually, the councils gave a pro forma endorsement to plans drafted by council staff.

Once the plan had been prepared, sponsors circulated it for review by community groups not represented on the council and, in accordance with the act, published a plan summary in the classified section of local newspapers of general circulation. However, only about 10% of the sponsors in the ETA sample reported receiving any feedback.²⁹ Similarly, the statutory requirement that state and local agencies review CETA plans and comment thereon pursuant to Office of Management and Budget (OMB) Circular No. A-95 produced relatively minor suggestions for changes; 65 of the 66 sponsors in the sample made no

Table 11-6

Percent Distribution of Title I Resources by Type of Activity and Sponsor
in FY 1975 and in Comparable Categorical Programs, FY 1974

Type of Program Activity	Cities	Type of sponsor				CETA Sample Sponsors ^a (N=58)	CETA Sponsors ^b (N=394)	Categorical Program ^c
		Counties	Consortia	States				
TOTAL	100%	100%	100%	100%	100%	100%	100%	
Classroom training	40%	34%	32%	32%	34%	32%	42%	
On-the-job training	10	14	13	17	13	16	18	
Public service employment	3	13	3	2	3	5	—	
Work experience	24	28	38	43	35	36	36	
Services to clients ^d	22	9	13	6	13	11	4 ^d	
Other	1	2	—	—	1	1	4	

^aExcludes eight sponsors, for which data not available.

^bExcludes nine sponsors, for which data not available.

^cExcluding summer youth programs and EEA-funded activities.

^dIncludes manpower and support services not directly related to another training activity. In the FY 1974 data shown, services to clients have been redistributed among other activities.

Source: U.S. Department of Labor, Employment and Training Administration, Office of Manpower Program Evaluation, "Prime Sponsor Planning for Fiscal 1975," Washington, DC, DOL, July 25, 1975, unpublished draft, p. 57.

Table II-7

**Comparison of Title I Planned Expenditures
Among Program Activities for all Prime Sponsors^a
(December 1974 - June 1975)**

Program Activity	Percent of Total Expenditure	
	December 1974	June 1975
Classroom training ^b	34%	32%
On-the-job training	15	11
Public service employment	6	6
Work experience	33	41
Services to clients	11	9
Other activities	1	1

^aIncludes 403 prime sponsors.

^bIncludes funds expended from the governor's special grant for vocational education.

Source: U.S. Department of Labor, "Comprehensive Employment and Training Act Review and Oversight, Part I: Background and First Year Results," Washington, DC, DOL, December 5, 1975, unpublished draft, p. 24.

substantive revisions due to these reviews. It was estimated that nationally only about one-fourth of the council members were aware of the comments that were submitted—or even that a review procedure was mandatory. In light of these findings, the view of three-fourths of the planning staffs that the A-95 review process was not helpful is not surprising. At the same time, only three sponsors believed that it should be eliminated.³⁰

In addition to the A-95 process, manpower plans are subjected to a state-level review. Under the act, the states are assigned two principal responsibilities. First, they serve as prime sponsors for jurisdictions under 100,000 population that are ineligible to receive direct funding. In these instances, the governor acts as the prime sponsor for the balance of state and, as such, performs the same tasks as the chief executive officer of a local prime sponsor. The governor must appoint a planning council, provide for the planning of employment and training programs, and implement these plans in the balance-of-state area.

Second, the states are responsible for the coordination of all manpower-related activities within their

borders. To facilitate carrying out this function, 4% of the total Title I appropriation is made available to the governor in the form of discretionary funds proportionate to the state's formula allocation. A state manpower services council (SMSC) must be created by the governor to oversee local prime sponsor and state agency manpower activities. The staff and operations of this body are supported by 1% of the amount allotted to prime sponsors under Title I.

During the transition period, each state set up an SMSC that included representatives of various interests specified by the act. This body normally is chaired by a member of the governor's cabinet and the members are appointed by the governor. The composition of an average council is shown in Table II-9. Slightly more than one-third of the representatives are local prime sponsors—a significant proportion in comparison with both the other groups serving on the SMSC and the amount of membership accorded these sponsors in

Table II-8

**Key Planning Issues Reported
by Planning Council Members
and Staff, FY 1975**

Issue	Percent of Respondents Citing Each Issue	
	Members (N=211)	Planning Staff (N=44) ^a
Basic program goals or objectives	9%	9%
Selection of target groups	25	18
What activities to provide	15	9
Funding levels	20	27
Selection of service deliverers	19	36
Administrative or operating issues	15	30

^aDetail may not add to totals because respondents may have cited multiple issues.

Source: Adapted from U.S. Department of Labor, Employment and Training Administration, Office of Manpower Program Evaluation, "The Role of the Planning Councils and Community Participation in the Planning Process," Washington, DC, DOL, July 21, 1975, unpublished draft, pp. 33, 37.

CAMPS and other federal categorical manpower programs. About one-third of the council members in ETA's survey sample had prior experience on such bodies.³¹

Most SMSCs have a fairly well developed structure. About half have a charter and/or bylaws and meet on a regular monthly schedule. Generally the meetings are well attended. The councils included in ETA's survey had a staff size ranging from two to 35 positions. Eighty-seven percent of these people had pre-CETA manpower program experience.³²

Like local planning councils, the SMSCs were concerned mainly with organizational matters during the first year of CETA. ETA found little evidence that the councils had been able to fulfill their coordinating role; only a small fraction of prime sponsor plans were reviewed by the staff and practically none by the council, plus little monitoring or evaluation activity took place although procedures were established.³³

The states' oversight and coordinating roles in manpower block grants did not appear to generate much friction during the early days of program implementation. As is indicated in Table II-10, nearly half of the CETA administrators and two-thirds of the chief planners surveyed by ETA thought that relationships with the state had improved. The major reason given by these officials was increased local authority and autonomy in operating manpower programs.³⁴ Of course, at the time of the interviews, the states' coordinating machinery was still in the formative stage; once it begins to function, changes might well occur in these attitudes on state-local relations.

In summary, the first year of the CETA planning experience was heavily conditioned by the economy, by time, and by the categorical heritage. These and other factors associated with decisions on planned activities led the NAS to conclude, "to a large extent the planning process was considered to be an exercise

Table II-9

Average Composition of the State Manpower Services Councils^a

Community Sectors	Average Number of Members	Percent Distribution of Membership	Percent of Membership Previously on CAMPS or Other Manpower Council
TOTAL	27.3	99.9%	42.7%
Local prime sponsors ^b	9.2	33.7%	22.7%
Other local government	1.5	5.3	6.2
Employment service ^b	1.1	4.0	100.0
State board of vocational education ^b	1.0	3.7	81.8
Other state agencies	4.1	15.0	86.6
Organized labor ^b	1.9	7.0	38.1
Business and industry ^b	2.2	8.0	29.2
Community-based organizations ^b	1.6	6.0	38.7
Client groups ^b	1.7	6.3	36.8
General public ^b	2.3	8.3	44.0
Other	.7	2.6	50.0

^aBased on 11 SMSCs.

^bRequired by CETA Section 107(2)(A).

Source: U.S. Department of Labor, Employment and Training Administration, Office of Manpower Program Evaluation, "The State Role in Coordinating and Strengthening Manpower Programs," Washington, DC, DOL, June 26, 1975, unpublished draft, p. 16.

Table II-10

Change in State-Local Manpower Relations as a Result of CETA,
as Perceived by CETA Administrators and Chief Planners^a

Change	Number and Percent of Respondents ^b							
	CETA Administrators				Chief Planners			
	Sites, Excluding Balance-of-state		Balance-of-State Sites		Sites, Excluding Balance-of-State		Balance-of-State Sites	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
TOTAL	32	100%	11	100%	54	100%	12	100%
No change	15	47	2	18	12	22	1	8
Improved	15	47	8	73	34	63	11	92
Deteriorated	2	6	1	9	4	7	—	—
No answer	—	—	—	—	4	7	—	—

^aWith separate tally for balance-of-state respondents.

^bDetail may not add to totals because of rounding.

NOTE: The question did not ask the CETA administrator if he/she was also the chief planner.

Source: U.S. Department of Labor, Employment and Training Administration, Office of Manpower Program Evaluation, "The State Role in Coordinating and Strengthening Manpower Program," Washington, DC, DOL, June 26, 1975, unpublished draft, p. 42.

to meet Federal requirements.”³⁵ There are some indications, however, that as they become more confident of their role and better equipped to perform their responsibilities, sponsors will rely less upon past commitments and approaches and more upon their own assessments of manpower needs and the best ways to meet them.

SERVICE DELIVERERS

A major objective underlying the use of the block grant in the manpower field was coordinated service delivery. Pre-CETA categorical programs had produced more than 10,000 contracts administered by DOL. In addition to this fragmentation, narrowly focused and separately authorized federal programs had led to a hardening of the categories, which made coordination difficult if not impossible. By decentralizing authority to run manpower programs to state and local governments, broadening the authorized program scope, and removing some of the strings on the use of funds, it was anticipated that the integration of CETA with other manpower-related programs would be facilitated.

Early in the transition period, it became apparent that time would be required to realize these objectives. Confronted by the constraints discussed previously, as well as by the absence of alternative servicing arrangements, most prime sponsors opted to renew contracts with existing program operators. The shifts that did occur in this area were largely a result of changes in the flow of funds under the Title I formula; some sponsors, such as cities, received less block than categorical funds and had to cut back operations. Others, such as counties, received more federal dollars and were able to hire additional service deliverers.

As a result of these factors, ETA found that about two-thirds of the sample sponsors continued to use multiple deliverers in the transition period for institutional training, job development and placement, and other services. Even though a certain amount of multiplicity was necessary to meet diverse participant problems or geographically dispersed needs, the fairly widespread nature of this condition revealed a lag in the undertaking of coordination efforts. On the other hand, one-third of the prime sponsors reported taking steps to either reduce the number of deliverers or consolidate certain activities, such as recruitment, assessment, and counseling, into a single agency.³⁶

Coordination problems also were evident in the provision of services under the different titles of CETA. During the early months of implementation, ETA found that less than half of the sponsors in its

survey sample referred Title I participants to Title II (PEP program) or Title VI (emergency jobs) employment opportunities. Moreover, only one-fourth of these sponsors made arrangements for the provision of Title I services to Title II participants.³⁷

The most significant changes in service deliverers involved state agencies. Under previous categorical programs, especially MDTA and EOA, state employment services (SESs) and state departments of vocational education were “presumptive” service deliverers. In other words, under normal conditions, grantees were expected to use these agencies to provide appropriate manpower services. Under CETA, however, the SESs were considered as one of several possible service deliverers and had to compete for the principal provider role. One effect of this changed status was a reduced SES role in the manpower block grants at both the local and state level.

A national survey was conducted by DOL in February 1975 to determine the effects of CETA implementation on SES staffing. The results indicated a decrease during FY 1975 in the number of staff funded the previous year under MDTA and EOA from 6,679 to 5,885. This amounted to a loss of about 1,700 positions under Title I, although this was offset by increases in staffing under Titles II and VI.³⁸ The impact of these changes varied from state to state. The ETA found that in 30% of the sample sites, funding for the SES was cut back, in 30% it was increased or provided for the first time, and in 40% it was unchanged. In 16 of the 24 NAS sample sites, the SES's role also diminished during the transition period.³⁹

The decline of the SES under the block grant was due to several factors. These included: sponsor reluctance to deal with the state employment service because of dissatisfaction with past performance, a desire to assert more independence in deciding on deliverers, and a need to cut back on costs and avoid red tape; and state constraints on the flexibility of local employment service offices.

Two major concerns have arisen as a result of the curtailment of the state employment service's role in CETA. First, both the SES and CETA prime sponsors provide employability development services—such as intake, assessment, selection for training, and counseling—and operate a labor exchange for persons seeking work and for employers with job vacancies. If their activities are not properly coordinated, it is possible that both agencies could provide similar services to the same clientele in the same areas. This duplication of effort is contrary to the effective and efficient use of manpower resources. Second, although firm judgments

are premature, there is some evidence that the SES is returning to its traditional orientation of assisting job-ready individuals instead of the disadvantaged. As pointed out by the NAS study:

There are signs that the employment service may be returning to its role of serving the job-ready while CETA serves the disadvantaged. This would negate the 10-year effort to make the employment service more responsive to the needs of the disadvantaged. . . . If the early trend continues, a two-tier manpower system may emerge: one for the disadvantaged and another for the better-qualified workers. The employment service is . . . a manpower institution in its own right. As such it is free to compete with CETA program operators for applicants and job openings—this could mean a new round of duplication.⁴⁰

The United States Employment Service is a part of ETA. The deterioration of the long-standing position of its state counterpart as a primary manpower agency was cause for concern. However, the block grant provides the federal administering agency with fewer opportunities than categoricals to influence recipient decisions on service delivery. ETA can inform and encourage; it cannot readily mandate. The following description of its response to the reduced influence and involvement of the state employment service illustrates this point:

The Employment and Training Administration (ETA) is actively fostering cooperation and coordination of manpower efforts between the ES [employment service] and CETA at the national, state, and local level. . . . The ETA has published and distributed to all prime sponsors and SESAs [state employment security agencies] a Technical Assistance Guide to assist prime sponsors to assess SESA resources and to help prime sponsors and SESAs negotiate working partnerships. . . . The ETA has issued instructions to all SESAs, encouraging them to seek coordination in local manpower programs by establishing good working relationships with elected officials and by making their capabilities known to prime sponsors. The importance attached to effective cooperative relation-

ships is evidenced by the fact that improving CETA/ES linkages has been identified as a major goal of the ETA for FY 1976 and FY 1977.⁴¹

The second state agency affected by the shift to block grant decisionmaking was the department of vocational education. Under CETA, two sources of financial aid are available to prime sponsors to design and implement vocational training services in their jurisdictions. The first is the Title I block grant, which may be used for such activities at the prime sponsor's discretion. The second is an earmarking of 5% of the Title I appropriation of the governor to provide supplemental vocational education assistance in areas served by prime sponsors, which amounted to \$79 million in FY 1975. The latter funds are administered by both state vocational education boards and prime sponsors. However, sponsors do not receive directly vocational education funds. State vocational education agencies award moneys to them, normally in accordance with a distribution formula that may or may not be similar to that used for block grants.

Arrangements for service delivery are specified in an agreement between the prime sponsor and the state vocational education agency. Unlike categorical programs, state concurrence with local decisions is not required. As a result, issues have been raised, but not resolved, by the states concerning the selection of trainees, standards of performance, duration of courses, and the general quality of vocational education programs because sponsors have decided to use non-traditional deliverers, such as community colleges.

Flexibility in selecting service deliverers also has characterized the block grant area—occasionally to the chagrin of state administrators. According to a survey of 58 prime sponsors by the National League of Cities-U.S. Conference of Mayors, only about 44% planned to use traditional institutions for all their Title I vocational education programs. The fairly wide discretion possessed by prime sponsors in choosing deliverers of vocational education services, and the relative lack of influence on the part of state agencies over the decisions of these nonprofessionals, appears to be a growing source of friction and state frustration.⁴²

A third change in service deliverers during the transition from categorical to block grant decisionmaking affected national community-based organizations (CBOs). The legislative history of CETA reflected a deep concern on the part of the manpower sub-government with the fate of categorical programs under a decentralized mode of operations. Spokesmen

from the Opportunities Industrialization Centers (OIC); Service, Employment, and Redevelopment (SER); the Urban League; and other organizations expressed fears that their activities would be cutback or diluted. Congress responded with the inclusion of language in both Title I of the act and the conference report expressing its intent that in making resource allocation decisions, priority should be given to the continuation of programs that were successful or of demonstrated effectiveness. Although specific categorical programs were not mentioned, prime sponsors did not lose sight of the general thrust of the Congressional sentiments on this matter. Certain national CBOs have received substantial increases in the number of contracts for local projects and in the amounts of funding. Table II-11 shows the distribution of funds to the Urban League, SER, and OIC during the last year of categoricals and the first two years of block grants.

Accompanying the increased reliance on CBOs as service deliverers was a change in the scope of their operations. Generally, instead of small full-service projects, prime sponsors contracted with these organizations for the provision of specialized components of larger, integrated undertakings. For instance, the Urban League handled on-the-job training, OIC focused on skills training, and SER emphasized English language education. Occasionally, these organizations were assigned functions previously performed by community action agencies (CAAs); hence, greater involvement by some CBOs might have occurred at the expense of others. The NAS study found, for example, that about half of the CAAs in the 28 sample sites played a lesser role in CETA than in previous manpower programs.⁴³

Although the apparent success of CBOs during the early days of block grant funding alleviated some of the immediate concerns about their status under CETA, other issues cloud their long-term prospects. Often, CBOs are not represented on planning councils because of possible conflict of interest considerations. Where they do participate, they may not have voting privileges or their influence may be minimized because of the large membership of the body. CBOs also are not well represented on state manpower services councils, accounting for only about 6% of the total membership.⁴⁴ In addition, to the extent that the role of CBOs is confined to providing specialized components of a larger package of services put together by prime sponsors, their visibility in the community and capacity to respond to the diverse needs of their clientele may be reduced. The NAS study summarized these concerns as follows:

Although funding of community-based organizations has increased significantly, there is a general uneasiness about their new role and their difficulty in adjusting to the prime sponsors' new institutions. They see in the trend toward consolidation a threat to their identity and to the rationale for having separate organizations to deal with specific client groups.⁴⁵

RESOURCE DISTRIBUTION

The preceding discussion of planning, program mixes, and service deliverers indicates that although few significant changes were made during the transition period in the types of manpower services provided to participants, new organizations and decisionmaking processes were established. Moreover, as a result of the

Table II-11

Funds and Local Manpower Projects of Community-Based Organizations

	Pre-CETA FY 1974	CETA FY 1975 ^a
Urban League		
Local projects	47	75
Funds (millions)	\$10	\$16
SER		
Local projects	42	48
Funds (millions)	\$13	\$20
OIC		
Local projects	101	130
Funds (millions)	\$23	\$37

^aFY 1975 figures are those of national organizations and include only the funds under contract to prime sponsors. Additional CETA funds under national contract for technical assistance and training are as follows: Urban League—\$771,000; SER—\$1,375,000; OIC—\$2,920,000.

Source: U.S. Department of Labor, Employment and Training Administration, "Comprehensive Employment and Training Act, Part I: Background and First Year Results," Washington, DC, DOL, December 5, 1975, unpublished draft, p. 21.

basic structural change in federal manpower programs, certain jurisdictions could be expected to be “winners” and others “losers” in the distribution of block grants. This proved to be the case.

Table II-12 indicates the allocations of federal funds under pre-CETA categorical programs and under CETA’s Title I. The principal effect of the distribution formula is to shift dollars from cities to counties.

Prime sponsors were assured under the act that in FY 1975 they would receive not less than 90% nor more than 150% of their funding level during the previous fiscal year. Table II-13, which is based on DOL computations, shows the overall effects of the Title I distribution before hold harmless amounts were included.

Nearly 74% of the prime sponsors would have received less than 90% of their FY 1974 allocation had it not been for hold harmless. A breakdown of these sponsors by type of jurisdiction shows that, on the average, counties would have received 107% of their previous year funding while cities would have received

only 77% (see Table II-14). When adjustments are made for hold harmless in both Tables II-12 and II-14, cities still emerge as the losers and counties as the winners, while balance-of-state and consortia allocations reflect only slight changes.

A major problem in interpreting available data on resource distribution is discerning the amounts made available indirectly to cities and counties through consortia arrangements. The term “consortia” covers a variety of relationships—multicounty, city-county, and multicity—that meet the statutory population floor. Given this jurisdictional ambiguity, it is possible that the member jurisdictions are receiving more block grant funds than Tables II-12 and II-14 indicate. In an attempt to clarify this matter, the NAS study disaggregated the consortia awards, assigning shares to cities and counties and to the rural communities that were part of the balance of state. The results, which appear in Table II-15, reveal that both counties and balance-of-state participants gain from these block grants at the expense of cities.

Table II-12

**Percent Distribution of Manpower Funds,
FY 1974 and FY 1975, by Type of Sponsor**

Type of Sponsor	FY 1974 Manpower Funds ^a	FY 1975	
		Formula Amount	Title I Allocation ^b Adjusted Amount ^c
City	25.1%	21.7%	23.6%
County	13.5	16.3	15.1
Consortium	30.6	30.6	30.9
Balance of state	30.8	31.5	30.4
All Sponsors	100.0 %	100.0%	100.0%

^aFunds or programs corresponding with Title I.

^bExcludes consortium incentives, state funds for manpower services, vocational education, and planning and funds for rural CEPs, Guam, Virgin Islands, Samoa, and Trust Territories.

^cAdjusted to provide each prime sponsor at least 90% but not more than 150% of prior year’s funds.

NOTE: Details may not add to totals due to rounding.

Source: Computed from Manpower Administration data. Cited in the National Academy of Sciences, *The Comprehensive Employment and Training Act: Impact on People, Places, Programs, An Interim Report*, Washington, DC, NAS, 1976, p. 39.

Table II-13

**Title I Formula Allocations as a
Percent of Prior Year Funding Levels, FY 1975**

Formula Allocation as a Proportion of Prior Year Funding	Number of Prime Sponsors	Percent of Prime Sponsors
At least 60% but less than 70%	23	6%
At least 70% but less than 80	148	37
At least 80% but less than 90	122	31
At least 90% but less than 100	47	12
At least 100% but less than 110	32	8
At least 110% but less than 120	12	3
At least 120% but less than 130	4	1
At least 130% but less than 140	1	—
At least 140% but less than 151	8	2
TOTAL^a	397	100%

^aThis total differs from the prime sponsor total cited elsewhere, because it excludes rural CEP grantees and certain other prime sponsors whose allocations were established by the act and because of changes in consortium composition since the date of the computation.

Source: Adapted from U.S. General Accounting Office, *Progress and Problems in Allocating Funds Under Titles I and II—Comprehensive Employment and Training Act*, Washington, DC, U.S. Government Printing Office, January 2, 1976, p. 36.

Table II-14

**Percent FY 1975 of FY 1974 Manpower Funds,
by Type of Sponsor**

Type of Sponsor	Percent FY 1975 Title I Allocation ^a of FY 1974 Manpower Funds ^b			
	Formula Amount		Adjusted Amount ^c	
	Range	Average	Range	Average
City	53-180%	77%	90-150%	90%
County	68-292	107	90-150	108
Consortium	63-143	89	90-134	97
Balance of state	70-127	91	90-127	95
ALL SPONSORS	53-292%	89%	90-150%	96%

^aExcludes consortium incentives, state funds for manpower services, vocational education, and planning, and funds for rural CEPs, Guam, Virgin Islands, Samoa, and Trust Territories.

^bFunds for programs corresponding with Title I.

^cAdjusted to provide each prime sponsor at least 90% but not more than 150% of prior year's funds.

Source: Computed from Manpower Administration data. Cited in the National Academy of Sciences, *The Comprehensive Employment and Training Act: Impact on People, Places, Programs, An Interim Report*, Washington, DC, NAS, 1976, p. 40.

PARTICIPANT CHARACTERISTICS

Three general types of participants are eligible for services under CETA—the disadvantaged, the unemployed, and the underemployed. Both Title I of the act and DOL's regulations call upon prime sponsors to give special attention to "those most in need" within these groups. In addition, under Titles II and VI, which deal with the unemployed and underemployed, special consideration must be given those who have been out of work the longest. Within this framework, it is up to the prime sponsor to identify those who will be served, prioritize their needs, and allocate resources accordingly. Table II-16 shows the results of their decisions in FY 1975 compared to those made under categorical programs the previous year.

In general, the unemployed population served during the first year of CETA block grants was much like that served during the last year of categoricals. The participants were largely young whites with less than 12 years of education. A substantial proportion were economically disadvantaged individuals, although a reduction in the number of participants of this type served by Title I is evident. However, the extent to which the block grant targets resources on critically unemployed individuals, particularly young minorities, is not revealed by the available data.⁴⁶

Table II-16 also reveals how the more focused Titles II and VI programs compare with participants in block grant-funded activities. Both of these titles were aimed at providing countercyclical public service employment. Title II was not designed as such but was used in this manner during the recession, while Title VI was intended as a temporary emergency measure to help abate unemployment. Because of this targeting, the characteristics of their participants are more similar to those of the 1972-73 PEP program and the national unemployed population than to those served by Title I.

According to ETA, 69% of the participants were economically disadvantaged before they entered the Titles I, II, or VI programs, while 68% were unemployed. On the other hand, 25% had not been in the labor force previously and only 5% had been underemployed.⁴⁷

The 9.4% decrease in the proportion of economically disadvantaged participants served by Title I raises questions about how well prime sponsors are responding to statutory provisions that "those most in need" should receive employment and training assistance to the maximum extent feasible. A related cause for concern is the decline in American Indians and Spanish-speaking participants and the only slight (1.5%) rise in the proportion of black participants

from FY 1974 to FY 1975. To some degree, these shifts may stem from the broadened jurisdictional base of the program, particularly the shifting of funds away from central cities and toward suburban counties, smaller cities, and rural areas.

Program Outcomes

Although the one-year transition period was not long enough to permit definitive judgments about the block grant impact, some initial readings of the record are possible. During FY 1975, there were 553,268 terminations from the Title I program, 61% of which were "positive" in the sense that they were for employment or employability reasons (see Table II-17). Twenty-seven percent of these individuals were placed in unsubsidized employment after receiving intake, assessment, job referral, training, and other direct or indirect services provided under CETA. Five percent found jobs on their own. Another 31% of the terminations were accounted for by actions that were intended to increase employability, such as entering school or joining the military.

By way of comparison, fewer positive placements were made under the Titles II and VI programs. In part, this was due to the greater number of direct placements under the block grant and to the targeting of the other titles on areas having substantial unem-

Table II-15

Percent Distribution of Manpower Funds, FY 1974 and 1975, After Reallocating Consortia Amounts

Type of Sponsor	FY 1974	FY 1975
	Manpower Funds	Title I Formula Allocation
City	41.9%	36.1%
County	21.2	25.6
Balance of state	36.8	38.3
TOTAL	100.0%	100.0%

Source: Computed from Manpower Administration data. Cited in the National Academy of Sciences, *The Comprehensive Employment and Training Act: Impact on People, Places, Programs, An Interim Report*, Washington, DC, NAS, 1976, p. 40.

Table II-16

Characteristics of Participants in CETA and Other Programs and of the Unemployed Population^a

Characteristic	Categorical Programs	CETA			PEP	U.S. Unemployed population
		Title I	Title II	Title VI		
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Sex						
Men	57.7%	54.1%	65.8%	70.2%	72%	54.9%
Women	42.3	45.6	34.2	29.8	28	45.1
Age						
Under 22 years	63.1	61.7	23.7	21.4	19	34.8
22 to 44 years	30.5	32.1	62.9	64.8	66	46.0
45 years and over	6.2	6.1	13.4	13.8	14	19.1
Education						
8 years and under	15.1	13.3	9.4	8.4	26	15.1
9 to 11 years	51.1	47.6	18.3	18.2		28.9
12 years and over	33.6	39.1	72.3	73.3	74	56.0
Economically disadvantaged	86.7	77.3	48.3	43.6	38	b
Race						
White ^c	54.9	54.6	65.1	71.1	60	81.1
Black	37.0	38.5	21.8	22.9		
American Indian	3.5	1.3 ^d	1.0	1.1	40	18.9
Other	4.6	5.6	12.1	4.9		
Spanish speaking	15.4	12.5	16.1	12.9		6.5
Limited English-speaking ability	b	4.1 ^d	8.0	4.6	b	b
Veterans						
Special Vietnam era	15.3	5.2	11.3	12.5	29	7.5
Other		4.4	12.6	14.6	14	9.4

^aData on categorical programs are for FY 1974, the final year of their operation. For CETA programs and the U.S. unemployed population, data are for FY 1975, and for PEP, FY 1972 and FY 1973.

^bNot available.

^cIncludes Spanish-speaking Americans.

^dSpecial programs for Indians and those with limited English-speaking ability are also part of Title III of CETA.

NOTE: Detail may not add to totals because of rounding.

Source: U.S. Department of Labor, Employment and Training Administration, *Employment and Training Report of the President*, Washington, D.C., U.S. Government Printing Office, 1976, p. 100.

ployment in contrast to the more national coverage of Title I. Table II-18 shows the different effects of the three titles on varying types of participants. The proportions of women, youth, poorly educated, racial minorities, and the economically disadvantaged enrolled and placed under Title I are much higher than for Titles II and VI.

The Federal Presence

In addition to promulgating and interpreting guidelines, DOL has major facilitative and supervisory responsibilities under CETA. The department relates to prime sponsors through its ten regional offices, which review and approve plans, assess sponsor performance, and furnish advice and assistance on planning and program management. Each regional office has designated a "federal representative" to serve as the

"continuing and primary contact point" with each prime sponsor in its jurisdiction.

The abbreviated startup period delayed the sorting out of appropriate federal roles and responsibilities under the block grant. The emphasis was on expediting plan review and approval and on distributing the funds rather than on delineating block grant relationships. These pressures, coupled with unclear and inconsistent central office communications on policy and procedural matters, sometimes produced different interpretations of the act or DOL regulations by the regional offices. As a result, it is difficult to arrive at a firm assessment of DOL's adjustment to decentralization. Preliminary national and regional data, however, provide some insights into this area.

According to ETA, during the transition period, few prime sponsors complained about federal interference in decisionmaking.^{4,8} In some respects, this is not surprising because none of the Title I plans were

Table II-17

Cumulative Terminations from Programs Conducted Under CETA Titles I, II, and VI, FY 1975

Type	Total		Title I		Title II		Title VI	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
All terminations	658,032	100.0%	553,268	100.0%	70,923	100.0%	33,841	100.0%
Positive	400,601	60.9%	346,693	62.7%	38,479	54.3%	15,429	45.6%
Placements	202,290	30.7	175,906	31.8	16,575	23.4	9,809	29.0
Direct^a	64,206	9.8	62,850	11.4	1,013	1.4	343	1.0
Indirect^b	98,362	14.9	84,507	15.3	9,699	13.7	4,156	12.3
Self^c	39,722	6.0	28,549	5.2	5,863	8.3	5,310	15.6
Other^d	198,311	30.1	170,787	30.9	21,904	30.9	5,620	16.6
Nonpositive^e	257,431	39.1	206,575	37.3	32,444	45.7	18,412	54.4

^aDirect placements: Individuals placed in unsubsidized employment after receiving only intake, assessment, and/or job referral services from CETA.

^bIndirect placements: Individuals placed in unsubsidized employment after participating in CETA training, employment, or supportive services.

^cSelf placements: Individuals who found jobs through their own efforts.

^dOther positive: Individuals who were not placed in unsubsidized employment but are engaged in other activities that increase employability.

^eNonpositive: Individuals who refused to continue or left for reasons unrelated to jobs or activities that increase employability.

NOTE: Detail may not add to totals because of rounding.

Source: U.S. Department of Labor, Employment and Training Administration, *Employment and Training Report of the President*, Washington, DC, U.S. Government Printing Office, 1976, p. 101.

rejected by DOL's regional offices. Instead, about three-fourths of the sponsors were required to clarify or amend their grant submission, usually to provide more information on program components or on technical matters.⁴⁹ This process did not unduly obstruct or impede the flow of funds as would have occurred with plan disapproval.

The technical assistance provided by DOL also facilitated relationships with prime sponsors. In the spring and summer of 1974, ETA prepared "Technical Assistance Guides" (TAGs) on planning, organization

and staffing, forms preparation, fiscal assistance, management information systems, equal employment opportunity, and other areas and distributed them to sponsors. Technical assistance also was provided to nearly all prime sponsors by the federal representatives. Both the TAGs and regional office guidance helped lessen the possibilities of conflict between sponsor plans and the provisions of the act and DOL regulations.

Most of the problems between regional offices and prime sponsors arose out of the uncertainties as-

Table II-18

**Socioeconomic Characteristics of Persons Enrolled, Terminated,^a
and Placed^b Under CETA Titles I, II, and VI,
FY 1975**

Characteristic	Title I			Title II			Title VI		
	Enroll-ments	Termi-nations	Place-ments	Enroll-ments	Termi-nations	Place-ments	Enroll-ments	Termi-nations	Place-ments
Sex									
Men	54.4%	55.4%	57.7%	65.8%	68.3%	67.8%	70.2%	73.9%	78.5%
Women	45.6	44.6	42.3	34.2	31.7	32.2	29.8	26.1	21.5
Age									
Under 22 years	61.7	60.2	41.2	23.7	27.3	20.9	21.4	21.5	17.0
22 to 44 years	32.1	33.6	49.7	62.9	60.8	67.1	64.8	66.6	71.8
45 years and over	6.1	6.1	9.0	13.4	12.0	12.0	13.8	11.8	10.6
Education									
8 years and under	13.3	12.8	9.7	9.4	13.1	7.1	8.4	8.3	7.2
9 to 11 years	47.6	48.9	32.9	18.3	23.2	16.0	18.2	20.8	18.4
12 years	29.3	29.5	43.5	42.5	40.3	44.9	43.7	43.2	46.5
Over 12 years	9.8	8.8	14.0	29.8	23.3	31.9	29.6	27.7	27.9
Minority status^c									
Nonminority	42.9	42.1	44.3	50.1	43.3	58.8	59.1	55.6	67.8
Minority	57.1	57.9	55.7	49.9	56.7	41.2	40.9	44.4	32.2
Economically disadvantaged	77.3	76.2	69.3	48.3	56.4	44.2	43.6	46.8	35.8

^aPersons terminated: Total number of participants who have left the CETA program for any reason.

^bPersons placed: Total number of participants who have left the CETA program and entered unsubsidized employment.

^cMinority status adjusted to include 93.3% of Spanish Americans as white (nonminority), 5% as black (minority), and the remainder as other (minority).

NOTE: Detail may not add to totals because of rounding.

Source: U.S. Department of Labor, Employment and Training Administration, *Employment and Training Report of the President*, Washington, DC, U.S. Government Printing Office, 1976, p. 102.

sociated with the block grant instrument and the hectic nature of the implementation process. The main priority of both parties was funding the plan as quickly as possible. Delays in review by OMB A-95 clearinghouses and SMSCs, in obtaining central office interpretations of regulations language, in satisfying regional office concerns about technical matters (viewed as nitpicking by some sponsors), and in making other modifications in the plan generated frustration, tension, and occasionally ill will. Nevertheless, during the first year of CETA, regional office relationships with sponsors generally were thought of as being cooperative and constructive. ETA's national projections indicated that about half of the federal representatives had experienced no real problems with prime sponsors. The specific complaint mentioned most frequently by local CETA administrators was the lack of time for adequate planning. Chief elected officials, however, complained that adequate planning was inhibited by funding uncertainties.⁵⁰

Although case studies of the first year of CETA implementation revealed a wide diversity of experiences, certain common problems surfaced in addition to those mentioned above. Contrary to the fears of some observers that DOL, during the transition period, would be unwilling to let go of the categorical reins, the central office was criticized by regional offices and prime sponsors alike for not providing clear, consistent, and prompt communications and for not furnishing federal representatives with enough training to enable them to effectively discharge their new responsibilities. Sponsors were particularly critical of the quantity and quality of the technical assistance provided by the federal representatives. In short, DOL's role during certain phases of the first year of implementation appeared to be too passive and permissive rather than too active and assertive.⁵¹

These early problems became particularly sensitive in April 1975 when the regional offices launched a series of special assessments of each sponsor's actual performance. This effort focused mainly on outlays, enrollments, and placements; management information systems; services to the needy; and program quality. The results were to be used as guides for FY 1976 re-funding decisions and for future regional office interactions with sponsors on planning, administrative, and programmatic matters. Nationally, 60% of the prime sponsors received "satisfactory" ratings, 29% were judged "marginal," and 11% were considered "underperformers."⁵² Some sponsors believed that these assessments were a more accurate reflection of DOL's activities than of their own.

THE RECENT RECORD

The first year of CETA operations witnessed major changes in the focus of decisionmaking and flow of federal funds but marginal changes in the types of manpower programs undertaken and participants enrolled. Because FY 1975 was a transition period, the block grant impact could not be isolated from several variables associated with its introduction—a national recession, spiraling unemployment rates, tight time deadlines for implementation, and a rich categorical heritage. By the second year, however, it is reasonable to expect that prime sponsors would begin to chart their own course under the block grant and that a clearer impression could be gained of how they were using their flexibility and discretion under this instrument. This section probes some of the major developments during FY 1976.

Planning

Prime sponsor planning activity was characterized by a continued reliance on general statements of goals or objectives. At the same time, two-thirds of the CETA planners interviewed during the second round of interviews by ETA's CETA evaluation staff reported their program goals or objectives for FY 1976 were different from those adopted in previous years.⁵³ About half of the balance-of-state sponsors also indicated making such changes. For the most part, many of the data problems encountered during the transition period continued to plague the second year of CETA implementation. These included difficulties in identifying skill shortages and other labor market information and in obtaining reliable and current data on past service deliverer performance.⁵⁴

Another development during FY 1976 was growing politicization of the planning process. In general, the tendency to alter goals and objectives and to raise issues in program design and mix, target groups, funding locations, and service delivery strategies increased in accordance with greater planning council interest and activity. This heightened involvement reflected certain shifts in council representational patterns.

PLANNING COUNCILS

The second year of CETA witnessed both structural and operational changes in planning councils. According to the CETA evaluation staff, the size of the average prime sponsor council increased slightly—from 22 to 24 members—with most ranging from 15 to 35

members. Consortia tended to have the largest councils. Most councils established an executive committee, and 60% also set up committees on planning, evaluation, proposal review, labor market analysis, and other aspects of program operations. The focus of many of the councils, however, was on the "what is" rather than the "what should be." In other words, they were primarily interested in the personnel, budgetary, and organizational requisites for carrying out the plan rather than on long-term goals and objectives.

During FY 1976, several prime sponsors made membership changes that tended to make the councils more representative of those who had a direct stake in manpower programs—either as providers or receivers. Based on its sample survey sites, ETA estimated that nationally one of every three members represented service deliverers, and that 44% of the membership were representatives of organizations that benefited financially from CETA or were political leaders or public employees. This trend also was discerned by the General Accounting Office, which believed that it raised a potential conflict-of-interest problem.⁵

The maturation of prime sponsor councils also was accompanied by greater community input. During the transition period, time demands and other pressures limited the expression or recognition of these interests. Yet, in FY 1976, the CETA evaluation staff found that (in about 90% of the sponsors) council members who were spokesmen for clients or CBOs actively presented their views and played a major role in deliberations. Half of the sponsors surveyed could point to specific parts of the plan that reflected this input. Many sponsors made special efforts to inform and seek the opinions of both client groups and the general public. These included promoting attendance at council meetings (78% of prime sponsors and 27% of balance-of-state sponsors); radio and television announcements and newspaper articles (68% and 45%, respectively); invitations to organizations to make presentations (65% and 27%, respectively); special meetings on the Title I plan or programs (55% and 36%, respectively); and sending the draft plan to CBOs for information and comment (53% and 45%, respectively). Nevertheless, views on the results of these attempts were mixed: 58% of the sponsor staff and 68% of the council members thought they had been minimal.

One effect of representational changes was greater council attention to staff-prepared plans and alternative policy recommendations. Twenty-three percent of the sponsor planners and 40% of the council members interviewed by the CETA evaluation staff believed that

their council had played a major role in FY 1976 Title I planning. About two-fifths of the councils made extensive (four or more) recommendations to the planners or chairperson, and in practically every case, they were incorporated into the plan. On the other hand, less than half of the councils played any role in monitoring and less than one-third were involved in evaluation.

By way of comparison, the balance-of-state councils were generally smaller (median size of 20) and less active than those of local prime sponsors. Service deliverers, public employees, or political leaders accounted for an estimated 58% of their national membership. Much of the planning and implementation of Title I programs was done at the areawide level, while community-based input normally occurred at the local level. Although the balance-of-state council discussed issues and considered staff recommendations, by and large they were "rubber stamp" bodies.

ADMINISTRATIVE COSTS

An often overlooked aspect of grants-in-aid management is the administrative costs associated with particular instruments. Under a block grant, for example, the costs of administering the program incurred by the federal government should be less than under a categorical grant, because state and local governments have a substantial policy and implementation role and there are fewer strings to enforce. Although no data are available as to DOL's administrative costs before and after the enactment of CETA, ETA found that for sponsors in the 60 survey sites, the anticipated median amount for Title I programs was 17%.^{5,6} To put this amount in perspective, the costs of planning for and administering crime control block grants at the state, regional, and local levels were 11.5% of Congressional appropriations for relevant titles of the act.^{5,7} However, these figures should be approached cautiously, because the activities that were used to determine the administrative cost rate may differ for each program.

Funding

For FY 1976, DOL designated 431 prime sponsors, a 7% increase over the previous year.^{5,8} As can be seen in Table II-19, counties and consortia accounted for this rise. As in FY 1975, counties were the winners in funding, receiving a 6% increase in their FY 1976 formula allocation and a 13% increase in their adjusted allocation. On the other hand, cities registered a 6% decrease in the former and a 9% decrease in the latter.

Table II-19

Profile of Title I Prime Sponsors, FY 1976

Type of Sponsor	Number ^a	Percentage of Funds Allocated ^b				
		Percent Change from FY 1975	Formula Allocation	Percent Change from FY 1975	Adjusted Allocation	Percent Change from FY 1975
City	58	0%	20.5%	(6)%	21.5%	(9)%
County	174	12	17.2	6	17.0	13
Consortium	145	8	32.1	5	31.3	1
Balance-of-state	46	(2)	30.2	(4)	30.2	(1)
TOTAL	423		100.0%		100.0%	

^aExcludes funding for four rural CEPs and for the Virgin Islands, Guam, American Samoa, and the Trust Territories.

^bThe parentheses indicate a percentage decrease.

Source: Computed from data, supplied by U.S. Department of Labor, Employment and Training Administration.

Both the Title I distribution formula and hold harmless provisions, thus, appear to be working largely to the benefit of suburban counties and, to a lesser extent, consortia. Unfortunately, it is not possible to disaggregate the FY 1976 data to determine whether cities received additional funds through membership in consortia.

Certain CBOs continued to do well in the competition for dollars and contracts relative to their categorical program levels. As Table II-20 indicates, in FY 1976 the Urban League experienced increases of 3% in local projects and 6% in funds. Although these changes are incremental, the three-year fiscal picture is much more significant, showing 64% and 70% hikes in these categories, respectively. Although SER's gains in the contract area were smaller, a substantial rise in funding is evident. Although FY 1976 data on awards to OICs, CAAs, and other CBOs are unavailable, community-based organizations, judging from the above information, appear to be faring much better under the block grant than was originally anticipated.

Servicing

Consistent with the block grant concept, prime sponsors are given wide latitude in deciding on the mix of services and activities authorized under Title I that is most responsive to the needs and priorities in their area, in designing delivery strategies, and in selecting the providers of services. Table II-21 provides a three-

year comparison of categorical and block grant expenditures for various manpower programs. Although work experience and classroom training continue to be the dominant purposes of expenditures, there has been

Table II-20

Funds and Local Manpower Projects of Community-Based Organizations

	FY 1976 Amount	Percent of FY 1974 Amount	Percent Change From FY 1975 Amount
Urban League			
Local Projects	77	64%	3%
Funds (millions)	\$17	70	6
SER			
Local Projects	45	7	(6)
Funds (millions)	\$21	62	5

NOTE: The parentheses indicate a percentage decrease.

Source: U.S. Department of Labor, Employment and Training Administration, "Comprehensive Employment and Training Act, Part I: Background and First Year Results," Washington, DC, DOL, December 5, 1975, unpublished draft, p. 21.

a shift away from the latter under Title I, while the FY 1976 funding of work experience programs approximated that of FY 1974. Nevertheless, in FY 1976 sponsors allocated more to classroom training and on-the-job training than during the previous year, but it is too early to determine whether this will be a long-term trend. Sponsors also appeared to be spending more Title I funds on services to clients than had been the case with categorical grants. Despite the presence of Titles II and VI moneys, the proportion of outlays for public service employment almost doubled between the first and second year of block grant operations.

Turning to the agencies that provide manpower services, one of the expectations of block grant proponents was that through use of this instrument, a more streamlined delivery system could be established at the local level. This would be achieved in two principal ways—indirectly through the development of links with other manpower-related agencies or the use of the same agent to deliver multiple services, and directly through the assumption of servicing capacity by the prime sponsor. During the first year of CETA, this objective was not realized because prime sponsors relied on previous providers for a variety of reasons. With greater time and experience, however, it seems reasonable to expect that sponsors would be more willing and able to make changes in FY 1975 delivery

strategies. According to ETA's national estimates, about half of the sponsors did so.

Tables II-22 and II-23 contain study sample data developed by the CETA evaluation staff on the shifts in the number of service deliverers from FY 1975 to FY 1976 by the type of program activity and providing agency. These data indicate far more deliverers were added than dropped at the local level during the second year of block grant operations. On-the-job training was the only program activity where this tendency was not apparent.

As can be seen in Table II-23 (which contains data from the 60 sample sites), the state employment service experienced the greatest losses of service delivery responsibilities. And, almost as many of the SES contracts that were renewed contained funding cut-backs as contained increases. Nevertheless, partly as a result of ETA's efforts to achieve better SES-sponsor coordination, during the second year the number of SES staff-years devoted to CETA services exceeded the FY 1975 level by 381 but this was still 413 fewer staff-years than under categorical programs. Table II-23 also underscores the findings for the program's first year that the role of CBOs (including OIC) appears to be expanding.

Table II-23 also suggests that prime sponsors continued to assume direct servicing responsibilities in FY 1976. Nationally, about 70% of the sponsors also were

Table II-21

**CETA Accrued Expenditures Activity under Title I
in FY 1975 and FY 1976^a Compared With
Categorical Expenditures Activity in FY 1974**

Selected Program Activity	Accrued Expenditures		
	FY 74	FY 75	FY 76
Classroom training (includes vocational education funds)	40%	31.5%	32.0%
On-the-job training	20	7.9	9.1
Public service employment	—	6.4	11.2
Work experience	38	42.8	38.8
Services to clients	2	10.3	8.1
Other Activities	—	1.1	0.8

^aBased on cumulative third quarter data.

Source: Data supplied by U.S. Department of Labor, Employment and Training Administration, Office of Administration and Management.

Table II-22

**Number of Service Deliverers
That Experienced a Change in FY 1976,
by Activity (Excludes States)**

Activity	Type of Change	
	Dropped	Added
Classroom training	144	283
On-the-job training	97	50
Work experience	58	152
Manpower-support services	66	157
Total number of deliverers. ^a	365	642

^aThese totals probably include a substantial amount of duplication in those sites where the service deliverer was involved in more than one activity.

Source: Data supplied by U.S. Department of Labor, Employment and Training Administration, Office of Manpower Program Evaluation.

service providers, compared with 50% in FY 1975. Individual counties and cities were most likely to play this role. These sponsors tended to handle enrollment services under Titles II and VI and Title I work experience more frequently than other CETA activities, and classroom and on-the-job training less often.

Turning to the ties between Titles I, II, and VI service delivery, the CETA evaluation staff classified prime sponsors as "centralized" (the same service deliverer enrolled and placed at least 80% of Title I participants and enrolled at least 80% of the Titles II and VI participants), "decentralized" (the same service deliverer provided these two services to 40% or less of the Title I participants and one of these services to 40% or less of the Titles II and VI participants), and "moderately centralized" (those falling between these extremes). Counties tended to have both the most highly centralized and the most decentralized service delivery systems, while the moderately centralized sponsors tended to be consortia.

As shown in Table II-24, during the second year of operations, prime sponsors, especially consortia and

Table II-23

**Number of Changes in Service Deliverers by
Type of Deliverer, FY 1976^a**

Deliverer	Total	Type of Change			
		Dropped	Added	Raised	Cut
Sponsor	11	3	7	3	1
State employment service	15	5	1	7	6
CAA ^b	5	1	1	2	1
OIC	6	1	1	4	2
Urban League	9	4	1	4	1
SER	9	3	0	5	2
Educational agencies	60	9	30	14	7
CBOs ^c	57	8	28	17	4
All others	65	15	15	23	12
TOTALS	417	43	74	79	36

^aFigures exclude states and private on-the-job training contractors. Figures are unweighted unduplicated totals for each type of change and in the total column.

^bOnly community action agencies officially recognized by the community services agency as of July 25, 1975.

^cCommunity-based organizations, including many agencies locally known as CAAs.

Source: ACIR staff compilation.

cities, established a substantial number of links with other agencies administering manpower related programs, such as WIN, vocational rehabilitation, education, social services, and health. These efforts were partly the result of a 1974 memorandum of agreement between DOL and HEW covering procedures for the latter's review of state and local CETA plans and provision of information and technical assistance to sponsors on HEW programs.⁵⁹ In addition, during 1975 and 1976, HEW developed five program coordination guides for use by both CETA prime sponsors and HEW grantees.⁶⁰

In summary, servicing arrangements under CETA are as diverse in some respects as during the categorical era. Yet, several shifts appear to be underway. Prime sponsors are making changes in the mix of program activities supported by block grants, including using over 10% of the appropriations for comprehensive manpower services for public service employment. This tendency may be significant given the fact that Title I is directed toward those who lack skills and need training in order to be employable. Titles II and VI focus on placing job-ready individuals. The use of substantial Title I resources for public employment and work experience—in effect, income-maintenance or countercyclical programs—raises the issue of whether the basic objective of CETA—preparing and placing individuals in unsubsidized employment—is being adequately achieved. Another emerging trend is the streamlining of the local service delivery system through the development of links between the prime sponsor and other manpower agencies and the former's

direct assumption of service provider responsibilities. Yet, while the strategies are changing, few significant alterations have been made in the number or nature of service deliverers, with the exception of the state employment service.

Participants and Outcomes

FY 1976 was a year of substantial growth of the CETA program, accompanied by some changes in the characteristics of participants. In its second year of operation, CETA served 2,482,000 enrollees (a 64% increase over FY 1975), 70% of whom were new participants (see Table II-25). Thirty-six percent of these persons received work experience, 22% received classroom training, and 6% received on-the-job training. Nine percent of the enrollees in public service employment were supported by Title I.

As in FY 1975, the typical Title I enrollee was a young, white male with less than 12 years of formal education. The characteristics of participants in block grant-supported programs were quite different from those enrolled in Titles II and VI, as would be expected in view of the different purposes of the latter. About the same proportion of the FY 1976 participants (three-fourths) were classified as economically disadvantaged as during the preceding year. However, the enrollee was more likely to be unemployed at the time of entry into the program.

The second year of CETA continued to show high termination rates: 29% of the enrollees for unsubsidized employment, compared with 27% in FY 1975.

Table II-24

Classification of Prime Sponsors by Number of Links With Manpower-Related Agencies,^a FY 1976

Number of Links	Cities	Counties	Consortia	All Sponsors
High (7 through 9)	46%	24%	53%	41%
Moderate (4 through 6)	23	41	26	31
Low (0 through 3)	31	35	21	28
TOTALS	100%	100%	100%	100%

^aNon-balance-of-state sponsors in sample classified in accordance with their numbers of formal and informal links.

Source: Data supplied by U.S. Department of Labor, Employment and Training Administration, Office of Manpower Program Evaluation.

Thirty-nine percent took other positive steps to improve their employability. There also was a decrease in nonpositive terminations, from 39% to 32% over the two-year period.

On the surface, these figures suggest that a substantial portion of Title I funds are being targeted on the needs of groups most severely affected by structural unemployment—the young, women, the poorly educated, racial minorities, and the economically disadvantaged. However, as will be discussed in the following chapter, certain points should be kept in mind. First, the data reported by ETA assume that fungibility did not have a major effect on reporting by recipients. If the general revenue sharing experience is applicable here, some doubt can be cast upon the accuracy of the figures. Second, definitional difficulties are raised with respect to the economically disadvantaged category. The method of determining disadvantage (family income in the last year) is neither precise nor amenable to effective administration. Coupled with the tendency of some applicants to underreport family income, this may lead to overreporting of the economically disadvantaged participants, perhaps by as much as 15% to 20%.

RHETORIC V. REALITY

The first two years of CETA implementation provide an opportunity to compare the expectations surrounding the use of the block grant with the realities of the implementation experience. A number of specific areas in which changes have occurred as a result of the conversion from a categorical to a block grant mode of administration have been highlighted. Other areas, where no or few departures from the past have taken place, have been revealed. Therefore, it seems useful to briefly probe the meaning of the information presented from the standpoint of decentralization, decategorization, and program objectives.

The concerns about decentralization that were voiced during the Congress' consideration of manpower reform proposals did not surface in the early stages of CETA operations. Somewhat surprisingly, major intergovernmental tensions over substantive matters were not reflected on a national scale. This occurred because two expectations held by block grant supporters and opponents did not materialize. First, contrary to the hopes of some and the fears of others, DOL refrained from pulling the categorical reins. In fact, based on its FY 1975 performance, ETA was criticized as having "unmanaged" the program or being "co-opted" by

sponsors.⁶¹ In the judgment of some observers, ETA went from one extreme to the other and adopted a management style that was consistent with the revenue sharing model, even though the act embodied a block grant approach. ETA provided technical assistance and guidance but refrained from intervening in sponsor decisions about how block grant funds should be used. Although ETA assessed sponsors' performance, it opted for "hand holding" instead of taking the drastic step of withholding funds from underperformers.⁶² By FY 1976, however, others were predicting a gradual return to the categorical extreme, citing as evidence the growing number of ETA administrative and financial requirements, the demands for information on program results, and the general tightening of the amended regulations.⁶³ For example, ETA's grant review guidelines, which were issued in July 1976 to provide "a common framework against which regional offices and prime sponsors across the country could compare their fiscal '77 program plans and performance goals," were critically assessed by Baltimore, MD, and Chicago, IL, CETA officials as follows:

Unquestionably, the Department of Labor has a fundamental responsibility to assure that prime sponsors have established mechanisms to account for the impact of their programs. And, clearly, the national office must use the best available data to keep the Administration and Congress intelligently informed. Also, a "common framework" may be used as a tool by prime sponsors to compare their programs. However, beyond these applications the need for a common framework ceases. Any effort by DOL to force-fit "guidelines" on prime sponsors is patently inappropriate, counterproductive, and contrary to the fundamental nature of decategorized and decentralized programs under CETA. . . . Although ETA insists the guidelines are only suggestions and are heavily caveated, it is not surprising that they are already being rigidly and arbitrarily applied.⁶⁴

Second, instead of exercising their newly acquired discretion to make abrupt changes in their manpower programs, prime sponsors proved to be cautious and conservative. Apparently, many nationally directed categorical programs had been responsive to local needs, because during the first two years, significant departures from the status quo were not evident.

Another consideration, of course, was sponsor capacity. It took time to develop the machinery and hire the talent to plan and implement programs, particularly when unemployment became a sensitive political issue and the responsibility for mistakes no longer could be conveniently shifted back to the federal government.

With respect to decategorization, again there are differences between rhetoric and reality. CETA was a hybrid block grant program, not a form of special revenue sharing. It was surrounded by old and new categoricals, many of which were targeted more directly on the pressing unemployment problems of cities and counties. Even with the removal of some

categories, the programs that they had launched were continued by prime sponsors. Although CETA did achieve some improvements in the links between manpower agencies and streamlined the service delivery system, in a sense, functional fragmentation was replaced by jurisdictional fragmentation. Three new layers of planning, review, and consultation were imposed between ETA and the recipients of service—the prime sponsor, the planning council, and the SMSC. In short, the effects of consolidation of programs and service delivery systems were blunted by the establishment of new categories and new agencies.

Finally, the objectives of the block grant were effectively displaced by economic conditions, by the

Table II-25

**Characteristics of Participants of CETA Titles I, II, and VI
Projects July 1, 1975 thru June 30, 1976 (Percent Distribution)**

	Title I	Title II	Title VI
U.S. Total (Cumulative Enrollment)	1,731,500	255,700	495,200
Percent	100.0%	100.0%	100.0%
Male	54.1%	63.8%	65.1%
Female	45.9	36.2	34.9
Age			
Under 22	56.7	21.9	22.0
22 - 44	36.5	64.0	64.1
45 - 54	4.0	9.0	8.7
55 and over	2.8	5.1	5.2
Education			
8 grades or less	11.9	8.0	8.1
9 - 11	42.9	17.9	17.7
12 and over	45.2	74.1	74.2
On public assistance			
AFDC	15.2	6.2	5.8
Other	10.9	8.9	6.9
Economically disadvantaged	75.7	46.5	44.1
Ethnic group			
White	55.3	61.4	68.2
Black	37.1	26.5	23.0
American Indian	1.4	1.3	1.8
Other ^a	6.2	10.8	7.0

distribution formula, and by the very flexibility of the instrument. As a result, less attention was given to the needs of the disadvantaged and hardcore unemployed than to those who were job ready. Less money was targeted on the central city and more on the suburban county. The block grant became an income-maintenance or countercyclical device, rather than an instrument for responding to the employment and training needs of a diverse clientele.

The gap between rhetoric and realities provides a framework for examining some of the specific issues raised by the CETA record and alternative approaches to resolving them. These are the focal points of the following chapters.

FOOTNOTES

¹ Particularly important is the work of the CETA evaluation staff of the Employment and Training Administration (formerly the Manpower Administration). Focusing on a national sample of 60 prime sponsors, information is being gathered on how the authority to plan and manage manpower programs is being used. A long-term objective of this effort is to differentiate sponsors on the bases of the nature of their jurisdictions, processes for program planning and operation, and characteristics of participants, and to determine the effects these differentiations have on program results.

² Statement by Kenneth Young, AFL-CIO lobbyist, in *National Journal Reports*, Washington, DC, National Journal, Vol. 6, No. 2, Jan. 12, 1974, p. 58.

Table 11-25 (continued)

Characteristics of Participants of CETA Titles I, II, and VI Projects July 1, 1975 thru June 30, 1976 (Percent Distribution)

(continued)

	Title I	Title II	Title VI
Spanish American	14.0	12.4	9.9
Limited English-speaking ability	5.1	4.3	3.5
Migrants or seasonal farm workers	2.1	0.8	0.9
Veteran			
Recently separated^b	2.2	4.0	4.7
Special^c	3.6	10.1	8.7
Other	4.5	11.4	12.0
Disabled	0.4	0.4	0.5
Handicapped	4.0	2.7	2.9
Full-time student	30.8	2.4	2.1
Offender	5.1	2.9	2.9
Labor force status			
Underemployed	4.7	6.7	6.1
Unemployed	69.9	77.0	81.6
Other	25.4	16.3	12.3
Receiving unemployment insurance	6.4	13.1	14.2

^aA large portion in this group reflect the nonclassification in Puerto Rico by ethnic categories.

^bEnrolled within four years of discharge date.

^cFrom Indo-China or Korean Theater of Operations from August 1964 to May 1975.

Source: Data supplied by U.S. Department of Labor, Employment and Training Administration, Office of Administration and Management, Division of Information Analysis and Systems Development, September 15, 1976.

- ³ Lawrence Neil Bailis, "Manpower Revenue Sharing: Rhetoric, Roles, and Results," unpublished manuscript, p. 14. The CETA regulations were issued in the *Federal Register*, Washington, DC, U.S. Government Printing Office, Vol. 39, No. 108, Sec. 95.3, June 4, 1974.
- ⁴ Sar A. Levitan and Joyce K. Zickler, "Block Grants for Manpower Programs," *Public Administration Review*, Washington, DC, American Society for Public Administration, March/April 1975, p. 192.
- ⁵ Although the act indicates the general factors to be used in the formula, DOL selects the specific methods for arriving at allocations. In FY 1975, DOL relied on 1970 census data, causing some counties and cities to claim that if more recent available information had been used, they would have qualified as prime sponsors.
- ⁶ U.S. Office of Management and Budget, *Special Analyses, Budget of the United States Government, Fiscal Year 1977*, Washington, DC, U.S. Government Printing Office, 1976, pp. 190-91.
- ⁷ National Commission for Manpower Policy, *Manpower Program Coordination*, Washington, DC, U.S. Government Printing Office, October 1975, p. 19.
- ⁸ U.S. Department of Labor, Employment and Training Administration, "Comprehensive Employment and Training Act Review and Oversight, Part I: Background and First Year Results," (unpublished draft) Washington, DC, DOL, Dec. 5, 1975, pp. 14-15.
- ⁹ U.S. Department of Labor, "Regulations for Comprehensive Manpower Programs and Grants to High Unemployment Areas," *Federal Register*, Washington, DC, U.S. Government Printing Office, Vol. 39, No. 108, Sec. 95.3, June 4, 1974.
- ¹⁰ As noted previously, ETA's CETA evaluation staff is conducting a three-stage evaluation of the Title I program as well as certain provisions of the act. The study is based on a national sample of 60 prime sponsors, including 13 cities, 17 counties, 19 consortia, and 11 states. Data collected in field interviews with these sponsors have been analyzed and weighted for national projection purposes. This report draws upon some of the findings presented in the draft studies prepared by the CETA evaluation staff. Although efforts have been made to ensure the accuracy of this information and its interpretation, the studies have not yet been officially released by the department and, therefore, should be considered as working documents.
- ¹¹ The Committee on Evaluation of Employment and Training Programs in the National Research Council of the National Academy of Sciences was established in 1974 to examine decentralization and decategorization under CETA over a three-year period. The focal point of this research effort is the experience of 28 prime sponsors—including six cities, nine counties, nine consortia, and four states—that are representative of population and unemployment conditions across the country. Interviews conducted by field research associates comprise much of the data base of this effort.
- ¹² National Academy of Sciences, *The Comprehensive Employment and Training Act: Impact on People, Places, Programs, An Interim Report*, Washington, DC, NAS, 1976, p. 82.
- ¹³ U.S. Department of Labor, Employment and Training Administration, Office of Manpower Program Evaluation, "The Role of the Planning Councils and Community Participation in the Planning Process," (unpublished draft) Washington, DC, DOL, July 21, 1975, p. 24.
- ¹⁴ *Ibid.*, p. 10.
- ¹⁵ *Ibid.*, p. 18.
- ¹⁶ National Academy of Sciences, *op. cit.*, p. 53.
- ¹⁷ U.S. Department of Labor, Employment and Training Administration, Office of Manpower Program Evaluation, "Organizational Alignments, Management and Staffing," (unpublished draft) Washington, DC, DOL, July 22, 1975, p. 5.
- ¹⁸ *Ibid.*, pp. 9-10.
- ¹⁹ *Ibid.*, p. 18.
- ²⁰ *Ibid.*, p. 22.
- ²¹ U.S. Department of Labor, Employment and Training Administration, Office of Manpower Program Evaluation, "Prime Sponsor Planning for Fiscal 1975," (unpublished draft) Washington, DC, DOL, July 25, 1975, p. 14.
- ²² *Ibid.*, p. 12.
- ²³ U.S. Congress, Senate, Committee on Labor and Public Welfare, Subcommittee on Employment, Poverty, and Migratory Labor, *Implementing Comprehensive Manpower Legislation, 1974, Case Studies of Selected Manpower Programs*, 93rd Cong., 2nd Sess., December 1974, pp. 13, 15.
- ²⁴ *Ibid.*, p. 36.
- ²⁵ National Academy of Sciences, *op. cit.*, p. 62.
- ²⁶ U.S. Department of Labor, "Prime Sponsor Planning for Fiscal 1975," *op. cit.*, p. 44.
- ²⁷ *Ibid.*, p. 63.
- ²⁸ U.S. Department of Labor, "The Role of the Planning Councils and Community Participation in the Planning Process," *op. cit.*, pp. 53-55.
- ²⁹ *Ibid.*, p. 46. Similar findings were reported in the National Academy of Sciences, *op. cit.*, p. 60.
- ³⁰ U.S. Department of Labor, Employment and Training Administration, Office of Manpower Program Evaluation, "Comments on FY 1975 CETA Plans From Solicited Reviews," (unpublished draft) Washington, DC, DOL, June 22, 1975, pp. 14-15.
- ³¹ U.S. Department of Labor, Employment and Training Administration, Office of Manpower Program Evaluation, "The State Role in Coordinating and Strengthening Manpower Programs," (unpublished draft) Washington, DC, DOL, June 26, 1975, p. 19.
- ³² *Ibid.*, pp. 19-21.
- ³³ *Ibid.*, pp. 23-28.
- ³⁴ *Ibid.*, p. 41.
- ³⁵ National Academy of Sciences, *op. cit.*, p. 61.
- ³⁶ U.S. Department of Labor, Employment and Training Administration, Office of Manpower Program Evaluation, "Coordination and Linkages for Service Delivery," (unpublished draft) Washington, DC, DOL, October 1975, p. 2.
- ³⁷ *Ibid.*, p. 9.
- ³⁸ U.S. Department of Labor, "Comprehensive Employment and Training Act Review and Oversight, Part I: Background and First Year Results," *op. cit.*, p. 19.
- ³⁹ National Academy of Sciences, *op. cit.*, p. 104.
- ⁴⁰ *Ibid.*, p. 107.
- ⁴¹ U.S. Department of Labor, "Comprehensive Employment and Training Act Review and Oversight, Part I: Background and First Year Results," *op. cit.*, p. 19. See also National Association of Counties Research Foundation, "Overhauling ES," *County Manpower Report*, Washington, DC, NAC, Vol. 5, No. 4, August 1976, pp. 1, 3-5, 15-16; and U.S. General Accounting Office, *The Employment Service—Problems and Opportunities for Improvement*, Washington, DC, U.S. Government Printing Office, Feb. 22, 1977.

- ⁴² *Ibid.*, pp. 20-21. See also U.S. Department of Labor, "The State Role in Coordinating and Strengthening Manpower Programs," *op. cit.*, pp. 27-36; and National Academy of Sciences, *op. cit.*, pp. 108-111.
- ⁴³ National Academy of Sciences, *op. cit.*, pp. 115-116.
- ⁴⁴ U.S. Department of Labor, "The State Role in Coordinating and Strengthening Manpower Programs," *op. cit.*, p. 16.
- ⁴⁵ National Academy of Sciences, *op. cit.*, p. 115.
- ⁴⁶ For further information on youth unemployment and the problems involved in its measurement, see the following reports by the U.S. Congressional Budget Office: *Policy Options for the Teenage Unemployment Problem*, Washington, DC, U.S. Government Printing Office, Sept. 21, 1976; and *The Teenage Unemployment Problem: What Are the Options?*, Washington, DC, U.S. Government Printing Office, Oct. 14, 1976.
- ⁴⁷ U.S. Department of Labor, Employment and Training Administration, *Employment and Training Report of the President*, Washington, DC, U.S. Government Printing Office, 1976, p. 99.
- ⁴⁸ U.S. Department of Labor, Employment and Training Administration, Office of Manpower Program Evaluation, "Regional Office Relations With CETA Sponsors," (unpublished draft) Washington, DC, DOL, July 22, 1975, p. 4.
- ⁴⁹ *Ibid.*, p. 7.
- ⁵⁰ *Ibid.*, p. 12.
- ⁵¹ See Randall B. Ripley, et al., "The Implementation of CETA in Ohio: Final Report," unpublished manuscript submitted to the Department of Labor, July 31, 1976, pp. 115-120; Carl E. Van Horn, "Implementing CETA: The Federal Role," paper prepared for delivery at the 1976 Annual Meeting of the Midwest Political Science Association, April 29-May 1, 1976; National Academy of Sciences, *Transition to Decentralized Manpower Programs, Eight Area Studies: An Interim Report*, Washington, DC, NAS, 1976; North Carolina Manpower Development Corporation, "An Analytical Study of CETA Planning and Program Implementation in North Carolina and South Carolina, Fiscal 1975, Part I: Conclusions and Recommendations," unpublished manuscript submitted to the Department of Labor, August 1975.
- ⁵² U.S. Department of Labor, "Regional Office Relations With CETA Sponsors," *op. cit.*, pp. 13-14.
- ⁵³ Except where otherwise noted, the results of the second round of interviews by the CETA evaluation staff should be considered preliminary and subject to further refinement and verification.
- ⁵⁴ See U.S. General Accounting Office, *Formulating Plans for Comprehensive Employment Services—A Highly Involved Process*, Washington, DC, U.S. Government Printing Office, July 23, 1976.
- ⁵⁵ *Ibid.*, pp. 37-40.
- ⁵⁶ U.S. Department of Labor, "Organizational Alignments, Management and Staffing," *op. cit.*, p. 16.
- ⁵⁷ See Advisory Commission on Intergovernmental Relations, *Safe Streets Reconsidered: The Block Grant Experience 1968-1975*, (A-55) Washington, DC, U.S. Government Printing Office, 1976, p. 146.
- ⁵⁸ By September 1976, 445 prime sponsors had been designated.
- ⁵⁹ For an examination of efforts to coordinate federal manpower programs, see National Commission for Manpower Policy, *op. cit.*, pp. 72-92.
- ⁶⁰ U.S. Department of Health, Education, and Welfare, *CETA and HEW Programs, Vocational Rehabilitation and CETA, Title XX and CETA, Health and CETA, and Education and CETA*, Washington, DC.
- ⁶¹ See Van Horn, *op. cit.*, and Ripley, et al., *op. cit.*
- ⁶² Between April and May 1976, ETA's regional offices formally assessed sponsor performance of six key areas: performance against plan, financial reporting, management information, adherence to regional office objectives, grant management, and establishment of advisory councils. Of the 431 prime sponsors, 261 received "satisfactory" ratings, 148 were considered "marginal," and 20 were "unsatisfactory." See U.S. Department of Labor, *News*, Washington, DC, DOL, July 25, 1976.
- ⁶³ *Federal Register*, Washington, DC, U.S. Government Printing Office, Vol. 41, No. 124, June 25, 1976.
- ⁶⁴ National Association of Counties Research Foundation, "A Case of Deja Vu," *County Manpower Report*, Washington, DC, NAC, Vol. 5, No. 5, October 1976, p. 8.

Chapter III

Issues

The CETA block grant was a compromise between the categorical and revenue sharing decisionmaking models. In the rush to enact and secure Presidential approval of the measure, many questions about how decentralization and decategorization would work were left unanswered. Many of the assumptions about grantor and grantee behavior were untested.

Given these uncertainties, implementation proceeded cautiously at all levels. However, by the end of the second year of operation, signs of change were evident. Although in many areas the transition proceeded smoothly, changes were sometimes accompanied by problems. These difficulties suggested that although the block grant compromise had given all parties a basis for claiming a partial victory, none were completely satisfied with the outcome.

The friction points that developed were often a product of time constraints, fluctuating national economic conditions, spiraling unemployment rates, and pressures from the manpower subgovernment. A more basic factor, however, was the failure of key participants to grasp the essential nature of the block grant and the intergovernmental implications of using this instrument to disperse federal aid.

CETA AND THE BLOCK GRANT MODEL

Many of the specific issues surrounding CETA are reflections of the generic traits of the block grant. An accurate assessment of the record, therefore, requires taking a broader perspective. Thus, the major issues

raised by the Title I experience are analyzed within the context of the following basic characteristics of the block grant:

1. Federal aid is authorized for a wide range of activities within a broadly defined functional area.
2. Recipients have substantial discretion in identifying problems, designing programs to deal with them, and allocating resources.
3. Administrative, fiscal reporting, planning, and other federally imposed requirements are kept to the minimum amount necessary to ensure that national goals are being accomplished.
4. Federal aid is distributed on the basis of a statutory formula, which has the effect of narrowing federal administrators' discretion and providing a sense of fiscal certainty to recipients.
5. Eligibility provisions are statutorily specified and favor general purpose governmental units as recipients and elected officials and administrative generalists as decisionmakers.

Range of Activities

The first test of a block grant is whether there is statutory authorization of a wide range of activities

covering a broad functional area. CETA only partially meets this test.

Although Title I provides for comprehensive manpower services, the scope of the block grant is limited. In FY 1975, formula grants amounted to only one-third of the total CETA appropriation and one-fifth of the total federal expenditures for employment and training purposes. For FY 1976, the proportions were three-tenths and one-sixth, respectively. Hence, although during the first two years it accounted for more than \$1.2 billion in annual outlays, the block grant constituted only a small piece of the manpower pie.

Title I of CETA did little to eliminate the historical overlapping and duplication of federal grants-in-aid for manpower-related purposes. Many of these programs were beyond the jurisdiction of the Congressional committees that designed CETA. Therefore, these programs were not affected directly by its passage. Even within the framework of the act, the committees attempted to develop a mix of block and categorical program authorizations that would strike an acceptable compromise between national and subnational objectives.

From the outset, thus, CETA embodied a hybrid block grant. Seventeen established categoricals were merged in Title I, but others were exempt (e.g., the Job Corps) and new ones were created (e.g., Titles II and VI). As a result, in fiscal terms, CETA clearly is more categorical than block grant oriented.

By surrounding Title I with a cluster of categoricals aimed at public service employment, special target groups, and the Job Corps, a politically viable way was developed to assure the manpower subgovernment that programs that had proven popular in the past, or that called for national recognition in light of contemporary conditions, would be kept in place regardless of decategorization and decentralization. Although the containment approach helped deflect some opposition to manpower reform, it did not significantly alter the fragmented national program structure.

This legislative strategy generated management problems for grantees. Most of the prime sponsors designated by DOL had little prior planning experience and no operational experience in the manpower area. For the most part, however, the startup period proceeded smoothly—even if at a rapid pace. This implementation process was facilitated by the fact that Title I covered a wide range of services and activities that could be readily packaged to meet the needs of particular labor market areas. Yet, whenever sponsors had to draw on categorical programs administered by other agencies—

such as HEW or state employment services—coordination became a problem. DOL attempted to facilitate integration of block and categorical programming by entering into interagency agreements, publishing technical assistance guides and program inventories, and offering advice. The lack of sponsor familiarity with either instrument, however, made it difficult to develop links between them. Hence, the block grant could not serve as an effective catalyst for coordinating manpower programs and for filling gaps in service delivery remaining after categorical funding.

On the other hand, this maze of manpower programs enabled those jurisdictions that were skilled in grantsmanship and familiar with the manpower field to play one program against another. Although these opportunities helped maximize recipient discretion, they did not arise as a consequence of the block grant but of the multiplicity of manpower programs in which such jurisdictions participated. This situation, in turn, can raise serious questions for federal policymakers and administrators seeking to rationalize and restructure grants-in-aid through consolidation.

The failure to achieve a complete merger of manpower programs within Title I of CETA also has generated some confusion as to the basic purposes of these grants and their intended beneficiaries, thus complicating the task of both federal administrators and Congressional committees. The spread of 31 project and 16 formula-based grant programs among ten departments and agencies has created communication and coordination difficulties. DOL lacks even the prerogative of being designated the “lead agency” for federally assisted employment and training undertakings. Moreover, the tendency of most of the continuing categoricals to focus vertically on the special training needs of specific geographic, income, racial, age, or other components of the unemployed population has created both policy and administrative problems for a program that is geared to dealing on a horizontal basis at the local level with a range of manpower undertakings for the economically disadvantaged, the unemployed, the underemployed, and those “most in need.” The potential for overlap and duplication here is obvious. When coupled with the possibilities for recipients to substitute federal dollars for local revenues in these programs as a result of the fungibility of Title I, II, and VI grants, the capacity of Congressional and federal administrators to gauge accurately the impact and import of efforts to reduce unemployment becomes quite limited.

Of equal concern from a national perspective is the difficulty of harmonizing the cacophony of these

multiple manpower initiatives into a concerted undertaking in a period of major economic dislocation characterized by high overall unemployment rates with wide ranging regional and population group variations; worsening structural conditions in the private sector, especially in manufacturing; critically high levels of youth unemployment, particularly among racial minorities; and severe fiscal pressures on certain state and local governments that threaten their efforts to sustain even normal public services and employment. Each of these contemporary conditions suggests the need for a strategy that combines a differentiated vertical targeting of resources with a horizontal coordinative management approach at the federal, state, and local levels. Existing intergovernmental manpower programs constitute a fractionated approach to this challenge. CETA's Title I in no sense provides sufficient leverage to generate the broad systemic response needed to cope with even the private sector dimension of this dilemma, given its ambivalent private-public sector focus and the number of categoricals that cluster around the block grant.

Scope of Recipient Discretion

The second block grant test deals with the extent to which recipients may exercise discretion in identifying needs and allocating resources to meet them. In federal programs using this instrument to dispense aid, recipient flexibility over the use of funds should be relatively more than under project or formula-based categorical grants but less than under the general revenue sharing model. Title I of CETA falls between these extremes.

Manpower block grants are authorized for a variety of purposes, including intake, classroom and on-the-job training, supportive services, information gathering, assistance to community-based organizations, public employment programs, special target group services, and Job Corps programs. These funds may be used in conjunction with categorical grants under the other titles. The mix and the beneficiaries of these services are determined by prime sponsors and are specified in a plan submitted annually to the Secretary of Labor for approval. The only real statutory constraint is very general: sponsors must give adequate attention to the economically disadvantaged, unemployed, underemployed, and those "most in need." Whether these target groups are served by programs geared to the disadvantaged, to structural unemployment, or to cyclical unemployment is for sponsors to determine.

During the first year of program operations, many sponsors did not use their discretion to the extent anticipated by block grant proponents. The majority relied on previously existing categorical programs in deciding on target groups and service deliverers. However, some changes were made, particularly as national economic and local unemployment conditions worsened. These alterations included a reduction in the number of contracts with the state employment service, a sharp decline in the amounts spent for classroom training, significant increases in work experience outlays, and a gradual assumption of a direct servicing role on the part of some prime sponsors.

The initial tendency to opt for renewal of existing categoricals was understandable in light of the fairly widespread sponsor unfamiliarity with the manpower field. In many places, categorical programs were an important source of stability and continuity during the transition period. One problem stemming from the categorical heritage, however, concerned the population to be served. Most of the programs that preceded CETA were oriented to the disadvantaged. Although Title I gives sponsors more leeway in selecting target groups, there are statutory and other reasons for according the economically disadvantaged priority attention. The data on program participants indicates that a substantial effort has been made on behalf of this group. However commendable this might be, the continuing high unemployment figures in various labor market areas and serious difficulties in the manufacturing sector, in particular, have helped generate a growing sentiment within the manpower community that the employment and training needs of a broader spectrum of the labor force—including youth, women, and veterans—should be addressed through the comprehensive strategy embodied in Title I. This approach might be particularly appealing to employers if it focused on training for skills-shortage jobs in such fields as energy or on retraining individuals whose skills have been rendered obsolete due to technological changes.

A second problem arising from the wide sponsor latitude is the use of nearly 9% of FY 1975 and FY 1976 Title I formula allocations for public service jobs and another 41% for equivalent programs, such as work experience. Although prime sponsor decisions to allocate resources in these ways are fully consistent with the block grant concept, countercyclical hiring has diverted attention away from the long-term goal of CETA—to place individuals in unsubsidized jobs, primarily in the private sector. Moreover, continued use of public service employment may lead to the substitu-

tion of federally supported positions for those that would and should have been funded with local revenues. It also duplicates the efforts of other federal programs that are especially geared to this purpose, including Titles II and VI of CETA, general revenue sharing, in effect, and Title II of the *Public Works Employment Act of 1976*. This substitution effect is contrary to the intent of the act. To more closely align prime sponsor decisions with expectations at the national level, during FY 1977 ETA plans to encourage greater attention to private sector employment and to the use of on-the-job training and other skills training programs. However, the block grant gives ETA considerably less leverage in accomplishing the goal than could be exercised under categorical programs. The likelihood of sponsor resistance to this change also is high unless major gains are registered in removing people from the unemployment rolls.

A third problem associated with the exercise of prime sponsor discretion has to do with the role of the state employment service (SES or ES) as provider of manpower programs. For several reasons, prime sponsors have been less inclined to contract with the state employment service than was the case when these agencies were considered the presumptive deliverers of certain categorically funded services. For bureaucratic as well as fiscal and coordinative reasons, ETA has supported the continued use of the intake, assessment, counseling, and other activities of these agencies. Of particular concern is the possibility of CETA funding duplicative services in the same labor market area. Many sponsors, however, have been reluctant to accede to ETA's wishes. To these localities, the testimony of the former assistant secretary of Labor for employment and training on this point should have an ominous ring:

ETA policy regarding ES-CETA relationships has been influenced by two considerations. On the one hand, the law gives maximum flexibility to CETA prime sponsors in choosing deliverers of manpower services. On the other hand, in the long run, it is clearly not desirable, and resources will not permit funding of the ES and CETA prime sponsors to provide the same services in the same area to the same client groups. Accordingly, while we have always encouraged ES-prime sponsor cooperation, we have increased our attention to these relationships and are making additional efforts including a thorough analysis

of the reasons given by CETA sponsors for not using the ES in order to identify areas for improvement in the ES, to avoid funding duplicative and overlapping services.¹

In the above problem areas, the exercise of sponsor discretion may lead to intergovernmental tensions as ETA attempts to redirect their uses of funds to conform with its interpretations of the spirit and intent of the act, of long-term employment and training needs, and of efficient and effective administrative practices. Although ETA may "inform," "encourage," "assist," "support," or take similar noncoercive steps, it could also simply mandate these changes through its plan review and approval authority. This will be a delicate balancing act—especially as sponsor sophistication grows and if local unemployment rates remain high.

Degree of Grantor Intrusiveness

The preceding discussion of major potential problem areas provides a background for an examination of how CETA meets the third block grant test—whether federally established requirements are sufficient to insure that national objectives are being achieved while not unduly burdening recipients with red tape. To date, CETA appears to have met this test.

The act calls for a fourfold federal role in the block grant: establishing national objectives, priorities, and standards of performance; providing technical assistance; reviewing and approving prime sponsor plans and modifications thereof; and assessing compliance with the act, progress in achieving goals, and program effectiveness.² In carrying out these responsibilities, ETA is guided by the expressions of legislative intent reflected in the act, committee reports, and floor debates, summarized below:

While there should be a strong and active federal role at all stages of planning, review and implementation, the Secretary should not second guess the good faith judgment of the prime sponsor in developing and implementing a program to meet the needs of the area.

The federal government should not intrude in the day-to-day operations or decision-making process of the prime sponsor.

The Secretary may not rely on certification alone to ensure that federal funds are expended in accordance with the law.

He must exercise his own independent judgment. He is expected to look behind the certifications of compliance, primarily through a process of regular auditing, spot checking and followup on complaints of interested parties.³

During the first year of implementation, ETA adhered to a "new federalist" style of administration that was rooted in the revenue sharing model. Although relationships varied from region to region, generally speaking, ETA was far from intrusive. In fact, in some regions it was almost invisible. Many sponsors—and some DOL regional offices—believed that greater technical assistance and guidance should have been provided during the startup period. Outside observers of CETA's implementation criticized ETA for being too willing to bend its regulations in order to fund prime sponsors and for emphasizing procedural rather than substantive compliance. This "soft" treatment, they observed, was underscored by the fact that no plans were disapproved by the regional offices, even though several were returned to sponsors for changes.

Beginning with FY 1976, ETA became more active in its stewardship of the block grant. Sponsors were required to report more frequently with more information on their fiscal transactions, participants, program characteristics, and related matters. Public hearing and auditing procedures also were tightened, as were definitions of key terms in the act. Some sponsors viewed these actions as the first sign of ETA's movement back toward a categorical mode of operations, soon to be followed by substantive intervention and second guessing. Yet, ETA's stated goals for FY 1977 do not lead to this conclusion:

Permeating all of these moves is our determination to cut back on paperwork demands on all program operators, particularly in SESs. As the President has requested, we're going to make at least a 10 percent reduction in reporting requirements for nonstatistical reports and data elements collected. This will occur after a comprehensive review of our data needs.⁴

Amount of Grantee Certainty

As to the fourth block grant test, 80% of Title I funds are distributed on the basis of a statutory formula, thereby narrowing DOL's discretion and influence in allocating resources. In addition, there is no

requirement that local grant awards must pass through the state.

Despite the presence of a direct federal-local funding relationship, the amount of fiscal certainty possessed by some prime sponsors is not altogether clear. The tripartite statutory formula (unemployment, low-income persons, previous year funding level) and the 90% hold harmless provision give sponsors some assurance that their CETA funding will not fluctuate greatly from year to year. Data and definitional problems, however, cloud the picture. The department is responsible for gathering timely and accurate local labor market information that will provide sponsors with data that is vital to sound planning and program design, as well as targeting resources on jurisdictions or individuals most in need. DOL also must furnish estimates on labor force, employment, and unemployment for individual local governments in labor market areas. Because the methodology used to make these disaggregations is based partly on decennial census or other population surveys, these estimates are often not very reliable, particularly at the substate level. These data problems hardly convey a sense of certainty to jurisdictions that are marginal as far as eligibility for prime sponsorship is concerned.

For the most part, however, the formula provides those prime sponsors that are eligible to participate in the program with a reasonably high degree of assurance on funding matters. Opportunities for grantor intrusiveness are further diminished by the earmarking of nearly all of the Secretary's Title I discretionary funds. Half go to the governor for local vocational training services, coordination and special statewide services, and operation of the SMSC. The remainder are set aside for consortium incentives or for hold harmless payments. This could mean that the Secretary lacks sufficient discretionary funds to develop and test new approaches for dealing with employment and training needs. This research and development function can be a significant component of a federal leadership role, especially in a field such as manpower where there is little conventional wisdom about what works.

Although a high degree of certainty may be associated with the distribution of block grants, whether these awards are equitable and effective is another matter. For example, the weight placed on the unemployment factor in the formula has resulted in substantial amounts of Title I funds going to suburban counties and rural communities at the expense of central cities. Even if the latter jurisdictions have the most pressing employment and training needs, there is little ETA can do to redirect the flow of these dollars.

Moreover, unlike other block grant programs, nearly all Title I discretionary funds are earmarked; the Secretary of Labor cannot use them to fill gaps remaining after formula allocations are made.

A second area of concern related to the certainty issue involves the fragmentation of local labor market areas. In designating prime sponsors, insufficient attention has been given to the effects on fragmentation. In part, this is due to the specificity of statutory provisions defining eligibility, which limits ETA's discretion. Although the act authorizes incentive funds to encourage the formation of consortia, these arrangements are rather loose and cover a variety of interlocal relationships that may change from year to year. Hence, in some areas, consortia cover an entire labor market area; in others, this has been done partially or not at all. For example, even though the Washington, DC, metropolitan area embraces a single functional labor market, ETA has designated seven independent prime sponsors.

The basic point emerging from these two problem areas is the need for some balance between grantee certainty and grantor flexibility. In Title I of CETA, certainty may have come at a sacrifice of equity and effectiveness in some aspects of funding or program administration.

Involvement of Generalists

The final block grant test covers the extent to which eligible recipients of federal aid are described in the statute. Particularly significant is a preference for elected officials of general purpose local units as opposed to private nonprofit organizations, public authorities, special districts, and other paragovernments controlled by functional specialists. Title I of CETA contains both characteristics.

The major breakthrough made by the CETA block grant was its reliance on local elected officials as prime sponsors. Although this departure from the earlier categorical approach carried with it the problems of delay and misjudgment resulting from an unfamiliarity with the manpower field, the initial costs of involving such officials were thought to be well worth the benefits. The intent behind the focus on local generalists has been described by ETA as follows:

...to be effective, the planning and delivery of a manpower program should be more closely linked with the characteristics of the labor market in the locality in which it operates; it should be comprehensive,

rather than piecemeal; and it should be coordinated with related federal, state and local programs. It should provide a mechanism better to secure cooperation between private and public institutions affected by labor market performance. It should bring employers, labor organizations, educational institutions and community groups into closer liaison with public agencies. Local officials, with existing relationships to various segments of the community, were . . . best positioned to design local programs to fit local needs. . . . with proper technical assistance and guidelines, these officials could construct and administer a more unified system to provide manpower services built around the characteristics of the local labor market and local needs.⁵

Whether local elected officials will assume these responsibilities remains to be seen. Although the early experience with planning councils suggests a desire on the part of these officials to play a leadership role in the program, in many places the CETA administrator and staff have dominated decisionmaking. While no common pattern emerges, it is clear that the block grant does provide generalists with an opportunity to exert considerable influence in planning, priority setting, program development, and resource allocation. The nature, extent, and impact of their involvement are conditioned by several factors, including local unemployment rates, CETA funding levels, and whether the elected official occupies a part or full-time position.

LESSONS FROM THE CETA EXPERIENCE

The first two years of the CETA experience provide some important lessons that should be kept in mind in designing and implementing future block grant programs. Although most of these have been raised earlier, three general observations are in order at this point.

The first lesson of CETA's Title I is that it takes time to achieve change. Decentralization and decategorization do not necessarily produce abrupt or major deviations from past behavior. This is particularly true if the recipients of block grants lack experience in the functional area that is being addressed. It can be expected that during the transition period, the focal point will be on organizational rather than programmatic matters. In all likelihood, the servicing decisions

made by the grantees will not deviate significantly from those made by their predecessors. Once the new organizational machinery, personnel, and procedures are functioning smoothly, changes will begin to occur. However, this may take place over a two or three-year period. In short, the expectations surrounding conversion to the block grant should be tempered by the realities of implementation.

A second lesson has to do with the states' role. In a federal-local block grant program, the position of the states vis-a-vis city and county recipients is ambiguous. In CETA, the states are expected to serve as program operators, reviewers, coordinators, and evaluators. Yet, from the local vantage point, the state may be an unwelcome partner—another layer of bureaucracy and red tape between the source of funds and the source of problems. Unless the states' positive roles—such as technical assistance and coordination—can be emphasized, friction with localities will result. The federal administering agency has arbitral and facilitative roles to play which should not be ignored.

A third lesson underscored by CETA is that the block grant model of decisionmaking is distinct from

the revenue sharing model. Decategorization and decentralization do not imply a "hands off" federal role, nor one confined to purely procedural matters. The federal administering agency is a middleman between Congress and affected interest groups, on the one side, and recipient jurisdictions, on the other. It must provide for national leadership and direction while allowing recipients maximum latitude in exercising discretion. This is a very difficult—but essential—balance to strike. Unless the federal administering agency takes proper steps to assure that the intent of the statute is being carried out and that federal funds are being used effectively and efficiently, pressures for recategorization will grow. And, unless it assures that recipients have genuine flexibility in tailoring funds to their needs, disillusionment with decentralization will ensue. Furthermore, in the conversion from the categorical to block grant mode of program operations, new recipients require technical assistance and regional offices require guidance. The block grant, thus, does not abrogate federal responsibility; it merely changes the nature and extent of grantor involvement in program implementation.

FOOTNOTES

¹ See statement of William H. Kolberg, Assistant Secretary of Labor for Employment and Training, before the Subcommittee on Manpower, Compensation, and Health and Safety, Committee on Education and Labor, U.S. House of Representatives, Sept. 29, 1976, Washington, DC, U.S. Government Printing Office, p. 18.

² U.S. Department of Labor, Employment and Training

Administration, "Comprehensive Employment and Training Act Review and Oversight, Part II: Public Policy Issues," (unpublished draft) Washington, DC, DOL, Dec. 5, 1975, pp. 26-31.

³ *Ibid.*, pp. 26-27.

⁴ *Worklife*, Vol. 1, No. 10, October 1976, p. 4.

⁵ U.S. Department of Labor, *op. cit.*, p. 1.

Chapter IV

Recommendations

The *Comprehensive Employment and Training Act* (CETA) is now three years old. During the transition from a categorical to a block grant mode of decision-making, a number of changes were made in the delivery of manpower services. At the same time, some of the shifts anticipated by the framers of Title I did not take place or have become apparent only recently.

The previous chapters of this report have described and analyzed the early CETA implementation record. Although the time period covered precludes an assessment of the long-term impact of the act on unemployment rates and the national economy, sufficient evidence is available to arrive at judgments on how well the block grant has worked in light of the intent of the act and what changes are necessary to improve its intergovernmental administration. Following are the major findings and conclusions that emerge from the Commission's probing of the experience under Title I of CETA.

MAJOR FINDINGS AND CONCLUSIONS

- Although 17 categorical grants were folded into Title I, the CETA block grant did little to curb the historic fragmentation of federal manpower programs. Forty-seven separate authorizations for this purpose still exist, and these are administered by ten federal departments or agencies.
- Title I formula appropriations account for less

than one-fourth of federal manpower outlays and slightly over two-fifths of the total CETA appropriation. In other words, categoricals dominate both CETA and the overall federal manpower program structure.

- Title I of CETA has been used largely for meeting cyclical rather than structural unemployment needs. The economic recession and spiraling unemployment rates diverted attention away from the statutory goal of placing individuals in unsubsidized jobs and led to nearly half of the block grant funds being used for public service employment or equivalent programs, such as work experience. In addition, there have been marked decreases in the funding of activities geared to skills needed by the private sector, such as on-the-job training and classroom training.
- In contrast with categorical programs, local elected officials have played a major role in CETA decisionmaking. However, their lack of previous experience has led them to move cautiously and to rely on existing programs and service deliverers.
- CETA has created new intergovernmental planning, program development, and coordination machinery. Four new layers have been imposed between the Employment and Training Administration's (ETA) central office and

program participants—the federal regional office, the state manpower services council, the sponsor planning council, and the prime sponsor. This has produced some delays in decisionmaking and contributed to coordination difficulties.

- Consortia arrangements have been a popular approach to manpower service delivery, for administrative efficiency considerations as well as the availability of incentive funds. There is some coincidence between the boundaries of consortia and those of labor market areas, but there is little evidence of participation by councils of governments or other general purpose regional planning organizations in the formation of these bodies. The A-95 review and comment process has had practically no impact upon prime sponsor decisions due to an absence of adequate areawide manpower plans and to time pressures on implementation of the act.
- Both sponsor planning councils and state manpower services councils have had only limited impact on prime sponsor decisionmaking, largely as a result of the influence of chief elected officials and CETA administrators. The substantial number of representatives on these bodies who are service deliverers, political leaders, or public employees has raised conflict-of-interest concerns in some quarters.
- Although during the first year of CETA operations most prime sponsors decided to continue to use existing program operators, as their familiarity with the manpower field grew, there was an increased tendency to make changes, especially to reduce the involvement of state employment services and to directly assume service delivery responsibilities.
- Contrary to expectations, community-based organizations, such as the Urban League, Opportunities Industrialization Centers, and Jobs for Progress, have experienced increases in the numbers of contracts and amounts of funds awarded under the block grant compared with pre-CETA levels.
- Largely because unemployment is weighted three times more than low income, the CETA

distribution formula has tended to shift block grant dollars from central cities to counties and from structural to cyclical unemployment needs.

- A comparison of the unemployed population served by categorical programs and Title I of CETA reveals few significant differences. Generally, CETA participants are young, economically disadvantaged individuals having less than 12 years of formal education.
- Title I of CETA has a high rate of “positive” placements, with slightly under three-tenths of the enrollees being placed in unsubsidized employment and over one-third entering school, joining the armed forces, or taking other steps to improve their employability.
- ETA has not generally interfered in sponsor decisionmaking, to the extent of being criticized for its silent partner role in the program. Sponsors and DOL regional office personnel desire more information and technical assistance on CETA matters. There appears to be a growing tendency on the part of ETA to increase reporting and other paperwork requirements. To date, however, no sponsor plan has been disapproved on account of substantive deficiencies.

RECOMMENDATIONS

Recommendation 1

Recasting and Reorganizing National Manpower Programs

In light of the rapid proliferation of manpower programs, their frequently competing or duplicating purposes and clientele groups, and spiraling federal outlays for these numerous activities, the Commission recommends that the President and the Congress give high priority to sorting out, redefining, and articulating clearly national manpower goals; to relating a range of coordinative management devices for their accomplishment at the community level; and to developing the necessary mechanisms for periodic evaluations of program progress and accomplishments. As a long-term objective, the Commission is convinced that reorganizing of the federal agencies responsible for administering manpower programs and consolidation and

redirection of grants-in-aid to state and local governments in this area are essential means of bringing the highly fragmented existing employment and training, vocational education, institutional training, vocational rehabilitation, economic opportunity, and other programs into a more consistent, integrated, and coordinated strategy for meeting the manpower goals and needs of the nation's local communities in an efficient, effective, and equitable manner.

The Commission finds that federal manpower programs offer the potential for better using the nation's human resources, for raising the quality and quantity of jobs, for equalizing employment opportunities, and for achieving lower unemployment rates. Despite periodic reform efforts, however, these programs continue to be inordinately fragmented. Neither policy development, planning, nor delivery of aided services have been effectively coordinated within national, state, and substate labor markets, or by local governments. The prime reasons for the failure to establish a clear, coherent, and consistent intergovernmental employment and training strategy are the differing program goals, constituencies and target groups, administering departments and agencies, delivery channels, and authorizing committees of the Congress within the manpower field.

The range of contemporary federal manpower grants is very broad. Collectively, these programs provide resources to help meet the needs of: (1) job creation and job placement in both the private and public sectors of the economy; (2) general education for employability; (3) work experience; (4) training in specific skills; (5) long-term structural mismatches between the supply and demand for labor in various sectors of the economy; (6) short-term unemployment caused by cyclical downturns in the economy; (7) employment of disadvantaged youth, older Americans, Indians, migrant workers, and those "most in need;" and (8) transforming welfare recipients into productive workers.

Yet, almost every one of these needs is met by a different program. Some programs are administered nationally, others are administered by the states, and still others are the responsibility of local governments or private nonprofit organizations. Some programs are primarily educational, while others have more of a social services orientation or a direct economic focus. Many are administered by different departments and agencies within a single level of government.

The rigid lines now drawn between multiple federal manpower goals, delivery systems, sources of funding,

responsible administering agencies, and jurisdictions of the cognizant Congressional committees hinder the efficient, equitable, and effective provision of employment and training services to those in need. In addition to CETA, more than 40 other federal programs provide funds for various manpower undertakings. These were estimated to cost more than \$6 billion in FY 1976, and they are administered by at least ten departments and agencies. Although 90% of these outlays were by DOL and HEW, the manpower programs within these departments, for the most part, operate separate from each other.

Therefore, the Commission believes that the President and the Congress should give high priority to developing and articulating national manpower goals and policies. These efforts should be followed by reorganization of the departments and agencies involved in this area, by consolidation of functionally related programs, and by more effective interagency coordination. Although such actions will be time consuming and controversial, they will facilitate the marshalling of federal resources to launch a serious and sustained attack on unemployment, as well as help eliminate agencies and programs that have accomplished their initial purposes or outlived their usefulness. In short, given the critical and continuing problems associated with federal manpower grants-in-aid, comprehensive—not incremental—reform is called for.

Recommendation 2

CETA and National Manpower Policy

Given its fiscal magnitude and functional scope, the Commission concludes that the *Comprehensive Employment and Training Act* (CETA) could serve as a catalyst for reforming federal manpower programs; however, its potential in this area largely has been untapped. **Therefore, the Commission recommends that CETA be retained, improved, and used more fully as the preferred mechanism for providing and/or coordinating all federally aided manpower services chiefly designed to respond to the needs of state and substate labor markets. The devices that should be considered for achieving fuller program coordination include grant consolidation; federal government reorganization; joint funding; interagency agreements; more meaningful comprehensive manpower planning, review, and evaluation processes; and stronger interagency coordination at the federal level through the Executive Office of the President and the federal regional councils.**

Although Title I of CETA consolidated 17 categorical grants, it did little to eliminate either the historical overlaps among the vast array of remaining programs or the separateness that characterized their administration. These problems are evident even within the act; the block grant was surrounded by a cluster of categoricals—for public service employment, the Job Corps, and special target groups, such as youth, Indians, and migrant and seasonal farmworkers—but Title I funds could also be used for these purposes.

Despite limitations on its functional scope and fiscal magnitude, Title I has demonstrated the feasibility and benefits of grant consolidation in the manpower field. These include: (1) decentralizing planning, project funding, and administration; (2) according greater program flexibility to recipients to meet both long and short-term local labor market needs, and (3) reducing red tape and simplifying intergovernmental administrative relationships. In view of the small proportion of the federal manpower effort represented by the Title I program, further consolidations certainly should be considered. Although the type of manpower planning required under the block grant is comprehensive, its share of program implementation funds is significantly less than the scope of the planning. This imbalance should be redressed.

Regardless of what may become of proposals for further consolidation, there will remain, inevitably, a substantial share of manpower aid outside of CETA, given the diversity of employment and training needs in the public and private sectors. Therefore, steps should be taken to better coordinate the separate federal manpower programs. ACIR's research confirms the need for such coordination identified by the National Commission for Manpower Policy (NCMP). After examining the obstacles and opportunities, NCMP called for stronger coordination requirements in all the DOL and HEW manpower programs; concurrent manpower planning cycles; better labor market information; standard program terminology; strengthening and greater use of CETA planning processes; effective exchange of operating experiences among federal, state, and local manpower agencies; and a variety of other specific improvements in individual program areas. ACIR concurs in the need for such changes and notes further that opportunities should not be overlooked for enhancing manpower programs through joint funding arrangements, additional interagency agreements, federal executive branch and Congressional committee reorganization, and coordinative management by the Executive Office of the President and the federal regional councils.

At present, the bulk of the responsibility for the coordination of CETA programs is placed on recipients. Although the rationale for this relies largely and understandably on the need to decentralize decision-making to levels where actual problems and needs can be better perceived, the current fragmented structure of the federal aid programs in this field tends to complicate and confuse such delegations. For example, many of the categoricals in the manpower field that were untouched by CETA provide for relatively little decentralization and maximize the influence of national decisionmakers. The federal government cannot expect this bifurcated arrangement to work smoothly or satisfactorily. It must assume a full partnership role and accept its share of the responsibility for coordinating both block and categorical grants. In the Commission's judgment, Title I can provide an appropriate framework for these efforts.

Recommendation 3

A More Focused Title I Block Grant

The Commission concludes that other federal grant programs are geared to meeting public sector cyclical needs and that prime sponsors under Title I of CETA should give greater attention to the long-term goal of placing individuals in unsubsidized private sector jobs. **Hence, the Commission recommends that Title I of CETA be amended to prohibit the use of block grant funds for public service employment or for equivalent programs, except where prime sponsors certify that relevant and current private sector employment needs have been met and opportunities satisfied in their respective labor market areas.**

One of the major compromises made during the Congress' consideration of proposed manpower reform legislation in the early 1970s was the establishment of a program to provide transitional public service jobs in areas having substantial unemployment. This program became Title II of CETA. As a result of steadily worsening economic conditions and spiraling unemployment rates, one year after approval of the act the Congress enacted an emergency public service employment program that was not confined to areas with high rates of unemployment. This program became Title VI of CETA. In terms of their fiscal magnitude, Titles II and VI accounted for 34% of the total CETA appropriation in FY 1975, or about the same proportion as Title I.

The block grant portion of CETA focuses on the training and placement of those "most in need" in unsubsidized jobs, largely in the private sector. Titles II and VI focus on placing individuals in transitional public sector positions. These differing purposes are reflected in the enrollees in programs funded by each title: block grant participants tend to be more economically disadvantaged, younger, and less educated than categorical participants, who tend to be "job ready."

During the first two years of CETA operations, the purposes of these programs were altered by economic events. Title I authorized the use of block grants for programs supported by categorical grants under the act, including various target groups identified as "special federal responsibilities" and the Job Corps, as well as public service jobs. Nearly half of the Title I formula appropriations were allocated to public service employment or work experience. Although the positions supported by Titles II and VI were supposed to be transitional, in the sense of eventually leading to unsubsidized employment, there is evidence indicating that these funds have had only a substitutive effect. In other words, federal dollars have been used to employ persons who normally would have been paid with local dollars. Thus, the long-term strategy of training individuals who were structurally unemployed and placing them in unsubsidized positions has been subsumed by the short-term pressures of cyclical unemployment.

These factors indicate that a sorting out of the purposes of the various titles of CETA is in order to insure the most effective use of limited federal resources. The Commission believes that in view of the substantial amounts of funds provided under Titles II and VI for public service employment, this area should be excluded from the comprehensive manpower services authorized by Title I. Restricting the scope of block grants to the problems associated with structural unemployment does not unduly curb prime sponsor discretion, because other federal programs are available to meet the needs of particular target groups or to place individuals in public sector jobs. This approach does provide the incentive, the resources, and the opportunity for sponsors to begin tackling the root problems of unemployment and those "most in need," as well as to undertake greater job creation efforts and training to fill skills-shortage positions in private enterprise. Only after these basic needs have been met could prime sponsors use block grants for public sector employment. It is the Commission's view that the availability of substantial block grant resources for these purposes also will give business and labor, as well

as community-based organizations, such as the Opportunities Industrialization Centers, a greater incentive to work closely with prime sponsors in designing manpower programs that will be responsive to both current and future needs of labor market areas.

Recommendation 4

A More Equitable Distribution Formula

The Commission concludes that the Title I distribution formula has diverted funds away from areas that have the most pressing long-term unemployment needs and from activities geared to meeting them. **The Commission recommends that the act be amended to provide that the Title I formula allocations be distributed on the basis of indices that gauge long-term structural employment. Implementation of this formula change is dependent upon and must await development of reliable low-income and unemployment data produced through special interim studies and the 1980 census. The Commission further recommends that the hold harmless provisions of the act be deleted.**

Although prime sponsors may use Title I funds for services to the economically disadvantaged, the unemployed, and the underemployed, the focal point is upon those who are "most in need." National statistics show that unemployment is most severe among the disadvantaged, those under 25 years of age, those who lack a high school education, and racial minorities. These same figures indicate that the bulk of the individuals with these characteristics are found in the nation's central cities. Moreover, these jurisdictions also have been hit hard by cyclical unemployment.

The statutory formula for allocating block grants is a product of Congressional compromise. In determining allocations to prime sponsors, unemployment is weighted three times more than low income, and the total of both factors is equal to that accorded to previous year funding levels. Although the second and third factors have tended to benefit cities, the first has largely benefited counties. This holds true for both individual and consortia sponsors. As a result, during the first year of CETA, many cities had to cut back on their federally supported employment and training programs. Fourteen of the 15 largest cities in the country, for example, experienced significant reductions in their pre-CETA funding levels. Counties, on the other hand, received substantial amounts of new funding; many of these jurisdictions had never been allotted federal manpower funds before.

The case for a more equitable distribution formula does not rest on whether cities or counties are more deserving in light of their needs and resources. Certainly suburban and rural counties suffer from both structural and cyclical unemployment. Nor does the fact that they generally lacked prior experience in the manpower field have a significant bearing on the issue. Instead, the allocation formula must be considered in terms of the act's provisions emphasizing those "most in need," but reinterpreted to focus on the jurisdictional and individual dimensions of the issue, as well as to recognize basic problems in data collection and measurement.

In the Commission's judgment, the allocation formula should reinforce rather than blur the spirit and intent of the act. To achieve this objective, the statutory formula should be revised to provide for block grants to be distributed on the basis of indices that gauge long-term unemployment and low income. The relative weighting of each factor depends on how closely the distribution should reflect the jurisdictional and programmatic considerations relating to the Congress' intent on targeting on those "most in need." Giving more weight to unemployment, for example, would target somewhat fewer funds on central cities and more into short-term responses to cyclical unemployment. Giving more weight to low income would tend to target more funds on central cities and into long-term responses to structural unemployment. In either case, however, consideration should be given to adjusting allocations for regional variations in the cost of living, because this approach would more realistically take into account the differing costs of providing the same services in varying parts of the country and in differing types of locality. Other possible indices also should be examined in light of the purpose of the block grant. These measures, of course, are useful only to the extent that they accurately gauge need, and experience suggests that serious difficulties exist in obtaining accurate information on a timely basis. Until the results of the 1980 census are available, special studies should be undertaken by the Bureau of the Census to help reduce data distortions and gaps.

The Commission realizes that the hold harmless provision of the act has helped avoid even more substantial cutbacks in city manpower services. Over the years, however, the impact of this provision has gradually diminished. Instead of this somewhat artificial approach, the Commission favors the use of a formula that more accurately determines need. Moreover, elimination of hold harmless would release discretionary funds that could be used by the Secretary

of Labor to initiate programs at the state and local levels designed to test the feasibility of new approaches to dealing with the problem of structural unemployment, to provide additional financial support to jurisdictions having severe unemployment problems, or to provide financial incentives for greater private sector involvement in the design of local job creation, skills training, and other employment efforts.

Recommendation 5

Federal Actions to Facilitate the States' Involvement in Title I

The Commission concludes that there is a need for greater federal efforts to enhance the performance of the states' responsibilities vis-a-vis local prime sponsors in CETA block grants. **The Commission recommends that the Employment and Training Administration (ETA) provide increased technical assistance and such other advice and support as may be necessary to bolster the role of state manpower services councils in reviewing prime sponsor plans, coordinating state and local manpower activities, and evaluating performance. The Commission further recommends that the ETA continue its efforts to encourage prime sponsors to make greater use of the state employment service in the provision of manpower programs and, during the plan review process, ensure that the undertaking of duplicative services by the state employment service and CETA prime sponsors in the same labor market areas will be avoided.**

Unlike the traditional federal manpower programs, CETA is primarily a federal-local program. Local units of general purpose government act as prime sponsors within their jurisdictions. Only when a local unit lacks sufficient population to qualify as a prime sponsor within its jurisdiction may the governor be so designated for the balance-of-state area. In addition to this residual role as a prime sponsor under CETA, the state has a variety of other roles with respect to the local prime sponsors. Its comprehensive employment and training plan is to provide that all state agencies offering manpower-related services cooperate and participate in local prime sponsors' activities, and it must provide for coordination of those state services. Also, the state manpower services council (SMSC) appointed by the governor is required to review and evaluate the local prime sponsors' manpower plans and operations and make recommendations to the prime sponsors, the governor, and the public on ways to improve their

performance. Finally, under the provisions of OMB Circular A-95, local prime sponsors' fund applications must be reviewed and commented on by the state's A-95 agency as to their consistency with statewide plans.

Thus, the states have a many-sided relationship with local prime sponsors. They are expected to be operators, planners, reviewers, coordinators, and evaluators. Under these circumstances, it is not surprising that some states are unsure of how to go about maximizing their effectiveness vis-a-vis local sponsors. Their hesitation is due to this diversity in roles and it is reinforced by the recognition that local governments long have been sensitive to any unwarranted state intrusion between local units and the federal government.

The state's variegated role is, therefore, not an easy one to play. Yet, if played properly, it is one that can contribute substantially to the effectiveness of local prime sponsors' planning and operations. Playing that role properly depends to a critical degree on the effectiveness of the SMSC.

Because one-third of its membership comes from local units of general government, the SMSC is equipped to perform its functions affecting local prime sponsors in a way designed to minimize the possible apprehensions of these prime sponsors. Early experience under the program indicates, however, that SMSCs have been hesitant to act positively in their review and coordination roles, reflecting primarily the newness of the councils and the emphasis on getting programs launched and avoiding procedural delays. At this point, however, it is time for the SMSCs to strengthen their management functions. To facilitate this effort, however, DOL's Employment and Training Administration (ETA) needs to concentrate its state efforts on providing technical assistance and other support to the councils, based on its long experience with predecessor manpower programs and its accumulated knowledge of what does and does not work throughout the 50 states. ETA technical assistance and advice will receive greater weight if it can give assurances to SMSCs that their recommendations will be considered by their Secretary when conducting the review of local prime sponsors' plans.

The activities of the state employment services (SESs) are a major manpower service provided by state agencies, and hence one of the main areas that the SMSCs need to help coordinate with local prime sponsors. Under CETA, however, the SESs have suffered a diminution of their operations compared to the predecessor categorical manpower programs. This stems from a number of factors, including local sponsors'

dissatisfaction with the performance of the SESs under the earlier programs and state constraints on the flexibility of local employment service offices. The result is that this valuable resource has not been adequately exploited and local prime sponsors' reliance on other providers has produced a duplication of services. ETA has undertaken to remedy this situation by encouraging prime sponsors to make more use of SESs and identifying possible duplication of services when reviewing local prime sponsors' manpower plans and operations. ETA needs to continue this emphasis in working directly with local prime sponsors. Also, in assisting the SMSCs, it should encourage them to see that local prime sponsors make maximum use of the SESs.

Recommendation 6

The Special Problem of Youth Unemployment

The Commission concludes that the Congress should accord high-priority attention to dealing effectively with the pressing problems of youth unemployment across the nation. **Hence, the Commission recommends that the Congress amend the *Comprehensive Employment and Training Act* to delete the youth employment provisions of Title III, Part A. The Commission further recommends that the Congress consider the advisability of establishing a youth employment services title with a separate appropriation and allocation formula based on the relative amount of unemployed youth served by the prime sponsor above the national average.**

Youth unemployment has been a persistent and perplexing problem of our society. Presently, about 3.6 million persons between the ages of 16 and 24 comprise approximately half of the unemployed labor force. According to the National Commission for Manpower Policy, another 600,000 persons in this age group have stopped looking for work and have dropped out of the labor force due to their frustration at the lack of opportunities. The unemployment rate for teenagers (between 16 and 19 years of age) is three times that of individuals over 25 years of age, while that for young adults (between the ages of 20 and 24) is twice as much as the adult level. Youth unemployment is particularly severe among racial minorities; nonwhite unemployment rates are about double those of young whites. Economically disadvantaged persons, as well as those living in the nation's central cities and

low-income rural communities, also have disproportionately high rates of unemployment.

The factors responsible for youth unemployment are many and varied. Some of the more significant factors include: the poor state of the economy during most of the 1970s; a high proportion of youth in the population who seek to participate in the labor force; the flooding of the labor market each summer with young people who seek full-time employment; the reduction in the size of the armed forces; the lack of marketable skills and work experience; the absence of appropriate attitudes toward work; and the effects of the minimum wage. For the most part, these conditions are not temporary; they have been present for many years. As a result, in the United States, joblessness among youth is far greater than in other industrialized nations.

In response to these problems, the federal government over the years has provided financial assistance for employability development of young persons about to enter or already in the labor market. These programs include in-school and summer youth employment, work experience, vocational education, and classroom and on-the-job training. However, in view of the extent of youth unemployment and its concentration among minorities and the economically disadvantaged, available resources have been either insufficient or not properly targeted. Furthermore, timing has been a problem, as Congressional appropriations for summer employment often have come too late to allow recipient jurisdictions to plan programs that could effectively respond to the needs of young jobseekers and provide them with meaningful work experience and transitional opportunities into the labor force.

Two titles of CETA have made available substantial amounts of funds for youth employment and training services: Title I, the block grant; and Title III-A, categorical grant for "comprehensive work and training programs, and necessary supportive and follow-up services" for young persons. To a far lesser degree, the public service employment titles of the act have dealt with this problem; however, the focus has been on job-ready, rather than on critically unemployed, individuals. The Title II and VI programs have been geared mainly to meeting cyclical rather than structural unemployment needs.

In the Commission's view, the problems of youth unemployment should be addressed in a more comprehensive and concerted manner. As pointed out by the National Commission for Manpower Policy, about 400,000 young people presently require intensive employment and training services if they are to enter and remain in the labor market. For the long-standing needs of this group to be adequately addressed, more federal dollars must be targeted on young jobseekers.

Although Title I of CETA could provide a suitable framework for undertaking youth employment programs, the Commission is concerned that the wide range of services authorized under the block grant would impede the targeting of such funds. As the National Association of Counties has observed with respect to the issue of youth unemployment: "It is clear that more resources must be devoted to this problem without mortgaging funds needed by their parents and older brothers and sisters for employment and training programs." Although the Commission is reluctant to add yet another category of assistance to the act, it believes that the need to effectively address this deep-rooted problem is compelling. Hence, the Commission supports replacement of the youth employment sections to Title III-A of CETA with a new title focusing on this sector of the jobless population. While this title should have a separate appropriation and a separate allocation formula that directs funds to areas exceeding the national average of unemployed youth, the existing CETA delivery system should be used for administering these grants. Prime sponsors should be made responsible for identifying and prioritizing needs, allocating resources, providing or contracting for services, and coordinating youth programs launched under the new title with those carried out with block grant funding. Another desirable action would be a clarification of the purposes of Titles II and VI to underscore their focus on cyclical rather than structural problems of unemployed youth.

Through this approach, the Commission believes that sufficient resources can be provided on a regular basis to enable prime sponsors to tackle one of the most pressing problems confronting our society. Because it would rely on the existing Title I delivery system, the integrity of the block grant would not be unduly compromised.

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(MAY 1977)

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The Commission is composed of 26 members—nine representing the Federal government, 14 representing state and local government, and three representing the public. The President appoints 20—three private citizens and three Federal executive officials directly and four governors, three state legislators, four mayors, and three elected county officials from slates nominated by the National Governors' Conference, the Council of State Governments, the National League of Cities/U.S. Conference of Mayors, and the National Association of Counties. The three Senators are chosen by the President of the Senate and the three Congressmen by the Speaker of the House.

Each Commission member serves a two year term and may be reappointed.

As a continuing body, the Commission approaches its work by addressing itself to specific issues and problems, the resolution of which would produce improved cooperation among the levels of government and more effective functioning of the federal system. In addition to dealing with the all important functional and structural relationships among the various governments, the Commission has also extensively studied critical stresses currently being placed on traditional governmental taxing practices. One of the long range efforts of the Commission has been to seek ways to improve Federal, state, and local governmental taxing practices and policies to achieve equitable allocation of resources, increased efficiency in collection and administration, and reduced compliance burdens upon the taxpayers.

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