

## Administrative Problems and Opportunities

THE ESTABLISHMENT of an EAP jobs program would pose a number of difficult administrative problems. Some of these would flow from the sheer size of the program. In 1985, for example, I have estimated that the program's budget would have been five times as great as that of the U.S. Postal Service, and it would have employed fourteen times as many people.<sup>1</sup> Any government program of that size would be difficult to administer.

In considering the administrative problems associated with the operation of an EAP jobs program, however, it must be kept in mind that such a program would also reduce some existing administrative problems. In the first instance, it would reduce the administrative burden of running those social welfare programs that a jobs program would either partially or wholly replace. Second, and perhaps more important, it would reduce the general administrative burden of coping with a host of seemingly intractable economic, social, medical, and psychological problems that are associated with unemployment and poverty. The question that needs to be asked is not whether it would be difficult to run an EAP jobs program, but whether it would be more difficult to run such a program than to achieve similarly positive results utilizing the existing institutions of the modern welfare state.

With that caveat in mind, it is time to consider the particular administrative problems that an EAP jobs program would have to address. These include the so-called fiscal substitution problem that figured prominently in criticism of public employment programs in the late 1970s, the problem of defining and regulating the relationship between EAP jobs and regular employment in the public sector, the problem of defining and applying eligibility criteria for continued receipt of gratuitous income maintenance benefits, the problem of finding useful work for EAP jobholders to do, and the problem of maintaining worker discipline in a program that guarantees jobs for all applicants. I shall consider each of these problems in turn.

### THE FISCAL SUBSTITUTION PROBLEM

One of the criticisms most frequently directed at the public employment programs established during the 1970s under the authority of the Com-



prehensive Employment and Training Act (CETA) was that their job-creating effect was greatly reduced or even nullified by the tendency of municipal governments to use the program to provide services that would have been provided anyway at local taxpayer expense. The actual extent of this fiscal substitution effect has been much debated. Contentions that the effect was large are supported by econometric studies conducted early in the program's history,<sup>2</sup> but later case study and survey research have suggested that the earlier econometric studies overstated the actual extent of the problem.<sup>3</sup> It was the early perceptions of the fiscal substitution problem, though, which were most influential in determining the program's fate. They were partly responsible for a major statutory modification of the program in 1978, and they were also cited in justification of the program's termination in the early 1980s.<sup>4</sup>

Whatever fiscal substitution effect CETA programs did have, the problem could be worse for an EAP jobs program. One reason for this is because an EAP jobs program would be several times as large as CETA.<sup>5</sup> More importantly, several of the administrative features included in CETA after 1978 to discourage fiscal substitution would be harder to incorporate into an EAP jobs program. For example, an EAP jobs program could not limit eligibility to the hard-core structurally unemployed without defeating its countercyclical purpose. Also, placing a time limit on individual participation would violate the guaranteed employment feature of the program. Limiting work activities to self-terminating projects would also not be possible for crucial EAP activities (such as the provision of child care) and would squander opportunities to use the program to improve public services. Finally, relying on the private nonprofit sector to provide program jobs would be unrealistic for such a large program, and it would make program auditing more difficult. Given these limitations, what steps could or should be taken to minimize the fiscal substitution effects of an EAP jobs program?

In answering that question, two points must be kept in mind. The first is that fiscal substitution is not undesirable under all circumstances. The phenomenon actually embodies two effects. One is a reduction in the net employment effect of federally financed job-creation programs. The other is a shift in the burden of financing state and local government services. Each of these effects warrants analysis. Even if a particular jobs program were found to have no net employment effect, it still might have a positive equity effect by providing for a more equal sharing of tax burdens among wealthy and poor communities, relative to the quantity and quality of public services they each provide. If this were the case, the fiscal substitution phenomenon might be deemed desirable, despite its ineffectiveness in achieving its stated goal of reducing unemployment rates.

The second point that must be kept in mind in assessing the fiscal sub-



stitution problem is that the tendency is not inherent in all public employment programs. It is a problem that is largely attributable to the practice of having the federal government pay for employment programs, while vesting administrative control over them in state or local governments. When one level of government foots the bill, while another controls the expenditure of the funds, fiscal substitution is likely to be a problem. Under these circumstances, state and local officials are faced with the very tempting option of using the program as a form of general revenue-sharing. By assigning program enrollees duties that would otherwise have to be performed at local expense, local officials can shift the burden of paying for local government services to the federal government.

Thus, in assessing the fiscal substitution effects of an EAP jobs program, it is necessary to consider both the issue of tax equity and the question of how control over the program should be distributed among different levels of government.

#### *Fiscal Substitution and Tax Equity*

If properly controlled, the fiscal substitution effect of an EAP jobs program could enhance tax equity. Indeed, inherent differences in the likely fiscal substitution behavior of rich and poor communities would naturally tend to work in this direction. This is because the fiscal substitution opportunities presented by an EAP jobs program would be roughly proportional to the unemployment rate in a community. Since wealthy communities tend to have lower unemployment rates than poor ones, their capacity to substitute EAP job-holders for regular government employees would also be less than that of poor communities. Thus, the poorer the community, the greater would be the fiscal substitution opportunities presented by an EAP jobs program.

Therefore, within bounds, the relatively greater tendency of poor communities to practice fiscal substitution might be welcomed as beneficial. Wealthy communities tend to have low rates of taxation (measured against income or wealth) relative to the quantity and the quality of the government services they provide. When such communities practice fiscal substitution, it almost surely results in a regressive shifting of tax burdens. When poor communities pursue a similar policy, however, the result is likely to be a shift in tax burdens that increases tax equity.

Since the primary purpose of a public employment program is to create jobs, any contribution that the program might make to tax equity is not likely to be seen as important unless the employment-generating effects of the program can also be preserved. This was certainly the case with reference to CETA. If the employment-generating effects of a public



employment program could be guaranteed, though, then the tax-shifting effects of the fiscal substitution phenomenon might be deemed acceptable or even desirable.

Consider, for example, the implications of totally unleashed fiscal substitution under an EAP jobs program. Local governments would first provide what services they could using the labor of EAP participants. Services that could not be provided in this fashion would have to be funded by local taxes. Local taxation would therefore come to function, in effect, as a supplement to federal funding of local government services, with the federal assistance being distributed in direct proportion to a community's unemployment rate (and hence to its probable need). Federal tax revenues would have to be increased, of course, but only to the degree that local taxes were reduced, and this too would work to the advantage of poorer communities because of the greater progressivity of federal income taxes as compared to most sources of local revenue. In other words, the net effect of uncontrolled fiscal substitution under these circumstances would be a rationalization of the nation's tax system in a progressive direction.

With this in mind, the appropriate policy goal for an EAP jobs program might not be to prevent fiscal substitution, but merely to limit it. A general prohibition of fiscal substitution that was loosely enforced might be sufficient. To be truly effective, a policy of concerted fiscal substitution would have to involve the shifting of currently employed municipal workers to the EAP payroll. Any large-scale efforts to do that would be fairly easy to detect, and more limited or subtle forms of fiscal substitution would probably shift tax burdens in a desirable direction for the reasons I have just elaborated.

If a more concerted effort to limit fiscal substitution was thought to be necessary for political reasons, then further limitations on local discretion would have to be enforced. In analyzing how this could best be done, however, it is important to consider the second feature of the fiscal substitution problem noted above.

### *Fiscal Substitution and Federalism*

If state and local governments did not have the authority to determine local levels of taxation, the fiscal substitution problem would not exist. Nor would it exist if state and local governments did not control the level of services they provide. Finally, the scope of the problem depends on the degree of control exercised by state and local governments over the work assignments of enrollees in public employment programs. In short, the opportunity for fiscal substitution is created by the combination of federal financing with state or local government control of (1) state or



local levels of taxation, (2) the nature and level of state or local government services provided, or (3) the work assignments given to employment program enrollees. Discouraging fiscal substitution therefore requires some limitation on local government discretion in one or more of these areas.

One strategy for doing this would be to focus regulatory attention on local government employment levels and patterns. A prohibition on the substitution of EAP job-holders for regular government employees would fall under this heading. Enforcement of such a prohibition would require some form of monitoring of local government employment practices, a mechanism that was mandated under CETA.

There are serious problems, however, with this strategy of discouraging fiscal substitution. The services that local governments need to provide necessarily change over time. Population growth or shrinkage, changes in the age distribution of the population, changes in the nature of a community's economy, and other analogous developments can all affect the absolute level and mix of services that local governments must offer. To regard local government employment patterns at the time an EAP jobs program was established as a baseline for measuring ongoing obligations is simply unrealistic. Other standards would have to be introduced over time, and that raises the question of what those standards should be.

A second strategy for discouraging fiscal substitution would be to use tax rates to measure the ongoing fiscal responsibilities of local governments. This would provide a standard less subject to change over time than local government employment patterns, and it would also be better suited to the task of distinguishing between desirable and undesirable fiscal substitution.

In general, the lower the average income of a community's population, the higher its effective tax rates must be to generate a given level of per capita tax revenue. The result is that poorer communities find it more difficult to provide a given level of government services than do richer communities. A town whose residents enjoy an average family income of \$100,000 a year can provide an average of \$5,000 worth of government services to each resident family by taxing income at an effective 5 percent rate. A town whose residents enjoy an average family income of only \$20,000 a year would have to impose taxes five times as great to afford the same level of services.

Thus, as a means of equalizing tax burdens among communities relative to the quantity and quality of government services they provide, poor communities with high effective tax rates could be permitted some latitude for fiscal substitution, while wealthier communities could be denied that opportunity.



A third means of controlling the problem of fiscal substitution would be to adopt the prevailing New Deal practice of having the federal government itself administer the public employment programs it finances. Under such an arrangement, state and local governments could still assume primary responsibility for project selection, but their choice of projects would be more easily monitored to forestall fiscal substitution.<sup>6</sup>

In the WPA, for example, the vast majority of all projects were sponsored by local governments. The sponsors not only applied for certain projects to be funded; they assumed responsibility for planning the work that was to be undertaken. They had to prepare all blueprints, to detail the tasks to be performed by WPA workers, and to specify the size and type of workforce needed. They then helped to direct the projects, paying an average of 20 percent of their total cost (typically by providing materials).<sup>7</sup>

WPA workers were federal employees, though, under the control of supervisors who were also employed by the WPA. This made it difficult for local officials to divert program staff to perform unapproved local services, while it still gave local governments substantial control over project selection in their communities.

With this administrative structure, fiscal substitution tendencies were relatively easy to control. All that was required were administrative guidelines specifying the kinds of activities that the employment program could not undertake (because it was presumed that they were the responsibility of state or local governments). Waivers of these restrictions were granted, however, when a local government's financial condition was so bad that it was deemed unable to assume its traditional responsibilities.<sup>8</sup>

There are also disadvantages to structuring an employment program in this way. It would, for example, prevent the integration of EAP job-holders into the regular local government workforce, thereby preventing the program from being used to improve and expand the delivery of traditional local government services. Also, it is an administrative structure best suited for carrying out discrete projects.

In summary, then, a variety of methods exist for limiting the fiscal substitution tendencies intrinsic to federally financed public employment programs. The administrative challenge would be to devise means of doing so that were both politically palatable and that placed as few constraints as possible on the use of the program to serve public needs. There are undoubtedly trade-offs to be faced between these two goals, and given the layered sharing of fiscal authority that exists among levels of government in the United States, no ideal solution to the problem can be claimed to exist. Still, there is no warrant for concluding that the problem is uncontrollable.



## PUBLIC SECTOR LABOR RELATIONS

An issue closely related to the fiscal substitution problem is how regular government employees would respond to an EAP jobs program. If they saw the program as a threat to their jobs, their professional status, their wage levels, or to protections afforded under either civil service regulations or collective bargaining agreements, then they would probably oppose it.<sup>9</sup> Moreover, it is not unreasonable to fear such consequences. An EAP jobs program could be used by government agencies to undercut the position of their regular employees. Fiscal substitution by local governments is simply one example of such undercutting actions.

On the other hand, the more similar EAP employment was to regular public sector employment, the less cause existing government employees would have to fear the program. From the perspective of such employees, the ideal EAP jobs program would be one that simply provided funding for additional regular public sector hiring. If, under EAP auspices, government employment were simply expanded to provide jobs for unemployed workers, without altering the terms or conditions of that employment, then existing government employees would have no reason to fear the program. Indeed, they would probably welcome it, since workloads could be eased and new opportunities would be created for experienced workers to move into supervisory positions.<sup>10</sup> Even fiscal substitution would hold little sting for local government employees if all it meant was that the source of funding for their jobs shifted to Washington.

To a certain extent, an EAP jobs program paying market wages could operate in this way. Additional funding could be provided to existing government agencies, permitting them to expand their regular hiring. Normal hiring procedures would not have to be altered, because it would not matter whether the individuals hired were previously unemployed or not. Any jobs vacated by persons accepting a newly funded public sector position would thereby become available to other job-seekers. It would be important, though, to limit the public sector positions funded in this fashion to job categories for which significant numbers of unemployed persons were known to be qualified. Otherwise, the policy would merely contribute to labor shortages in certain sectors of the labor market.

In practice this would mean that existing agencies could expand their hiring of relatively unskilled labor to almost any level desired, but hiring in more specialized job categories would have to be accompanied by a commitment to train less-skilled workers to fill the positions.

The provision of entirely new government services (like child care) could also be funded in this fashion, so long as the personnel needs of the agencies providing the new services matched available supplies of un-



employed labor. In other words, an EAP jobs program would not have to administer all of the new public services it would make possible, nor would all EAP-funded hiring have to involve special job application and assignment procedures. The program could instead provide the funding (either partial or total) necessary to establish new activities within other government agencies whose hiring practices would conform to normal public sector practice.

There are, however, two major considerations that would limit the use of this administrative strategy. The first is that it would aggravate the program's fiscal substitution problem. The more complete the integration of EAP and regularly funded positions within government agencies, the more difficult it would be to monitor and control fiscal substitution tendencies. Hence, this strategy would be practical only if it were limited to federal agencies, or if it were accompanied by very strong controls preventing undesirable fiscal substitution by state and local governments.

The second consideration is that additional public sector hiring of this type would not provide "employment assurance" for all individuals. Short-term work projects would still have to be established to meet the needs of seasonally and cyclically unemployed workers. Special employment programs would also be needed on a permanent basis for certain categories of workers (like sheltered workshops for disabled workers). Free-standing employment programs might also be deemed desirable (or necessary) to provide enough jobs for certain demographic groups, such as single youths, or for especially large geographic concentrations of structurally unemployed workers. Finally, if hiring procedures for positions that were funded by the jobs program while being administered by other government agencies conformed to normal public sector practices, then the jobs program itself would have to serve as employer of last resort for persons otherwise unable to find work or at least unable to find it at the minimum need-based wage rates we are assuming the program would pay to low-wage working parents.

It would also be possible, of course, to employ all EAP job-holders in work projects that were segregated from other government activities, thereby creating a strict distinction between regular public sector jobs and EAP-funded positions. If administrative controls were established that ensured that these projects did not displace regularly funded government activities, then opposition to the program by regular government employees would probably be minimal. This administrative structure was adopted by major New Deal employment programs such as the Civilian Conservation Corps (CCC), the Civil Works Administration (CWA), and the Works Progress Administration (WPA).<sup>11</sup>



## ELIGIBILITY CRITERIA

Throughout this analysis it has been assumed that EAP jobs would be freely available to all who wanted them. Given that assumption, the only issue that needs to be addressed concerning eligibility criteria is how the line would be drawn between persons who are deemed eligible to receive traditional income maintenance benefits and those who are not.

The assumption adopted in my analysis of the fiscal feasibility of providing employment assurance was that eligibility for existing income maintenance benefits would be limited to the elderly, the disabled, and to children lacking the support of both their parents (due to the parents' death, disability, or absence from home). Defining disability is the only real problem in this model. It would not be a new problem, though, since it already exists in the administration of the Social Security Disability Insurance and Supplemental Security Income programs.

The Disability Insurance program (DI) provides income maintenance benefits to disabled workers who have achieved "fully insured" status within the Social Security system. The benefits provided are comparable to those paid under the Old Age and Survivors Insurance program (OASI), and neither a person's eligibility to receive benefits nor the level of benefits paid is subject to a means test. The Supplemental Security Income program (SSI) provides means-tested benefits for aged, blind, or disabled persons who are also poor.<sup>12</sup>

The definition of disability is the same for both DI and SSI. To be eligible for benefits a person must be unable to engage in any substantial gainful activity by reason of a medically determined physical or mental impairment that has lasted or is expected to last for at least twelve continuous months or is expected to end in the person's death. Administrative determinations of disability status result in a simple yes or no answer. No benefits are provided to partially disabled workers, and persons who do receive benefits are required to accept vocational rehabilitation services. Benefit payments are terminated if a recipient recovers the capacity to engage in substantial gainful activity, even if the recovery is partial and does not permit a resumption of the recipient's former occupation. To reduce work disincentives, though, benefits are only gradually withdrawn when a recipient reenters the workforce.<sup>13</sup>

In practice, it is exceedingly difficult to draw the line between those who reasonably can be expected to work and those who can't. Applicants have a strong incentive to be or seem to be as unwell as possible. On the other hand, program administrators are under strong political pressures to ensure that "undeserving" applicants do not receive benefits. They must therefore adopt a skeptical stance with respect to an applicant's



claim. Under these circumstances, the eligibility determination process inevitably assumes an adversarial character that does little to advance the goal of encouraging persons with physical or mental disabilities to maximize their capabilities.<sup>14</sup>

There is no reason to believe that the administrative problems associated with the determination of disability status under these programs would become any more difficult following the establishment of an EAP jobs program. Indeed, the establishment of vocational rehabilitation and sheltered workshop programs under the EAP umbrella would create an opportunity to redesign these programs so as to better serve the needs of disabled workers, while simultaneously eliminating most of the problems currently associated with disability determination proceedings.

Specifically, a nonadversarial model for the delivery of public assistance to the disabled could be devised. Instead of making direct application for income transfer benefits, disabled individuals could be invited to apply to a special screening facility that would work with the applicant, in consultation with the applicant's doctor where that was appropriate, to develop a vocational rehabilitation or work program suited to the applicant's capacities and needs. It would no longer be necessary to make a simple yes or no determination regarding a person's capacity to engage in substantial gainful employment. Rather, an individualized vocational strategy could be devised for each applicant that was designed to maximize the person's well-being and self-esteem.

Critically ill or totally incapacitated applicants could be provided the equivalent of an EAP wage as a straight transfer payment. Severely disabled but not totally incapacitated applicants could be provided occupational therapy prescribed by their doctor as an adjunct to their medical or psychiatric treatment. Individuals with less severe disabilities could be offered enrollment in a full-time program of vocational training or a job in a sheltered workshop.

For some the goal of such a program would be to achieve full entry or reentry into the world of normal work. For others the goal would simply be to maximize the person's independence and self-esteem. All could receive regular EAP wages, conditioned only on their continued participation in the program, thereby assuring even the disabled the opportunity to "earn" enough to be self-supporting.

#### PROJECT SELECTION

An average of about sixteen million people were employed by all levels of government during the ten-year period that is the focus of my fiscal analysis.<sup>15</sup> During that same period I have estimated that an EAP jobs program would have needed to provide an average of about seven million



full-time and about three million part-time jobs per year (table 2.4). Could productive work have been found for that many additional workers?

In theory, there should be no problem. Neoclassical economists maintain that our wants are limited only by resource scarcity. Given the availability of a prepaid multimillion-member laborforce, there should be no lack of wants demanding satisfaction, especially if there is any truth at all to the contention that market societies tend to underproduce public goods.<sup>16</sup> Be that as it may, the political and administrative task of putting that many people to work would be a formidable one.

To put the undertaking in perspective, however, it is useful to recall the accomplishments of the Roosevelt administration in establishing employment programs for unemployed workers in the 1930s. The Works Progress Administration (WPA) is the best known of those programs. Established in the summer of 1935, the WPA provided jobs for 3.3 million persons at its peak and was not finally terminated until 1943.<sup>17</sup> The New Deal's greatest administrative achievement in this area, though, was probably the successful establishment of the Civil Works Administration (CWA), a short-lived but substantially more ambitious predecessor of the WPA, which provided jobs for 4.3 million persons during the winter of 1933-34.<sup>18</sup>

The decision to establish the CWA on a temporary basis was made, with little advance planning, on 2 November 1933.<sup>19</sup> The task set for its administrators was a gargantuan one—to mobilize and usefully employ a workforce seven times as large as that of the entire federal government,<sup>20</sup> and to do it in a matter of weeks in the dead of a winter that proved to be one of the coldest on record.

Just arranging for paychecks to be printed and distributed required a major cooperative effort on the part of a number of government agencies. At the time the CWA was established, the federal government was writing about thirty-three million paychecks a year. During the next four-and-a-half months, an extra sixty million were issued. To ensure that the first batch of one million would be available on time, the president ordered several federal agencies to suspend normal operations in order to get the CWA work done. The Government Printing Office undertook its largest single order ever in delivering enough check-writing paper. The Bureau of Printing and Engraving scheduled triple shifts to print the checks, which were then transported by the government's fledgling airborne postal service (in many cases under very hazardous flying conditions) to local offices of the Veterans Administration, the agency designated as the program's paymaster because it was the largest and most heavily automated federal disbursing system then in existence.<sup>21</sup>

Because of statutory restrictions on the funds used to finance the pro-



gram, 90 percent of the work projects undertaken were limited to the planning and execution of construction projects, all work had to be performed on public property, and no project was supposed to duplicate work normally done by state and local governments.<sup>22</sup> Despite these limitations, a surprisingly wide variety of useful projects were set in motion on exceedingly short notice. All together, a total of one hundred and eighty thousand distinct projects were undertaken. Over two hundred and fifty thousand miles of roads were either built or improved. Approximately sixty thousand public buildings were either repaired or constructed. Almost twenty-three hundred miles of sewer lines were laid or repaired. The program employed thirty thousand workers in swamp-drainage projects to fight malaria, and seventeen thousand jobless coal miners were put to work sealing abandoned coal mines to protect groundwater supplies. Over thirty-seven hundred new playgrounds and two hundred new swimming pools were constructed. Over forty thousand CWA workers were employed in airport construction at both civilian and military facilities.<sup>23</sup>

Funding from other sources was obtained to permit the establishment of nonconstruction work projects for about 10 percent of the program's workforce. Fifty thousand laid-off teachers were employed in special education programs. Adult education classes run by the CWA were attended by eight hundred thousand adults, and sixty-one thousand preschool children attended CWA nursery schools. A nationwide child health study and immunization campaign was staffed by twenty-three thousand nurses, and over seventy thousand people worked in pest eradication campaigns. Employment was provided to fifteen thousand persons with engineering backgrounds in an extensive triangulation and mapping project for the U.S. Coast and Geodetic Survey, and another ten thousand were employed in an aerial mapping project that charted hundreds of U.S. cities. Work for twelve hundred draftsmen was provided by means of an architectural survey of the nation's historic buildings, and three thousand artists were employed in a meticulously organized Public Works of Art Project sponsored by the Treasury Department. Actors were employed to stage dramatic works in hospitals, schools, and libraries. Opera singers toured the Ozarks. CWA orchestras gave free concerts in New York, Philadelphia, Newark, and Los Angeles. The Smithsonian Institution supervised archeological digs in five states staffed by one thousand CWA workers, and eleven thousand CWA workers took part in a Real Property Inventory sponsored by the Department of Commerce. The program's own statistical division provided work for another thirty-five thousand persons, developing the data and documentation needed to improve program administration and collecting census information about labor market conditions and the nation's public relief problems.<sup>24</sup>



All of this was planned, implemented, and completed in less than five months. One historian of New Deal relief efforts has characterized the achievement as "one of the greatest peacetime administrative feats ever completed" in the United States.<sup>25</sup> It demonstrates what can be done when the political will exists to make a program of this type work.

In principle, at least, the task of finding useful work for participants in a jobs program should be easier today than it was in the 1930s. Government agencies now provide a far greater variety of public goods and services than they did in the past, so it should be possible to identify a broader range of goods and services that an expanded public sector workforce could provide.

The real problem lies not so much in imagining useful goods and services that a jobs program could undertake to provide, but in identifying things that a jobs program would be permitted to do in the face of almost certain political opposition from other potential providers of the same goods and services. While both administrators and workers in existing government agencies would probably welcome EAP funding of additional employee slots within their agencies, they would probably oppose plans to have the jobs program itself provide goods and services that had traditionally been provided by their agencies. Private businesses would be even more strongly opposed to the jobs program providing goods or services they were trying to sell.

In the case of the CWA, it was the construction industry that felt its interests most directly affected, and trade associations in the industry were quick to express their objections to the program. Concerned at the "scope of projects" planned by the CWA, the Illinois Builders Institute called an emergency meeting at which it was resolved to seek the program's termination as quickly as possible. The Pittsburgh Builders Exchange complained to a prominent New Dealer that, "General contractors and subcontractors have had little to do in the past three years and then you set up a construction program which continues to leave them on the outside."<sup>26</sup>

It is political opposition of this type, usually expressed as a concern for workers in the effected industries, which tends to confine public employment programs to less productive activities. It is true, of course, that the operations of an EAP jobs program could have a negative effect on industries (and other government agencies) that provide similar goods and services. Enrollment in nonelite private schools must have declined in the United States when free public education was first introduced, and a similar effect would probably be felt by existing child care providers if an EAP jobs program began to offer that service for free or at a very low cost.

This does not mean, however, that the general level of employment in either the private or the regular government sectors of the economy



would necessarily decline as a result of "competition" from the jobs program. The portion of household income and tax revenues formerly spent purchasing goods and services that the jobs program provided for free (or at reduced cost) would henceforth be available for purchases of other goods and services. Employment in immediately effected industries and regular government agencies might indeed decline, but it would be just as likely to increase in other industries, while the public's general level of real consumption would increase by an amount equal to the value of the goods and services produced by the jobs program. The net welfare effect of these changes would almost surely be positive, but this is not likely to diminish the political opposition of those whose private interests would be harmed by "competition" from the jobs program.

Moreover, there is good reason to believe that this political opposition would be effective. During the period immediately following the termination of the CWA (and preceding the establishment of the WPA), New Deal relief agencies provided significant support for the development of self-help production both by private cooperatives of unemployed workers<sup>27</sup> and within public work relief programs.<sup>28</sup> In the summer of 1934, for example, a dozen idle factories were leased by the Ohio State Relief Commission to establish a work relief program producing clothing, furniture, and stoves for direct distribution to the poor. Similar programs were established in other states. Perhaps the most interesting of these were programs linked to the government's surplus commodities program. Cotton purchased by the Federal Surplus Relief Corporation (FSRC) was shipped to factories leased by work relief programs where mattresses were produced for distribution to families on relief. Similar plans were formulated for the use of surplus cattle purchased by the FSRC to produce canned beef and shoes. By the fall of 1934, production-for-use, as it was called, accounted for 15 percent of all employment in federally funded work relief programs.<sup>29</sup>

Private business opposition to such activities, however, was immediate and vociferous. Mattress manufacturers were outraged, and shoe manufacturers refused to rent the government the machinery needed to commence production. As Arthur Schlesinger has noted,

As these programs developed . . . the phrase "production-for-use" began to acquire sinister connotations. The impression grew in business circles that the self-help program was the entering wedge of socialism. The "Ohio Plan" was suspicious enough; and when Upton Sinclair, running for governor in California, envisaged production-for-use by the unemployed as the nucleus for a radical reconstruction of the economy, reaction was vigorous and unequivocal.<sup>30</sup>

As a result of this opposition, the production-for-use movement within New Deal employment programs was essentially ended. Henceforth, the



programs were severely restricted both by statute and as a matter of administration policy from engaging in any activities that would directly compete with private enterprises. Similar restrictions, motivated by fears of fiscal substitution, prevented the programs from engaging in activities that were seen as the responsibility of state and local governments.<sup>31</sup>

An EAP jobs program that ventured to provide goods and services in competition with significant business interests would be sure to encounter similar problems. Thus, the task of identifying work that an EAP laborforce could perform is as much political as it is economic. Jobs would have to be found that matched the skills of program participants and produced goods and services that were genuinely useful, but these activities would also have to be sustainable politically, meaning that they could not trench too severely on private interests. If fears of fiscal substitution led to the adoption of regulations that prevented the program from providing goods and services normally supplied by other government agencies, then the field of possible choices would be made even narrower.

This is not to say that this administrative task would be impossible. Faced with similar political constraints and administrative concerns, New Deal employment programs did succeed in creating jobs for a laborforce of several million persons at a time when the overall size of the public sector was much smaller than it is today. Some idea of the range of activities undertaken by the WPA can be obtained from a perusal of table 2.5.<sup>32</sup>

Conceptually, two distinct kinds of employment opportunities would have to be provided in a modern EAP jobs program. The first would consist of relatively permanent positions needed to fill the economy's structural job deficit. The second would consist of relatively short-term jobs needed to fill any cyclical or seasonal employment gaps.

Assuming that fiscal substitution problems could be controlled without prohibiting the assignment of EAP job-holders to regular government agencies, an obvious place to begin in creating permanent EAP positions would be by restoring or expanding traditional government services. The number of jobs that could be created in this fashion would be considerable. It has been estimated, for example, that a 10 to 15 percent increase in low-skilled public sector employment would have been necessary in 1972 just to restore government services to their 1960 level in the cities of Oakland and San Francisco.<sup>33</sup> A 25 percent increase in the size of the public sector laborforce providing traditional government services would have involved the creation of about four million new full-time jobs between 1977 and 1986, over half the total I have estimated would be needed to employ the entire EAP laborforce.

Jobs could also be created, of course, by expanding government services in new directions. Among the new services that an EAP jobs pro-



gram could either fund or provide directly, child care would probably be the most widely accepted and relatively uncontroversial priority. Between two and three million child care slots would be needed just to accommodate the preschool age children of former AFDC parents participating in the program.<sup>34</sup> Nationally, there are over eight million children under five years of age with mothers in the laborforce. Only about 23 percent of these mothers are now able to place their preschool age children in organized child care facilities. There are, in addition, another eighteen million children between the ages of five and fourteen with mothers in the laborforce. A substantial number of these children (4.5 million) are not in school and need full-day care on a year-round basis. Even those who are attending school need afternoon care when school is in session and full-day care during that portion of the work year when school is not in session, as well as on school days when they are home sick and their parents have to work.<sup>35</sup>

An enormous unmet need exists in this area, which an EAP jobs program could satisfy while creating several million new jobs. In addition, the program could fund expanded school support services and special services for the elderly and the disabled. Job-training and sheltered-workshop programs within the program would also provide work for substantial numbers of program participants. These activities, in conjunction with the restoration of traditional government services that have been reduced in budget-cutting efforts over the past fifteen years, could probably provide work for the entire EAP laborforce.

There are plenty of other unmet needs, though, that could compete with these for attention—the unmet needs of individuals and families for affordable housing, the need to restore and modernize the nation's physical infrastructure, the need to retrofit the nation's existing housing stock with energy-conserving improvements, and the need for resources to undertake a host of environmental preservation projects from trash recycling to public education campaigns.

Some of these undertakings would be more capital-intensive than I have assumed EAP work projects would be, but they also involve the provision of goods for which people would probably be willing to pay something out of nonprogram funds. Low-income housing provides a good example of this. Unemployment rates are particularly high among youthful workers in inner-city neighborhoods where the housing stock is badly deteriorated. Housing rehabilitation and construction work in such neighborhoods could provide a very large number of jobs in which youthful workers would learn valuable skills. Productivity levels would be low at first, because of the low initial skill levels of the workforce, but they would improve over time. Efforts to minimize labor costs would not in any case be a major concern, because the program's objective would not



be to build housing at the lowest possible cost, but to maximize the productivity of the program's workforce. Since the labor cost of the construction work along with a substantial share of the cost of construction materials would already be covered by the program budget, the net uncovered cost of the housing would be very low. Such housing could be made available to low-income families at affordable rents without any public subsidy beyond that already provided by the jobs program.

Housing construction, infrastructure rebuilding, energy conservation, and environmental protection projects would also be well suited to meet the needs of cyclically and seasonally unemployed workers, because such projects could be "stock-piled" for implementation when needed to provide EAP jobs. The bureaucratic problems associated with the administration of rapidly expanding and contracting short-term work projects would be substantial, but more varied projects could be undertaken because of the relatively high average skill levels of seasonally and cyclically unemployed workers. Projects of this type furnished the greatest number of jobs in New Deal employment programs, and there is no reason to doubt the current ability of government agencies and community groups to develop a sufficiently long "wish list" of such projects to keep seasonally and cyclically unemployed EAP job-holders usefully employed.

The possibilities for devising genuinely useful work projects would be further expanded if the projects were allowed to benefit private parties. New Deal work projects were generally limited to public property, but this was not universally the case. In 1935 and 1936 my father worked as a foreman in a Civilian Conservation Corps (CCC) camp in rural Iowa that engaged in soil conservation work on private property. A CCC field engineer would visit farms and walk the land with the owner, discussing what conservation measures were needed and which ones the CCC could perform. These included the erection of small check dams made out of fencing material and debris, the construction of larger dams of reinforced concrete, the digging of erosion flumes (the much-maligned but nonetheless quite functional "ditch"), the terracing of hillsides, and the planting of trees. The property-owners had to provide construction materials or pay the CCC for any it provided. No charge was made for CCC labor and the farmer was not involved in supervising the actual work (which was performed by work crews of twenty-five to thirty CCC enrollees supervised by foremen employed by the Soil Conservation Service of the Department of Agriculture). Any necessary design work was also done by Soil Conservation Service engineers.

The installation of energy-conserving improvements to private property could easily be undertaken using this model, but the possibilities would be virtually limitless if the program were to be conceived, in part, as a program for providing in-kind tax rebates to the public. As long as



fair methods of distributing the benefits were devised, the services would not even have to be confined to quasi-public goods.

Creating enough jobs to keep EAP participants productively employed would undoubtedly be easier if the political constraints I have identified as likely to restrict the activities of such a program could be overcome. Even with these constraints, however, society's needs are sufficiently elastic for there to be no shortage of genuinely useful work for an EAP jobs program to perform. What would be needed is a realization of the possibilities opened up by such a program. It would transform unemployment from a private curse into a public opportunity. To waste that opportunity with a poor selection of work projects would be both economically irrational and socially irresponsible.

#### MAINTAINING WORKER DISCIPLINE

Another difficulty that administrators of an EAP jobs program would face is the task of maintaining good morale and discipline in the program's workforce. Since EAP jobs would be guaranteed, there would seem to be little incentive for participants to exert any but the most nominal effort in the performance of their duties. The Chinese call this the "iron rice bowl" syndrome, a tendency for workers to develop slack work habits when they know that they cannot be dismissed for poor performance. They develop poor discipline because they know that their "rice bowls" cannot be broken.

In formulating a strategy to combat this problem, it is important to distinguish between the right to employment, as I have been using the term, and the right to retain a particular job. When legal scholars in the United States discuss the right to employment, it is usually the latter concept that they have in mind rather than the one that is the subject of this book. The focus of their commentary is the erosion that has occurred during the twentieth century in the "employment at will" doctrine. Under this doctrine, employers are presumed to have the right to dismiss an employee at any time, with or without cause, unless that right has been expressly limited in an employment contract. Since the 1930s, however, the employment at will doctrine has been significantly circumscribed, first by statute and more recently by a growing receptivity on the part of courts to hear and heed opposing common law or constitutional doctrines.<sup>36</sup> This is what most legal scholars mean when they speak of an expanding right to employment in the United States.

My usage of the term is different. Indeed, as I have defined the right to employment it is equally compatible with a legal system that recognizes the employment at will doctrine and one that restricts it. The analysis contained in this book simply does not address the issue of whether



the right of employers to dismiss their employees should be limited, but rather the obligation of society to ensure adequate employment opportunities for all job-seekers.

Interestingly, the importance of distinguishing between the right to employment and the right to retain a particular job is illustrated by recent developments in employment law in both the United States and the Soviet Union. The legal protections afforded workers against the threat of unjust dismissal have been increasing in the United States since the 1930s. In recognition of this trend, it is possible to say that something like a property right in one's job is gradually coming to be recognized in this country. On the other hand, this trend has been accompanied by an erosion of the right to employment, as measured by prevailing unemployment rates or by the willingness of the government to take concerted action to secure the right. Indeed, the recent evolution of common law doctrines restricting at will dismissals may be interpreted, in part, as a reaction to the simultaneous erosion of the right to employment. It is certainly hard to imagine these new doctrines developing so quickly if the personal consequences of being fired from a job were not as devastating as they have become.

It is also important to distinguish between the right to employment and the right to retain a particular job in characterizing recent reforms in Soviet employment law. In the American press these reforms are frequently characterized as a repudiation of the legal protections afforded the right to employment in the Soviet Union, but this characterization is only partly accurate. The quasi-property right that Soviet workers have hitherto had in particular jobs is indeed being weakened, but this is not necessarily true of their right to employment as I have defined the term. The changes being introduced will make it easier for Soviet enterprises to dismiss redundant or nonperforming employees, but substantial safeguards still exist to ensure that such workers will be able to find new jobs. Most important, unemployment rates in the Soviet Union are probably in the 1 to 2 percent range consistent with frictional factors alone.<sup>37</sup> Thus, what the reforms really involve, at least so far, is a restriction of the right to retain a particular job, without significantly lessening the right to employment.<sup>38</sup>

Understanding the distinction between the right to employment and the right to retain a particular job is crucial for making a proper assessment of the problem of maintaining worker discipline in an EAP jobs program. In particular, it is important to understand that the program could secure the right to employment without guaranteeing participants a right to keep a particular job regardless of their performance. Indeed, supervisory standards could and should be as strict as those applied to workers employed through the regular labor market. Program participants should



not expect to be paid for work missed without proper cause, and they should know that consistent absenteeism or poor performance will result in dismissal from a particular position. The difference would be that another job would be made available to such persons, though not necessarily one that was equally desirable. Persistent unsatisfactory performance should lead to demotion. At the bottom of the barrel would be jobs requiring purely routine casual labor in which wages could be paid on a per diem or piecework basis.

At the same time, it is important to remember that positive as well as negative reinforcements are important in developing good worker morale and discipline. Indeed, only experience can demonstrate what mix of positive and negative sanctions is likely to work best with any particular category of employees. It should not be assumed that the threat of dismissal from a position for unsatisfactory performance will necessarily work better than the promise of promotion for good performance. EAP job-holders who perform well in their work could and should be rewarded in conventional ways—with praise, with positive performance evaluations, with offers of more desirable jobs, with promotions to more responsible positions, and with regular wage increases.

Special efforts should also be made to be sensitive to the underlying causes of persistent performance problems on the part of individual workers. The root of the problem may be alcoholism, a family crisis, a nervous disorder, or other such phenomena. An EAP jobs program would employ many people with significant personal problems, and a strategy would have to be developed for responding to their needs. In doing this, it should be remembered that whatever the cause of the unsatisfactory work performance, its social cost is significant. Efforts to help workers overcome their personal problems are economically as well as morally justified. It is simply good personnel management.

For example, instead of organizing “bottom-of-the-barrel” assignments as “penalty” work, these should probably be organized along the lines of a sheltered workshop, with special counseling and treatment made available to help workers become more reliably functional and productive. An EAP jobs program could be both tough in enforcing performance standards, when that is needed, and humane in responding to the personal problems that prevent many workers from performing satisfactorily.