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COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

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FEB 16 1972



R Dear Mr. Chairman:

This is the second of a series of reports in response to your letter of July 28, 1971, requesting the General Accounting Office (GAO) to conduct an ongoing review and evaluation of the programs undertaken by the Department of Labor to implement the Emergency Employment Act of 1971 (85 Stat. 146). This report is concerned with the delay in the hiring of persons by States, counties, and cities (program agents) and the effect of this delay on the use of funds appropriated to carry out the act.

Our review primarily dealt with a comparison of the numbers of persons actually hired by the program agents with anticipated hirings. We examined the funding applications submitted by program agents and the management information reports periodically prepared by the Department, which showed the progress of funding and hiring under the act.

PROGRAM FUNDED WITH URGENCY  
SO THAT JOBS COULD BE CREATED

The purpose of the act is to provide unemployed and underemployed persons with transitional employment in jobs providing needed public services during times of high unemployment, such as are being experienced now. To achieve the purpose of the act, the Department has implemented the Public Employment Program, the Special Employment Assistance Program, and two demonstration programs designed to (1) learn how to get persons off welfare and (2) measure program impact.

On July 13, 1971, 1 day after signing the act, the President asked the Congress for an urgent appropriation of \$1 billion for implementing programs during fiscal year 1972. During hearings on the appropriation request, the Department estimated that, depending upon the average salary cost, from 123,400 to 172,800 jobs would be funded with the \$1 billion requested. On August 9, 1971, the Congress, recognizing the immediate need to provide funds so that local governments

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could create as many new public service jobs as possible, appropriated the requested funds.

JOB NOT BEING FILLED AS QUICKLY AS PLANNED

The Department's records as of December 17, 1971, showed that about 141,500 jobs would be provided under the act. As of that date the Department had approved program agents' funding applications which stated that about 129,000 persons would be placed in public service jobs by December, or possibly earlier. Funding applications for an additional 12,500 jobs were expected to be approved. The rate of hiring, however, has not been as rapid as anticipated by the Department or the various program agents; only about 80,400 persons were reported as employed at December 17, 1971.

Instructions for preparing the initial applications for the Public Employment Program provided for program agents to request up to 20 percent of the grant funds to enable them to (1) employ persons and administrative staff immediately and (2) plan for the full program and complete the application for full funding. The full-funding applications, which were to provide a plan showing how all the funds would be used, were to be submitted within 30 days after approval of the initial grants, or generally by September 30, 1971.

The full-funding applications provided an estimate of the average number of persons to be employed during each month of the program period. Although the programs covered a period of 1 year from the date of the initial funding--generally to the end of August 1972--many of the applications provided for less than 12 man-months of employment for each job because the program agents recognized that it would take some time to hire the new employees.

For example, one State's full-funding application for \$10,990,200 under the Public Employment Program provided for a total of 1,568 jobs but only 15,680 man-months of employment--10 man-months a job. The State estimated that participation in the program would not reach the proposed monthly

level of 1,568 man-months until November 1971, at which level it would continue through the end of the program period.

Periodic Department of Labor reports on the status of the Public Employment Program in the State showed, however, that hiring was not keeping pace with the plan. Only 1,112, or 71 percent, of the jobs were filled as of December 17, 1971, although the State's application anticipated that the hiring goal would be met at the beginning of November 1971. On the basis of this rate of hiring, all 1,568 jobs would be filled by the end of January 1972, and we estimate that funds to support about 1,700 man-months of employment will remain unused at the end of the program period unless the State hires more persons than it contemplated under its approved plan.

Because the rate of hiring has not been as rapid as anticipated, fund utilization by program agents has also been less than anticipated. We estimated that, on the basis of Department of Labor reports, only about \$67.8 million, or 12 percent of the \$558.9 million available for salaries and fringe benefits, had been expended by program agents by December 17, 1971, although about 33 percent of the program period under the Public Employment Program had passed.

Our comparison of the cost of the number of jobs filled with the funds available for jobs under the Public Employment Program showed that, if the other unfilled jobs were filled at the same hiring rate reported during the period November and December 1971--an average rate of about 4,200 a week--total expenditures through the end of the funded program period would be about \$498 million, or 89 percent of the funds available for salaries and fringe benefits under the Public Employment Program.

Our estimate assumed that persons leaving the program or absorbed into a program agent's regular workforce would be replaced immediately. Any delay in replacing them would increase the amount of funds not used during the program period.

The Department allocated funds for the Special Employment Assistance Program and for the two demonstration programs in September and October, respectively. The Department's reports indicate that program agents appear to be experiencing similar delays in hiring persons. We estimate that, at December 17, 1971, only about \$5 million of the \$207.4 million available for salaries and fringe benefits under the Special Employment Assistance Program and \$3.3 million of the \$122.1 million available for the two demonstration programs had been expended by program agents.

INCREASING JOB OPPORTUNITIES--GAO PROPOSAL

In view of the high level of unemployment which has persisted over the past year and because the Congress has appropriated funds for a level of program activity higher than is now being experienced, it appears that the purposes of the Emergency Employment Act of 1971 could be served more effectively by increasing in future months, to the extent practicable, the number of job opportunities available under the Public Employment Program. This could be accomplished by requesting program agents to submit revised proposals as to how they could effectively employ more persons and by having the program agents hire more persons--thereby using, on a more timely basis, all the funds allocated to program agents.

Because very little hiring had been reported for the Special Employment Assistance Program and the two demonstration programs through December 17, 1971, it appeared that the number of job opportunities available under these programs could be increased similarly.

In a letter dated December 8, 1971, to the Department's Assistant Secretary for Manpower, we presented our observations concerning the rate of hiring under the act and the advantages of more intensive hiring by program agents to effectively use all the funds appropriated for public service employment. For example, on the basis of the State situation described earlier, funds that might remain unused at the end of the program period because hiring was slower at the start

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than anticipated could provide for about 240 additional jobs, if the jobs were filled by the end of February 1972.

In response to our letter, the Assistant Secretary for Manpower stated that the Department believed that the programs were off to a good start. He pointed out that (1) it was not possible to achieve instantaneous hiring, (2) start-up delays were inevitable, as with any new program, and (3) 80,400 persons were employed as of December 17, 1971, however, hiring was about 4 weeks behind schedule. We appreciate the problems involved in initiating such a large program and believe that our proposal may minimize the effect of these problems.

Action to be taken to create more jobs

With respect to our suggestion that program agents hire more persons, the Assistant Secretary said that program agents were being advised to reassess their performance and to plan to use available funds that would not be used by the end of the program period at the current rate of hiring to create additional jobs. Department officials with whom we later discussed this matter said that through this action they expected program agents to increase their actual level of employment for all of the programs to about 165,000 during the 1972 program period.

It appears that the action being taken by the Department to have program agents expand levels of participation in excess of those stipulated in their full-funding applications should provide for more effective use of funds and better adherence to the intent of the act to provide as many employment opportunities as funds will permit.

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In accordance with our agreement with your office, we <sup>02</sup>are providing a copy of this report to the Chairman, Select <sup>H1098</sup> Subcommittee on Labor, House Committee on Education and Labor.

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We will make further distribution of this report only after your agreement has been obtained or public announcement has been made by you concerning its contents.

Sincerely yours,



Comptroller General  
of the United States

The Honorable Gaylord Nelson  
Chairman, Subcommittee on Employment,  
Manpower, and Poverty  
Committee on Labor and Public Welfare  
United States Senate

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