Administrative costs of selected transfer payment programs in Montana

Gary Goetschius

The University of Montana

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ADMINISTRATIVE COSTS OF SELECTED TRANSFER PAYMENT PROGRAMS IN MONTANA

by

Gary Goetschius

B.S. Montana State University, 1957

Presented in partial fulfillment of the requirements for the degree of

Master of Arts

UNIVERSITY OF MONTANA

1970

Approved by:

[Signatures]

Chairman, Board of Examiners

Dean, Graduate School

Date
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CHAPTER I

INTRODUCTION

This paper estimates administrative costs of four governmental transfer payment programs in Montana, identifies factors contributing to the size of administrative costs, and suggests a format for reporting program costs which reflects the relative importance of each function's contribution to the overall program goal.

Estimates of administrative costs of governmental transfer payment programs can be useful from several standpoints. In providing an essential element for cost-benefit analysis, they contribute to selection of the most efficient and effective program types. Comparison of these administrative costs with similar costs in other states may tend to identify inefficiencies and suggest reforms.

Governmental transfer payment programs are examined here in two contexts: (1) under the traditional concept, where the transfer payment is regarded as an administering agency's only function, and where the transfer payment is evaluated according to its macroeconomic effects, e.g., changes in national income level, resource allocation, or distribution of income, and (2) under a functional concept in which government spending is regarded as a functional process directed toward accomplishment of a stated goal. In addition, administrative costs of four governmental transfer payment programs at the state level in Montana are estimated, and factors contributing to the size of administrative costs are identified.
As transfer payment programs are traditionally viewed, disbursing the transfer payment is regarded as the administering agency's only function. Social services and all other residual expenses are grouped together as an administrative cost of the transfer payment program. This approach is appropriate for situations involving macroeconomic considerations, e.g., the effect of government spending on the distribution of income, the allocation of resources, or the level of national income. However, it is not suitable where the analytical intent is to evaluate government spending as a functional process, including such matters as program effectiveness in accomplishing a stated goal, efficiencies of the spending process, and administrative costs of social services and transfer payments. Yet widespread use of the traditional concept continues in instances where a functional concept would provide a more realistic analysis. This usage appears to result from three factors.

First, economic thought concerning public expenditure has, until relatively recent times, been directed to the effects of public expenditure on the private sector, minimizing consideration of government spending as a functional process directed toward accomplishment of a stated goal.

The economists and their ancestors, the political economists, were involved in one phase of public fiscal affairs for many, many decades and even centuries. Most of the classical economists, from Adam Smith on studied public finance, but their primary concern was its effect on the nonpublic economy. Their major field of interest was upon revenue and taxation with accent upon the incidence of taxes. It was not until relatively recently, about two decades ago, i.e., during the 1930's, that much attention was directed to the expenditure side of the budget or to the application of economic principles and techniques to public financial management. The tremendous acceleration of economists' activity in the public sphere was, of course, stimulated by
the recovery experiments of the New Deal and later the problems of economic and financial management of the war economy and the efforts toward postwar planning.  

Second, the traditional format originated in response to needs of the depression era, and has been maintained in part by emphasis on the macroeconomic aspects of transfer payments. Pressing economic and social needs of the depression era led to large-scale transfer payment programs in the areas of unemployment compensation and public welfare. Depression timing and the moral philosophy of that era resulted in programs in which only the transfer payment was recognized as functional. All other program expenses were regarded as administrative costs.

In the immediate post-depression years, the idea of a multi-function transfer payment program with each function contributing to the program goal had not yet taken root. Social services were still regarded as an unavoidable necessity accompanying transfer payments. At the same time, interest in transfer payments continued to be largely macroeconomic. In Bator's words:

"Exhaustive" spending, so called, is spending that "absorbs" goods and services. It consists of purchases by government of goods and services from business and households (e.g., of type-writers and B-52's, and of the services of construction companies and civil servants). Its total is a measure of the net claim of government on current production and hence of the volume of output not available for personal consumption or private investment.

"Nonexhaustive" expenditure is spending that absorbs no output but redistributes income or assets. Made up of interest on the public debt, of such transfer payments as unemployment compensation, unrestricted cash grants to veterans, old age and retirement benefits, and of federal grants-in-aid to state and local governments, nonexhaustive expenditure is best thought of as the

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obverse of taxes. Like taxes, it redistributes "dollar votes" [income]; and unlike the purchase of goods and services it does not constitute a claim on labor or other scarce resources. It does not, as do, e.g., the wages of civil servants, represent payment for current services rendered. (The cost of administering programs of nonexhaustive expenditure is, of course, a part of purchases of goods and services.)

Third, the traditional format can be successfully used to separate administrative and functional costs of single-function transfer payment programs, even though this usage is conceptually incorrect for the purpose. Under the traditional format, transfer payment programs are disaggregated into "exhaustive" and "nonexhaustive" categories. For single-function programs with no social services, this division effectively separates administrative and functional costs, with the "exhaustive" portion an accurate measure of administrative costs, and the "nonexhaustive" portion an accurate measure of functional costs. In practice, Montana agencies follow this separation to determine administrative costs, and in many cases, administrative costs are viewed as simply the residual remaining after the transfer payment has been subtracted from total program costs.

The error of this approach lies in assuming that since administrative costs can be accurately determined for single-function programs by subtracting the transfer payment from total program costs to obtain a residual, the same method will prove equally accurate for multi-function programs. This is not true, since the essential separation of administrative and functional costs is not accomplished for multi-function programs. Subtracting the transfer payment does separate both single and

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multi-function programs into the "exhaustive" and "nonexhaustive" categories required for macroeconomic analysis, but results in overstating administrative costs of multi-function transfer payment programs.

The conceptually correct approach to administrative costs hinges upon the issue of whether or not social services are a legitimate program function, or simply an administrative necessity which must accompany transfer payments. During recent years, the latter position has largely given way to the former, while transfer payment programs continue to be tabulated in the customary way. The conceptually correct approach to administrative costs is now functional, wherein costs of all functions are separated from each other and from administrative costs.
CHAPTER II

THE TRANSFER PAYMENT PROGRAM AND ITS FUNCTIONS

A governmental transfer payment program is defined here as a combination of functions directed toward the accomplishment of a stated goal, for which the most costly function is the transfer payment. The simplest form is a single-function program in which only a transfer payment is disbursed. Multi-function programs contain two or more functions, each contributing to the program goal.

The model developed here contains two functions, transfer payments and social services, with administrative costs for each, making a total of four components:

1. The transfer payment
2. Administrative costs of disbursing transfer payments
3. Social services
4. Administrative costs of providing the social services

The Transfer Payment

Transfer payments, as defined here, are unrestricted cash grants by government, in return for which no services or tangible goods are exchanged, currently or ever. Existing definitions of transfer payments show general agreement regarding the conditions under which the grant is

---

1The empirical portion of this paper contains data on four transfer payment programs. A common format with two functions is used to compare all four programs. One of the programs contained a third function, tax collection, which was disaggregated to maintain a common format for all four programs. It should be noted that three or more functions are consistent with the multi-function concept.
made, but show little agreement regarding the conditions under which the grant is spent. It is generally agreed that transfer payments are grants for which no services or goods are exchanged, currently or ever.

Wide differences of opinion exist in the literature regarding the manner in which grants may be spent to qualify as transfer payments. Some definitions omit the point entirely. The issue is focused on whether restricted cash grants do or do not qualify as transfer payments. The main distinction between unrestricted cash grants (which are universally agreed to be transfer payments) and restricted cash grants is that the former may be spent as the recipient desires and the latter must be spent as the grantor specifies.

Ackley\(^2\) states that government transfer payments are payments by government "which do not represent payment for productive services, past or present," and gives as examples relief payment, veterans' benefits and social insurance payments. As stated by Sloan and Zircher\(^3\) government transfer payment is "a term used by the United States Department of Commerce to indicate money disbursed by government in return for which no services are rendered," and give as examples payments for relief and veterans' aid. Definitions of this type omit direct mention of restricted cash grants. Because they are not specifically mentioned it can be argued that restricted cash grants are automatically considered transfer payments. But conversely, it can be said that since restricted cash


grants are ultimately spent on products or services specified in advance by the grantor, they are an alternative form of social service.

Musgrave\(^1\) states that "public expenditures not directed at the purchases of currently produced goods and services are referred to as transfer payments." Bator\(^5\) is relatively specific, classing unrestricted cash grants and transfer payments together as "nonexhaustive" expenditure, a type of government spending that "absorbs no output but redistributes income or assets." Definitions of this type tend to indicate that restricted cash grants are not transfer payments on the grounds that restrictions placed by the grantor result in the purchase of currently produced goods and services, and in so doing, tend to absorb goods and services rather than redistribute income or assets.

McKean takes a different position, concluding that restricted cash grants are essentially transfer payments, since they are not direct purchases of goods and services.

Restricted grants and subsidies are in a sense hybrids, for to some extent they purchase specific tangible goods. For instance, Medicare payments will really purchase and provide medical treatment and services just as though the government bought these items directly and distributed them. In part, however—and this would be true of providing recreation services and anything else below cost—the services substitute for consumer purchases that would have been made anyway, and in effect the payments transfer purchasing power to the recipients. This underscores once more the difficulties of drawing a significant hard and fast line between transfers and purchases of goods and services. In a technical sense, however, the line is clear. Transfer payments are not direct purchases of tangible goods and services.\(^6\)


McKean correctly points out the hybrid nature of restricted cash grants. His concluding reason for treating restricted cash grants as transfer payments is relatively weak, however. It could be pointed out with equal logic that since transfer payments are not restricted redistributions of income and assets, restricted cash grants must therefore not be transfer payments.

A further consideration is whether the functional purpose of restricted cash grants is more closely related to transfer payments or to social services. Restricted cash grants are often regarded as an alternative form of social service. For example, governmental agencies which provide medical care, counseling services and educational programs usually do this through their own staff. In addition, these services are provided by contracting directly with an outside supplier of the services, or by means of a restricted cash grant to the recipient of the service, who in turn pays the outside supplier. The important point is that social services are the ultimate product of governmental expenditure. The mechanics of payment are relatively unimportant.

Living allowances for persons enrolled in training programs can be regarded as a functional cost of the training program, since the disadvantaged persons eligible to receive the allowances could probably not participate in the training otherwise.

In summary, arguments in the literature favor both including and excluding restricted cash grants from transfer payments. The functional argument clearly excludes restricted cash grants from transfer payments on the grounds that they are, functionally, an alternative form of social service.
For the purposes of this study, transfer payments are defined as unrestricted cash grants by government, in return for which no services or tangible goods are exchanged, currently, or ever.

Administrative costs of the transfer payment function include personnel costs of all line management, operating and staff personnel engaged in disbursing the transfer payment, plus overhead costs associated with the transfer payment function.

The Social Services

Social services are defined as non-monetary benefits and restricted cash grants to the private sector. The non-monetary benefits are usually personal services by skilled persons and their supporting staff, e.g., counseling, medical treatment, training or job placement, but can also include tangible benefits such as prosthetic devices, educational aids or subsistence while enrolled in a training program.

Restricted cash grants are an alternative means of providing social services. Governmental agencies provide social services in one or a combination of two alternative ways: through their own staff and facilities, or by acting through an outside supplier of services. The agency reimburses the outside supplier of services (vendor) in either of two ways. A restricted cash grant can be made to the beneficiary who in turn pays the vendor, or the agency can pay the vendor directly. In this study, all payments to vendors whether directly or indirectly through the beneficiary, are defined as restricted cash grants.

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7Salaries and salary-related costs such as social security, bonding costs, pension payments and the like.

8All remaining non-personnel costs such as supplies, physical plant costs, machine costs, maintenance, etc.
The total cost of providing social services to the private sector is divided into two elements—operational costs and administrative costs. Operational costs are the direct costs of providing social services, and include personnel costs for personal services of skilled persons and their supporting staff, the cost of tangible benefits provided, and overhead costs associated with the operational aspect of the social service function. Administrative costs of the social service function are the indirect costs of providing social services, and include the cost of line management personnel and their supporting staff, plus overhead costs associated with management of the social service function.
CHAPTER III

EXPERIMENTAL DESIGN AND RESEARCH METHOD

Case studies of four governmental transfer payment programs at
the level of state government in Montana are presented here. Together
they comprise virtually all transfer payments made through state govern-
ment in Montana during fiscal 1967, the period from July 1, 1966 to June
30, 1967. The only large program not included is the social security
program totaling about $12.1 million.

Experimental Design

The experimental design includes four points:

(1) Collect all data within the geographical limits of Montana.

(2) Conduct a pilot study to determine the general feasibility
of the project, and to determine the technique or combination of tech-
niques best suited to data collection.

(3) Select examples of transfer payment programs spanning a
broad range of program complexity, from single and multi-function.

(4) Disaggregate these programs into four components; transfer
payments to the private sector, social services provided the private
sector, and administrative costs for each of these major functions.

Pilot Study

Initial research indicated that four transfer payment programs
at the level of state government in Montana would provide the sample de-
sired. Meeting the single-function criteria were two pension programs,
the Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS). Meeting the multi-function criteria were programs of the Department of Public Welfare (DPW) and the Unemployment Compensation Commission (UCC). Annual reports of these four agencies indicated that a variety of methods were used to disaggregate social services costs and administrative costs from total program costs. All agency methods differed in some respect from the definitions used here. Transfer payments were disaggregated from the total program of each agency in a consistent manner, and in all cases agreed with the definitions used in this paper.

The varied treatment of social services costs and administrative costs may be due in part to the options available to agencies in providing social services. In general, governmental agencies provide social services in one or a combination of two alternative ways: through their own staff and facilities or by acting through an outside supplier of services. As mentioned previously, the agency reimburses the outside supplier of services (vendor) in either of two ways. A restricted cash grant can be made to the beneficiary who in turn pays the vendor, or the agency can pay the vendor directly. It can be seen that the specific way chosen to provide and pay for social services depends mainly on administrative considerations such as providing the services at suitable cost and quality and at a suitable place and time. Further, administration and operation of the social service function may be divided in some manner between agency and vendor. For example, assume that nursing home care is contracted out to a vendor. In this instance some degree of management is performed by the agency, but most of the management and operational responsibilities are borne by the vendor. If the identical
service is provided by the agency, using its own staff and facilities, then all management and operational responsibilities will be borne by the agency. Whichever way is chosen to provide and pay for the social services, administrative costs will exist, and will be borne directly by agency or vendor to the extent that each has management control over the social service function.

The initial findings were supplemented by informal discussions with various governmental employees. These discussions indicated that administrative costs were often regarded by the agencies as simply the portion of total program cost remaining after subtracting transfer payments and payments to vendors for contracted social services. In effect, the costs of all agency employees, managerial and operational alike, are treated as administrative costs, while the costs of all vendor employees are treated as operational costs. This 'residual' approach to administrative costs tends in two ways to introduce inaccuracies into agency tabulations of administrative and operational costs for social services. First, the cost of social services management is recorded as an administrative cost when provided by the agency, but as an operational cost when provided by the vendor. Management costs should be recorded as administrative costs whether incurred by agency or vendor. Second, social services provided in the form of personal care, e.g., medical care, counseling, training or employment assistance, are recorded as administrative costs when provided by the agency but as operational costs when provided by the vendor. Personal care should be recorded as an operational cost whether provided by agency or vendor.

The pilot study established that the project was probably
feasible, and that the best method of data collection was the personal interview, supplemented by telephone contact. The personal interview approach was chosen over mail survey or telephone survey since each agency could provide all necessary data through its central office in Helena, and since semantic problems were expected to arise from the varied concepts of administrative costs. The centralized data permitted a minimum number of interviews, and the flexibility of the personal interview provided a means of surmounting the anticipated semantic problems.¹

Data Collection

The Department of Public Welfare, the Public Employees' Retirement System and the Teachers' Retirement System provided all necessary data at the time of interview. These three agencies adapted their data to the requested functional format. Annual reports, accounting records and unpublished data were used by agency personnel to disaggregate each of the three programs into the functional format. Accounting records were the principal source utilized. In a few instances, original records had been discarded after being consolidated into forms required by the agencies for their own purposes. In these cases, personnel experienced in agency functions disaggregated consolidated data into the requested functional components by on-the-spot estimates. Since the amount of

¹Mail survey or telephone survey were considered initially when it was thought that data collection would require contact with a large number of widely separated field stations of each agency. Two factors led to selection of the personal interview instead. First, data were available at agency headquarters in Helena in every case, making the interview a practical choice. Second, design of a mail questionnaire proved extremely difficult due to the semantic problems inherent in varied usage of 'administrative costs.'
Data affected by these estimates was small, and since the estimates were made by personnel with an extensive knowledge of agency operations, in-accuracies introduced are probably quite minor.

Data collection for the fourth agency, the Unemployment Compensation Commission, varied substantially from the procedure used for the three agencies described above. Data furnished by the UCC at the time of interview included an annual report for fiscal 1967, unpublished average annual salary figures for the uppermost executive group and for the organization as a whole, and man-years of work totals for the organization. Data provided by the UCC were insufficient for the purpose here. Supplementary data were obtained from the Joint Merit System, from various UCC annual reports prior to fiscal 1967, and a study by the State Department of Personnel. The Joint Merit System provided its annual report for fiscal 1967. This yielded salary data, a list of occupations used in the UCC, and the approximate number of personnel engaged in each occupation. Unpublished job descriptions of UCC occupations were also provided by the Joint Merit System. Annual reports of the UCC and an organization chart prepared by the State Department of Personnel provided data concerning UCC organizational structure and functions. At this point, sufficient data were available to compile the required functional costs from an extensive breakdown of agency organization, functions, jobs and salaries.

Data Processing

Data from the first three agencies, PERS, TRS, and DFW, required a minimum of further processing, since it was supplied by the agencies in the requested functional format. Administrative cost percentages were
the only additional calculation required.

UCC data required substantial processing. Administrative and operational costs were developed for the entire organization and assigned to the three major functions, transfer payments, social services, and tax collection. Data and calculations are shown in the Appendix. The tax collection function was disaggregated from the total program to make the UCC program comparable to DPW, PERS and TRS programs. Tax collection administrative costs are reported separately in Chapter V.
CHAPTER IV

THE DEPARTMENT OF PUBLIC WELFARE

The Department of Public Welfare (DPW) administered a $14.8 million transfer payment program in fiscal 1967. The agency provided all data, as shown in Table 1. The data include federal, state and local government funds although not identified as such. DPW annual reports supply extensive detail concerning the extent of federal, state and county financing in the DPW program.

Administrative costs of DPW transfer payments were about the same size as administrative costs of the two pension programs. All

Table 1

DEPARTMENT OF PUBLIC WELFARE EXPENDITURES, FISCAL 1967
(DATA IN THOUSANDS OF DOLLARS)

<table>
<thead>
<tr>
<th>Program Functions</th>
<th>Total Program Cost</th>
<th>Transfer Payments</th>
<th>Social Services</th>
<th>Administrative Cost</th>
<th>Total Function Cost</th>
<th>Transfer Payment</th>
<th>Administrative Cost</th>
<th>Total Function Cost</th>
<th>Administrative Cost</th>
</tr>
</thead>
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<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
<td>(5)</td>
<td>(6)</td>
<td>(7)</td>
<td>(8)</td>
<td>(9)</td>
</tr>
<tr>
<td>OUD AGE ASSISTANCE</td>
<td>$8,327</td>
<td>3,467</td>
<td>40</td>
<td>3,106</td>
<td>3,077</td>
<td>31</td>
<td>999</td>
<td>990</td>
<td></td>
</tr>
<tr>
<td>MEDICAL ASSISTANCE</td>
<td>9,540</td>
<td>3,419</td>
<td>27</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>AID TO DEPENDENT CHILDREN</td>
<td>6,540</td>
<td>4,479</td>
<td>64</td>
<td>3,918</td>
<td>3,870</td>
<td>48</td>
<td>622</td>
<td>609</td>
<td></td>
</tr>
<tr>
<td>AID TO NEEDY BLIND</td>
<td>912</td>
<td>308</td>
<td>6</td>
<td>268</td>
<td>265</td>
<td>3</td>
<td>44</td>
<td>45</td>
<td></td>
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<tr>
<td>AID TO THE DISABLED</td>
<td>1,526</td>
<td>1,906</td>
<td>26</td>
<td>1,278</td>
<td>1,259</td>
<td>20</td>
<td>259</td>
<td>233</td>
<td></td>
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<td>GENERAL RELIEF AND CONTINGENCY</td>
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<td>195</td>
<td>172</td>
<td>23</td>
<td></td>
<td></td>
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<tr>
<td>FOSTER HOME CARE</td>
<td>200</td>
<td>200</td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>WORK EXPERIENCE TITLE V.</td>
<td>284</td>
<td>250</td>
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<tr>
<td>VOCATIONAL REHABILITATION OF BLIND</td>
<td>131</td>
<td>148</td>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>CHILD WELFARE SERVICES</td>
<td>711</td>
<td>646</td>
<td>65</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Totals.</td>
<td>14,785</td>
<td>14,489</td>
<td>283</td>
<td>8,762</td>
<td>8,657</td>
<td>125</td>
<td>6,010</td>
<td>2,359</td>
<td>3,400</td>
</tr>
</tbody>
</table>

*Too small to estimate from available data.
were between 1 and 2 percent. DFW transfer payments are similar in certain respects to pension payments, e.g., payments are generally monthly, of relatively large size and require a minimum of contact between the agency and the recipient. In contrast, the UCC with transfer payment administrative costs of 10.4 percent, pays weekly in relatively small amounts and requires weekly contact between the agency and the recipient.

The DFV social services administrative cost figure of 2.6 percent is lower than the true administrative cost, since administrative costs borne by the vendor for contracted social services are not included. The DFV, in common with most other agencies, reports its own administrative costs (Table 1, column 11) and the amount paid to vendors for contracted social services (Table 1, column 10), but does not record administrative costs borne by vendor.
CHAPTER V

THE UNEMPLOYMENT COMPENSATION COMMISSION

The Unemployment Compensation Commission (UCC) administered an $8.9 million program of transfer payments and social services in fiscal 1967. An additional $5.6 million in payroll taxes was also collected in fiscal 1967. The tax collection function was disaggregated from the total program to make the remaining transfer payments and social services of the UCC comparable to DPW, PERS and TRS programs. Administrative costs of the UCC's tax collection function are reported at the end of this chapter. The methodology used to process UCC data is shown in detail in Appendix I. Transfer payment and social service functions are summarized in Table 2.

TABLE 2

SUMMARY OF UCC PROGRAM COSTS
(DATA IN THOUSANDS OF DOLLARS)

<table>
<thead>
<tr>
<th>Cost Category</th>
<th>Amount (in thousands of dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL PROGRAM COST</td>
<td>$8,947</td>
</tr>
<tr>
<td>TRANSFER PAYMENTS</td>
<td>6,135</td>
</tr>
<tr>
<td>Administrative costs</td>
<td></td>
</tr>
<tr>
<td>Management</td>
<td>181</td>
</tr>
<tr>
<td>Operation</td>
<td>1,655</td>
</tr>
<tr>
<td>Total, transfer payment function</td>
<td>8,762</td>
</tr>
<tr>
<td>SOCIAL SERVICES</td>
<td></td>
</tr>
<tr>
<td>Social services by agency personnel</td>
<td>1,322</td>
</tr>
<tr>
<td>Restricted cash grants</td>
<td>438</td>
</tr>
<tr>
<td>Administrative costs</td>
<td>116</td>
</tr>
<tr>
<td>Total, social service function</td>
<td>2,176</td>
</tr>
</tbody>
</table>
UCC administrative cost figures for both transfer payments and social services were the highest of the programs examined in this study. The size of UCC administrative costs appears to be determined by a number of factors. Legislation surrounding the program is complex, and to a certain extent this legislation tends to fix the minimum amount of administrative costs. UCC unemployment insurance payments are paid out relatively often, in small amounts, and require frequent personal contact between the recipient and the agency. All three factors tend to increase administrative costs. Unemployment insurance transfer payments averaged about $31, were paid weekly, and required weekly contact between the agency and the recipient. By comparison, the pension programs with relatively low administrative costs (about 1 to 2 percent) pay monthly in larger amounts and require virtually no personal contact between agency and recipient.

UCC social services consisted of job placement, counseling, training and related labor market activities. About 20 percent of UCC social service costs were allocated to restricted cash grants. Virtually all administrative costs associated with UCC restricted cash grants were stated in the UCC annual report since the agency assumed most of these costs directly. See the "administrative expenditures" in Table 4, Appendix I. As noted previously, the use of restricted cash grants may result in unreported administrative costs, since agencies typically disaggregate only their own administrative costs, but not those borne by vendors. The UCC participated extensively in contracted social services, assuming most of the administrative responsibilities and costs directly while contracting the operational responsibilities. Unreported adminis-
trative costs are probably quite minor.

The UCC collected $5,593,954 in payroll taxes during fiscal 1967. This required an estimated $414,000 of administrative costs, or 7.4 percent of the taxes collected.
CHAPTER VI

PUBLIC EMPLOYEES' RETIREMENT SYSTEM AND
TEACHERS' RETIREMENT SYSTEM

The Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS) are single-function programs, disbursing most of their funds as transfer payments and providing a negligible amount of social services. They are the smallest programs in this study, the former disbursing $4.7 million and the latter $4.1 million.

These two programs are the simplest of the four programs examined, and exhibit the lowest administrative costs. Their social purpose is well accepted and simple to execute. Virtually all funds are paid out as transfer payments in the form of retirement benefits. A minimal amount of social services are provided, usually in the form of advice concerning financial aspects of retirement. Contact with those who receive benefits is minimal, since the initial contact usually results in establishing a series of retirement payments, and little further contact is needed. Payments are on a monthly basis. The staff is centrally located in one place.

Administrative costs of transfer payments were 2.0 percent of the $4.7 million PERS program and 1.2 percent of the $4.1 million TRS program. Administrative costs of social services for the two programs were too small to measure with existing data.
CHAPTER VII

SUMMARY AND CONCLUSIONS

Transfer payment administrative costs, expressed as a percentage of benefits paid out, ranged from 1.2 percent to 10.4 percent. Social service administrative costs, expressed as a percentage of the total cost of social services, ranged as high as 19.1 percent. Data for the four transfer payment programs examined here is shown in Table 3.

### TABLE 3

**Administrative Cost Summary of Four Transfer Payment Programs**
(Data in Thousands of Dollars)

<table>
<thead>
<tr>
<th>LINE</th>
<th>AGENCY ADMINISTERING PROGRAM</th>
<th>TOTAL PROGRAM</th>
<th>PROGRAM FUNCTIONS</th>
<th>SOCIAL SERVICES</th>
<th>ADMIN COST</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
<td>(5)</td>
</tr>
<tr>
<td>1</td>
<td>DEPARTMENT OF PUBLIC WELFARE</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>DOLLARS.</td>
<td>14,772</td>
<td>14,049</td>
<td>283</td>
<td>8,769</td>
</tr>
<tr>
<td>2</td>
<td>ADMIN COSTS AS PERCENTAGES</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>TRANSFER PAYMENTS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>SOCIAL SERVICES</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>UNEMPLOYMENT COMPENSATION COMM.</td>
<td>8,947</td>
<td>7,053</td>
<td>1,052</td>
<td>6,771</td>
</tr>
<tr>
<td>7</td>
<td>DOLLARS.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>ADMIN COSTS AS PERCENTAGES</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>SOCIAL SERVICES</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>PUBLIC EMPLOYEES' RETIR. SYS.</td>
<td>4,066</td>
<td>4,065</td>
<td>91</td>
<td>4,584</td>
</tr>
<tr>
<td>12</td>
<td>DOLLARS.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>ADMIN COSTS AS PERCENTAGES</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>TRANSFER PAYMENTS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>SOCIAL SERVICES</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>TEACHERS' RETIR. SYSTEM</td>
<td>4,091</td>
<td>4,049</td>
<td>48</td>
<td>4,067</td>
</tr>
<tr>
<td>17</td>
<td>DOLLARS.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>ADMIN COSTS AS PERCENTAGES</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>TRANSFER PAYMENTS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>SOCIAL SERVICES</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes:
- Too small to estimate from available data, or lost in rounding dollar figures to nearest thousand.

The four program components defined in Chapter II are shown above in columns 7, 8, 10, and 11. Column 7 is the amount of transfer payments to the private sector and Column 8 is the cost of administering them. Column 10 is the direct, or operational, cost of social services. Column 11 is the indirect or administrative cost of social services. Column 9 is the total cost of social services, the sum of columns 10 and 11. Administrative cost percentages in column 9 were based on the ratio of Column 8 to Column 7. Administrative cost percentages in column 11 were based on the ratio of Column 11 to Column 9.
Several factors appear to influence the size of administrative costs. These factors are outlined first in general form and then discussed in connection with the four programs. The factors are:

1. Legislative requirements
2. Frequency and duration of contact between agency and recipients
3. Frequency of payments
4. Size of payments
5. Geographical distribution of agency personnel
6. The use of agency personnel and facilities or the use of vendors to provide social services

Governmental transfer payment programs are the creature of one or more legislative bodies, and to a certain extent legislative requirements surrounding a program fix administrative costs at an irreducible minimum. A comparison of the two smaller pension programs with the two larger programs of the DPW and UCC tends to verify this. The former, with the lowest administrative costs, enjoy favorable public acceptance and have relatively simple, straightforward legislative requirements. The two larger programs, DPW and UCC, have a more complex social task to perform and face a certain amount of controversy concerning their necessity. The social complexity and controversy are reflected in relatively involved legislation. The higher administrative costs of the UCC, particularly in transfer payments, provide a good example.

The frequency and duration of contacts between agency personnel and recipients of payments or services have an influence on administrative costs. Contacts in the two pension programs tend to be of relatively short duration, requiring only the time to arrange pension payments,
and are infrequent thereafter. Contacts in the DFW and UCC programs vary in both frequency and duration. DFW payments to aged persons are similar to payments in the two pension programs, and DFW administrative costs in this area are quite low at slightly over 1 percent. On the other hand, UCC transfer payment administrative costs are much higher at over 10 percent. Frequency and duration of contact appear to be substantial factors in explaining the difference, since recipients of unemployment insurance benefits must contact the agency weekly, by mail or in person. The frequency and duration of personal contact required to carry out job placement, counseling and manpower activities may explain the relatively high administrative cost of UCC social services.

Frequent payments and small payments both tend to increase administrative costs. The UCC, with 10.1 percent administrative costs, made weekly unemployment insurance payments averaging about $31. By contrast the pension programs with administrative costs between 1 and 2 percent, paid monthly in substantially larger amounts.

A wide geographical distribution of personnel and facilities may increase administrative costs due to the time and costs required for communications between central and local offices, and for liaison personnel such as field supervisors. The low-cost pension programs had centralized facilities, while the higher cost UCC was extensively decentralized.

Several conclusions may be drawn from this study:

(1) Administrative costs of transfer payments appear to range from about 1 to 10 percent of the transfer payments disbursed.

(2) Administrative costs of social services appear to run as
high as 19.1 percent of the total cost of the social services.

(3) Administrative costs are usually hidden when an agency opts to contract its social services to a vendor, unless the agency contracts only the operational aspect of the social services.

Certain policy implications are inherent in the above conclusions. The view that social services are an administrative necessity accompanying transfer payments should be reexamined. In recent years, social services have assumed an importance sufficient to justify their recognition as a distinct functional component of transfer payment programs. Fiscal reporting should reflect this fact.

Some agency payments to vendors currently escape public scrutiny of administrative costs. Fiscal reporting procedures should be revised to reflect all administrative costs associated with contracted social services.
CHAPTER VIII

TOPICS FOR FURTHER RESEARCH

During the course of this study, several topics emerged which may merit further research.

(1) How large are administrative costs borne by the vendor in connection with contracted social services? The UCC administrative cost of social services was 19.1 percent and the DFW cost was much lower at 2.6 percent. The largest factor in explaining the difference appears to be administrative costs hidden in $3.5 million of social services contracted out by the DFW.

(2) When should social services be provided by a governmental agency and when should they be contracted outside the agency? This issue revolves around questions of cost and quality, and is closely connected with the question stated above. The UCC appeared to exercise a much greater amount of management control over contracted social services than did the DFW, and even if no other benefits can be realized from this arrangement, administrative costs are more available to public view in the former case than in the latter.

(3) Both DFW and UCC have relatively new social service programs which are either experimental or in the start-up stage. Are start-up costs higher than regular operating costs?

(4) What is the compliance cost to employers for Montana's unemployment insurance payroll tax? To what extent do industry and
labor bear the burden of this tax? Montana employers frequently state that compliance costs are excessive, and that industry bears the entire burden of the payroll tax. There appears to be no reliable data on either matter. The question of burden is particularly interesting, since the fact that Montana has been an area of out-migration and labor surplus for many years indicates that all or part of the payroll tax burden may be shifted to labor.
APPENDIX
APPENDIX I

UCC ADMINISTRATIVE AND OPERATIONAL COSTS

This appendix shows the methodology used to develop administrative and operational costs for the Unemployment Compensation Commission (UCC). The results of this appendix are summarized in Chapter V for those who do not wish to follow the solution in detail. Those who do wish to follow the solution in detail should read all sections of this appendix in the order given, since it is assumed in later sections that the reader has full knowledge of preceding sections. The methodology is relatively simple in concept, but its execution is somewhat complex and knowledge of job descriptions and organizational structure is essential to understanding the final stages of the calculations.

During fiscal 1967, as stated in the thirty-first UCC annual report, the agency paid out $6.1 million in transfer payments and $0.4 million in restricted cash grants,\(^1\) collected $5.6 million in payroll taxes, and expended $2.8 million for "administrative expenditures," i.e., miscellaneous overhead costs and salaries for its 289 employees. The agency's tabulation of "administrative expenditures" is reproduced in Table 4. The funding of "administrative expenditures" was the basis of

\(^1\)Restricted cash grants totaled approximately $0.4 million. An exact figure was not available since some MDTA projects were still in progress at the close of the fiscal year. Completed MDTA projects totaled $212,582. Uncompleted projects totaled $397,708, of which $225,421 was used here as the portion completed during fiscal 1967. The percentage completion for each project was determined on a calendar basis, e.g., for a ten-week project completing its fourth week by June 30, 1967, 40 percent of the project cost was allocated to fiscal 1967.
TABLE 4

ADMINISTRATIVE EXPENDITURES

Fiscal Year 1967

<table>
<thead>
<tr>
<th>ITEMS</th>
<th>Grants*</th>
<th>Defense</th>
<th>Manpower</th>
<th>Labor</th>
<th>Job Corps</th>
<th>Manpower Development &amp; Training</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Services</td>
<td>$1,941,895.60</td>
<td>$2,777.00</td>
<td>$41,700.00</td>
<td>$33,800.00</td>
<td>$97,261.32</td>
<td></td>
</tr>
<tr>
<td>Supplies</td>
<td>49,112.59</td>
<td>160.26</td>
<td>627.51</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rent of Premises</td>
<td>121,888.90</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equipment Purchases</td>
<td>15,616.00</td>
<td></td>
<td>1,959.72</td>
<td>725.08</td>
<td>1,000.90</td>
<td></td>
</tr>
<tr>
<td>Communication</td>
<td>48,269.91</td>
<td></td>
<td>1,000.00</td>
<td>2,900.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Travel</td>
<td>52,930.50</td>
<td></td>
<td>2,431.00</td>
<td>3,605.15</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Printing and Binding</td>
<td>4,096.96</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equipment Rental</td>
<td>48,723.38</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equipment Repairs</td>
<td>6,138.45</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repair of Premises</td>
<td>40,009.66</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Heat, Light and Water</td>
<td>22,947.03</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Out-Service Training</td>
<td>53,118.59</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share of Merit System Expense</td>
<td>11,035.58</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industrial Accident Expense</td>
<td>773.46</td>
<td>12.00</td>
<td>125.13</td>
<td>101.42</td>
<td>261.78</td>
<td></td>
</tr>
<tr>
<td>Public Retirement System</td>
<td>64,082.64</td>
<td>90.00</td>
<td>1,376.14</td>
<td>1,115.42</td>
<td>2,879.67</td>
<td></td>
</tr>
<tr>
<td>Social Security</td>
<td>71,542.48</td>
<td>101.00</td>
<td>1,514.60</td>
<td>1,240.87</td>
<td>3,203.80</td>
<td></td>
</tr>
<tr>
<td>Freight Express and Drainage</td>
<td>4,993.43</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonding and Insurance</td>
<td>2,524.97</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Court Costs</td>
<td>590.78</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Janitor and Maintenance</td>
<td>29,920.75</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mail Service, P.O. Box Rentals</td>
<td>30.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advertising</td>
<td>5,276.65</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and Special Improvement Taxes</td>
<td>634.98</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Miscellaneous Expenses</td>
<td>2,896.36</td>
<td></td>
<td>15,412.15</td>
<td>188.75</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$2,578,019.56</strong></td>
<td><strong>$2,980.00</strong></td>
<td><strong>$65,879.00</strong></td>
<td><strong>$44,269.00</strong></td>
<td><strong>$94,897.47</strong></td>
<td></td>
</tr>
</tbody>
</table>

* Includes PWEDA and CAP, also includes unliquidated obligations payable from Fiscal Year 1967 Funds.


The agency's arrangement of Table 4. The "Grants" column is largely monies granted by the federal government to accomplish objectives set under the Social Security Act of 1935, and the remaining four columns show monies provided under legislation of the Kennedy and Johnson administrations.

Funds for accomplishing the objectives of the employment service and the unemployment insurance program come from federal appropriations and stem from federal payroll taxes paid by employers of four or more workers. The funds for paying weekly unemployment insurance benefits to eligible, qualified workers are derived from contributions required of employers defined in the state law. These are distinctly

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state funds and are dedicated to the sole purpose of paying jobless benefits.²

For this study UCC administrative costs were determined by distributing the agency's "administrative expenditures" to costs of management and operation in the three major functions: transfer payments, social services and tax collection. The relative shares of "administrative expenditures" allocated to management and operation of each function were determined on the basis of the salary cost of personnel with managerial or operational responsibilities. The underlying assumptions are that salary costs are a constant percentage of the total cost of management or operation, and that the distribution of salary costs can be adjusted upward by a proportionality factor to equal "administrative expenditures."³

By definition:

\[
\begin{align*}
X_1 &= \text{ESTIMATED ANNUAL COST OF TRANSFER PAYMENT MANAGEMENT} \\
X_2 &= \text{ESTIMATED ANNUAL COST OF TRANSFER PAYMENT OPERATION} \\
X_3 &= \text{ESTIMATED ANNUAL COST OF SOCIAL SERVICES MANAGEMENT} \\
X_4 &= \text{ESTIMATED ANNUAL COST OF SOCIAL SERVICES OPERATION} \\
X_5 &= \text{ESTIMATED ANNUAL COST OF TAX COLLECTION MANAGEMENT} \\
X_6 &= \text{ESTIMATED ANNUAL COST OF TAX COLLECTION OPERATION}
\end{align*}
\]

"ADMINISTRATIVE EXPENDITURES" = \[ \sum_{i=1}^{6} x_i = x_1 + x_2 + x_3 + x_4 + x_5 + x_6 \]


³The identical technique is often seen in a more familiar setting where a time series of data is adjusted upward or downward by an index number.
\( Y_1 = \text{UNADJUSTED SALARY COST OF TRANSFER PAYMENT MANAGEMENT} \)

\( Y_2 = \text{UNADJUSTED SALARY COST OF TRANSFER PAYMENT OPERATION} \)

\( Y_3 = \text{UNADJUSTED SALARY COST OF SOCIAL SERVICES MANAGEMENT} \)

\( Y_4 = \text{UNADJUSTED SALARY COST OF SOCIAL SERVICES OPERATION} \)

\( Y_5 = \text{UNADJUSTED SALARY COST OF TAX COLLECTION MANAGEMENT} \)

\( Y_6 = \text{UNADJUSTED SALARY COST OF TAX COLLECTION OPERATION} \)

\[
\text{TOTAL UNADJUSTED SALARY COST} = \sum_{i=1}^{6} Y_i = Y_1 + Y_2 + Y_3 + Y_4 + Y_5 + Y_6
\]

From the identity:

\[
\sum_{i=1}^{6} x_i = \frac{\sum_{i=1}^{6} y_i}{x_1 + x_2 + \cdots + x_6} = \frac{\sum_{i=1}^{6} y_i}{y_1 + y_2 + \cdots + y_6}
\]

it can be shown that:

\[
x_1 + x_2 + \cdots + x_6 = \frac{\sum_{i=1}^{6} x_i}{\sum_{i=1}^{6} y_i}
\]

and that the proportionality factor, \( k \), equals:

\[
\left( \frac{\sum_{i=1}^{6} x_i}{\sum_{i=1}^{6} y_i} \right)
\]

All \( x_i \) are determined by applying factor \( k \) to \( y_i \):

\( x_1 = k y_1; \ x_2 = k y_2; \ \cdots; \ x_6 = k y_6 \)
\[ \sum_{i=1}^{6} x_i, \text{ the agency's "administrative expenditures" is known to be } 2.8 \text{ million and all } y_i \text{ and } \sum_{i=1}^{6} y_i \text{ can be determined from job descriptions and salaries. The definitions of administrative costs, as used in this study and stated verbally in Chapter II, may be expressed as follows:} \]

- Administrative cost of the transfer payment = \( x_1 + x_2 \).
- Administrative cost of social services = \( x_3 \).
- Total cost of social services = \( x_3 + x_4 \).
- Administrative cost of tax collection = \( x_5 + x_6 \).
Organizational Structure and Functions of the UCC

The UCC is organized into two main divisions, Unemployment Insurance (UI) and Employment Service (ES), each with its own director, plus an Administrative, Staff and Technical services group (AS and T) which is under the UCC executive director. The UI division is responsible for transfer payments and tax collection, the ES division is responsible for social services, and the AS and T group provides staff assistance to the organization as a whole. An organization chart is shown in Figure 1.

FIGURE 1
UCC ORGANIZATION CHART

Geographically, 108 personnel were stationed in the central office at Helena, and 181 personnel were stationed at outlying field offices throughout the state. Table 5 shows this distribution of UCC personnel by occupation. The 11 UI Field Representatives were physically stationed at outlying field offices, but were supervised directly from the central office and were shown in Table 5 as central office personnel to simplify a later calculation.

TABLE 5

**DISTRIBUTION OF UCC PERSONNEL BY OCCUPATION AND GEOGRAPHICAL LOCATION**

(Data in man-years)

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Administrative, Staff and Technical Services</th>
<th>ES Division</th>
<th>UI Division</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Central Office</td>
<td>Services</td>
<td>Transfer Pay</td>
<td>Tax Col.</td>
</tr>
<tr>
<td></td>
<td>Administration</td>
<td>Fiscal &amp; Personnel</td>
<td>Technical Services</td>
<td>Research &amp; Analysis</td>
</tr>
<tr>
<td>Executive Director</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Attorney</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chief, Research-Analysis</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Statistician</td>
<td>1.00</td>
<td>2.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labor Market Analyst</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fiscal &amp; Personnel Office</td>
<td>1.00</td>
<td>1.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chief, Contributions</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accountant</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
</tr>
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<td>1.00</td>
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<td></td>
</tr>
<tr>
<td>Supvr. Tax Examiner</td>
<td>1.00</td>
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<td></td>
</tr>
<tr>
<td>Secretary I</td>
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<td></td>
<td></td>
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<td>UI Director</td>
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<tr>
<td>UI Field Representative</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chief of Benefits</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Claims Investigator</td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Claims Examiner</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>UI Analyst</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Chief of Appeals</td>
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<td></td>
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<td>Appeals Referee</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
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<td>Local Ofc. Operations</td>
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<td>ES Staff Specialists</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Chief, Fers Placement</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Personnel Assistant</td>
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</tr>
<tr>
<td>Tng. - Information Off.</td>
<td>1.00</td>
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<td></td>
</tr>
</tbody>
</table>

| Total                       | 15.00                                         | 7.00        | 10.00       | 8.00  | 21.00 | 134.10 | 35.50 | 23.50 | 34.50 | 285.00 |

Table 5 was initially designed as a cross-classification of occupations by function and geographic location to separate local office working
time into ES and UI categories and to distribute clerical working time throughout the organization. The unknown quantities were determined by arranging all available data in the matrix form shown in Table 5. Horizontal and vertical totals were shown as were most of the cells. The remaining unknown cells were determined as residuals.

The UCC described its organization, purposes and historical background in the 1963 annual report. The description is still substantially correct for fiscal 1967.

The Social Security Act enacted by Congress on August 14, 1935, paved the way for the Federal-State Employment Security program in which Montana has been a partner since 1937, when the Unemployment Compensation Commission was created. Its work is accomplished through two separate, but coordinate divisions—the Montana State Employment Service, and the Unemployment Insurance Division.

The Montana Unemployment Compensation Commission consists of three members appointed by the Governor, by and with the advice and consent of the Senate. Two of the members are appointed for terms of four years each and serve on a per diem basis as the business of the Commission warrants. The third member is designated as the Chairman and Executive Director at the time of his appointment, and serves on a full time basis. Each separate division of the Commission—the Montana State Employment Service and the Unemployment Insurance Division—is responsible to the Chairman and Executive Director for the efficient and proper discharge of its distinctive function. The two Commissioners who serve on a per diem basis are: Rex F. Hibbs of Billings, and James J. Flaherty of Great Falls.

The Social Security Act requires that each state have an advisory Council to its Employment Security agency. In general, the function of this Council is to advise the Montana Unemployment Compensation Commission in formulating policies, in obtaining public understanding of the Employment Security program, and insuring impartiality, neutrality, and freedom from political influence in the establishment and implementation of policies. The Montana Advisory Council consists of fifteen members: five each representing employers, labor and the general public. All are appointed by the Commission for two year terms with appointments so arranged that the terms of eight members expire on June 30 of one year, and terms of seven others expire on June 30 of the following year. All serve on a per diem basis when in attendance at meetings of the Council in the interest of the Commission's business.
The Montana State Employment Service

The Commission operates twenty-two full-time local employment offices. Its people are professional personnel trained to locate, select and refer qualified and experienced workers to job openings. They help analyze manpower problems, develop plans of action, and generally provide assistance and advice in the field of employment. They are concerned with the totality of manpower and all its implications. Each year these offices place over 70,000 workers in jobs in industry and agriculture, in addition to a variety of other functions. Three Field Supervisors act as liaison officers between these local offices and the State Director. In addition, an Employment Service Claims Analyst works closely with the local offices in the many and varied aspects of the Unemployment Insurance program.

Other professional personnel in the State Office of the Employment Service have the responsibility for planning, coordinating and supervising specialized programs relating to manpower. These include:

A Defense and Mobilization Coordinator who is concerned with all the various ramifications of a readiness program in case of a military emergency, including registration, assignment, and mobility of manpower under defense conditions.

The Placement Officer is concerned with the effective clearance of job openings through all twenty-two local offices of the Employment Service. It helps local employers find qualified workers outside the immediate area, if they are not available locally, and it provides workers with reliable information about out-of-area jobs.

The Chief of Farm Placement coordinates the work of farm placement representatives stationed in local employment offices. The primary objective is to provide sufficient workers at the right time, and in the right place to plant, harvest, and process crops grown in the state. Agriculture is big business in Montana and those who work in the farm program have a big job.

The Teacher Placement Officer supervises a section concerned with providing a statewide service to teachers seeking employment commensurate with their training, experience and special abilities, and encouraging and promoting interest in the teaching profession in Montana. Each year this division places more than 600 teachers in schools and colleges.

The Supervisor of Special Applicant Services has a responsibility for the many job applicants, who either through age, disability, inexperience, or other factors, have problems of vocational choice in a changing labor market. Such important tools as counseling, testing, and selective placement techniques, are

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1 During fiscal 1967, these Field Supervisors acted as line supervisors over local offices, rather than in the staff advisory capacity indicated above and in the organization chart, Figure 1. See job description 34.
used to help these workers find their right place in the labor
market.

The Community Employment Supervisor works primarily in the
many facets of training of unemployed workers in Montana under
the Area Redevelopment Act and the Manpower Development and
Training Act.

The Veterans’ Employment Service Supervisor is a Federal Em-
ployee stationed in the State Office in Helena. His work and
that of a local Veterans’ Representative in each local employment
office are joined in providing all veterans with the special pre-
fersence they are entitled to under the law in referral to job
openings for which they are qualified, in addition to full use
of all of the services available through the State Employment
Service.

Unemployment Insurance Division

The Unemployment Insurance Division is charged with the re-
ponsibility of the collection of employer contributions, as
required by law, and the payment of benefits to eligible, unem-
ployed workers. The Commission not only administers the State
Unemployment Compensation program, but also two Federal programs
for unemployed ex-servicemen and certain civilian Federal Govern-
ment employees. Payments to trainees under the Area Redevelopment
Act and the Manpower Development and Training Act are also the
responsibility of the Commission. Benefit payments to unemployed
ex-servicemen and Federal civilian employees, and subsistence
payments to ARA and MDTA trainees are paid entirely from Federal
funds, and not from the Montana Unemployment Compensation Fund.
From time-to-time the Commission is required to administer special
Unemployment Insurance programs. Such was the case of the Tempor-
ary Extended Unemployment Compensation program which began on
April 7, 1961, and ended a year later, for those workers who ex-
hausted all of their benefits under the regular Montana program.

The Contributions Section is responsible for the investigation
and determination of employer liability under the Montana Unemploy-
ment Compensation Law, for the experience rating of employer ac-
counts, the collection of taxes from which Unemployment Compensa-
tion benefits are paid, the deposit and accounting of such taxes,
the audit, adjustment and processing of employer accounts. The
work of this unit is in the hands of a Chief of Contributions,
ten Field Representatives, a Supervising Tax Examiner, three Tax
Examiners, and a Cashier. Every year they examine and process
reports and collections from more than 15,000 employers liable
under the Unemployment Compensation Law.

The Claims Section examines, determines for eligibility, and
processes for payment, each new claim filed at local offices, and
maintains all pertinent and proper records concerning each claim.
In addition, this section operates an Interstate Claims Unit for
the purpose of processing those claims filed by workers from out-of-state for which Montana is liable. Claims of unemployed ex-servicemen and Federal civilian employees are also handled here with the Federal Government advancing funds to the Commission for the payment of benefits to these idle workers and funds for the cost of the administration of these two programs. Each year about 30,000 new and re-opened claims reach this Section from the claim counters of the local offices. The work flows down from the Chief of Benefits to a Supervising Claims Examiner, five Claims Examiners, and a related clerical staff.

The Attorney for the Commission is the legal advisor to the Commission and for all staff members. He represents the Commission in Court in civil matters in which the Commission is a party-plaintiff or defendant. It is conceded that the commission has an excellent working relationship with the Bench and Bar of Montana. In criminal matters in which the Commission has an interest, the statute provides that the County Attorney shall represent the State.

The Appeals Process: The Montana Law provides that any interested party may appeal any determination of the Commission upon a claim for benefits, or any determination or classification and tax rates. Two appellate bodies, the Chief of Appeals, and the Commission, are set up to hear and decide issues brought before them. All appeals are first ruled on by the Chief of Appeals. Any party aggrieved by his decision may make further appeal to the Commission. The Courts are the final recourse.

Fraud: Although the incidence of fraudulent claims is low compared to the total number of claims filed, the Commission maintains a continuous program for the prevention, detection, and control of over-payments and fraudulent claims. This Section is also concerned with employers who may try to circumvent the law in one way or another. Special investigations are made, and post audits are run, matching claims filed against payrolls reported by employers. During 1962, prosecutions were recommended in 373 cases, which resulted in 152 convictions.

The Machine Section, through a chain of complex International Business Machines, and tabulating machines, provides a variety of accounting and statistical data in a short time. Checks for payment of Unemployment Compensation are also automatically written here from pre-punched claim cards.

The Research and Analysis Section is involved in continuing or special studies in specific fields such as labor market information, the cost of unemployment hazards to the Unemployment Compensation Fund, the relationship between benefit procedures and economic and social conditions in the State.
The Fiscal and Personnel Officer is in charge of a staff concerned with the audit and approval of all encumbrances against the administrative fund for personal and non-personal expenses of the agency. He assists in preparing and makes final assembly of annual budget requests for administrative funds. He works with department heads in planning and maintaining a recruitment program for agency personnel in conformity with Merit System Rules. During the fiscal year 1963, administrative expenditures amounted to $2,103,478.00.

The Information and Training Officer has a combination of two functions. The first carries responsibility for an effective public relations program via all the communications media. It includes the preparation of press releases, the Commission’s Annual Report, Labor Market Newsletter, directories, handbooks, and staff training.
Salaries and Job Descriptions

Salaries and job descriptions were used jointly to estimate unadjusted salary costs for transfer payments, social services and tax collection. Man-years of working time for each occupation are first allocated to one or a combination of the three functions on the basis of job descriptions, then weighted by the salary for that occupation to yield salary costs. For example, job description 27 for UI field representative shows that the occupation is assignable to tax collection, and that the occupation is operational, rather than managerial. Table 6 shows eleven man-years of time for the occupation and an annual salary of $8,370. Weighting eleven man-years of working time by an annual salary of $8,370 yields an unadjusted salary cost of $92,070.
for the UI field representative occupation, all allocated to tax collection operation. Salary data are used in two forms. Table 6 shows salaries singly for each classified occupation, while Table 7 shows salaries for occupational or functional groupings required for the last series of calculations in this appendix.

**TABLE 7**

**UCC OCCUPATIONAL GROUPINGS**

<table>
<thead>
<tr>
<th>OCCUPATION OR GROUPING</th>
<th>TOTAL PROGRAM TIME (MAN-YEARS)</th>
<th>MIDPOINT OF SALARY RANGE, OR GROUP AVERAGE</th>
<th>SALARY COST</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CLERICAL-STENOGRAPHIC</strong></td>
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<tr>
<td>CLERK III</td>
<td>15</td>
<td>5,820</td>
<td>87,300</td>
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<tr>
<td>CLERK II</td>
<td>12</td>
<td>5,070</td>
<td>60,840</td>
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<td>CLERK I</td>
<td>2</td>
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<td>7,000</td>
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<td>4</td>
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<td>16</td>
<td>4,230</td>
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<td>4,230</td>
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<td>CLERK-TYPIST I</td>
<td>24</td>
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<td>GROUP</td>
<td>75</td>
<td>6,088</td>
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<table>
<thead>
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<th>BUSINESS MACHINE OPERATORS</th>
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<tr>
<td>TAB EQUIP Opr II</td>
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<td>6,510</td>
<td>12,270</td>
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<tr>
<td>TAB EQUIP Opr I</td>
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<td>4,230</td>
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<tr>
<td>GROUP</td>
<td>11</td>
<td>5,433</td>
<td>59,750</td>
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<th>ES AND UI LOCAL OFFICE INTERVIEWERS</th>
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<td>REQ I &amp; SUPV INTV</td>
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<td>7,850</td>
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<td>VET EMPL REP</td>
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<td>GROUP</td>
<td>101.4</td>
<td>6,846</td>
<td>694,730</td>
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</table>

NOTE: The occupations in this table are grouped by type of work, e.g., CLERICAL-STENOGRAPHIC, BUSINESS MACHINE OPERATORS, ES and UI local office interviewers, or ES local office specialists; or by group assignment, e.g., research and analysis staff or UCC executive director and staff. The table reads in the following way. Annual salary costs of fifteen clerk III positions total $87,300 and average $5,820 per position (line 1). For the clerical-stenographic group as a whole, annual salary costs total $346,200 and average $4,080 per position.

Salary data for classified employees were obtained from the Joint Merit System's annual report for fiscal 1967. The figures used are the midpoint of the salary range, excluding longevity steps. The midpoint of the salary range preserves the relationship between salaries of various occupations, an important factor in weighting the man-
hours of working time to reflect relative occupational costs, e.g., the annual salary cost per person for executives as compared to clerks.

Salary data for unclassified employees, i.e., the UCC executive director and the attorney, was estimated as a percentage of the salary for UI and ES directors. UCC annual reports in the 1944 to 1946 period indicated that the UCC executive director and the attorney were paid about 125 percent and 92 percent, respectively, of the amount paid the UI and ES directors. These percentages were applied to the $119,600 UI and ES directors' salary to estimate a 1967 salary for the UCC executive director and the attorney.

Job Descriptions. The following job descriptions were abstracted from unpublished records of the Joint Merit System, and include 287 classified employees in 58 occupations subject to Joint Merit System regulations.

1. Chief, Research and Analysis. This is responsible, supervisory work, involving the planning, supervision, and coordination of all statistical research activities of the Unemployment Compensation Commission.

The incumbent is responsible for a statewide, labor market information program, for analysis of labor market conditions within the state, and for planning and directing the preparation of related regular and special reports and research studies. He exercises supervision over a sizeable staff of professional and clerical employees, and is responsible to the Chairman-Executive Director of the Commission.

2. Supervisor of Machine Operations. This is responsible administrative and supervisory work involving the planning of machine activities and the direction of a large machine records section located in the Unemployment Compensation Commission.

The incumbent is responsible for establishing and maintaining involved procedures and for the efficient and economical application of a wide variety of tabulating machine equipment in the processing of accounting and statistical data. His section is required to make accurate and detailed statistical data available promptly to other sections. He exercises administrative and technical supervision.
over a large staff of clerical, machine operator and supervisory personnel, and is responsible to the Chairman-Executive Director of the Commission.

3. Statistician.--This is professional statistical work involving the collection, compilation, and analysis of statistical data for regular reports and for special reports and studies relating to the Employment Service and Unemployment Insurance. The incumbent may be responsible for planning, preparing or conducting specific research projects, statistical analysis and reports which require judgment in applying statistical methods. He may also be responsible for supervising other clerical workers engaged in preparing statistical reports. Supervision is received from the Chief of Research and Analysis.

4. Labor Market Analyst.--This is professional and technical work involving responsibility for assembling, compiling, and disseminating labor market information for administrative use in the agency and for the edification of the general public. The incumbent performs technical and supervisory work in a unit engaged in collecting and analyzing data and in preparing and reviewing reports and studies relating to labor market activities, the employment service and unemployment insurance. He may direct or conduct local and area labor market analysis work, or may direct a research analysis or statistical unit in the state office. Supervision is received from the Chief of Research and Analysis.

5. Tabulating Equipment Operator II.--This is responsible work involving the operation of various types of machines used for the mechanical selection and tabulation of data punched on cards.

The work involves complex operation of tabulating machine equipment including sorters, collators, interpreters, reproducers, and alphabetical and numerical accounting machines. Employees in this class generally supervise subordinate machine operators and clerks performing relatively simple tabulating functions. They instruct subordinates, supervise the flow of work, and wire and operate tabulating machines. They seldom develop complex original wirings or wiring diagrams, but can perform complex wiring operations from verbal or written instructions. Work is generally reviewed by inspection of production and control records, or by visual check. This position is supervised by the Supervisor of Machine Operations.

6. Tabulating Equipment Operator I.--This is routine work involving the operation of various types of machines used for the mechanical selection and tabulation of data punched on cards. The work involves routine operation of tabulating machine equipment including sorters, collators, interpreters, reproducers, and alphabetical and numerical accounting machines. Primary responsibility is for the rapid and accurate operation of machines assigned. The work may include routine clerical tasks related to tabulating.
operations. Machines are usually wired by a superior operator, but the employees may do simple wiring under immediate supervision. Work is performed under supervision and according to specific work instructions.

7. **Supervising Key Punch Operator.**—This is moderately difficult and responsible work involving the supervision of employees who operate alphabetical and numerical key punch machines.

The incumbent serves as a working supervisor of key punch operators in the operation of alphabetical and numerical key punch machines and key punch verifiers, and the performance of related clerical tasks. The duties are performed under the general supervision of the Supervisor of Machine Operations.

8. **Key Punch Operator II.**—This is responsible work, involving the punching of data by operating alphabetical or numerical key punch machines, checking of work by operation of a verifier, and checking work of subordinate clerical employees.

Employees in this class operate alphabetical or numerical key punch machines with speed and accuracy, punching prepared or pre-coded data. They are expected to perform a large number of processes without detailed instruction. They check the work by operating a verifier. Operators code raw data, following established codes and procedures. The work is performed under the supervision of the Supervising Key Punch Operator, or the Supervisor of Machine Operations, with frequent checks for accuracy and rate of production.

9. **Key Punch Operator I.**—This is routine work, involving punching of data by operating alphabetical or numerical key punch machines, and checking of work by operation of a verifier.

Employees in this class operate alphabetical or numerical key punch machines with speed and accuracy, punching prepared or pre-coded data. They are expected to perform only a limited number of processes without detailed instruction. They check the work by operating a verifier. Operators do simple coding and perform routine clerical tasks. The work is performed under the supervision of the Supervising Key Punch Operator, or the Supervisor of Machine Operations, with frequent checks for accuracy and rate of production.

10. **Fiscal and Personnel Officer.**—This is responsible administrative work involving the direction and supervision of the fiscal management and personnel activities of the Unemployment Compensation Commission. The employee coordinates all regular and supplemental budget requests and quarterly allocation of funds. He has responsibility for purchasing or providing for needed supplies, equipment, printing, and other office services, including building maintenance.

He has responsibility for personnel administration in the agency, confers with the Chairman and division heads regarding
personnel problems, policies and programs, and represents the Commission at meetings of the Merit System Council.

He supervises and directs a staff of professional, technical, and clerical personnel involved in the above activities.

This work is performed under the administrative direction of the Chairman-Executive Director of the Unemployment Compensation Commission.

11. **Chief of Contributions.**—This is responsible supervisory work involving the direction and coordination of activities of the contributions section in the Unemployment Compensation Commission. The incumbent assists in the development of departmental policy with respect to employer contributions. He has line responsibility over Central Office contributions operations, and supervises employees assigned to the contributions section. He assigns employer audits to UI Field Representatives and maintains records on their area assignments. Supervision is received from the Unemployment Insurance Director.

12. **Accountant.**—This is professional work involving all types of accounting performed according to established procedures and regulations, and requiring independent judgment in application to daily work transactions.

Under supervision of the Fiscal and Personnel Officer, the employee performs professional accounting work in the maintenance of control accounts, the preparation of accounting and fiscal reports, and the keeping of all accounting records related to the administrative funds of the Commission. Independent judgment is exercised in applying established procedures and techniques to individual problems. The employee supervises a clerical staff engaged in keeping subsidiary records. Usually he receives specific instructions only when beginning new work or a new type of procedure. Generally work is reviewed at completion only, for over-all standards of performance.

13. **Cashier.**—This is responsible work of a semi-professional nature, involving the handling and processing of cash receipts. The incumbent, who is bonded, receives, processes, and deposits all cash payments made by employers under the Unemployment Compensation Law. Supervision is received from the Supervising Tax Examiner and the Chief of Contributions.

14. **Supervising Tax Examiner.**—This is professional accounting work of an advanced level involving responsibility for directing and coordinating the work of employees engaged in tax examining work in the contributions section of the Unemployment Compensation Commission.

The incumbent has considerable responsibility for assisting in the development, installation and coordination of a relatively complex accounting system required to maintain records of employer contributions. He plans, assigns and reviews work of the unit,
checking for technical accuracy and assisting with difficult problems. Supervision is received from the Chief of Contributions.

15. **Tax Examiner**.--This is professional tax examining work of a routine nature, performed according to established procedures and regulations, but involving independent judgment in their application to daily work transactions.

Employees in this class may supervise a staff of several clerical workers. They examine tax returns and maintain related accounts; determine employer liability and rates of contribution; and conduct related correspondence and investigations. Some independent judgment is exercised in applying established procedures and techniques to individual problems. They receive supervision from a Supervising Tax Examiner.

16. **Experience Rating Supervisor**.--This is professional accounting work involving the accurate computation of contribution rates of all covered employers according to the legal formula. The incumbent plans, assigns, and reviews the work of the experience rating unit, checking for technical accuracy, and personally handles the more difficult accounting problems. He drafts replies to inquiries concerning experience rating computations. Supervision is received from the Supervising Claims Examiner.

17. **Clerk III**.--This is difficult and responsible clerical work requiring the exercise of independent judgment, and frequently including responsibility for supervision of clerical employees performing a single, non-routine function. Employees of this class perform difficult clerical work which normally includes supervisory or advisory responsibilities and the making of frequent decisions within limits prescribed by departmental policies and practices. The supervisory responsibility usually includes staff direction and coordination of work flow with other units. Employees with less supervisory responsibility apply specialized knowledge of departmental procedures, functions and organization to work problems requiring independent decisions as to action to be taken. Employees generally receive assignments in the form of a statement of desired objectives. Problems involving non-routine decisions with respect to policy or procedures are reviewed with superiors, and overall performance is reviewed through conferences, written reports, and a general evaluation of results achieved.

18. **Clerk II**.--This is moderately difficult clerical work requiring responsibility for some independent decisions and a fair knowledge of the operations of the agency. An employee in this class applies independent judgment based on a knowledge of departmental procedures, functions, and organization which is usually secured through instruction or training on the job. Supervision is close during the initial training period, and when new tasks are assigned, after which work is reviewed only for standard of performance, with occasional spot checks. The employee assists in develop-
copying work procedures and devising routine clerical methods, and may be responsible for the supervision of subordinate clerical workers engaged in repetitive work.

19. Clerk I.--This is routine clerical work. Employees of this class perform a variety of routine clerical tasks, following established procedures. Tasks are assigned in written or oral detail by supervisors who are consulted on all difficult or complex matters. After the initial training period, direct supervision may be limited, but the work is usually reviewed or checked on completion. Whenever new or complex assignments are given, instructions are more specific and supervision is considerably closer. Employees in this class assist each other in making clerical checks for accuracy, but they usually do not exercise direct supervision over other employees, except occasionally over temporary clerical workers.

20. Secretary II.--This is responsible secretarial and administrative work as Secretary to the Chairman-Executive Director of the Unemployment Compensation Commission, involving responsibility for acting as his intermediary with important delegated administrative detail duties. The employee must exercise independent judgment in determinations on varied problems which do not involve a major deviation from established policy or procedure. Responsibility for varied public contacts which must be conducted properly is also an important element of the work. The employee may, in addition, supervise a small secretarial and clerical staff. Both work instructions and evaluation of work results are affected through discussion with the Chairman-Executive Director.

21. Secretary I.--This is responsible secretarial and clerical work for a division director of the Unemployment Compensation Commission. The employee is assigned a variety of clerical tasks requiring independent judgment and action, including the making of frequent decisions in accordance with departmental policies and practices. Chief emphasis is on relieving a superior of operational details, such as preparing correspondence with a minimum of dictated instruction. The employee is required to develop work procedures, and is expected to carry assignments through to completion without supervision, except for a review of unusually important or complicated tasks. The employee generally receives assignments in the form of a statement of desired objectives, and the work is reviewed through conferences and a general evaluation of results achieved.

22. Clerk-Stenographer II.--This is moderately difficult typing and clerical work, occasionally involving complex work methods and problems, which includes the taking and transcribing of oral dictation. The essential part of the work is taking and transcribing oral dictation, but the employee also performs various moderately difficult and responsible typing and clerical tasks involving minor independent work decisions. Supervision is close during the initial
training period, and when new tasks are assigned, after which work is reviewed only for standard of performance, with occasional spot checks. The employee exercises considerable independent judgment in laying out work procedures and devising routine clerical methods, and may be responsible for the supervision of subordinate clerical workers engaged in repetitive work.

23. **Clerk-Stenographer I.**—This is routine typing and clerical work which includes the taking and transcribing of oral dictation, but employees usually will also perform various other typing and clerical tasks. The work is routine and follows established procedures. Tasks are assigned in written or oral detail by supervisors who are consulted on all difficult or complex matters. After the initial training period, direct supervision may be limited, but the work is usually reviewed or checked on completion. Whenever new or complex assignments are given, instructions are more specific and supervision is considerably closer. Employees in this class assist each other in making clerical checks for accuracy, but they usually do not exercise direct supervision over other employees, except occasionally over temporary clerical workers.

24. **Clerk-Typist II.**—This is moderately difficult typing and clerical work, occasionally involving complex work methods and problems. The essential part of the work is moderately difficult and responsible typing, but the employee also performs various clerical tasks involving minor independent work decisions. Supervision is close during the initial training period and when new tasks are assigned, after which work is reviewed only for standard of performance, with occasional spot checks. The employee exercises considerable independent judgment in laying out work procedures and designing routine clerical methods, and may be responsible for the supervision of subordinate clerical workers engaged in repetitive work.

25. **Clerk-Typist I.**—This is routine typing and clerical work. The basic duty in this class is typing, but employees usually will also perform various clerical tasks. The work is routine and follows established procedures. Tasks are assigned in written or oral detail by supervisors who are consulted on all difficult or complex matters. After the initial training period, direct supervision may be limited, but the work is usually reviewed or checked on completion. Whenever new or complex assignments are given, instructions are more specific and supervision is considerably closer. Employees in this class assist each other in making clerical checks for accuracy, but they usually do not exercise direct supervision over other employees, except occasionally over temporary clerical workers.

26. **Unemployment Insurance Director.**—This is responsible administrative work, involving the direction of all activities of the unemployment insurance division.

The work includes responsibility for planning, directing, and coordinating the benefits and contributions functions. The incumbent
also has functional responsibility for the claims taking activities of local employment offices. He is responsible to the Chairman-Executive Director of the Unemployment Compensation Commission.

27. Unemployment Insurance Field Representative.—This is professional auditing work of an advanced level involving constant contact with employers to explain the purposes, applications, and requirements of laws and regulations applicable to the department, and to secure compliance with them.

The employee contacts subject employers to explain and interpret the Unemployment Compensation Law, audit records, and make investigations pertinent to applications of the law. Tact, judgment and resourcefulness are required in securing compliance with the law, auditing and making investigations. The employee works under general supervision in an assigned area of the state, is responsible for locating and making necessary contacts with all subject employers in his area, acts on specific assignments from the central office and makes complete reports on all activities to the central office.

The work is performed according to standardized regulations and procedures, but the employee must use considerable judgment in their application to individual situations. Questions of policy or deviations from established procedure are referred to a higher level supervisor, who reviews the work by analysis of reports submitted and evaluation of overall accomplishments.

28. Chief of Benefits.—This is responsible supervisory work involving the direction and coordination of activities of the Benefits Section in the Unemployment Compensation Commission. The incumbent assists in the development of departmental policy with respect to benefit operations. He has line responsibility over Central Office benefit operations and for making recommendations regarding local office claims-taking functions. He supervises a large staff of employees assigned to the benefits section. Supervision is received from the Unemployment Insurance Director.

29. Supervising Claims Examiner.—This is professional and technical work involving responsibility for processing and reviewing claims for unemployment benefits. The employee in this class is in charge of the intra-state claims unit and the interstate and federal claims units of the Benefits Section, and in this capacity supervises a number of claims examiners and clerical employees. He is responsible for coordinating and regulating the flow of work within the units under his jurisdiction. He must assure consistent interpretation and application of pertinent laws, rules and regulations, and uniform adherence by the claims examiners to established policy and precedent decisions. Supervision is received from the Chief of Benefits.

30. Claims Examiner.—This is professional and technical work involving responsibility for examination of claims and determination of eligibility of claimants for unemployment compensation. The incumbent of this class must apply laws, rules and regulations,
and adhere to established policy and precedent decisions in making
determinations and assessing disqualifications. He conducts cor-
respondence on contested claims and may supervise a small clerical
staff. He is given close supervision and training following induc-
tion, but performs with considerable independence when fully trained.
His work is reviewed by a Supervising Claims Examiner and the Chief
of Benefits.

31. Claims Investigator.—This is investigative work involving
responsibility for fraud prevention and detection with respect to
the Unemployment Compensation Law. The incumbent investigates, or
arranges for necessary investigations, of indications of fraud, 
compiles evidence, and transmits it to law enforcement officials 
for prosecution. He works under the general direction of the Com-
mission Attorney.

32. Unemployment Insurance Analyst.—This is professional and
technical work involving the review of Central Office benefits and 
contributions operations. The incumbent evaluates operations, con-
trols, and procedures, with specific attention to the safeguarding 
of Unemployment Insurance funds and prevention of fraud, collusion 
or misuse of such funds. He recommends revisions in procedures, as
appropriate. Some of his work requires close liaison with the 
Claims Analyst, who is assigned to the Employment Service Division. 
He receives supervision from the Unemployment Insurance Director.

33. Employment Service Director.—This is responsible adminis-
trative work, involving the direction of all activities of the Mon-
tana State Employment Service.

The work includes responsibility for planning, directing and 
coordinating functions of the local employment offices throughout 
the state and of the employment service division of the central 
office in Helena. These functions include maintaining an active 
placement service, including farm placement; obtaining and evalu-
ating labor market information; providing employment counseling, 
including selection placement of the handicapped; and providing a 
coordinated inter-office placement service.

The Director exercises general supervision over the claims tak-
ing functions of local offices and is responsible for establishing 
and maintaining cooperative relationships with community, state, 
and federal agencies and organizations. He exercises immediate 
supervision over a staff of field supervisors, who have line supervi-
sory responsibility over local offices, and a technical staff 
which has a functional supervisory responsibility over specific 
local office functions. He is responsible to the Chairman-Execu-
tive Director.

34. Field Supervisor.—This is professional and technical 
supervisory work under general direction of the Employment Service 
Director, involving responsibility for line supervision of the 
local employment offices within an assigned area of the state. 
The employee attempts to secure and maintain favorable public
relations and proper functioning of all employment service activities in offices under his jurisdiction. He may make minor personnel assignments independently and major changes with the advice and consent of the Employment Service Director. He transmits and interprets instructions and policies determined by the Director.

35. Manager III.--This is professional and technical work involving responsibility for the management of a large local office of 20 or more personnel in the Montana State Employment Service. The incumbent plans, directs, and coordinates such activities as employment interviewing, claims taking and fact finding, employment counseling, employer contacts, order taking, and job referral. His work is performed independently but is reviewed for satisfactory results by a Field Supervisor.

36. Manager II.--This is professional and technical work involving responsibility for the management of a medium sized local office of 8 to 19 personnel of the Montana State Employment Service. The incumbent plans, coordinates, and performs such activities as employment interviewing, claims taking and fact finding, employment counseling, employer contacts, order taking, and job referral. His work is performed independently but is reviewed for satisfactory results by a Manager III or Field Supervisor.

37. Manager I.--This is professional and technical work involving responsibility for the management of a small local office of eight or less personnel in the Montana State Employment Service. The incumbent performs and supervises such activities as employment interviewing, claims taking and fact finding, employment counseling, employer contacts, order taking and job referral. His work is performed independently but is reviewed for satisfactory results by a Field Supervisor.

38. Assistant Manager.--This is supervisory and managerial work assisting in directing the operation of a local office of the Montana State Employment Service, and is under the supervision of a Manager III. He assists the manager in applying policies and procedures established by central administration and field supervisors. He acts as manager in the absence of the manager.

39. Supervising Interviewer.--This is professional and technical work involving responsibility for supervising one of the following sections of a large local office of the Montana State Employment Service: Claims Section; Applicant and Employer Services Section; or the Professional, Clerical and Sales Office. Each section is staffed by employees who are engaged in various phases of the employment service or unemployment insurance programs, such as claims taking, fact finding, application or order taking, employer contacting, and job development and referral. The incumbent performs as well as supervises the functions carried out in his section. He receives supervision from a Manager III or Assistant Manager.
40. **Interviewer II.**—This is professional and technical work in a local office of the Montana State Employment Service, interviewing applicants for employment, claimants for unemployment insurance, and employers seeking workers; making referrals to job openings and verifying placements; and performing fact finding to determine eligibility for benefits. The employee may be assigned responsibility for performing a particular phase of office activities and may supervise the work of other employees. His work is performed independently but is subject to review for satisfactory results by the immediate supervisor, who is either a manager, assistant manager, or supervising interviewer.

41. **Interviewer I.**—This is professional and technical work in a local office of the Montana State Employment Service, interviewing applicants for employment, claimants for unemployment insurance, and employers seeking workers; making referrals to job openings and verifying placements; and performing fact finding to determine eligibility for benefits. The employee is under close supervision when performing new types of work, but has some independence of action within well defined policy and procedure in areas in which he has been trained. His performance is evaluated through observation and a review of records by supervisors. Supervision is received from either a Manager, Assistant Manager or Supervising Interviewer.

42. **Clerk-Interviewer.**—This is moderately difficult work in a small local office of the Montana State Employment Service, involving a combination of clerical and interviewing activities and requiring responsibility for some independent decisions and a fair knowledge of agency operations. An employee in this class applies independent judgment based on a knowledge of policies, functions and procedures, which is usually obtained through instruction or training on the job. Supervision is close during the initial training period and when new tasks are assigned, after which work is reviewed only for standard of performance, with occasional checks. The employee assists in developing work procedures and devising routine clerical methods. Supervision is received from a Manager I.

43. **Veterans Employment Representative.**—This is professional and technical work in a local office of the Montana State Employment Service. The incumbent is primarily responsible for seeing that the responsibilities of the local office with respect to placement of veterans and the veterans' employment service are fully executed. He interviews veterans and persons claiming veteran status, determining their qualifications for referral to job openings or special training; provides counseling to all veterans who, for such reasons such as disability or lack of experience and training, present placement problems; maintains liaison with veterans' organizations; and develops jobs for veterans through job solicitation and personal contacts with employers. He may, in
addition, perform all of the duties of an Interviewer II. Supervision is received from the local office manager.

44. Employment Counselor.--This is specialized, professional work involving responsibility for counseling individuals with job choice or adjustment problems. The incumbent handles all types of counseling problems which require the exercise of independent judgment and the application of a wide knowledge of counseling principles and techniques. He receives supervision from the Manager, or Assistant Manager, of a large local employment office.

45. Employment Counselor Trainee.--This is an entry position designed to prepare the individual for satisfactory performance as an Employment Counselor. Initially, the employee will receive formal as well as on-the-job training covering the major activities of a local Employment Service office, such as application taking, placement, and unemployment insurance, and which will simultaneously increase his knowledge of local occupations, and occupational and employer requirements. During the later stages of his service as a trainee, and under close supervision, he is trained in and performs counseling and related activities, gradually extending the scope and independence of work as competence increases.

After completion of one year of satisfactory service as a trainee, an employee in this class is promoted to the class of Employment Counselor, with no examination or further probationary period required. If he does not satisfactorily complete his period of service as a trainee, he is reassigned or separated.

46. Supervisor of Special Applicant Services.--This is professional and technical work involving responsibility for giving leadership, direction, and functional supervision to the statewide programs of employment counseling and services for the handicapped, youth, and other special applicant groups.

The position involves planning and directing the establishment and maintenance of a statewide program of employment counseling and programs of services for handicapped applicants, youth, and other special applicant groups. Through professional technical study, the employee initiates program changes to keep operations up to date with state and national development of techniques. He assists in training local office personnel, works with other individuals and groups officially engaged in giving services such as vocational guidance, assistance to handicapped, and youth, and develops and maintains a statewide educational program relative to job solicitation and job development for the special applicant groups. Supervision is received from the Employment Service Director.

47. Teacher Placement Officer.--This is professional and technical work involving responsibility for planning and conducting a statewide teacher placement program. The employee formulates and adapts the program; develops procedures and techniques for registering of teachers and assembling of credentials; maintains files
of teacher job openings and specifications; and maintains contacts with teacher training institutions, teacher associations and school hiring authorities to promote their use of the teacher placement service. He supervises a small staff of clerical employees and receives supervision from the Employment Service Director.

48. Chief of Farm Placement.--This is professional and technical supervisory work, involving responsibility for planning, administering, and coordinating a statewide farm placement program carried out through the local offices of the State Employment Service. While the incumbent has no authority over field personnel, he maintains an unusually close functional supervision of local office farm placement operations through frequent field visits and special operating plans and reports. Supervision is received from the Employment Service Director.

49. Defense and Mobilization Coordinator.--This is professional and technical work involving responsibility for all the various ramifications of a readiness program in case of a military emergency, including registration, assignment, and mobility of manpower under defense conditions. Supervision is received from the Employment Service Director.

50. Training and Information Officer.--This is professional and technical work involving responsibility for (1) preparing and disseminating information regarding the Employment Service and Unemployment Insurance functions, including the objectives and achievements of these programs and the labor market conditions prevailing within the state; and (2) planning and coordinating a staff training program for employees of the Commission. Supervision is received from the Chairman-Executive Director of the Unemployment Compensation Commission.

51. Personnel Assistant.--This is a technical administrative work in the Unemployment Compensation Commission involving the processing of agency payrolls and personnel transaction forms and the maintenance of personnel records and files of several types, such as individual personnel record cards and folders and leave and office records. Supervision is received from the Fiscal and Personnel Officer.

52. Placement Officer.--This is professional and technical work involving responsibility for statewide functional supervision of the placement process, including interoffice and interstate clearance and a special placement service for college and professional applicants; local office operating plans and preparation of the Employment Service annual budget. The incumbent develops techniques and procedures for Employment Service placement and clearance activities, involving work registrations, order taking, use of active registration files in selection and matching of applicants and job orders in local placement and interoffice referral and placement. He promotes an effective placement service for college graduates and
professional applicants. He coordinates and assists in developing periodic local office plans of action, covering workload estimates, proposed program emphasis and time and cost studies; and coordinates and summarizes the state office technician's reviews of these plans. He also assists the Employment Service Director and Fiscal Officer in determining budget estimates based on workload forecasts and accomplishments and assists in conducting formal training sessions in each of the areas of responsibility. Supervision is received from the Employment Service Director.

53. Claims Analyst, Employment Service.--This is professional and technical work involving the review of claims taking, non-mone
tary fact finding, local office claims activity reporting and related work. The incumbent evaluates local office claims taking activities for compliance with established policy and procedure. He recommends revisions in procedures, as appropriate. Some of his work requires close liaison with the Unemployment Insurance Analyst who is assigned to the Unemployment Insurance Division. He observes claims activities in local offices and provides training and guidance in proper procedures and techniques. He receives supervision from the Employment Service Director.

54. Chief of Appeals.--This is professional and technical appellate work performed in conformance with the provisions of the Montana Unemployment Compensation Act and the regulations and rules of the Unemployment Compensation Commission.

The incumbent holds quasi-judicial hearings and renders decisions when determinations are appealed by any party, employer or employee, who is affected by such determinations.

He contacts employers and employees throughout the state for the purpose of scheduling and conducting hearings. He weighs facts and evidence and renders decisions on appeals.

He supervises the Appeals Referee and clerical employees assigned to the Appeals Section.

55. Appeals Referee.--This is professional and technical appellate work performed in conformity with the provisions of the Montana Unemployment Compensation Act and the regulations and rules of the Unemployment Compensation Commission.

The incumbent holds quasi-judicial hearings and renders decisions when the determinations are appealed by any party, employer or employee, who is affected by such determinations.

He contacts employers and employees throughout the state for the purpose of scheduling and conducting hearings. He weighs facts and evidence and renders decisions on appeals. Supervision is received from the Chief of Appeals.

56. Supervisor, Community Employment Programs.--This is professional and technical work under the direction of the Employment Service Director concerned with planning for and coordinating agency activities aimed at alleviating or preventing unemployment and its causes in both rural and urban areas of the state. Emphasis is on
coordinating activities and resources of state office technicians and local office staffs with those of state economic development groups, Community Action agencies and other community organizations to bring about training and employment of hard core unemployed workers in areas of substantial unemployment. The incumbent serves as Coordinator of the State Cooperative Areas Manpower Planning System (CAMPS) and as plan and program developer for the Employment Service.

He is responsible for planning in connection with programs under the Manpower Development and Training Act. Serves as liaison representative for Employment Service Director for Concentrated Employment Program (CEP). He is responsible for coordination of staff programs related to title IV of the Social Security Act (WIN).

57. Community Employment Technician.--This is professional and technical work under direction of the Employment Service Director involving responsibility for assistance in carrying out agency programs related to the Manpower Development and Training Act. The incumbent performs technical work which involves collection of pertinent data from local employment offices and other sources for use in developing overall economic development plans in local areas in order to set up occupational training and retraining courses. Emphasis is on specific projects in local areas. He works in close relationship with the Supervisor of Community Employment and Work Incentive Programs.

58. Job Corps Specialist.--This is professional and functional supervision of recruitment, assignment and technical work involving statewide responsibility for providing placement of returning Job Corpsmen, male and female. The incumbent will provide and coordinate services including, but not limited to, job development; job referral and placement; development of the referral to training opportunities including MDTA, vocational, on-the-job, and apprenticeship; employment counseling; followup of placement; and other related activities which will assure satisfactory placement and job adjustment of the youth in a work, educational, or training situation. Services to be performed will be consistent with the terms of the placement agreement existing between the Job Corps and the Manpower Administrator. Coordinates all State Job Corps activities. Develops specific outreach activities including new recruitment techniques in hard-to-reach areas; meets with public and private organizations as well as with Community Action groups within the state to solicit aid in promoting Job Corps. Develops procedures to continually check on State's progress in meeting monthly Job Corps quotas, where necessary, to individual local offices. Works under the supervision of the Employment Service Director.
Distribution of UCC "Administrative Expenditures"

An estimated distribution of UCC "administrative expenditures" to management and operation of transfer payments, social services and tax collection is derived from unadjusted salary costs in Table 8. The table is arranged into sections along the lines of the UCC's organizational structure, from lower to higher echelons. Job descriptions, salaries and organizational data are brought together to form the table. Occupational times and costs are shown in aggregate (columns 1 - 6) and allocated to UI transfer payments (columns 9 - 13), ES social services (columns 14 - 18), and UI tax collection (columns 19 - 23).

Certain generalities regarding occupational groups apply throughout the table. Occupations with both managerial and operational responsibilities were termed to exercise either "functional supervision" or "working supervision." "Functional supervision" appears in the job descriptions and was interpreted here as involving temporary and/or limited supervisory responsibility for which the UCC usually gave no formal recognition, either in title or in pay. When stated or implied in job descriptions, "functional" supervisory responsibilities were allocated to operation rather than management, particularly in minor occupations, e.g., job descriptions 17 - 18. Occasionally, "functional" supervisory responsibilities were allocated to management where the job description indicated extensive staff support for a line executive, e.g., job description 48. "Working supervisors" were regarded in this paper as the lowest-ranking occupations of line management, with limited but continuous supervisory responsibility which was recognized formally by the UCC both in title and increased salary. See job descriptions 29,
## Table 8

**UCC Time and Cost Distribution**

(Money Amounts in Thousands of Dollars)

<table>
<thead>
<tr>
<th>TIME</th>
<th>OCCUPATION OR FUNCTIONAL GROUPING</th>
<th>SALARY RANGE</th>
<th>TOTAL PROGRAM</th>
<th>MANAGEMENT</th>
<th>OPERATION</th>
<th>TOTAL FUNCTION</th>
<th>MANAGEMENT</th>
<th>OPERATION</th>
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<th>OPERATION</th>
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<td></td>
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<td>TOTAL TIME</td>
<td>TOTAL COST</td>
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### Local Offices

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<th>LOCAL OFFICES</th>
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### Employment Service Central Office

<table>
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<tr>
<th>EMPLOYMENT SERVICE CENTRAL OFFICE</th>
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### TABLE 8. Continued

#### TOTAL PROGRAM

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<thead>
<tr>
<th>Line</th>
<th>Occupation or Functional Grouping</th>
<th>Midpoint of Salary Range</th>
<th>Total Program Management</th>
<th>Total Program Operation</th>
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#### PROGRAM FUNCTIONS

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<tr>
<th>Line</th>
<th>Total Transfer Payment Management</th>
<th>Total Transfer Operation</th>
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#### SOCIAL SERVICES

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<tr>
<th>Line</th>
<th>Total Social Services Management</th>
<th>Total Social Services Operation</th>
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#### TAX COLLECTION

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<tr>
<th>Line</th>
<th>Total Tax Collection Management</th>
<th>Total Tax Collection Operation</th>
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#### UNEMPLOYMENT INSURANCE CENTRAL OFFICE

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<th>Line</th>
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#### RESEARCH AND ANALYSIS

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#### APPEALS

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#### UCC EXECUTIVE DIRECTOR AND ASST STAFF

<table>
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<th>Total Program Operation</th>
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#### CUMULATIVE TOTAL ADJUSTED TO FISCAL 1967 COSTS

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<tr>
<th>Line</th>
<th>Total Program Management</th>
<th>Total Program Operation</th>
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<tr>
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37 and 39 for examples. These first-line supervisory occupations were allocated 20 percent to management and 80 percent to operation on the basis of job description content, their low-ranking position in the managerial hierarchy, interview research, and the theories of management and job evaluation.

Several sub-professional supporting occupations could not be assigned directly to work-units, e.g., local offices, central offices, tax collection, etc. However, these occupations could be arranged into clerical-steno and business machine operator groups (Table 7) and assigned indirectly as mentioned previously in connection with Table 5. In Table 8, these groups are allocated to management or operation support and to the three functions in proportion to the time or cost of the professional personnel whom they support. The assumption is that the supporting staff engages in the same type of work as the professionals who direct them.

The several pages following are a line-by-line description of Table 8. It is assumed at this point that the reader has full understanding of preceding materials in this appendix, especially the job descriptions.

**Local Offices.** Local office occupations are listed in lines 1 - 15 of Table 8. Professional occupations are in lines 1 - 11 and their supporting sub-professional occupations are in lines 13 and 14. In general, but subject to exceptions noted below, it can be said that professional occupations are allocated to management or operation on the basis of their job descriptions, and that the supporting sub-professional occupations are then allocated in the same proportions as the professional
occupations.

The professional occupations of lines 1 - 11 are exclusively managerial or operational with the exception of manager I and supervising interviewer. These working supervisors at the $7,650 salary level were allocated 20 percent to management and 80 percent to operation (line 5, columns 5 - 8) on the basis of their job descriptions. Lines 1 - 11 are summarized in line 12, columns 4 - 8, and allocated to UI transfer payments and ES social services in line 12, columns 9 - 18. Table 5 shows that 21 percent of all local office personnel (35.90 man-years) are engaged in UI work and 79 percent (134.10 man-years) are engaged in ES work. The time and cost of local office operation (line 12, columns 5, 6 and 7) were allocated to UI transfer payments and ES social services on the basis of the above percentages.

The $917,040 operation cost of local office professionals (line 12, column 8) was allocated to UI and ES in a manner which assigned the higher cost of the labor market analyst and counselors to ES social services only. ES social services require interviewers, labor market analyst and counselors, while UI transfer payments require only the lower cost interviewers. Table 7 shows that the "interviewers" (ES and UI local office interviewers) had an average annual salary of $6,846, and the "specialists" (ES local office specialists) had an average annual salary of $7,187. ES social services were previously allocated 104.43 man-years of time (line 12, column 17), an amount known from Table 7 to include 31 man-years of specialist time in addition to an unknown amount of interviewer time. By subtraction, 73.43 man-years of interviewer time remain. The cost of ES social services operation
(line 12, column 18) is $725,545; the sum of 31 man-years of specialist time at $7,187 per man-year and 73.43 man-years of interviewer time at $6,846 per man-year. The cost of UI transfer payment operation (line 12, column 13) is $191,495, based on 27.97 man-years of interviewer time at $6,846 per man-year.

Local office clerical-steno time and costs (line 13, columns 4 - 8) were allocated 11 percent to management and 89 percent to operation on the basis of salary costs (line 12, columns 6 and 8) for local office professional occupations. Throughout the organization, clerical-steno occupations were regarded as supporting the professional occupations and were grouped in Table 7 at an average annual salary of $4,626. In general, the time of such sub-professional occupations in a particular work-unit was allocated to management or operation proportional to professional time, i.e., one professional employee, whether engaged in managerial or operational work, is assumed to require the same amount of sub-professional support. At the local office level, clerical-steno time was divided between management and operation on the basis of salary cost rather than time, to allow for local office statistical reporting requirements. Allocating on the basis of cost rather than time shifted about 1.7 percent of clerical-steno time and costs from operation to management due to the higher salaries paid to professionals in management. Line 13 aggregate times and costs were allocated 21 percent to UI transfer payments and 79 percent to ES social services on the basis previously described for line 12.

The line 14 secretary I position was assigned 50 percent to management and 50 percent to operation. Job description 21 indicates that
a secretary I position is ordinarily assigned to a central office executive at the $11,940 salary level, and does not describe the line 14 situation where a secretary I is assigned to a local office executive at the $9,570 level. At the higher level a secretary I would be assigned 100 percent to management support. In the absence of specific job description information, the local office secretary I was regarded as engaged in less management support than the higher level secretary I, but more than the local clerical-steno occupations, which were allocated 11 percent to management. Line 14 was allocated to UI transfer payments and ES social services by the same percentages previously used in lines 12 and 13.

Line 15 is a summary of all local office data in lines 1 - 14.

ES Central Office. ES central office occupations are listed in lines 6 - 32. The field supervisors and their one unit (man-year) of clerical-steno support are allocated entirely to management (lines 17 and 18, columns 5 and 6) on the basis of the field supervisors' job descriptions. Lines 16 and 17 are allocated 21 percent to UI transfer payments and 79 percent to ES social services, since the local office personnel supervised are divided by the same percentages.

ES central office staff specialists are listed in lines 18 - 26. These professional occupations are allocated to management or operation and to UI transfer payments or ES social services on the basis of their job descriptions. Line 27 is a summary of lines 18 - 26, and forms the basis for allocating the specialists' staff support in line 28. The 9.00 man-years of ES central office staff time is distributed 11.1 percent to transfer payment management, 28.9 percent to social services.
management and 60.0 percent to social services operation. Their supporting staff, line 28, was allocated proportionately by the same percentages on the assumption that the staff was engaged in the same type of work as the professionals who directed them.

Lines 30 and 31 list the ES director and his personal secretary. They are allocated 20 percent to transfer payment management and 80 percent to social services management. The percentages are derived from the times of line 29, which summarizes the entire organization under line supervision of the ES director. Line 32 summarizes local and central offices of the ES division.

UI Central Office. UI central office occupations were listed in lines 33 - 54. Professional personnel engaged in UI claims work are listed in lines 33 - 35. They were allocated entirely to the transfer payment function, and divided between management and operation primarily on the basis of job descriptions. The working supervisors of line 34 were allocated 20 percent to management and 80 percent to operation. As mentioned previously, working supervisors throughout the UCG were allocated in Table 8 by the same percentages. The salaries of line 5 working supervisors ($7,650) and line 34 supervisors ($6,570) differed since the former was engaged in the simpler interviewing work and the latter in more complex claims work. The time devoted to either management or operation is assumed to be the same at both salary levels. Line 36, the summary of lines 33 - 35 shows 20 percent of time and costs allocated to management and 80 percent to operation. Supporting clerical time of line 37 was allocated by the same percentages.

Lines 37 - 38 list the claims investigator and his secretary.
Both are assigned entirely to transfer payment operation on the basis of the claims investigator's job description. Line 40 summarizes lines 33 - 39.

In addition to UI claims, the UI central office also processes training allowances and other payments connected with ES social service training and manpower programs. In fiscal 1967, an estimated total of $6,573,221 was paid out with $6,135,221 (93.3 percent) as UI claims and approximately $438,000 (6.7 percent) social services payments. The adjustment for social services in line 41 allocates 6.7 percent of the time and costs of the claims unit to social services, corresponding to the percentage of payments made for social services purposes.

Lines 42 - 50 list the tax collection group. Professional occupations are listed on lines 42 - 47, and assigned to management or operation on the basis of their job descriptions. The UI field representatives, line 43, are included here since they report directly to the UI director. They actually work out of local offices, but are not under ES supervision as are all other local office personnel. The working supervisors for this group, lines 44 - 45, are again assigned 20 percent to management and 80 percent to operation. Line 48, the summary of lines 42 - 47 shows 8 percent of time and costs allocated to management and 92 percent to operation. Lines 49 - 50, sub-professional support for tax collection group, is allocated to management and operation by the same percentages.

Line 52 includes the UI director, his personal secretary and the UI analyst. They are allocated 35 percent to transfer payment management, 2.5 percent to social services management and 62.5 percent to
tax collection management. The percentages are derived from line 51, a summary of personnel and functions under line supervision of the UI director. Line 53 summarizes the UI division.

Line 54 summarizes ES and UI divisions, and is the sum of lines 32 and 53. The percentages derived from line 54 times form the basis for allocating the research and analysis group.

**Research and Analysis.** The research and analysis group is listed in lines 55 and 56. This group originates studies of various types spanning the three major functions. The research and analysis contribution to each function is assumed to be proportional to the man-years of working time in each function. The staff, line 56, is allocated 4.5 percent to transfer payment management, 19.1 percent to transfer payment operation, 9.3 percent to social services management, 52.6 percent to social services operation, 1.8 percent to tax collection management, and 12.7 percent to tax collection operation. Occupational composition of the staff is shown in Table 7. The chief, line 55, is allocated 23.5 percent to transfer payment management, 61.9 percent to social services management, and 14.5 percent to tax collection management.

**Appeals.** Appeals personnel and their clerical-steno support are listed in lines 57 - 59. They are divided equally between transfer payment operation and tax collection operation. The chief of appeals was not allocated to management since only two persons were supervised.

**UCC Executive Director and Staff.** The UCC executive director and staff are allocated 23.9 percent to transfer payment management, 61.2 percent to social services management and 14.9 percent to tax
collection management. The percentages were derived from the times of line 60, a summary of ES and UI divisions, research and analysis, and appeals. Occupational composition of this group is shown in Table 7.

**Distribution of UCC "Administrative Expenditures".** The $2,786,000 of UCC "administrative expenditures" was allocated to management and operation of transfer payment, social service and tax collection functions in line 63, by means of a proportionality factor applied to the unadjusted salary cost distribution of line 62. As previously defined, the costs of line 62 are $y_i$ and their sum, \( \sum_{i=1}^{6} y_i \), equals $1,925,000. All $x_i$ are to be determined and their sum \( \sum_{i=1}^{6} x_i \) is known to be $1,786,000. The proportionality factor, $k$, equals \( \frac{2,786}{1,925} \) or 1.45. Applying factor $k$ to the costs of line 62 yields line 63, the estimated distribution of UCC "administrative costs." See Chapter V for a summary of the UCC program.
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