

090424

RESTRICTED — Not to be released outside the Accounting Office except on the basis of specific approval by the Office of Congressional Relations.

B-16463(13)

RELEASED

1-29-75



REPORT TO THE CHAIRMAN  
COMMITTEE ON FINANCE  
UNITED STATES SENATE

090424



Problems In The  
Work Incentive Program In  
Los Angeles And San Diego

Department of Labor  
Department of Health, Education, and Welfare

BY THE COMPTROLLER GENERAL  
OF THE UNITED STATES

MWD-75-24

~~906274~~  
090424

JAN. 29, 1975



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

B-164031(3)

01  
02- The Honorable Russell B. Long  
Chairman, Committee on Finance  
United States Senate

Dear Mr. Chairman:

This is the fourth of a series of reports in response to your letter of February 2, 1973, requesting us to review various aspects of the Work Incentive Program. As you requested, we placed particular emphasis during our review on actions taken to implement the 1971 amendments to the program. This report concerns program operations in Los Angeles and San Diego, California, generally during the period July 1, 1972--the effective date of the new legislation--through June 30, 1973.

Officials of the Departments of Labor and Health, Education, and Welfare have been given an opportunity to review and comment on the contents of this report. Their views have been incorporated where appropriate. Comments of responsible State officials have also been considered in preparing the report.

As discussed with your office, we believe that the contents of this report would be of interest to committees and other Members of the Congress. However, release of the report will be made only upon your agreement or your public announcement of its contents. In this connection, we want to invite your attention to the fact that this report contains recommendations to the Secretaries of Labor and Health, Education, and Welfare which are set forth on page v. As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions he has taken on our recommendations to the House and Senate Committees on Government Operations not later than 60 days after the date of the report, and the House and Senate Committees on Appropriations with the agency's

B-164031(3)

first request for appropriations made more than 60 days after the date of the report. Your release of this report will enable us to send the report to the Secretaries and the four committees for the purpose of setting in motion the requirements of section 236.

Sincerely yours,

A handwritten signature in cursive script, reading "James P. Abate".

Comptroller General  
of the United States

## C o n t e n t s

	<u>Page</u>
DIGEST	i
CHAPTER	
1 INTRODUCTION	1
Scope of review	3
2 PROBLEMS IN THE SELECTION PROCESS	5
How the WIN process is designed to work	6
How the process was working in Los Angeles and San Diego	7
Registration	7
Appraisal	9
Questionable assignments of service levels	10
Few employability plans initiated	11
Certification	12
Los Angeles	13
San Diego	14
Conclusions	14
Recommendations to the Secretaries of HEW and Labor	15
Agency comments and our evaluation	15
3 IMPROVEMENTS NEEDED TO PLACE MORE WIN REGISTRANTS IN EMPLOYMENT	19
Job-search activities	19
Few WIN registrants obtained employment through job searches	20
Job-referral activities	22
Effect of WIN on welfare costs	24
Conclusions	24
Recommendations to the Secretaries of HEW and Labor	25
Agency comments	25
4 EXPERIENCE OF SELECTED WIN TRAINING-TYPE COMPONENTS	27
Employment preparation	28
Vocational training	29
Public service employment	31
OJT	32
Private sector OJT	32
Public agency OJT	33
OJT/PSE expenditures	34
Conclusions	35
Recommendations to the Secretary of Labor	36
Agency comments	36

CHAPTER		<u>Page</u>
5	IMPACT OF TAX CREDIT	37
	Implementation of the tax credit	37
	Employer awareness of and reaction to the tax credit	38
	Conclusions	39
6	IMPROVEMENTS NEEDED IN THE MANAGEMENT INFORMATION SYSTEM	40
	Submission of incomplete reports	40
	Inconsistencies in reported placements	42
	Reporting welfare savings	43
	Conclusions	43
	Recommendations to the Secretaries of HEW and Labor	43
	Agency comments	44
7	MANPOWER AND WELFARE AGENCY COORDINATION	45
	Coordination between Labor and HEW	45
	Coordination between Labor and the State manpower agency	45
	Coordination between HEW and the State welfare agency	47
	Coordination between local manpower and welfare agencies	48
	Conclusions	48
APPENDIX		
I	Fiscal year 1973 reported performance data in Los Angeles and San Diego Counties	49
II	Comparison of California's reported perform- ance data to fiscal year 1973 original and revised goals	50
III	Comparison of California's reported perform- ance data to fiscal year 1974 goals	51
IV	Letter dated October 3, 1974, from the Assist- ant Secretary for Administration and Manage- ment, Department of Labor, to GAO	52
V	Letter dated October 8, 1974, from the Assist- ant Secretary, Comptroller, HEW, to GAO	57
VI	Letter dated September 5, 1974, from the Director, Department of Human Resources Development, State of California, to GAO	63

ABBREVIATIONS

AFDC	aid to families with dependent children
GAO	General Accounting Office
HEW	Department of Health, Education, and Welfare
HRD	Department of Human Resources Development, State of California
OJT	on-the-job training
PSE	public service employment
SAU	separate administrative unit
WIN	Work Incentive (program)

COMPTROLLER GENERAL'S  
REPORT TO THE CHAIRMAN  
COMMITTEE ON FINANCE  
UNITED STATES SENATE

PROBLEMS IN THE  
WORK INCENTIVE PROGRAM IN  
LOS ANGELES AND SAN DIEGO  
Department of Labor  
Department of Health,  
Education, and Welfare

D I G E S T

WHY THE REVIEW WAS MADE

This is the fourth of a series of GAO reports on implementation of the Work Incentive (WIN) program. WIN is designed to help welfare recipients in the aid to families with dependent children program to prepare for and get jobs, thus removing them from welfare dependency.

The Chairman, Committee on Finance, United States Senate, requested the reports and suggested that GAO should examine how well the Department of Labor was implementing legislative provisions--effective July 1, 1972--which changed the program's operations and emphasis. The revised program is called WIN II.

GAO was requested to conduct reviews in Atlanta, Detroit, Los Angeles, New York, San Diego, Seattle, and Tacoma. This report covers program operations in Los Angeles and San Diego.

WIN is jointly administered by the Secretaries of Labor and Health, Education, and Welfare and operated through State manpower and welfare agencies. In fiscal years 1972-74, the Congress

authorized almost \$900 million for WIN operations.

FINDINGS AND CONCLUSIONS

During fiscal year 1973, Los Angeles and San Diego Counties reported registering over 124,000 welfare recipients for WIN. Of these, about 17,000 were selected for participation in WIN. (See p. 5 and app. I.)

Problems in the selection process

GAO examined the California selection process to find out whether problems existed which might prevent more registrants from participating in the program. One important step in the process is the assignment of service levels during appraisal interviews. These service levels essentially show whether registrants are job ready, need training or supportive services, or are to be returned to the registrant pool without benefit of any manpower or supportive services. (See pp. 5, 9, and 10.)

On the basis of random samples of 100 registrants in each county, over 40 percent were assigned questionable service levels. As a result, the manpower agency was, in some cases, attempting to place less employable registrants in jobs while more employable registrants were returned to the registrant pool.

Factors contributing to this problem included (1) the limited use of employability plans and (2) the lack of separate administrative unit participation in the appraisal interview, both of which are required by Federal regulations and program guidelines. (See pp. 5 to 12.)

Federal regulations provide that registrants should not be certified--the procedure wherein needed supportive services are arranged or provided--until a job or training position is available.

In Los Angeles County, the manpower agency office manager directed that certification be requested for virtually all registrants regardless of their status, employability potential, or assigned service level. Because this action overloaded the system, the separate administrative unit--the organization responsible for certification--was not able to conduct the process in a timely and effective manner. (See pp. 5, 13, and 14.)

In San Diego County, the separate administrative unit was under the supervision of the manpower agency and provided manpower services to WIN registrants. Having separate administrative unit staff perform manpower services does not appear to be the intent of the 1971 amendments. (See pp. 5, 6, and 14.)

#### Improvements needed to place more WIN registrants in employment

Before the enactment of the new

legislative provisions, California had developed and partially implemented a State program, referred to as the Employables Program, which was designed to place welfare recipients in jobs. Under the Employables Program, many job-ready WIN registrants were required to begin searching for a job on their own initiative. GAO examined this program only in San Diego County; it had not been fully implemented in Los Angeles at the time of GAO's review. (See pp. 3, 4, 19, and 20.)

Job searches were expected to consist of contacts with 5 to 10 prospective employers over a 2-week period. At the end of each 2-week period, registrants were required to report to the manpower office to have their job-search efforts evaluated. Failure to properly conduct job searches is viewed by the manpower agency as a reason for sanctioning registrants which can result in complete loss of all welfare benefits. (See pp. 19 and 20.)

During fiscal year 1973, Los Angeles and San Diego Counties reported placing about 9,200 of the 124,000 WIN registrants in jobs. However, the limited success of job searches in San Diego and the low number of job referrals in both counties reduced program effectiveness. (See p. 19.)

In August 1973 GAO reviewed the status of 50 randomly selected job searchers in San Diego. The review showed that the job searchers contacted an average of 16 employers over an average 6-week period and only 3 got jobs. (See pp. 20 and 21.)

Job searches might have been more successful if registrants had the benefit of WIN services, such as receiving job referrals, being certified as job ready from a supportive service standpoint, and having job search or employability plans prepared. (See pp. 19 to 22.)

GAO's review of referral records in Los Angeles and San Diego showed that about 13 percent of all registrants received job referrals although they were given to about half of the registrants considered most employable. Because registrants considered most employable represented less than 28 percent of all registrants, an increase in referral activity may not have a major impact on placing WIN registrants because the educational level of the average registrant may be less than that required by the majority of available jobs. (See pp. 19 and 22 to 24.)

#### Experience of selected WIN components

To better prepare for permanent employment, WIN registrants in Los Angeles and San Diego could be enrolled in various WIN program components, such as employment preparation, vocational training, public service employment, and on-the-job training. Only about 9 percent of the registrants were enrolled in these components compared to the national average of over 18 percent during fiscal year 1973; about half obtained employment. (See p. 27.)

Legislative provisions stressed placement in unsubsidized and subsidized employment. One-third of fiscal year 1973 Department of Labor WIN funds expended were to be used for the development and funding of subsidized positions in on-the-job training and public service employment. WIN funds not spent at the end of a fiscal year may be spent in subsequent years. (See pp. 34 and 35.)

The WIN public agency on-the-job training and public service employment components in California were administered by the State manpower office in conjunction with the State's Career Opportunities Development program.

During November 1, 1971, through May 15, 1973, California developed 31 public agency on-the-job training contracts and 22 public service employment contracts. As of May 15, 1973, 410 WIN enrollees had been placed in on-the-job training positions with public agencies, and another 853 enrollees had been placed in public service employment. Of those who left the public agency on-the-job training, 40 percent obtained jobs; of those who left the public service employment component, 57 percent obtained jobs. (See pp. 31 to 34.)

During fiscal year 1973, the Los Angeles and San Diego manpower offices developed 94 and 44 private sector on-the-job training contracts, respectively. Unlike the public agency contracts discussed above, only one participant was placed in on-the-job training under each contract. GAO reviewed 72 of these contracts--50 in Los Angeles and

22 in San Diego--and found that 21 contracts resulted in registrants obtaining jobs, 8 were still active, but another 39 were canceled before completion. The status of the remaining four could not be determined on the basis of readily available information. (See pp.32 and 33.)

The Department of Labor's contract with California provides that at least one-third of fiscal year 1973 funds be spent for on-the-job training and public service employment. About 15 percent of all Department of Labor WIN funds spent by California during fiscal year 1973 were for these purposes. Additionally, the State obligated, but did not spend 53 percent of its remaining Department of Labor WIN funds for these two components. Because State manpower officials could not readily provide data on the amount of fiscal year 1972 funds carried into and spent during fiscal year 1973, GAO could not determine whether California was complying with the provisions of the contract. (See pp. 34 and 35.)

#### Impact of tax credit

The Revenue Act of 1971 authorized a tax credit to employers as an incentive for hiring WIN participants. In fiscal year 1973, over 3,200 employers were certified as eligible for the tax credit in California.

GAO does not believe enough time had elapsed for determining the impact of the WIN tax

credit in helping WIN registrants obtain jobs. However, on the basis of employers' comments in Los Angeles and San Diego Counties, the tax credit may act as an incentive for hiring WIN registrants. (See pp. 37 to 39.)

#### Management information system

The WIN management information system, jointly developed by the Departments of Labor and Health, Education, and Welfare, was designed to serve as a management tool and as a basic source of information for reports provided to the Congress. GAO found that information on certain aspects of the operations of the WIN program had not been developed and reported in accordance with Federal guidelines. Inconsistencies were found in placement statistics and welfare savings were not reported until July 1973. When reported, savings included amounts which did not appear to be attributable to WIN activities. (See pp. 40 to 43.)

#### Coordination between manpower and welfare agencies

Federal agencies established a system of coordination for carrying out their joint responsibility. However, Federal agencies' inability to obtain full cooperation from their counterpart State agencies caused the California WIN program to be inconsistent with Federal guidelines. Additionally, the lack of effective coordination between the State agencies resulted in a breakdown in the sanction and certification processes. (See pp. 45 to 48.)

Federal and State agencies' disagreement on the implementation of WIN in California can be disadvantageous to welfare recipients who are supposed to benefit from the program. (See p. 48.)

#### RECOMMENDATIONS

The Secretaries of Labor and Health, Education, and Welfare should jointly:

- Take action to insure that (1) more careful assignments of service levels are made in both Los Angeles and San Diego Counties, including full use of employability plans and full participation by the separate administrative unit in appraisal interviews and (2) certifications for supportive services in Los Angeles County are requested only for those registrants who are expected to be placed shortly in training or in a job. (See p. 15.)
- Require the California State manpower and welfare agencies to insure that WIN registrants conducting job searches in San Diego are given the program services necessary to effectively seek employment. (See p. 25.)
- Take action to insure that the California manpower and welfare agencies (1) fully implement the requirements of the WIN management information system and (2) correct the inconsistencies in WIN placement and welfare savings statistics. (See p. 43.)

The Secretary of Labor should require the California State manpower agency to:

- Increase job referral in Los Angeles and San Diego so that more WIN registrants are referred to jobs, especially those considered to be the most employable. (See p. 25.)
- Closely monitor job-search activities to determine whether they should be continued. (See p. 25.)
- Determine whether more WIN registrants can benefit from WIN training components and, if so, request the resources needed for this purpose; and examine whether successful completion rates for these components can be improved. (See p. 36.)

Also the Secretary of Health, Education, and Welfare should take action to insure that separate administrative unit activities in San Diego are limited to those intended by the 1971 amendments. (See p. 15.)

#### AGENCY ACTIONS AND UNRESOLVED ISSUES

Both Departments advised that, in general, action was being taken or planned on the majority of the recommendations. Concerning the recommendation on:

- Full participation of separate administrative unit staff in appraisal interviews: The Departments said that WIN in California operates under a waiver which grants broad flexibility in staff utilization.

GAO does not believe that this waiver grants authority to violate the intent of legislative requirements. (See p. 16.)

--Certifications for supportive services in Los Angeles County: Both Departments said that GAO misunderstood the regulations. GAO believes the regulations are quite clear and, further, GAO's interpretation of them agrees both with State policy and with the interpretation given to the Senate Finance Committee by the then Assistant Secretary of Labor in July 1972. (See pp. 16 and 17.)

--The activities of the sepa-

rate administrative unit in San Diego: The Department of Health, Education, and Welfare said that employees of that unit are required by legislative provisions to work on the provision of social services only "to the maximum extent feasible." In view of the problems found, GAO believes that the unit in San Diego needs to concentrate on the functions set forth in legislative provisions. (See pp. 17 and 18.)

The State manpower agency generally thought that the program in California was much better than GAO's report showed. (See app. VI.)

## CHAPTER 1

### INTRODUCTION

The Work Incentive (WIN) program, authorized by title II of the Social Security Amendments of 1967 (42 U.S.C. 630), was designed to provide certain recipients of the aid to families with dependent children (AFDC) program with incentives, opportunities, and necessary services in order to (1) be employed in the regular economy, (2) receive training for work in the regular economy, and (3) participate in special work projects, thus moving them from welfare dependency to economic self-sufficiency through meaningful jobs.

In order to improve the WIN program, referred to as WIN I, major legislation was enacted--Public Law 92-223, approved December 28, 1971--to change the program's operations and emphasis. These amendments, effective July 1, 1972, referred to as WIN II, provided in part for:

- Registration with the local manpower agency for services, training, and employment of all individuals as a condition of eligibility for AFDC, except those specifically exempted.
- Increased Federal funding, providing 90 percent Federal and 10 percent State funds.
- Establishment of a separate administrative unit (SAU) in the State welfare agency to provide supportive services to WIN participants.
- Replacement of special work projects with public service employment (PSE) for individuals for whom a job in the regular economy could not be found.
- Emphasis on employment-based training by requiring expenditures for on-the-job training (OJT) and PSE of not less than one-third of new program funds expended by the Department of Labor.

In addition, the Revenue Act of 1971 (26 U.S.C. 40) provided for a special tax incentive for employers of WIN participants to facilitate job development and job placement.

Although WIN II is designed to move certain AFDC recipients into jobs, all are not expected to participate in

the program. The 1971 amendments specifically exempt the following classes of recipients from the requirement that they register with WIN to receive, or continue to receive, AFDC benefits:

- Persons under age 16 or full-time students.
- Persons too ill, too old, or otherwise incapacitated.
- A mother or other relative needed at home to care for a child under age 6.
- Persons needed at home to care for ill or incapacitated household members.
- Persons so remote from a work incentive project that effective participation is precluded.
- Mothers in families where the father or other adult male relative in the home has registered.

Exempt recipients may register voluntarily for WIN participation.

The 1971 amendments require that the manpower agency give priority to WIN registrants, taking into account employability potential, in the following order: (1) unemployed fathers, (2) mothers who volunteer for participation, (3) other mothers and pregnant women under 19 years of age, (4) dependent children and relatives, age 16 and over, who are not in school or engaged in work or manpower training, and (5) all others.

WIN II is jointly administered by the Departments of Labor and Health, Education, and Welfare (HEW) and operated through contracts with State agencies. In fiscal years 1972-74, the Congress authorized almost \$900 million for WIN operations.

California is one of four States in Labor's region IX. 1/ The Los Angeles and San Diego Counties' WIN projects are operated by the California Department of Human Resources Development (HRD) through HRD offices in counties throughout the State. After completion of our fieldwork, HRD was renamed the Employment Development Department. Welfare offices in California are responsible to the California State Department of Social Welfare.

---

1/ Includes Arizona, California, Hawaii, Nevada, and the territory of Guam.

A Labor official stated that California spent more Federal funds for the WIN program during fiscal year 1973 than did any other State in the Nation. It is also one of the States which has elected to provide AFDC payments to families in which the father is unemployed. The Federal expenditures for WIN activities during fiscal year 1973 are shown below.

	<u>Region IX</u>	<u>Cali- fornia</u>	<u>Los Angeles County</u>	<u>San Diego County</u>
	(thousands)			
Labor funds	\$32,898	\$30,472	\$7,613	\$ 673
HEW funds	<u>8,021</u>	<u>6,912</u>	<u>2,038</u>	<u>400</u>
Total	<u>\$40,919</u>	<u>\$37,384</u>	<u>\$9,651</u>	<u>\$1,073</u>

SCOPE OF REVIEW

This report discusses operations of the Los Angeles and San Diego Counties' HRD and welfare offices from July 1, 1972, the effective date of the 1971 WIN amendments, through June 30, 1973, except in certain instances where we either updated information or reviewed program operations beyond this period.

During our study, we

- reviewed appropriate legislation, regulations issued by Labor and HEW, and Federal, State, and local guidelines issued to implement WIN;
- examined records at the largest of the 29 local HRD offices and 8 of the 23 local welfare offices in Los Angeles County;
- examined records at 2 of the 3 local HRD offices and 3 of the 8 local welfare offices in San Diego County; and
- corresponded with a number of employers in the two counties about the tax credit provision of the 1971 Revenue Act.

Work was also performed at HEW and Labor regional offices.

Our examination included, as applicable, administration of WIN by the California State Departments of HRD and

Social Welfare, which have responsibilities for county HRD and local welfare offices, respectively. Before the enactment of the 1971 WIN amendments, California had developed and partially implemented a State program, referred to as the "Employables Program," designed to place welfare recipients in jobs. We also reviewed this program in San Diego because California considers all manpower services, training, and employment programs for welfare recipients as part of the Employables Program.

## CHAPTER 2

### PROBLEMS IN THE SELECTION PROCESS

During fiscal year 1973, the counties of Los Angeles and San Diego reported that 17,046 of 124,799 registrants were selected to participate in the WIN program, and 9,231 were reported to have obtained jobs. Further details are shown in appendix I. Appendixes II and III show the goals and reported progress for California during fiscal years 1973 and 1974, respectively.

We examined the selection process to find out whether problems existed which might prevent more registrants from participating in the program. One important step, as implemented in California, is the assignment of service levels during appraisal interviews. The assigned service levels essentially show whether registrants are job ready, need training or supportive services, or are to be returned to the registrant pool without benefit of any manpower or supportive services.

On the basis of random samples, it appeared that over 40 percent of the registrants in the two counties were assigned questionable service levels. As a result, HRD was, in some cases, attempting to place less employable registrants in jobs while more employable registrants were returned to the registrant pool. Factors contributing to this problem appeared to be (1) the limited use of employability plans and (2) the lack of SAU participation in the appraisal interview, both of which are required by Federal regulations and program guidelines.

Joint Labor and HEW regulations provide that registrants should not be certified--the procedure wherein needed supportive services, such as child care and medical care are arranged or provided--until a job or training position is available. In Los Angeles County, the HRD office manager directed that certification be requested for virtually all registrants regardless of their status, employability potential, or assigned service level. Because this action overloaded the system, the SAU staff was not able to conduct the process in a timely and effective manner.

In San Diego County, SAU was under the supervision of HRD and provided manpower services, such as job referrals to WIN registrants. Having SAUs perform manpower services does not appear to be the intent of the 1971 amendments. The amendments state that the function of SAU, to the

maximum extent feasible, is to participate in the development of operational and employability plans and to arrange for or provide supportive services for WIN registrants. In San Diego, SAU did not participate in appraisal interviews, in the assignment of service levels, or in the preparation of employability plans, as intended by the 1971 amendments.

#### HOW THE WIN PROCESS IS DESIGNED TO WORK

Following is a description of how the WIN II program was designed to work at the local level, according to Labor and HEW's regulations and guidelines.

A new applicant for AFDC benefits is screened immediately by the welfare agency to determine if the applicant (1) is exempt from WIN, (2) is exempt, but wishes to register as a volunteer, or (3) must be registered. 1/ Persons already on AFDC rolls are screened during periodic eligibility reviews of AFDC cases.

Some registrants may not be able to benefit immediately from WIN's job placement services because, among other reasons, they may be working and receiving supplemental welfare assistance, may have a temporary illness, or may be enrolled in school or training. In deciding who might benefit, the local manpower agency selects individuals for appraisal and, along with the welfare agency's SAU staff, appraises them as to their employability in accordance with priorities set forth in the 1971 amendments. For those deemed most employable and for whom placement opportunities are available, the manpower agency asks SAU to certify that any supportive services needed for the registrant to participate in WIN have been provided or arranged and that the individuals are ready to enter training or employment. Those so certified become participants and report to the local manpower agency for placement or training. Registrants

---

1/ Registration is handled in most States by welfare agencies under contract with Labor. In California, the manpower agency handled registration.

not selected for participation are returned to the registrant pool.

When a participant obtains a job, the first 90 days of unsubsidized employment <sup>1/</sup> constitute the "job entry" period during which the individual remains a WIN participant. During this period, supportive services are provided as required. After completion of the job entry period, working participants are deregistered from WIN if their earnings are sufficient to remove them from the welfare rolls. Participants whose earnings are insufficient are recycled to the registrant pool, in a nonparticipant status, where they remain unless they get off welfare or lose their jobs and are again selected to become program participants.

The chart on the following page shows the general flow of the procedures followed in processing AFDC recipients who register for WIN.

#### HOW THE PROCESS WAS WORKING IN LOS ANGELES AND SAN DIEGO

##### Registration

Federal regulations established by Labor and HEW for the revised WIN program required local welfare offices to register AFDC recipients. California welfare officials, in hearings before the Senate Finance Committee during June 1972 and through correspondence with HEW, objected to these regulations. They believed that this registration process would constitute a meaningless paper process, since registrants could not receive the benefit of immediate employment or training assistance. The officials believed that such assistance would be available if registration could be conducted at local HRD offices.

As a result, Labor entered into a contract with California authorizing local HRD offices to register AFDC recipients. Under California procedures, therefore, AFDC recipients who registered for WIN could be appraised

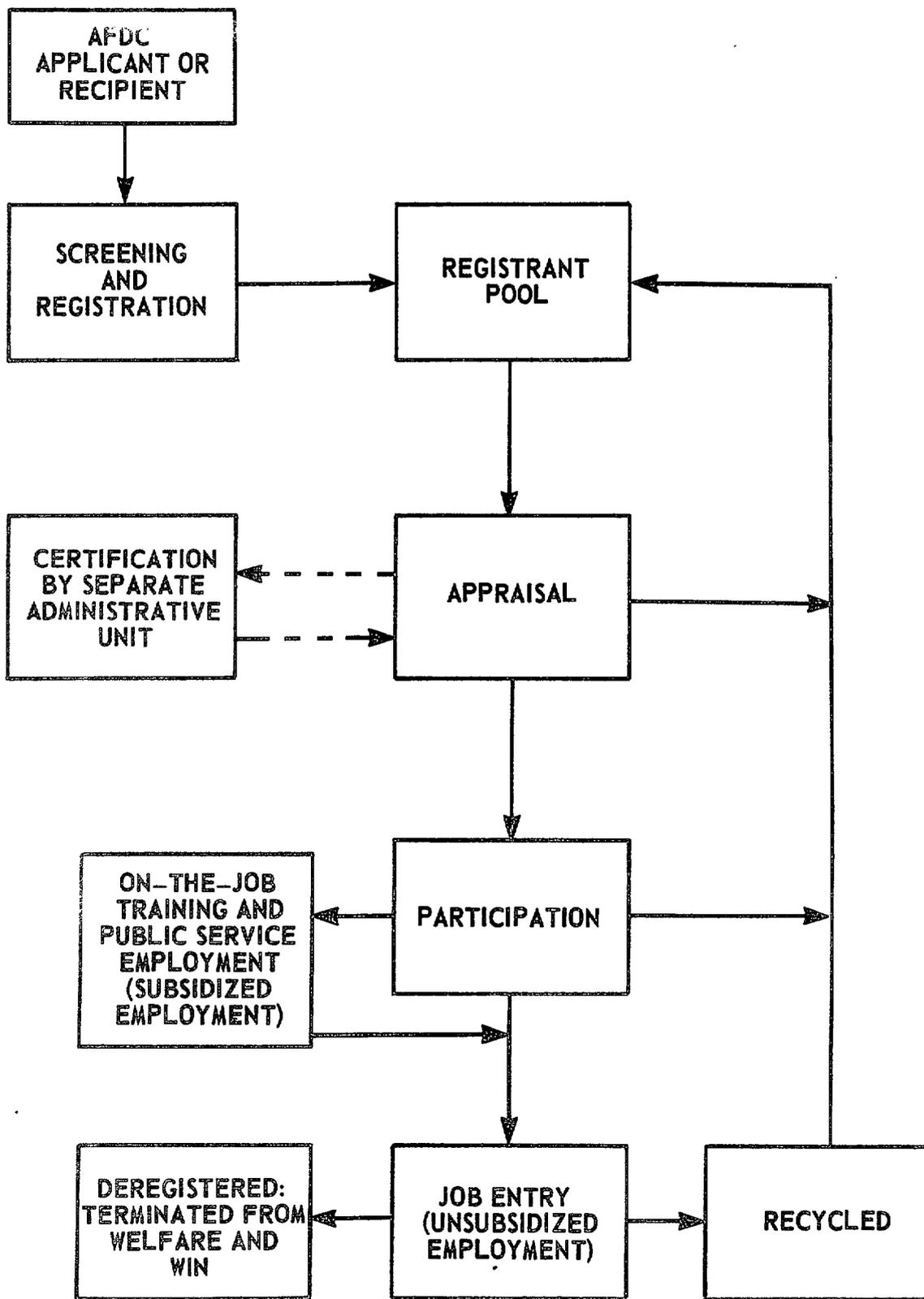
---

<sup>1/</sup> Employment in which all employee wages and other costs are paid by the employer in contrast to subsidized employment, such as OJT and PSE, in which WIN funds all or a part of the wages or costs.

# WIN CLIENT FLOW

## WELFARE AGENCY

## MANPOWER AGENCY



sooner than would have been possible had the welfare agency registered them and sent the completed forms to HRD.

### Appraisal

An appraisal is a joint determination by manpower agency and SAU staffs of a registrant's employability potential and is based on an interview with the registrant. During the interview, the staffs are required to determine the registrant's manpower and supportive service needs and document them in an employability plan.

In Los Angeles and San Diego Counties, HRD staff members appraised AFDC recipients who registered for WIN, usually on the same day they registered. SAU staff members, who are responsible under the 1971 amendments for participating in the development of employability plans and for providing or arranging for supportive services for registrants, usually did not participate in appraisal interviews.

During appraisal interviews in Los Angeles and San Diego, the HRD interviewer assigned a service level to each WIN registrant. Service levels are designed to specify the registrant's employability potential, on the basis of the extent of manpower and supportive services needed as a prerequisite for being placed in a job. The five service levels that WIN registrants could be assigned are shown below.

#### Service level

#### Definition

- |   |  |
|---|--|
| A | Registrant is ready to be placed in a job and is not in need of any manpower or supportive services.   |
| B | Registrant will be ready for placement in a job as soon as certain supportive services are provided or arranged, such as child care, family planning, transportation, or medical care. |
| C | Registrant will be ready for placement in a job after receiving some form of manpower training, such as classroom skill training for clerks or auto mechanics.                         |
| D | Registrant will be ready for placement in a job after receiving both supportive services and some form of manpower training.   |

E Registrant will be enrolled in another non-WIN manpower training program of Labor, such as Job Corps or the Concentrated Employment Program.

Questionable assignments of service levels

The assignment of service levels was important to WIN registrants since it was the predominant factor in determining the type of services the registrant received. We randomly sampled assignments of 100 AFDC recipients from Los Angeles and 100 from San Diego who had registered for WIN during November 2, 1972, through January 24, 1973, and January 2, 1973, through April 30, 1973, respectively. As shown by the following table, our test indicated that over 40 percent of these assignments were questionable, with the number about the same for San Diego and Los Angeles.

Level originally assigned	Number assigned	Number of questionable assignments	Service level should have been:			
			A	B	C	D
A	86	36	-	10	16	10
B	32	15	3	-	6	6
C	35	12	7	1	-	4
D	29	17	1	3	13	-
E	<u>12</u>	<u>2</u>	2	-	-	-
Total	a/ <u>194</u>	<u>82</u>				

a/ Sufficient information for making the service level analysis was not available for six of the registrants included in the Los Angeles sample.

Specific examples of questionable assignments of service levels included:

--A 38-year old registrant with a third grade education and 6 months' experience as a general housekeeper was assigned a service level A despite being described as "sickly" in her HRD case record.

--A physically handicapped (blind in one eye) 30-year old female registrant with a ninth grade education and no work experience was assigned a service level B which indicated that she would be job ready upon receipt of supportive services.

--A 40-year old registrant with 15 years' experience as a bookkeeper and 2 years of college was considered to be in need of training and assigned a C service level.

--A 50-year old registrant with 5 years' experience as a salesclerk and 15 years' experience as a display manager with the same chain of department stores was assigned a D service level and was returned to the registrant pool.

Our review of the appropriateness of service level assignments in Los Angeles and San Diego was completed in May 1973. In June 1973, we provided the local HRD office managers with a list of the registrants in our sample who were assigned questionable service levels. Los Angeles' office manager attributed errors to changes in unit supervisors and policy interpretations combined with inexperienced staff. San Diego's office manager cited insufficient staff in comparison to the large influx of registrants during the first 6 months of WIN II as a causal factor.

In November 1973, HRD's central office requested and was provided the names of registrants who we believed were assigned questionable service levels. In a subsequent letter, State HRD officials said that their review of HRD records showed that 59 of the 82 registrants identified as questionable were in fact assigned erroneous service levels. State HRD officials also advised us that the Los Angeles office had recently reviewed the case files of all registrants who were not selected for participation to reassess the accuracy of the service level assignments.

#### Few employability plans initiated

Joint Federal regulations for the WIN program specify that an employability plan must be initiated for each registrant during the appraisal interview. Labor guidelines provide a sample form upon which the plan is to be documented. The regulations require that employability plans contain (1) a definite employment goal, (2) a list of the major barriers to achieving the goal, and (3) actions to be taken to overcome these barriers.

Our random samples showed that HRD did not document employability plans for 168 of the 200 registrants--85 in San Diego and 83 in Los Angeles. State officials

advised us that employability plans are not completed for those registrants considered job ready. We believe that proper documentation of employability plans for all registrants in accordance with Federal regulations and program guidelines would help prevent problems in service level assignments because the requirement that employability plans be properly documented helps insure that appraisal interviewers exercise care in determining registrants' needs for manpower and supportive service. Moreover, documented employability plans provide program managers with objective-oriented yardsticks with which to measure registrants' accomplishments.

### Certification

The WIN amendments envision that the certification process should consist of (1) a realistic evaluation by the manpower agency and SAU of a registrant's needs in terms of supportive services, (2) a request by the manpower agency that SAU provide or arrange for needed services to the individual concerned, and (3) SAU's referral of such individuals to the manpower agency, certifying that the individuals are, from a supportive-service standpoint, ready for participation in the employment or training aspects of WIN.

According to the WIN amendments, the Federal share of a State's assistance payments is to be reduced, for any fiscal year after June 30, 1973, by one percentage point for each percentage point by which the number of individuals certified is less than 15 percent of the average number of individuals in the State required to register. For example, if in 1 year a State has 10,000 mandatory registrants, it must certify 1,500 registrants. If it certifies only 1,000 registrants and receives \$10 million in Federal assistance payments, its Federal funding would be reduced by 5 percent or \$500,000. This provision of the law helps insure that States actually provide certain registrants with the supportive services necessary to participate in WIN.

The 1971 WIN amendments specified that certifications of unemployed fathers be completed within 30 days of receipt of AFDC benefits. This provision was designed to insure that States actually provide needed supportive services to fathers promptly so they could participate in WIN and be exposed to the job market as quickly as possible.

## Los Angeles

In Los Angeles County, HRD requested certification for virtually all WIN registrants regardless of their status, employability potential, or assigned service level. The Los Angeles HRD office manager said he directed that all registrants be certified in anticipation that they might eventually be placed in jobs or training. This procedure is at variance with both State policy and with the position of the Assistant Secretary for Manpower, Labor, who reported to the Chairman, Senate Committee on Finance, on July 21, 1972, that Labor and HEW had determined that registrants should not be certified until a job or training position was available. The Assistant Secretary stated that certifications made before then could be invalid due to the changing status of registrants' needs for various supportive services. In this regard, joint regulations provide that registrants should not be certified until a job or training position is available. Also, use of this procedure is questionable in view of the intent of the 1971 WIN amendments regarding certifications.

In Los Angeles County, where SAU was not collocated with HRD, the SAU staff was not able to handle the large volume of certification requests and, as a result, the certification process was not completed promptly. We found evidence that HRD had requested certification for 79 of 100 randomly selected individuals during November 2, 1972, through January 24, 1973. For the remaining 21 in our sample, we could not find documentation that certification had been requested, but, on the basis of the HRD office manager's comments, it seems likely that it had been requested. Of these 79 documented requests for certification, only 38 had been completed by SAU and returned to HRD as of April 23, 1973, our cutoff date to determine certification action. An average of 36 days was required to complete the certification process for the 38 registrants who were certified. As of April 23, 1973, the remaining 41 had not yet been certified after an average elapsed time of 127 days from the date certification had been requested.

As registrants are selected for participation in WIN, the manpower agency is supposed to request SAU to certify that they are ready, from a supportive service standpoint, to participate in employment or training. Individuals not selected for participation remain in the registrant pool, are not certified, and do not receive either manpower or supportive services.

In Los Angeles, 23 of the 38 registrants in our sample who were certified were returned to the registrant pool without receiving placement services.

Los Angeles County acted to collocate SAU with HRD in June 1973 in an effort to have a more timely and effective certification process.

### San Diego

In San Diego County, SAU was under the supervision of HRD and provided manpower services, such as job referrals, to WIN registrants. This situation stemmed from the fact that before enactment of the 1971 amendments, the State HRD office had requested HEW to allow local HRD offices, rather than local welfare offices, to be responsible for providing supportive services as well as manpower services to employable AFDC recipients. HEW granted the State's request in August 1971 and specified that HRD would be responsible for insuring that all Federal requirements, applicable to the administration of services to these AFDC recipients, are satisfied. According to HRD officials, this organizational concept was implemented in several counties in California, including San Diego, in late 1971. In May 1973, HEW approved a continuation of this arrangement under the WIN II program except that in accordance with the State's request, the responsibility for providing child care services was returned to the State welfare agency.

Requiring SAUs to perform manpower services does not appear to be the intent of the 1971 amendments. The amendments provide specifically for establishing SAUs whose function, to the maximum extent feasible, is to participate in developing operational and employability plans and to arrange for or provide supportive services for WIN registrants.

In San Diego, the SAU generally did not participate in appraisal interviews, in the assignment of service levels, or in the preparation of employability plans, as intended by the 1971 amendments. It seems that HEW should examine this matter, especially in view of the improvements needed in providing supportive services to registrants seeking jobs which are discussed in chapter 3.

### CONCLUSIONS

The assignment of service levels is a critical step in determining the proper services to be provided to

WIN registrants in California. Efforts are needed to insure that each registrant's employability is carefully assessed before making these assignments. Locating SAU staff at HRD offices in Los Angeles and having them participate in all appraisal interviews may help assess employability potential from a supportive-service standpoint. Also, preparing employability plans would help insure that appraisal interviewers exercise care in determining registrants' manpower and supportive-service needs and would allow some review of decisions made by interviewers concerning service level assignments.

Requesting certifications for virtually all registrants in Los Angeles County, regardless of employability potential, did not result in a meaningful certification in many cases, is not in accordance with the intent of the 1971 amendments, and should be discontinued. Certification requests should be limited to only those registrants who are expected to be placed shortly in training or a job. SAU functions in San Diego should be limited to those authorized by the 1971 amendments.

#### RECOMMENDATIONS TO THE SECRETARIES OF HEW AND LABOR

We recommend that the Secretaries of HEW and Labor take action to insure that (1) more careful assignments of service levels are made in both Los Angeles and San Diego Counties, including full use of employability plans and full participation by SAU in appraisal interviews and (2) certifications for supportive services in Los Angeles County be requested only for those registrants who are expected to be placed shortly in training or in a job.

We also recommend that the Secretary of HEW take action to insure that SAU activities in San Diego are limited to those intended by the 1971 amendments.

#### AGENCY COMMENTS AND OUR EVALUATION

Both Departments (see apps. IV and V) stated that they have reservations as to whether the problems we found in service level assignments were as extensive as shown in the report. The Departments believe that frequently it is not possible to readily determine proper service level assignments solely from a review of case files. They believe that personal interviews with registrants and a knowledge of job availability at the time of the interviews are essential to the assignment of proper service levels. In

line with our recommendation, however, the Departments plan to stress the importance of service level assignments during their training and technical assistance efforts during the program redesign.

While we agree with the Departments' views concerning personal interviews and the need for knowledge of the job market, we believe that the number of assignments of service levels we found questionable--82 of 194--suggests that serious problems existed in the process in Los Angeles and San Diego. Moreover, after a review of the 82 case files, HRD officials advised us that they believed 59 of the 82 assignments were in fact erroneous.

Concerning our recommendation that SAU staff fully participate in appraisal interviews, the Departments stated that the WIN program in California operates under an HEW waiver which grants HRD broad flexibility in staff utilization. Nevertheless, we do not believe that the waiver grants HRD and the California State Department of Social Welfare the authority to violate the intent of the 1971 WIN amendments. The amendments provide specifically for establishing SAUs, whose function, to the maximum extent feasible, is to participate in developing operational and employability plans and to arrange for or provide supportive services for WIN registrants. We believe that full participation by SAU staff members in the appraisal interview is essential to the resolution of the problems we found in the appraisal process.

In commenting on our recommendation concerning certifications for supportive services in Los Angeles County, both departments stated that the regulations "\* \* \* require only that individuals (who are not job ready) have services arranged or provided for." The Departments further stated, "There is no requirement that arrangements for these services must be made only immediately prior to putting individuals in employment or training."

We do not agree with the Departments. Joint regulations issued on June 20, 1972, state:

"The WIN project staff shall initiate all requests for certification. The requests shall be made only for participants who are to be entered into WIN training or placement and for participants who are enrolled in other manpower training programs  
\* \* \* When so certified [by the SAU] he shall be referred by the WIN project staff to

employment in the private sector, to on-the-job training or to institutional and work experience training or public service employment which is likely to lead to regular employment."

We believe that the regulations are quite clear as to when certifications should be made and, further, that our interpretation of them agrees with State policy and with the interpretation given to the Senate Finance Committee by the then Assistant Secretary of Labor in July 1972 as discussed earlier in this chapter.

Concerning our recommendation on the activities of the SAU in San Diego, HEW stated that the 1971 amendments do not require employees of the single organizational unit to work only on the provisions of social services; they only require them to do so "to the maximum extent feasible." According to HEW:

"In the instant situation the single organizational unit is, because of a waiver of the single State agency requirement, not a part of the State welfare agency but rather a part of the State employment agency, which has as a part of its regular duties the provision of manpower services."

We do not take issue with HEW's view as to the possible desirability of having a single organizational unit provide both manpower and supportive services, so long as both types of services are adequately provided by this unit. In view of the improvements needed in assigning service levels discussed in this chapter and the improvements needed in providing supportive services to registrants seeking jobs which are discussed in chapter 3, we believe that the SAU in San Diego needs to concentrate on the functions set forth in the 1971 amendments.

We do not view HEW's waiver for a single organizational unit as waiving this requirement of the law. In fact, during fiscal year 1973 HEW sent several letters to the State Department of Social Welfare stating that SAU activities should be limited to those authorized under WIN. Also, the letter granting the waiver stated HRD would be responsible for meeting all Federal requirements applicable to the administration of such services for WIN registrants. Accordingly, we believe that compliance with the intent of the

legislation requires that SAU staff working at HRD should not do manpower work to the detriment of supportive services.

## CHAPTER 3

### IMPROVEMENTS NEEDED TO PLACE

#### MORE WIN REGISTRANTS IN EMPLOYMENT

During fiscal year 1973, over 9,200 WIN registrants were reported to have obtained jobs in Los Angeles and San Diego Counties. However, our review identified problems relating to job-search and job-referral activities which limit program effectiveness.

Selected San Diego WIN registrants, who were required by State procedures to search for jobs on their own initiative, were only marginally successful in obtaining employment. Registrants might have done better had they had the benefit of program services, such as receiving job referrals, being certified as ready for employment from a supportive-service standpoint, and having a job search or employability plan prepared.

Job-referral activities in Los Angeles and San Diego also had a limited effect on placing WIN registrants in jobs. During the 4-month period ended April 1973 for Los Angeles and the 3-month period ended June 1973 for San Diego, about 13 percent of all registrants received job referrals although referrals were given to about half of the registrants considered most employable. Since registrants considered most employable represented less than 28 percent of all registrants, an increase in referral activity may not have a major impact on placing WIN registrants in jobs. Also, the average educational level of WIN registrants may be less than that required by the majority of available jobs.

#### JOB-SEARCH ACTIVITIES

Many WIN registrants assigned a service level A (job ready) by HRD staff members in Los Angeles and San Diego were required to begin searching for a job on their own initiative under procedures used for the State's Employables Program. Job searches were expected to consist of contacts with 5 to 10 prospective employers over a 2-week period, according to an HRD official. At the end of each 2-week period, registrants were required to report to the HRD office to have their job-search efforts evaluated. Failure to properly conduct job searches is viewed by HRD as a reason for sanctioning registrants which can result in complete loss of all welfare benefits.

Some registrants were provided with a plan which designated the type of work they should seek and identified potential sources of employment they should contact. But the suggested sources were generally not specific employers but merely references to newspaper want ads, the yellow pages, friends, creditors, and former employers.

Although most registrants--56 percent of our sample--did not receive job referrals, HRD did attempt to refer the most employable registrants to job openings that did become available.

The California Employables Program was implemented in San Diego County in October 1971. Although the HRD office in Los Angeles had implemented various aspects of the State's Employables Program during fiscal year 1973, we limited our review of the job-search requirement to San Diego County where the program had been in operation for a longer period of time.

Few WIN registrants obtained employment through job searches

To test the effectiveness of job-search activities in San Diego, we reviewed the status as of August 16, 1973, of 25 randomly selected registrants out of a total of 218 registrants who had reported 2 or more times to 1 San Diego County HRD office as of July 12, 1973. We also reviewed the status as of August 28, 1973, of 25 randomly selected registrants out of a total of 107 registrants who had reported 2 or more times to another San Diego HRD office as of August 10, 1973. The registrants in our samples had been conducting job searches for an average period of 1-1/2 months. Following is a summary of the status of these 50 registrants as of the above dates.

Still conducting job searches	25
In process of being sanctioned	7
Subsequently found exempt from registration requirement	5
Obtained employment through HRD referral	4
Obtained employment through job search	3
Returned to registrant pool	2
Placed in OJT	1
Working part time	1
Other	<u>2</u>
Total	<u>50</u>

The above registrants, as a group, had contacted 782 employers an average of 16 contacts per registrant. As a result of the job-search efforts only three registrants were employed. <sup>1/</sup> The low number of registrants employed can be attributed, in part, to the fact that many of them were sent out on their own without the benefit of program services, as shown below.

<u>Type of service</u>	<u>Number</u>	
	<u>Yes</u>	<u>No</u>
Assigned correct service level	28	22
Received HRD referrals	22	28
Certified as ready for employment	17	33
Job-search plan prepared	10	40
Employability plan prepared	4	46

Without the benefit of the program's services, the probability of finding employment was minimal for many of these registrants, as indicated in the following examples.

--Female registrant, 34 years old, six dependents, eighth grade education, and no marketable skills; required child care but none was provided since she had not been certified. The employability plan that was initiated listed barriers to employment without suggested remedial action. A job-search plan had not been prepared. The registrant was still reporting biweekly and had made 17 unsuccessful contacts with employers without the benefit of HRD referrals.

--Female registrant, 43 years old, three dependents, fifth grade education, and no marketable skills; required child care but none was provided since registrant had not been certified. Employability and job-search plans had not been prepared. Registrant, who was still reporting bi-weekly, had made 12 unsuccessful contacts with employers without benefit of HRD referrals.

--Female registrant, 44 years old, one dependent, 10th grade education, prior experience as a barmaid; had not

---

<sup>1/</sup> In November 1973, HRD advised us that six more individuals in the sample had found employment as a result of their job searches.

been certified and employability and job-search plans had not been prepared. Registrant had been referred to two jobs by HRD but was not hired. Although the registrant had made 20 unsuccessful contacts with employers during a 6-week period, sanction action had been initiated because the registrant failed to continue to search for a job.

--Male registrant, 63 years old, four dependents, 11th grade education, with prior work experience as a custodian. Registrant had not been certified nor had employability and job-search plans been prepared. Registrant had been referred to two jobs by HRD but was not hired. Registrant had made 35 unsuccessful contacts with employers and was continuing to report biweekly.

The three registrants who did obtain employment as a result of job-search activities had been assigned proper service levels.

The two managers of the HRD offices visited in San Diego had conflicting views regarding the usefulness of the job-search requirement. One manager stated that the activity was useful in getting registrants to regularly return to the employment office for additional assistance, and, at the same time, gave registrants confidence that HRD is concerned about their unemployment. The other manager stated that staff resources are insufficient for providing the employability counseling required to make the job search meaningful, and as a result the activity is nothing more than harassment to the registrant.

#### JOB-REFERRAL ACTIVITIES

During fiscal year 1973, placement units in Los Angeles and San Diego were responsible for referring selected WIN registrants to employers who had listed job openings with HRD. The registrants considered to be most employable were selected for referral.

We identified the majority of referrals made to employers who had listed job openings with HRD and reviewed the applicable referral records during the 4-month period ended in April 1973 for Los Angeles and the 3-month period ended in June 1973 for San Diego. The following table shows the results of these referrals.

	<u>Los Angeles</u>	<u>San Diego</u>
Individuals in registrant pool	<u>a/6,551</u>	<u>a/4,123</u>
Registrants considered most employable by HRD	<u>b/1,703</u>	<u>b/1,195</u>
Total referrals to job openings	876	509
Percent of total registrants referred to jobs	13	12
Percent of most employable registrants referred to jobs	51	43
Registrants placed in jobs through referrals	179	144

a/ Average number of registrants in pool during period covered.

b/ Estimated on the basis of the percentage of registrants assigned service level A.

The above table shows that 51 percent and 43 percent of the most employable registrants in Los Angeles and San Diego, respectively, were referred to employers who had listed job openings with HRD. In Los Angeles, 179 or 20 percent of the 876 referrals were employed. In San Diego, 144 or 28 percent of the referrals were employed.

According to a San Diego HRD official, the lack of qualifications of the majority of the registrants probably kept the placement rate from being higher. The official stated, for example, that approximately 70 percent of the jobs listed with HRD required at least a high school education. While we were unable to determine the educational level of those registrants HRD considered most employable, our sample results showed that the average WIN registrant in Los Angeles and San Diego had a 9th and 11th grade education, respectively.

While we did not evaluate job development efforts in Los Angeles and San Diego, we noted that the Labor Regional Manpower Administrator, in a letter dated April 10, 1973, advised the Director of California's HRD that:

"\* \* \* actual job development [in California], other than by the recipients themselves, is practically nil. That which is done is basically of the 'order-taking variety' as opposed to the 'knocking on door' type which is so desperately needed."

To determine whether those who obtained jobs stayed employed, we checked the status of 76 randomly selected registrants--50 in San Diego and 26 in Los Angeles--who obtained jobs either on their own or through HRD referrals during June 26, 1972, through May 10, 1973. Twenty-six, or 34 percent, were no longer employed as of July 1, 1973; these registrants had been employed for an average of 2 months each.

#### EFFECT OF WIN ON WELFARE COSTS

To examine the effect of WIN on welfare costs in Los Angeles, we reviewed the AFDC case files for 50 randomly selected registrants who were terminated from WIN during November 1, 1972, through January 31, 1973. Nineteen of these 50 registrants were terminated from the program due to completion of the job entry period; the remaining 31 registrants were terminated for other reasons, such as moving from the area, health problems, and sanctions. For the 19 registrants who completed the job entry period, welfare savings totaled \$3,787 for the 1-month period after their grant was adjusted, or about \$200 in monthly welfare savings for each employed registrant. An additional \$4,971 in potential welfare savings was not realized because local welfare offices did not make proper grant adjustments or did not make them promptly.

In San Diego, we reviewed case files for 50 randomly selected WIN registrants who obtained employment and were terminated from either WIN and/or the Employables Program during October 1, 1972, through February 28, 1973. We estimated that welfare savings totaled \$6,623 for the 1-month period after their grant was adjusted, or about \$132 in monthly welfare savings for each employed registrant. An additional \$3,375 in potential welfare savings was not realized because local welfare offices did not make proper grant adjustments or did not make them promptly.

#### CONCLUSIONS

Although many WIN registrants have obtained jobs in Los Angeles and San Diego, improvements are needed in referral and job development activities to help others in the larger group which remained on welfare. The job-search requirement, while it did have some impact on placing San Diego WIN registrants in jobs, could have been more effectively implemented through the provision of supportive services. Requiring WIN registrants to make job searches on their own appears to be a sound technique in theory. However, many WIN registrants have less than a high school education and may not be fully capable of seeking the best jobs on their own. Sending these registrants out to look

for a job without the full benefit of services available under the program does not appear to be an effective approach. WIN was established to help AFDC recipients become part of the labor force and it would seem that the emphasis should be on referring registrants to jobs and providing needed supportive services, rather than on the registrant seeking out his own job without the full benefit of services available.

#### RECOMMENDATIONS TO THE SECRETARIES OF HEW AND LABOR

We recommend that the Secretaries of HEW and Labor jointly require the California State manpower and welfare agencies to insure that WIN registrants conducting job searches in San Diego are given the program services necessary to effectively seek employment.

We also recommend that the Secretary of Labor require the California State manpower agency to:

- Increase job referral efforts in Los Angeles and San Diego so that more WIN registrants are referred to jobs, especially those considered to be the most employable.
- Closely monitor job-search activities to determine whether this approach to helping WIN registrants obtain employment should be continued.

#### AGENCY COMMENTS

The Departments stated that new regulations 1/ will mandate that individuals conducting job searches are provided with all

---

1/ Regulations published in the Federal Register on September 18, 1974, propose, among other changes, (1) that a job search be required of all WIN registrants; (2) the addition, at State option, of an Intensive Manpower Services Component to provide job referrals, labor market information, job development, and job seeking skills; (3) the provision to all individuals not only of welfare supportive services but also manpower training related expenses, such as lunches and transportation to enable them to participate in job search and in the WIN training components, including the Intensive Manpower Services Component; and (4) the unification of the WIN hearing procedures, including issues of grant adjustment and failure to participate in WIN without good cause. If these regulations become effective and are properly implemented, many of the problems revealed in our review, especially those discussed in this chapter, may be alleviated.

needed program services. The new procedures were expected to take effect shortly, according to the Departments.

Labor stated that there has been departmental recognition of the need to increase job referrals for WIN registrants and that steps are being taken to accomplish this task. Labor also stated that close monitoring efforts would be initiated with regard to job-search activities in an effort to insure conformity to program guidelines and as a means of evaluating the component.

## CHAPTER 4

### EXPERIENCE OF SELECTED WIN TRAINING-TYPE COMPONENTS

In addition to activities geared toward assisting WIN registrants to obtain jobs, registrants can be enrolled in various WIN training-type components to better prepare for permanent employment. This chapter discusses our review of the employment preparation, vocational training, PSE, and OJT components.

For WIN registrants who were enrolled in these components about half completed the training period and obtained employment. Although not all of the 124,799 AFDC recipients who registered for WIN during fiscal year 1973 could be expected to be enrolled in a training component--either because they may not have required it or because of the practical limits of funds and staff--only about 9 percent were enrolled in Los Angeles and San Diego Counties, compared to the national average of over 18 percent. One reason for the somewhat low use of vocational training appeared to be that funds available for it under WIN II had been greatly reduced.

Following is a comparison of the characteristics of 200 randomly selected registrants with the characteristics of 78 randomly sampled individuals, who were enrolled in vocational training, and 72 registrants who were enrolled in OJT in Los Angeles and San Diego.

	<u>Number in samples</u>	<u>Male</u>	<u>Female</u>	<u>Average age</u>	<u>Average grade completed</u>
Los Angeles:					
Registrants	100	32	68	38	a/ 9
OJT enrollees	50	b/38	b/ 8	b/31	b/11
Vocational training enrollees	48	21	27	30	11
San Diego:					
Registrants	100	55	45	29	11
OJT enrollees	22	17	5	26	12
Vocational training enrollees	30	6	24	26	12

a/ Information on the educational level of 12 registrants was not available.

b/ Information on the age, sex, and educational level of four OJT participants was not available.

The above comparison indicates that registrants enrolled in training programs were younger and had a higher level of education than the average WIN registrant. The comparison also showed that the OJT component was mainly used for males while vocational training was used predominantly for females. This apparently occurred because the majority of OJT positions required some form of heavy physical labor whereas vocational training was provided primarily in clerical areas.

#### EMPLOYMENT PREPARATION

The employment preparation component, as stipulated in Labor guidelines, was to orient WIN registrants individually to the world of work. Emphasis was to be placed on motivation and formation of positive habits and attitudes to help registrants improve their job-finding skills. San Diego County HRD officials said they did not use the component due to the paper work required to enroll a registrant. State HRD officials cited underenrollment of registrants in WIN and the need to concentrate on enrolling new registrants as factors in the nonuse of the component in San Diego.

Registrants enrolled in the employment preparation component, as implemented by the Los Angeles HRD office, were required to conduct job searches and report each week for an evaluation of their efforts. After 90 days, registrants who had not found employment were returned to the registrant pool because they were deemed unable to further benefit from the program.

We reviewed the status as of June 14, 1973, of 36 enrollees who were enrolled in this component on April 11, 1973. The results follow.

Obtained employment through HRD referral	4
Obtained employment through job search	3
Placed in OJT position	5
Placed in another manpower program	1
Still in employment preparation	4
Became exempt from WIN registration requirement after enrollment	2
Returned to registrant pool	<u>17</u>
Total	<u><u>36</u></u>

The table shows that about 36 percent of the 36 enrollees in the employment preparation component either obtained permanent employment or were enrolled in training designed to lead to permanent employment.

VOCATIONAL TRAINING

Under the revised WIN program, vocational training was deemphasized through reductions in available training funds. Training was to be directed toward jobs in the existing labor market. Also, Labor's regulations limited the average duration of vocational training to 6 months with a maximum duration of 12 months.

According to HRD officials, funds for vocational training in the local employment offices were reduced as illustrated in the following table.

<u>Fiscal year</u>	<u>Vocational training funds</u>	
	<u>Los Angeles</u>	<u>San Diego</u>
1972	\$706,000	\$174,158
1973	450,000	120,000
1974	104,000	25,000

To conserve the funds and to insure that only the most successful training would continue to be funded, HRD established success standards, including a 70-percent job placement rate, for evaluating the usefulness of the courses. In Los Angeles, in an effort to insure that the success standards would be achieved, only those individuals that could be expected to complete training within 6 months and subsequently find employment were considered for this component. Generally, only those applicants who had the equivalent of at least an 11th grade education and a good work experience record were selected for this component.

To examine the success of this component in assisting WIN participants to prepare for employment, we reviewed the post-training status of 47 of 396 registrants in Los Angeles and 30 of 132 registrants in San Diego, who left the vocational training component during fiscal year 1973. Both samples were made on a random basis. The sample results are as follows:

<u>Status</u>	<u>Los Angeles</u>		<u>San Diego</u>		<u>Total</u>
	<u>Employed</u>	<u>Unem- ployed</u>	<u>Employed</u>	<u>Unem- ployed</u>	
Completed vocational training	25	10	13	7	55
Dropped training	<u>0</u>	<u>12</u>	<u>5</u>	<u>5</u>	<u>22</u>
Total	<u>25</u>	<u>22</u>	<u>18</u>	<u>12</u>	<u>77</u>

Thirty-eight, or 70 percent, of those who completed training obtained employment; 17 of the 22 who dropped training remained unemployed.

The low use of this component is shown in the following table comparing the average number of training slots available during a 3-week period in May 1973 and the average number of individuals enrolled each week:

<u>Course</u>	<u>Los Angeles HRD office</u>	
	<u>Available slots per week</u>	<u>Number of new enrollees per week</u>
Auto body	6	1
Brake-front end	12	1
Clerical	21	5

The manager of the Los Angeles HRD office stated that the low use of the component was partially attributable to Labor's month-to-month funding of WIN. <sup>1/</sup> This prevented large enrollments since there was no definite information regarding the funds that would be available.

---

<sup>1/</sup> The WIN program is funded through an appropriation to HEW. From the WIN appropriation, HEW allocates funds to Labor to operate the program's training and employment aspects. With the passage of the 1971 WIN amendments, HEW requested \$455 million for operating the WIN program during fiscal year 1973. However, the President vetoed the fiscal year 1973 appropriation bills applicable to WIN. As a result, HEW and Labor operated the program under a continuing resolution at a \$293 million level. Under the continuing resolution, the Departments received funds on a quarterly basis. Labor elected to fund States on a month-to-month basis to maintain a degree of control over the WIN budget in view of the uncertain funding situation which existed until April 1973. At that time, it became clear that the continuing resolution would be applicable for the full fiscal year.

PUBLIC SERVICE EMPLOYMENT

Before the enactment of the revised WIN program, California, through the State Welfare Reform Act of 1971, which became effective in October 1971, established a Career Opportunities Development training program for WIN I enrollees. To implement this program, the State Personnel Board was given responsibility for developing openings in State, county, and city governments, and HRD was given responsibility for referring individuals to such job openings and writing the contracts with the governmental units. Employers participating in the program were to be fully reimbursed from a combination of WIN I funds and special funds appropriated by the State for use by the State Personnel Board. As regular budgeted civil service positions became available, participating employers were required to appoint qualified candidates to fill the openings.

On July 1, 1972, the effective date of the 1971 amendments, existing Career Opportunities Development contracts were designated as PSE contracts and the agreement between the State Personnel Board and HRD regarding the development of positions and referral of applicants was continued, with HRD given the responsibility for monitoring and reimbursing PSE contracts.

As of May 15, 1973, 853 PSE positions had been developed and filled in California. General information on these contracts follows.

Career opportunities development and PSE contract summary <u>November 1, 1971, through May 15, 1973</u>		<u>Funds</u>	<u>Total</u>
Number of contracts			22
Estimated cost of contracts		\$3,325,890	
Labor/WIN funds expended		2,100,425	
Positions filled			853
Presently working--subsidized employment			187
Completed PSE and hired--unsubsidized employment			381
Terminated, unemployed			285
Successful completion rate			57%

The above contracts represent agreements of HRD and the State Personnel Board with numerous State agencies and publicly supported universities and colleges. Within the contracts, a variety of job opportunities ranging from correctional program assistants to clerical trainee positions were included.

An HRD official said the placement rate of the PSE component would have been higher if certain contracting agencies had not experienced State funding reductions which prevented the placing of PSE participants into unsubsidized employment. HRD officials said California did not plan to expand the program during fiscal year 1974.

### OJT

Labor guidelines specify that the placement of individuals in existing unsubsidized employment opportunities should receive the highest priority; however, when such opportunities are not available, OJT and PSE components should be used. The guidelines further state that developing OJT opportunities should be pursued before PSE openings. In this regard, guidelines require the development of 3 man-years of OJT for every man-year of PSE.

Reimbursement of OJT employers was generally limited to 50 percent of the beginning hourly wage. Maximum length of OJT contracts was 44 and 52 weeks for private businesses and public agencies, respectively. In California, development of OJT positions in the private sector was done by local HRD offices while public agency OJT positions were usually developed at the State level.

### Private sector OJT

During fiscal year 1973, the Los Angeles and San Diego HRD offices developed 94 and 44 private sector OJT contracts, respectively. The combined results of our random sample of 50 of the Los Angeles and 22 of the San Diego OJT contracts are presented below. One registrant was placed in OJT under each contract.

<u>Status</u>	<u>Los Angeles</u>	<u>San Diego</u>
Contracts completed (registrants placed in jobs at average hourly pay of \$2.61)	12	9
Contracts still active (registrants receiving average hourly pay of \$3.18)	8	0
Contracts canceled before completion (average Federal cost per cancellation of \$521)	26	13
Contract status could not be determined on the basis of readily available information	<u>4</u>	<u>0</u>
Total	<u>50</u>	<u>22</u>

Over 50 percent of our sample contracts were canceled by HRD or the contractor before their completion at a cost of over \$20,000 in Federal funds for payments to employers. An HRD official in Los Angeles attributed the cancellations to inexperienced staff and a lack of guidelines. He said that, although some staff members had been writing OJT contracts for more than 3 years, staff training and definitive guidelines had not been provided to local offices until December 1972 and March 1973, respectively. He said that, as a result of the training received, the cancellation rate for OJT contracts should decrease in the future.

HRD State officials disagreed with the local official stating that definitive policy and procedures for OJT contracts were released to field offices before April 1969 and that training was provided in February and March 1970 and again in May and June 1971.

The manager of the San Diego office could not account for the high cancellation rate. He said he had directed his staff to be highly selective in placing applicants in OJT positions.

#### Public agency OJT

As described on page 31, in November 1971 the State HRD office entered into an agreement with the California State Personnel Board regarding public service jobs. Under this agreement, the Board began to develop OJT as well as PSE positions in public agencies for WIN participants. Public agency OJT employers are fully reimbursed for wages paid to each participant for up to one full year. Employers are reimbursed from a combination of WIN funds and funds appropriated to the Board for this purpose. As of May 15, 1973, there were 31 public agency

OJT contracts, representing a potential 766 OJT positions, which were either in effect, terminated, or in the final process of negotiation in California. General information on these contracts is presented below.

Public agency OJT contract summary		
<u>November 1, 1971, through May 15, 1973</u>	<u>Funds</u>	<u>Total</u>
Number of contracts		31
Estimated cost of contracts	\$3,681,143	
Labor/WIN funds expended	658,580	
Potential positions		766
Positions filled		410
Still working under WIN/OJT contract-- subsidized employment		321
Completed OJT and hired--unsubsidized employment		36
Terminated, unemployed		53
Successful completion rate		40%

The table shows that only 36 (or 40 percent) of the 89 participants who had left the public agency OJT component as of May 15, 1973, obtained unsubsidized employment. An HRD official said the placement rate would have been higher had State funds for some contracting agencies not been cut. As was the case with PSE, the reduction in funds prevented the placement of certain participants in unsubsidized jobs.

#### OJT/PSE EXPENDITURES

The 1971 WIN amendments required that not less than one-third of fiscal year 1973 Labor/WIN funds be spent to develop and fund OJT and PSE positions. To implement this requirement, the fiscal year 1973 WIN contract between Labor and HRD provided that:

"In accordance with Section 431(b) of the Social Security Act (as amended December 1971), the Contractor [California] agrees to ensure that at least 33 1/3% of the total FY 1973 Federal funds expended for operation of the WIN FY 1973 program shall be expended for On-the-Job Training and Public Service Employment."

In California, WIN program funds for fiscal year 1973 included \$11 million in prior year carry-over funds. HRD officials could not readily provide us with information on the amount of fiscal year 1972 funds that had been included in OJT and PSE expenditures for fiscal year 1973; therefore, we were unable to determine the percentage of fiscal year 1973 funds spent for OJT and PSE.

During fiscal year 1973, of the approximately \$30.5 million in Labor/WIN funds expended, about 15 percent was spent for OJT and PSE. Additionally, the State obligated, but did not spend, 53 percent of the remaining funds <sup>1/</sup> (about \$12.5 million) for PSE and OJT. Obligated funds refer to those funds set aside for services to be delivered in the future under an existing contract. A breakdown of the expended and obligated funds follows.

OJT/PSE expenditures and obligations of Labor/WIN  
funds in California during fiscal year 1973

	<u>Amount spent</u>	<u>Amount obligated</u>
<b>OJT:</b>		
Payments to employers for OJT		
wages	\$1,914,973	\$ -
Development expenditures	646,491	-
OJT funds not spent	-	<u>1,952,857</u>
Total	<u>\$2,561,464</u>	<u>\$1,952,857</u>
<b>PSE:</b>		
Payments to employers for PSE		
wages	\$1,953,960	\$ -
Development expenditures	64,967	-
PSE funds not spent	-	<u>4,673,853</u>
Total	<u>2,018,927</u>	<u>4,673,853</u>
Total	<u>\$4,580,391</u>	<u>\$6,626,710</u>

CONCLUSIONS

WIN components, such as employment preparation, vocational training, OJT, and PSE, offer some assistance to WIN registrants in preparing them for permanent employment. Because welfare recipients generally find it difficult to compete for good jobs in the labor market, it seems that many WIN registrants should benefit from enrollment in one of these components.

But two problem areas have limited the attainment of this desired outcome. First, the percentage of enrollment in these components is low when considering the overall number of WIN registrants and, second, generally only half of those enrolled in

---

<sup>1/</sup> Funds not expended in one fiscal year may be carried over and expended in a subsequent fiscal year.

the WIN components successfully complete their enrollment and enter into permanent employment. Action should be taken to find ways to improve performance in both of these areas.

Also, in view of the requirements of the 1971 amendments and of the Labor-State contract regarding expenditures for OJT and PSE, it seems reasonable to expect that the State would have records readily available to determine whether this requirement is being implemented. This is necessary since the requirement applies only to fiscal year 1973 and later funds but not to expenditures of fiscal year 1972 funds. This should not be a problem in future years because the requirement will apply to all expended Labor/WIN funds, regardless of the year the funds were appropriated.

#### RECOMMENDATIONS TO THE SECRETARY OF LABOR

We recommend that the Secretary of Labor require the California manpower agency to (1) determine whether more WIN registrants can benefit from employment preparation, vocational training, OJT, and PSE and, if so, request the resources needed for this purpose and (2) examine whether the rates for successful completion of these components can be improved.

#### AGENCY COMMENTS

Labor stated that, given budget constraints imposed on the program and the large number of registrants with whom they must work, its priorities must be directed to serving the largest possible number of individuals at the lowest unit costs. As a result, emphasis must be placed on direct placements which Labor considers the most efficient method of using program funds. Labor further stated that the present mix of components will be the object of intensive evaluation with every effort being made to maximize the output of the components.

## CHAPTER 5

### IMPACT OF TAX CREDIT

Section VI of the Revenue Act of 1971 provides that, effective January 1, 1972, for tax years beginning on or after that date, employers of WIN participants are entitled to a tax credit equal to 20 percent of wages and salaries paid to such participants during the first 12 months of employment. To be eligible for a tax credit, the employer must employ the participant for 12 months (not necessarily consecutive) within a 24-month period from the original time of hiring, plus the following 12 months after completing the initial employment period.

The maximum credit allowable during a tax year is \$25,000, plus 50 percent of an employer's tax liability over \$25,000. Credits earned over the maximum can be carried back up to 3 years, but not before 1972, and carried forward 7 years. To qualify, an employer interested in claiming the tax credit must file a declaration of eligibility form for each registrant with the WIN office. The employer must state--and the manpower agency must certify--that the employee was hired under the WIN program, did not displace another individual from employment, and that the employment meets and will continue to meet Federal, State, and local laws governing employee hours, wages, and benefits.

In California the tax credit has been actively promoted by HRD, and in fiscal year 1973, employers of 3,244 WIN registrants were certified as eligible for the tax credit.

### IMPLEMENTATION OF THE TAX CREDIT

Local HRD offices are responsible for explaining the tax credit to potential employers of WIN registrants and for providing employers with appropriate forms necessary for certification by HRD that the employer is eligible for the tax credit. The manner in which the WIN program was implemented in Los Angeles and San Diego resulted in emphasis being placed on registrants finding employment on their own initiative.

Los Angeles County reported, for example, that about 50 percent of the registrants entering unsubsidized jobs during the 4 months ended in April 1973 found their own jobs. A State HRD official advised us that employers who

hired WIN registrants, as a result of the registrants' efforts, were not contacted because the employer might object to the fact that the individual had been a welfare recipient. As a result, the potential number of eligible employers requesting the tax credit was reduced. However, the official also said HRD conducted an extensive publicity campaign for the tax credit during fiscal year 1973, which involved mailing tax credit information pamphlets to over 500,000 employers in California.

A Labor regional official said the requirement that registrants be employed for at least 12 months in order for the employer to be eligible for the tax credit could be a factor in the relatively low number of tax credit requests.

#### EMPLOYER AWARENESS OF AND REACTION TO THE TAX CREDIT

To examine the impact of the tax credit provision, we sent questionnaires to 100 employers in Los Angeles and to 100 employers in San Diego. They were selected at random from records of employers who had listed job openings with HRD during March 1973 in Los Angeles and July 1973 in San Diego, respectively. Of the 200 questionnaires, 86 were returned.

About half of the responding employers stated they were aware of the tax credit. Twenty-two employers said that they had hired a WIN registrant; however, only 4 of the 22 said the tax credit had influenced their decision to employ the applicant. Eighteen of the 22 employers said that they were satisfied with the employee and would, as needed, hire other WIN registrants.

Sixty-four employers reported that they had not hired a WIN registrant in the past, but 50 of the 64 indicated they had no objection to hiring a welfare recipient. Of the 50 employers, 33 said that the tax credit would be an incentive in future hiring of WIN participants.

Only five employers stated that they had contacted the Internal Revenue Service to obtain information about the tax credit. Four of the five employers said the information was obtained without any difficulty. We also called the Internal Revenue Service and found that information on the tax credit was readily available.

## CONCLUSIONS

Sufficient time had not elapsed for determining the impact of the WIN tax credit in helping to provide jobs for WIN registrants. On the basis of responses received from questionnaires sent to employers in Los Angeles and San Diego Counties, the tax credit may act as an incentive for hiring WIN registrants. However, job development efforts could be assisted if HRD contacted employers who hire WIN participants and explained the benefits of the tax credit to them. The tax credit might then serve as an incentive for these employers to hire more WIN participants.

## CHAPTER 6

### IMPROVEMENTS NEEDED IN THE MANAGEMENT INFORMATION SYSTEM

The WIN management information system, jointly developed by Labor and HEW, was designed to serve as a management tool and as a source of information for reports provided to the Congress. The joint system was to provide for continuous interaction between Labor and HEW and to provide a comprehensive picture of the WIN program.

Information on certain aspects of the WIN program in Los Angeles and San Diego Counties had not been developed and reported in accordance with Federal guidelines. Placement statistics were inconsistent and welfare savings were not reported until the beginning of fiscal year 1974. When reported, the savings included amounts which did not appear to be attributable to WIN activities.

#### SUBMISSION OF INCOMPLETE REPORTS

The WIN management information system is based upon a series of reports prepared by State manpower and welfare offices. According to Federal guidelines, these reports are to be prepared from information compiled at the local level and transferred to the respective agencies' State offices through prescribed management information system forms.

Of the three reports which are to be prepared monthly on a statewide basis--two for Labor and one for HEW--Labor's "Monthly Summary of Participant Characteristics" is the only one that was fully completed by California during fiscal year 1973. Labor's monthly program activity summary did not contain required information on welfare savings, continuing employment of WIN registrants, program planning data, or personnel accounting. The HEW counterpart report did not contain required information on welfare savings and pertinent activities of SAU, including the flow of certification requests and the type and extent of social services provided to program participants. As a result, Labor and HEW officials lacked the necessary statistics to evaluate the overall effectiveness of California's WIN program.

The data was omitted because California substituted State forms for required Federal input forms, and these State forms omitted certain required information. A list

of management information system input reports that were not used in California during fiscal year 1973 and a brief statement on the effect of missing information follow.

Management information  
system forms

Effect of missing information

WIN follow-through  
record

Information regarding participants' success in keeping jobs for more than 3 months was not reported as required.

Participant/terminee  
control log

The State central records unit cannot verify that it has received from county HRD offices all the source documents relating to changes in participants' status within the program and movements out of the program.

Team transmittal sheet  
and Labor/HEW trans-  
mittal sheet

These forms provide a means of recordkeeping for forms transmitted between HRD, SAU, and the State central records unit. Failure to use these forms results in a loss of control over records in transit.

Labor/HEW control log

Summary information was not collected regarding the dates individual certification requests were initiated by HRD and subsequently completed by SAU. This resulted in the absence of information necessary for reconciling SAU and HRD certification statistics. (See page 12 for further information on why it is important to have accurate certification statistics.)

Income maintenance  
transmittal sheet

Failure to use this controlling cover sheet results in local welfare offices maintaining no records concerning the number or type of completed forms sent to HRD offices.

Management information system forms

Effect of missing information

WIN social service plan history, social service transaction notice, and service summary work sheet

Summary data regarding the extent and type of social services provided to program participants was not reported as required. As a result, program managers were less able to evaluate the effectiveness of social services in helping registrants obtain jobs.

AFDC payment reductions tally sheet and AFDC payment reduction record

Data on the amount of welfare savings resulting from the placement of WIN registrants in employment was not reported as required. As a result, program managers were less able to evaluate the effectiveness of the WIN program.

State welfare officials responsible for implementing the management information system said that required forms were only partially used or were not used at all because prescribed definitions were inconsistent and because input forms were not adequately described. HRD officials said they had not fully implemented the management information system because they generally did not believe in the usefulness of certain required information.

INCONSISTENCIES IN REPORTED PLACEMENTS

A placement is counted for each WIN registrant on the first day of job entry. Placement records at the Los Angeles HRD office did not agree with those prepared by the State HRD office for use in compiling statewide reports. For example, shown below are inconsistencies between the number of placements reported by the Los Angeles HRD and by the State HRD office for Los Angeles.

<u>1973</u>	Los Angeles <u>HRD</u>	State <u>HRD</u>
Jan.	54	37
Feb.	37	107
Mar.	62	75
Apr.	<u>110</u>	<u>139</u>
Total	<u>263</u>	<u>358</u>

Because certain input forms were not used in California (see pp. 41 and 42), we could not reconcile the discrepancies in reported information or determine the factors responsible for the differences in the above data. However, our limited analysis of program activity information compiled by the Los Angeles HRD office revealed duplicative counting and inaccurate reporting of changes in the status of WIN registrants.

#### REPORTING WELFARE SAVINGS

The AFDC Payment Reduction Record is a form prescribed by Labor and HEW for local welfare agency staff members' use in computing welfare savings attributable to WIN. As stated earlier, California did not use this form during fiscal year 1973 but reported welfare savings to Labor and HEW on a State-designed form beginning in August 1973.

To test the accuracy of the reported welfare savings, we randomly selected a sample of 50 cases in San Diego which involved savings reported by local welfare offices to the State welfare offices during July 1973. Reported welfare savings may have included amounts that did not appear to be attributable to WIN activities. For example, for 13 of these cases, reported savings included those due to non-WIN related matters, such as (1) receipt of child support payments, thereby reducing the welfare grant and (2) a member of a family becoming ineligible for AFDC.

#### CONCLUSIONS

The management information system for WIN was not fully implemented in California to a large extent because State officials have reservations about the usefulness or meaning of some of the data required to be reported. Rather than continue with these doubts, officials of Labor, HEW, and the State should meet and reach agreement on the problem areas so that the system could be fully implemented. Also, because statistics on placements and welfare savings are essential elements in measuring the success or failure of WIN, action is needed to resolve the inconsistencies and inaccuracies in the reporting system.

#### RECOMMENDATIONS TO THE SECRETARIES OF HEW AND LABOR

We recommend that the Secretaries of HEW and Labor take action to insure that the California State manpower and welfare agencies (1) fully implement the requirements of the

WIN management information system and (2) correct the inconsistencies in reporting WIN placement and welfare savings statistics.

AGENCY COMMENTS

The Departments stated that they recognize the importance of achieving the highest possible degree of accurate and timely data in the reporting of WIN program activities. In an effort to reduce reporting problems, the Departments have developed a "simplified, much more fully integrated system" which they plan to implement in the near future.

With regard to the reporting of welfare savings, the Departments stated that a number of special studies are under way with a view toward development of a more rigorous, adequate method of determining welfare savings attributable strictly to WIN efforts. The Departments also stated that owing to the complexities of the issue and the difficulties in collecting this data, the refined method of collecting welfare savings data would not be forthcoming immediately.

## CHAPTER 7

### MANPOWER AND WELFARE AGENCY COORDINATION

Our review showed that Labor and HEW had established a system of coordination for jointly implementing the WIN program at the Federal level. However, the inability of the Federal agencies to obtain full cooperation from their counterpart California State agencies resulted in implementing the WIN program in a manner that was often inconsistent with Federal guidelines. Additionally, the lack of effective coordination between State agencies resulted in a breakdown in the sanction and certification processes.

#### COORDINATION BETWEEN LABOR AND HEW

To insure coordination between Labor and HEW, the 1971 amendments established a National Coordination Committee as well as Regional Coordination Committees. The National Coordination Committee was responsible for establishing uniform requirements for administering the WIN program and for publishing a monthly report on WIN operations. The Regional Coordination Committees were responsible for reviewing and approving statewide operational plans and major modifications of such plans for the States in their respective regions. According to Labor and HEW regional officials, the existence of the Regional Coordination Committee initially resulted in the smooth flow of information between the two agencies on an informal basis. However, Labor officials said the Committee experienced difficulty in reaching formal agreements.

#### COORDINATION BETWEEN LABOR AND THE STATE MANPOWER AGENCY

During fiscal year 1973, Labor's Regional Manpower Administrator sent several letters to the Director of HRD requesting that action be taken to correct program deficiencies noted during visits by Labor's regional staff to local HRD offices.

The Regional Manpower Administrator, in a telegram dated August 9, 1972, requested HRD to revise its guidelines to include the differentiation between registration for employment, which had traditionally been required of all individuals seeking jobs through HRD, and registration for WIN, as required by the 1971 amendments. The Administrator also requested HRD to separate registration activities from appraisal activities by conducting the assessment of individuals, including the development of employability plans

and assignment of service levels, during a subsequent process of calling in the most employable registrants from the registrant pool. Although an HRD response was requested, regional Labor officials said the State did not respond.

In a September 8, 1972, letter, the Regional Manpower Administrator requested HRD to initiate plans for implementing the WIN program in 24 of 30 counties without waiting for the coestablishment of the State Employables Program. The Administrator also suggested that HRD was spending too much time on the registration process and should discontinue the determination of exemptions on the basis of health and incapacity by returning such responsibility to the welfare department. Additionally, HRD was advised that funding for fiscal year 1974 would be based upon the number of WIN registrants who completed job entry. In a letter to the Regional Manpower Administrator, dated October 17, 1972, HRD stated that action would be initiated to correct the deficiencies noted in his letter.

In a letter dated October 31, 1972, the Administrator cautioned HRD against placing emphasis on enrolling AFDC recipients into the Employables Program while limiting WIN activity to working with registrants already enrolled in WIN. In this regard, HRD was advised that WIN placements and the number of WIN participants were declining and, as a result, corrective action designed to bring additional registrants into the program should be initiated. The Administrator also said that program goals at the county and local level were unclear. HRD's response promised corrective action.

In a November 24, 1972, letter, the Administrator again advised the State of its failure to submit annual goals for local project offices and requested that HRD respond by December 1, 1972. However, the assistant to Labor's regional WIN coordinator advised us on March 28, 1974, that goals were never officially set by HRD for county or local WIN projects in California during fiscal year 1973.

In a letter to HRD dated April 10, 1973, the Administrator explained why Labor believed that California's record, since the beginning of the revised WIN program, had been very poor, despite the program's priority on Federal and State agenda. According to the letter, little progress had been made toward correcting deficiencies in the WIN program. Major problems included:

- Lagging performance in the accomplishment of program goals resulting from inadequate job-development

activities and insufficient information on the amount of funds available to the local offices for OJT and PSE.

- Lack of clear and concise written instructions for use by the local offices in implementing the WIN program.
- Overexpenditure of WIN registration contract funds resulting from the State's failure to view registration as the process of determining who is employable and who is not, according to criteria established in the 1971 amendments.
- Failure to issue Labor's pamphlet entitled "Your Rights Under the Work Incentive Program" to all registrants and participants.

On April 27, 1973, HRD responded by letter and expressed disagreement with Labor's position. According to HRD:

- California has done an outstanding job of meeting the basic WIN program objective of placing welfare recipients into employment.
- 42 WIN forms had been eliminated to reduce the paperwork problem.
- A system was being designed to identify and separate the costs of the WIN and Employables programs.
- A pamphlet entitled "Your Rights and Responsibilities Under the Work Incentive Program" was issued to registrants in March 1973.

COORDINATION BETWEEN HEW AND  
THE STATE WELFARE AGENCY

Under the revised WIN program, county welfare agencies were to be responsible for providing supportive services and reporting the extent and types of services provided monthly to HEW. In several letters during fiscal year 1973, HEW requested the State Department of Social Welfare to limit SAU activities to those authorized under the WIN program, as described in chapter 2, and to report the extent and type of supportive services that were provided. An HEW official informed us that, as of June 1973, the State Department of Social Welfare had not complied with HEW instructions.

## COORDINATION BETWEEN LOCAL MANPOWER AND WELFARE AGENCIES

An effective system of coordination was not established between local welfare and HRD offices in Los Angeles County. For example, Los Angeles County welfare and employment officials could not agree on which agency was responsible for determining whether there was good cause for a recipient's failure to cooperate. As a result, a backlog of HRD sanction requests existed as of May 1973, according to a Los Angeles County welfare official. Also a lack of coordination between the local agencies contributed in part to the breakdown of the certification process which was described in chapter 2.

## CONCLUSIONS

Effective implementation of the 1971 WIN amendments requires the joint coordination and cooperation of Labor and HEW and their counterpart State agencies. Federal and State agencies disagreed on the implementation of the WIN program in California. In our view, this can only work to the detriment of AFDC recipients who are supposed to benefit from the program.

This report contains a number of recommendations to improve the operation of the program, and their effective implementation will require close cooperation and coordination at all levels.

FISCAL YEAR 1973 REPORTED PERFORMANCE DATA IN  
LOS ANGELES AND SAN DIEGO COUNTIES

	<u>Los Angeles County</u>	<u>San Diego County</u>
WIN component:		
Registration	110,187	14,612
Appraisal	27,934	2,343
Certification	44,560	5,954
Participants	14,630	2,416
Participants assigned to:		
OJT	1,242	218
PSE	294	24
Institutional training	4,023	454
Other manpower programs	482	83
Entered job entry	7,523	1,708
Completed job entry:		
Off welfare	2,591	611
Recycled--still on welfare	1,211	253

APPENDIX II

COMPARISON OF CALIFORNIA'S REPORTED PERFORMANCE DATA  
TO FISCAL YEAR 1973 ORIGINAL AND REVISED GOALS

<u>WIN component</u>	<u>FY 1973 goals</u>		<u>Reported performance</u>
	<u>Original</u>	<u>Revised (note a)</u>	
Registration	250,000	250,000	264,248
Appraisal	100,000	100,000	64,602
Certification	(b)	(b)	102,692
Participants	125,000	70,365	41,310
Participants assigned to:			
OJT	4,900	4,900	4,377
PSE	700	700	899
Institutional training	(b)	(b)	11,546
Other manpower pro- grams	(b)	(b)	1,671
Entered job entry	37,500	27,200	19,427
Completed job entry:	23,500	18,700	9,720
Off welfare	(b)	(b)	6,950
Recycled--still on welfare	(b)	(b)	2,770

a/ Goals were revised by Labor and HEW on April 17, 1973, because of cuts in the WIN fiscal year 1973 budget request and a freeze on enrollments in other manpower programs.

b/ Goals were not set for these components.

COMPARISON OF CALIFORNIA'S REPORTED PERFORMANCE DATA TO  
FISCAL YEAR 1974 GOALS

<u>WIN component</u>	<u>Fiscal year 1974 goals</u>	<u>Reported performance</u>
Registration	130,000	145,729
Appraisal	72,000	54,353
Certification	60,000	53,674
Participants	69,000	63,702
Participants assigned to:		
OJT	9,827	6,746
PSE	465	671
Institutional training	8,771	9,249
Other manpower programs	2,204	3,033
Entered job entry	28,710	33,310
Completed job entry:	18,662	11,872
Off welfare	11,197	2,076
Recycled--still on welfare	7,465	9,796

U.S. DEPARTMENT OF LABOR  
OFFICE OF THE ASSISTANT SECRETARY  
WASHINGTON

OCT 03 1974

MEMORANDUM TO: GREGORY J. AHART  
DIRECTOR  
MANPOWER AND WELFARE DIVISION  
U.S. GENERAL ACCOUNTING OFFICE

Subject : Comments on the GAO Study of the WIN  
Program in Los Angeles and San Diego, California

This is in response to your request for comments on the GAO findings during its study of the WIN projects in Los Angeles and San Diego, California. Our comments are addressed to the recommendations found on pages seven through nine of the report.

"The Secretaries of Labor and HEW should jointly take action to insure that more careful assignment of service levels are made in both Los Angeles and San Diego Counties, including full use of employability plans and full participation by the SAU in appraisal interview."

The Department recognizes the importance of adequately assessing service needs. However, determining appropriate service levels often involves a high degree of professional judgment, and assessment of an individual's capabilities, motivation and potential, based on a face-to-face interview, as well as a realistic knowledge of local labor market conditions. It is frequently not possible to readily arrive at the same determination solely from a review of the case file some time later, without the benefit of a personal interview with the registrant and a knowledge of job availability at appraisal time. We have reservations, therefore, as to whether the problem is as extensive as the report indicates, but in order to minimize it to the extent possible, our training and technical assistance efforts during the program redesign will stress the importance of service assessments.

As to the issue of the particular role to be played by the SAU, California's program configuration operates under a waiver of the Single State Agency concept, which grants the Human Resources Department broad flexibility in staff utilization. Staff members, whether drawn from the welfare agency or the Employment Service, who participate in appraisals have received appropriate training in this area, and further training to insure adequate performance will be provided during the course of the implementation of the planned redesign.

"The Secretaries of Labor and HEW should jointly take action to insure that certifications for supportive services in Los Angeles County are requested only for those registrants who are expected to be placed shortly in training or on a job."

We believe that this recommendation is based on a misunderstanding of the regulations, which require only that individuals (who are not job ready) have services arranged or provided for. There is no requirement that arrangements for these services must necessarily be made just immediately prior to putting individuals in employment or training. As a method of insuring that an adequate number of individuals will be ready when opportunities occur, it is an appropriate method for projects to arrange for services sometime in advance of their actual need. Such individuals may then be certified. When the job or training position becomes available, the services previously arranged for can be speedily provided, thus maximizing the program's ability to utilize every opening. In cases in which service needs have changed between the time of arrangement and their provision, supplemental certifications can be made.

"That the Secretaries of both the Department of Labor and the Department of Health, Education, and Welfare should jointly require that California State manpower and welfare agencies insure that WIN registrants conducting job search in San Diego are given the program services necessary to effectively seek employment."

The Department has long recognized the need to bolster job search activities through the utilization of WIN funds to provide needed services in support of employment. The regulations governing the proposed redesign mandate the provision of all necessary services for individuals engaged in job search. It is anticipated that this new procedure will go into effect shortly.

## APPENDIX IV

"The Secretaries of Labor and HEW should jointly take action to insure that the California manpower and welfare agencies; (1) fully implement the requirement of the WIN Management Information System, and (2) correct the inconsistencies in WIN placement to welfare savings statistics."

The Department agrees that these sites have experienced some of the problems encountered in starting up a new, complex information system during the first year of program operations. It should be borne in mind that, in spite of these difficulties, the WIN MIS represents a major effort to integrate the two agencies' management and analysis of the program. Seen in that perspective, we believe the system has made a contribution toward joint program management. At the same time, we recognize the importance of achieving as high a degree as possible of accurate and timely data. The region and the national office have engaged in an ongoing process of feeding back faulty data to the State for correction, as well as monitoring for delinquent reports.

A joint agency task force has been at work for several months studying the existing system. As a result, a simplified, much more fully integrated system has been developed and will be introduced as a part of the redesign. The improvement in the system, coupled with the technical assistance to be provided, is intended to materially reduce reporting problems.

We agree that the issue of welfare savings, in particular, has been troublesome. A number of special studies are currently under way which are planned to offer a more rigorous, adequate method of determining welfare savings attributable strictly to WIN efforts. Owing to the complexities of the issue, and the difficulties in collecting this data, the refined method of determining welfare savings will be introduced subsequent to the other changes in the MIS. It is anticipated that the new method will offer a more precise measurement of this key variable.

"The Secretary of Labor should require the California State manpower agency to increase job referral efforts in Los Angeles and San Diego so that more WIN registrants are referred to jobs, especially those considered to be the most employable and closely monitor job search activities to determine whether this approach to helping WIN registrants obtain employment should be continued."

For some time there has been departmental recognition of the desirability of exposing a greater portion of the registrant population to job opportunities, particularly before such individuals have been on welfare for long periods of time, further reducing their employment potential. The WIN redesign is intended to meet this job, by increasing exposure to employment at three points in the program process.

(1) Every registrant, right at registration time, will be exposed to the labor market, in most cases before they have even begun to receive welfare; (2) State job search activity will be mandatory for all registrants not otherwise actively participating in a WIN component; (3) A new WIN component, called Intensive Manpower Services, which is expected to reach 60 percent of the appraised registrants, will offer job referrals and leads, as well as methods for enhancing success in a job search.

We believe that these features of the redesign should quite materially increase the prospects of readily employable registrants to obtain jobs.

The Department plans to closely monitor the performance of the States in carrying out these activities. Our evaluation contractor, Pacific Training and Technical Assistance, will be assessing the redesign of the program, both in terms of conformity to program guideline and the efficacy of the new components and activities in increasing client employment. In addition, national and regional staff will engage in intensive on-site monitoring and special survey efforts focusing on the redesigned program's placement activities.

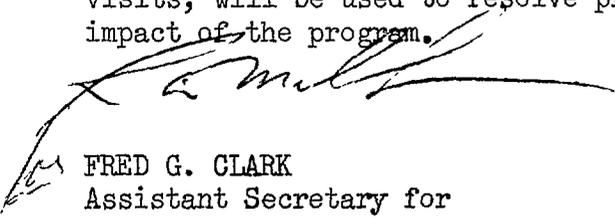
"The Secretary of Labor should require the California State manpower agency to determine whether more WIN registrants can benefit from employment preparation, vocational training, OJT training, and public service employment and, if so, request the resources needed for this purpose; and examine into whether the rates for the successful completion of these components can be improved."

The Department feels that, given the constraints imposed on the program by our budget and the large number of registrants with whom we must work, our priorities must be directed to serving the largest possible number of individuals at the lowest unit costs. This policy requires that emphasis be on placements, and preferably direct placements, which our experience has shown to be the most efficient method of utilizing program funds. With more than one-third of manpower funds committed to OJT and PSE, and the employment related activities of the redesign absorbing such a large portion of the total budget, it does not appear realistic to anticipate a significant increase in that portion of the program related to training. Should material changes in the market place occur over the next year, of course, budget figures dealing with public service employment may be reexamined.

The present mix of components, as well as the proposed new activities such as job search and Intensive Manpower Services, will be the object of intensive evaluation by both contractor and special surveys conducted by national and regional level staff. Every effort will be made to maximize the output of these components; should we find an unusually successful

APPENDIX IV

technique being utilized in one area, our plan is to make it available through written communication and technical assistance to other areas who may profit from the innovative features. Correspondingly, the evaluation and special surveys, coupled with ongoing joint monitoring visits, will be used to resolve problems which reduce the employment impact of the program.



FRED G. CLARK  
Assistant Secretary for  
Administration and Management



DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE  
WASHINGTON, D.C. 20201

OFFICE OF THE SECRETARY

OCT 8 1974

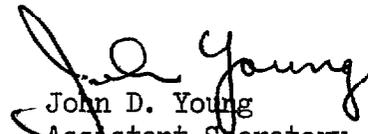
Mr. Gregory J. Ahart  
Director  
Manpower and Welfare Division  
United States General Accounting Office  
Washington, D. C. 20548

Dear Mr. Ahart:

The Secretary has asked that I reply to your August 9, 1974 letter, in which you asked for our comments on a draft report entitled, "Problems in the Work Incentive Program in Los Angeles and San Diego, California."

We appreciate the opportunity to review and comment on this report in draft form.

Sincerely yours,

  
John D. Young  
Assistant Secretary, Comptroller

Enclosure

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE  
RESPONSE TO THE GAO DRAFT REPORT ENTITLED,  
PROBLEMS IN THE WORK INCENTIVE PROGRAM IN  
LOS ANGELES AND SAN DIEGO, CALIFORNIA

COMMENT

A series of GAO reports deal with the WIN program in Seattle, Atlanta, Tacoma, and Detroit. This particular report, concerned with Los Angeles and San Diego, will be consolidated with reviews of the other cities and released to both the Department of HEW and DOL in the future.

No prior meetings have been held with the GAO Audit Team, which was not the case with the other sites.

The report can be characterized as fairly critical of program operation in both sites. Yet an assessment of the program's operations should include a review of its performance, as measured against the goals assigned to it. The Department wishes to emphasize that the WIN program in California met or substantially exceeded its key program goals in FY '74. California's WIN program had 146,000 registrants during the year against a goal of 130,000, thus reaching 112% of its goal. The State made over 26,000 direct placements which was 242% of its goal of 11,000. Finally, its total placements of 33,000 were in excess of its goal of 29,000 giving the State 116% of its requirements.

Since Los Angeles and San Diego, the sites under particular review, constitute approximately 40% of the total State program, these sites made their proportional contribution to the program's success.

Furthermore, much of the operational critique contained in the report stems from a misunderstanding about the configuration of the program permitted under the waiver to the single State agency concept. A more detailed analysis is presented in response to the particular recommendations which follow.

At least some of the other problems, such as those dealing with inconsistencies in the Management Information System, existed in other large WIN sites during the first year of

operations under the Talmadge Amendments, which is the period covered in the report. These problems should be minimized as a result of the system simplification efforts undertaken as part of the redesign.

#### GAO RECOMMENDATION

The Secretaries of Labor and HEW should jointly take action to insure that more careful assignment of service levels are made in both Los Angeles and San Diego Counties, including full use of employability plans and full participation by the SAU in appraisal interview.

#### DEPARTMENTAL RESPONSE

The Department recognizes the importance of adequately assessing service needs. However, determining appropriate service levels often involves a high degree of professional judgment, and assessment of an individual's capabilities, motivation and potential, based on a face-to-face interview, as well as a realistic knowledge of local labor market conditions. It is frequently not possible to readily arrive at the same determination solely from a review of the case file some time later, without the benefit of a personal interview with the registrant and a knowledge of job availability at appraisal time. We have reservations, therefore, as to whether the problem is as extensive as the report indicates, but in order to minimize it to the extent possible, our training and technical assistance efforts during the program redesign will stress the importance of service assessments.

As to the issue of the particular role to be played by the SAU, California's program configuration operates under a waiver of the Single State Agency concept, which grants the Human Resources Department broad flexibility in staff utilization. Staff members, whether drawn from the Welfare Agency or the Employment Service who participate in appraisals, have received appropriate training in this area, and further training to insure adequate performance will be provided during the course of the implementation of the planned redesign.

#### GAO RECOMMENDATION

The Secretaries of Labor and HEW should jointly take action to insure that certifications for supportive services in Los Angeles County are requested only for those registrants who are expected to be placed shortly in training or on a job.

DEPARTMENTAL RESPONSE

We believe that this recommendation is based on a misunderstanding of the regulations, which require only that individuals (who are not job ready) have services arranged or provided for. There is no requirement that arrangements for these services must be made only immediately prior to putting individuals in employment or training. As a method of insuring that an adequate number of individuals will be ready when opportunities occur, it is an appropriate method for projects to arrange for services sometime in advance of their actual need. Such individuals may then be certified. When the job or training position becomes available, the services previously arranged for can be speedily provided, thus maximizing the program's ability to utilize every opening. In cases in which service needs have changed between the time of arrangement and their provision, supplemental certifications can be made.

GAO RECOMMENDATION

That the Secretaries of both the Department of Labor, and the Department of Health, Education, and Welfare should jointly require that California State manpower and welfare agencies insure that WIN registrants conducting job search in San Diego are given the program services necessary to effectively seek employment.

DEPARTMENTAL RESPONSE

The Department has long recognized the need to bolster job search activities through the utilization of WIN funds to provide needed services in support of employment. The regulations governing the proposed redesign mandate the provision of all necessary services for individuals engaged in job search. It is anticipated that this new procedure will go into effect shortly.

GAO RECOMMENDATION

The Secretaries of Labor and HEW should jointly take action to insure that the California manpower and Welfare Agencies; (i) fully implement the requirement of the WIN Management Information System, and (ii) correct the inconsistencies in WIN placement to welfare savings' statistics.

DEPARTMENTAL RESPONSE

The Department agrees that these sites have experienced some of the problems encountered in starting up a new, complex information system during the first year of program operations. It should be borne in mind that in spite of these difficulties, the WIN Management Information System, represents a major effort to integrate the two agencies management and analysis of the program. Seen in that perspective, we believe the system has made a contribution toward joint program management. At the same time, we recognize the importance of achieving as high a degree as possible of accurate and timely data. The region and the National Office have engaged in an on-going process of feeding back faulty data to the State for correction, as well as monitoring for delinquent reports.

A joint agency task force has been at work for several months studying the existing system. As a result, a simplified, much more fully integrated system has been developed and will be introduced as a part of the redesign. The improvement in the system, coupled with the technical assistance to be provided, is intended to materially reduce reporting problems.

We agree that the issue of welfare savings, in particular, has been troublesome. A number of special studies are currently under way which are planned to offer a more rigorous, adequate method of determining welfare savings attributable strictly to WIN efforts. Owing to the complexities of the issue, and the difficulties in collecting this data, the refined method of determining welfare savings will be introduced subsequent to the other changes in the Management Information System. It is anticipated that the new method will offer a more precise measurement of this key variable.

GAO RECOMMENDATION

The Secretary of HEW should take action to insure that Separate Administrative Unit activities in San Diego are limited to those intended by the 1971 amendments.

DEPARTMENTAL RESPONSE

The Department's position on this issue is that the statute does not require employees of the single organizational unit to work only on the provision of social services; it only requires them to do so "to the maximum extent feasible"

APPENDIX V

(§402(a)(19)(G)). In the instant situation the single organizational unit is, because of a waiver of the single State agency requirement, not a part of the State welfare agency but rather a part of the State employment agency, which has as a part of its regular duties the provision of manpower services. Thus, in San Diego those State employees who provide the manpower services are co-located with those State employees who provide the social services, and both groups report to a common supervisor. In such a situation it is, in our judgment, not feasible for all employee time in the single organizational unit to be spent only on social service matters. Such a rigid rule would only result in a totally artificial distinction being made between employees working in the same location on the same program for the same supervisor.

STATE OF CALIFORNIA— Health and Welfare Agency

RONALD REAGAN, Governor

## DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT

SACRAMENTO 95814



- September 5, 1974

REFER TO

67:33:vu

- Mr. Gregory J. Ahart, Director  
U. S. General Accounting Office  
Manpower and Welfare Division  
Washington, D. C. 20548

Dear Mr. Ahart:

Attached are the comments of EDD relative to the draft of the proposed General Accounting Office report on implementation of the WIN Program. The GAO report covers program operations in Los Angeles and San Diego counties, generally during the period July 1, 1972 through June 30, 1973.

We request consideration and incorporation of these comments in the final GAO report.

Sincerely,

A handwritten signature in cursive script that reads "Richard L. Camilli".

RICHARD L. CAMILLI  
Director

Attachments

GAO note: Page references pertain to the draft report and do not necessarily agree with final report.

APPENDIX VI

CERTIFICATION PROCESS INITIATED FOR ALL REGISTRANTS  
IN LOS ANGELES COUNTY (Pages 2, 16, 28, 31)

It has never been state policy to certify all registrants. California policy on certification is as follows:

As required by law, all AFDC unemployed fathers must have certification requested within two weeks of registration. (The GAO report omits this point.) All other AFDC-U and FG recipients are certified when employment or training is available.

Based on this policy, Los Angeles County WIN has never sought certification on all registrants. In addition, many isolated problems in the certification process have been resolved since co-location has taken place in Los Angeles County.

JOB SEARCHES DO NOT RESULT IN EMPLOYMENT IN SAN DIEGO  
(Pages 3A, 32)

The GAO report indicates that job search in San Diego does not result in an appreciable number of registrants obtaining employment. To verify this report, EDD performed its own review on November 8 and 9, 1973.

Following are the complete EDD findings:

INDIVIDUALS IN JOB SEARCH

<u>At time of GAO Review</u>	<u>GAO Findings</u>	<u>Nov. 8 and 9 EDD Review of GAO Findings</u>
1. Obtained employment through Job Search	1	9
2. Obtained employment through EDD Referral	4	4
3. Working part-time	1	2
4. Enrolled in training	0	0
5. Placed in OJT	1	0
6. Still on biweeklies	25	8
7. In process of being sanctioned	7	3
8. Banked	1	0
9. Exempt	5	6
10. Other	1	6
11. Off aid	0	2
12. Deregistered non-cooperative	0	5
13. Unable to locate case file	4	5
<u>TOTAL CASES</u>	<u>50</u>	<u>50</u>

Present findings indicate 30 percent of the 50 individuals reviewed in bi-weekly job search are employed and only 16 percent are still involved in bi-weekly reporting schedules; a much better record than the report's findings.

If the GAO reviewers would also look at California's statewide record on assisting welfare recipients obtain employment since the implementation of Employable job search, we feel that they would become convinced, as EDD is, of the effectiveness of these programs. In Fiscal Year 70-71, prior to the implementation of job search requirements, entries of welfare recipients into regular employment were

15,607. By Fiscal Year 73-74 these numbers had increased to 75,705. We attribute this dramatic increase to the California Employables Program.

ONE THIRD OF WIN FUNDS WERE NOT EXPENDED ON OJT AND PSE POSITIONS (Page 6)

The 1971 WIN amendments require that one-third of WIN funds be spent on the development and funding of PSE and OJT positions. The GAO report indicated that during the first year of the programs' implementation, California expended approximately 15 percent of funds for OJT and PSE. Additionally, the state has committed, but not expended, 20 percent of remaining funds for PSE and OJT.

The Fiscal Year 1973 WIN contract with the Department of Labor indicates that we must expend 33 1/3 percent of the total contract funds for OJT and PSE. Our interpretation of this requirement is that "expended" includes both obligations and expenditures. Our interpretation was confirmed by the Solicitor General (Exhibit A, letter attached). Therefore, based upon figures cited, we are in compliance with this contract requirement.

[See GAO note]

Another important point should be noted. It would have been impossible for us to actually pay out 33 1/3 percent of our 1973 WIN funds in Fiscal Year 1973 because we did not receive obligational authority up to the 33 1/3 percent until the month of June 1973. This situation was the result of the WIN Program being funded under a Congressional Continuing Resolution.

MANAGEMENT INFORMATION SYSTEM  
(Pages 6, 57, 61)

We have implemented what we feel is a sufficient Management Information System. We strive to eliminate what we consider burdensome and unnecessary reporting. We are currently looking into initiation of an expanded WIN follow-up system. Our hesitation in implementing this in the past has been due to the questions of cost benefit.

As for welfare savings reporting, in California the Income Maintenance Unit of each county welfare department is responsible for reporting welfare savings resulting from employment to the State Department of Benefit Payments (DBP). Savings are reported to EDD by DBP. Unfortunately transmittal of this information got off to a slow start, and two of the states' largest counties are still failing to report. We are continuing our efforts to obtain accurate welfare savings data.

COORDINATION BETWEEN MANPOWER AND WELFARE AGENCIES  
(Pages 7, 63, 68)

Coordination problems in Los Angeles County at the time of the review were magnified due to lack of co-location. Subsequent to the GAO review co-location took place and most coordination problems were alleviated.

Further steps were taken to insure cooperation between EDD offices and Los Angeles County DPSS at a Region IV and V seminar held May 1974. This two day seminar was hosted by EDD and jointly presented by the State Departments of Health (DOH); Benefit Payments (DBP); and Employment Development, and the Los Angeles County Department of Public Social Services (DPSS).

GAO note: Solicitor General's letter has been deleted for brevity.

BEST DOCUMENT AVAILABLE

The seminar was planned to serve several specific purposes within the general one of overall program improvement. Chief among these was to provide an opportunity for the line staff of both EDD and DPSS to seek solution to their operational problems from the broad range of program competence present. Another major objective of the seminar was to improve the channels of communication between the four departments involved; and by so doing to help reinforce the commitment to the program on the part of all affected agencies. Every DPSS district office and EDD field office in Los Angeles was well represented. In addition, administrative, management and program staff from all participating agencies were present and available for direct response to problems raised by those present.

SAU ACTIVITIES IN SAN DIEGO SHOULD BE LIMITED TO THOSE INTENDED IN THE  
1971 AMENDMENTS (Pages 9,16,29, 31)

Exception must be taken to the report's apparent interpretation of SAU activities under the 1971 Talmadge Amendments. California strongly feels that the intent of these regulations was to obtain regular employment for as many employable AFDC recipients as possible and to encourage the cooperative efforts of both the SAU and the WIN/MA staff towards this goal. It is felt that the greatest need of a WIN registrant is a job and that providing a job is the best service that we can provide such an individual. In this regard, California feels that it is totally appropriate for SAU staff, in addition to taking part in assessment interviews and self-support planning, to be involved in such activities as job referrals and follow-up. We feel that this interpretation has been accepted and endorsed by HEW by the granting of an Employables waiver.

LACK OF EMPLOYABILITY PLAN DOCUMENTATION  
(Page 20)

We do not know whether an employability plan was documented in all the case folders of the cases cited by the report. However, it is policy that in California, the employability plan be initiated at the time of assessment interview and in the case of a WIN participant, be developed after the appraisal interview. When an individual is determined job-ready at the assessment interview, the documentation "job-ready" is made on the DE 2451, work application. This notation is considered the completed employability plan. Documentation of manpower needs is required as an employability plan for non-job-ready individuals. In addition, a self-support plan is completed for all registrants needing social services. Regions IV and V state this policy is being followed.

FEW WIN REGISTRANTS OBTAINED EMPLOYMENT THROUGH JOB  
SEARCHES (Pages 34 and 39)

GAO statistics on Page 34 indicate that 16% of persons involved in job search were either placed by EDD or found employment. This appears to us to be a success.

The GAO Report draws the conclusion (Page 39) that the job search requirement did not have a major impact on placing San Diego County registrants in employment.

The following chart shows substantial increases in job entries after the implementation of the Employables job search:

	FY 71/72 <u>Pre-Employables</u>	FY 72/73 <u>Post Employables</u>	FY 73/74 <u>Post Employables</u>
San Diego County			
Job Entries	581	1,808	2,421
Completed 90 day Job Entry Period	324	611	731
	<u>FY 72/73</u>	<u>FY 73/74</u>	
Los Angeles County			
Job Entries	5,517	13,133	
Completed 90 day Job Entry Period	1,702	3,349	

EXPERIENCE OF SELECTED WIN TRAINING-TYPE COMPONENTS  
(Pages 41-43)

The GAO Report states that only 9% of registrants participated in WIN Employment Preparation, vocational training, public service employment and on-the-job training, as compared to the national average of 18%. However, in computing the 9%, the GAO Report again failed to take into consideration that in California WIN registrants are not automatically considered WIN participants.

In San Diego and Los Angeles counties there were 119,851 registrants in FY 72-73. Of these registrants, 17,046 were WIN participants. The following breakout shows the number of WIN participants who were enrolled in the specific components mentioned in the report.

	<u>Los Angeles County</u>	%	<u>San Diego County</u>	%
Registrants	111,775		8,076	
WIN Participants	14,630	13% of Reg. Pool	2,416	30% of Reg. Pool
Employment Prep/Orient.	4,668		639	
Vocational Training	4,023		454	
OJT-PSE	<u>1,536</u>		<u>242</u>	
Total in Components	10,227	70% Part.in Components	1,335	55% Part. in Components

In San Diego and Los Angeles counties 11,502 of the 17,046 WIN participants (68%) were enrolled in the components mentioned as opposed to GAO's reported 9%.

Some reductions in vocational training did occur because of fund limitations. Further reductions occurred in Fiscal Year 73-74 and will occur in Fiscal Year 74-75 because of Federal budget cuts.

PRIVATE SECTOR OJT  
(Page 43A)

We are aware of the high cancellation rate of private sector of OJT. A study of OJT contracting in field offices has just been completed. Appropriate action will be taken if specific causes for failure can be isolated. A general discussion of these findings was conducted with the five California Regional Welfare Coordinators on August 28, 1974. Further action will be taken as deemed necessary to increase

## BEST DOCUMENT AVAILABLE

the OJT retention rate.

We disagree with the EDD officials statement that staff training and definitive guidelines were not provided until December 1972 and March 1973. Definitive policy and procedure for WIN OJT was released to field offices prior to April 1969, including all contract forms and complete instructions. Statewide OJT contract training was given in February and March of 1970 and again in May and June of 1971 to all contract negotiators and writers in addition to the training cited in the GAO Report.

INCONSISTENCIES IN REPORTED PLACEMENTS  
(Pages 60-62)

The charges in this section of the report are vague and unsubstantiated and as such we find it impossible to reply directly. The Management Information System suggested by DOL and HEW was not fully implemented in California for several reasons. (1) It did not meet the unique needs of the California Employables System. (2) We strive to keep our reporting system as simple as possible, and we did not feel that all of the suggested reports had a direct bearing on program management.

This, of course, is not to say that California has never experienced problems with its reporting system. In fact, we are continually revising and improving it. For instance, in April of 1973 a Welfare Program Reporting System (Form DE 8101) became operative. This report was developed by the Employment Data and Research Division (ED&R), in conjunction with input from Program and Operations staff.

Continual work is being done to improve our current reporting system. Full implementation of the proposed (DOL-HEW) WIN Management Information System would not solve the problems alluded to in this Report.

California has always attempted to report accurate valid statistics. There has never been an effort to mislead and inferences in this report to this effect without supporting documentation are completely unjust.

COORDINATION BETWEEN DOL AND EDD  
(Pages 63-66)

We would like to point out that coordination between DOL and EDD has improved markedly since 1973. Staff changes in Region IX DOL have resulted in the two agencies working together to achieve WIN Program goals.

At the beginning of Talmadge (WIN II) in the first part of FY 72-73 the WIN Program did suffer somewhat because of field office staff confusion over the sudden change in program emphasis (from training to direct placement). As with any major program change it took a little time to overcome the problems that arose during the transition period.

Several actions were taken to get the WIN Program going in the right direction. A complete manual for services to welfare clients was written and issued to the field: periodic meetings are held with the Welfare Coordinators from each of the five California Regions, - DOL staff have been invited to participate in these meetings which has had a positive impact. Responsibility for contracting policy and procedure has been shifted back to the Central Office WIN group; and WIN has continued to meet its Job Entry and Job Entry Completion goals.

COORDINATION BETWEEN HEW AND STATE WELFARE AGENCY

(Page 67)

California has always felt that Section 402(a)(19)G of the Talmadge Amendments mandated the SAU to provide services to the whole registrant pool not to only WIN participants. To do otherwise would be unfair to the majority of the registrants who cannot become WIN participants. Although, it is acknowledged that Regional HEW has disagreed with California's position in the past, it should be noted that new WIN redesign regulations approved by HEW are adopting California's ideas.

General Comments

As a result of the first draft of the GAO review we sent staff to Los Angeles and San Diego to review the problems pinpointed in the report. Their findings are the basis for some of the items in this response, particularly as it relates to assignment of service levels, and job search results.

We find that many of the comments regarding the areas of concern which we responded to in the initial draft were not included in the final draft. Therefore, some of our initial comments are included in this response.

The following comments refer to specific items and pages in the draft GAO report.

ASSIGNED SERVICE LEVELS DO NOT ACCURATELY INDICATE  
RECIPIENTS EMPLOYABILITY POTENTIAL (Pages 2 & 23)

The primary disagreement with the GAO review is in its interpretation of the job-ready status of registrants. The decision whether an individual is job-ready often reflects the interviewers knowledge of the job market as much as the employability history of the client. In most cases the field office interviewer is in a better position to judge the status of the person he has interviewed than a GAO reviewer.

Nevertheless, EDD conducted a follow-up review of service level assignments to verify the reports findings. Our findings are as follows:

Los Angeles

Upon analysis we found that the GAO auditors had made errors in approximately 40 percent of those cases which the report claimed that the assigned service levels were improper. In the remaining 50 percent of the sample, the report is correct. Of the cases where the service level coding was incorrect, 70 percent of the service level coding was assigned in the period from August to December 1972 during the program's initial implementation. As one would expect, the coding has improved considerably since this period. Additionally, the Los Angeles office has completed a call-in of all banked applicants to review their service level coding and to provide necessary services.

San Diego

We found that in approximately 60 percent of their sample cases the GAO were incorrect in stating that the assigned service levels were improper. In the remaining 40 percent of the sample, the GAO was correct in stating erroneous service levels had been assigned.

COMPARISON OF GAO FINDINGS AND EDD REVIEW OF ONE HUNDRED  
SAMPLE CASES

Level Originally Assigned	No. Assigned			No. Incorrectly Assigned					Level Should Have Been				
	GAO	SD	LA	GAO	SD	LA	Total	%	A	B	C	D	E
A	26	70	16	36	26	4	30		8	20	2		
B	32	8	24	15	6	5	11	1			5	5	
C	35	3	32	12	0	10	10	2	3			5	
D	29	7	22	17	1	7	8		4	4			
E	12	8	4	2	0	0	0						
TOTAL	194	96	98	82	33	26	59*		3	15	29	12	0

\*30%