

029

PERFORMANCE REVIEW OF THE
WORK INCENTIVE PROGRAM

JANUARY 1972

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The Honorable President of the Senate
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The Honorable Members of the Senate and
The Assembly of the Legislature of California

Sirs:

We transmit herewith a performance audit report on the Work Incentive Program (WIN) in California. Objectives of the review were to determine costs, the effectiveness of the program in achieving goals, and the efficiency of the programs operations.

From the September 1968 start of the program to March 31, 1971, (31 months) \$67 million was spent on the WIN program in California. At the same time, \$103 million in AFDC grants was paid to WIN participants. WIN program costs were financed by \$50 million of federal funds, \$11 million of state funds, and \$6 million of county funds. The AFDC grants were funded from \$51 million of federal, \$35 million of state, and \$17 million of county funds. Sufficient state and county cost and statistical data are not available. The March 31, 1971 data were developed during the audit.

The objective of the WIN program is to restore AFDC families to independence through employment in the regular economy. In the first 31 months of operation, the program has resulted in an annual savings of only \$4 million in AFDC grants. Only 2,957 or 2 percent of the 143,720 recipients referred to the program have been employed and remain off welfare. Some 28,000 others received services and were recorded as unsuccessful terminations. The report states that the program has not had a discernible effect on welfare caseloads. The needs of those referred to it have not been met. WIN has not held the interest of those enrolled in the program.

It is difficult to measure the effectiveness of the program. Many of those enrolled in the program possessed marketable job skills but were on welfare because of the general depressed economy. Conversely, many of those referred to the program by counties were not enrolled or terminated because of physical, emotional, or other handicaps. Counties must refer unemployed fathers to the program or risk the loss of federal AFDC grants. Only 51,077 were enrolled in the program out of the 143,720 referrals.

WIN personnel at both headquarters and local offices do not have sufficient information regarding enrollee achievement in the various educational and training programs. It is not known whether or not an enrollee completes a course or accomplishes an objective.

State administration and operation of the WIN program is divided between the Departments of Human Resources Development, and Social Welfare. This division of responsibility has created misunderstanding and antagonism between these departments along with conflicting instructions to county welfare departments. No one agency has the responsibility to produce satisfactory results for the millions spent.

The organizational structure of the Department of Human Resources Development precludes the most efficient utilization of WIN personnel. It is impossible for the WIN chief to effect a concerted effort toward the goals established for the WIN program.

HRD has implemented the federal Department of Labor recommended team concept of staffing WIN field operations. Team members are concerned mainly with their own area of specialization. Supervision and direction are lacking. No one is responsible for the over-all welfare or progress of individual enrollees.

The report contains 17 recommendations to improve services, establish fiscal and operating control, and to provide data essential for the evaluation of program costs and benefits.

Respectfully submitted,



VINCENT THOMAS, Chairman
Joint Legislative Audit Committee

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INTRODUCTION

The Work Incentive (WIN) program was established by Congress by enactment of Public Law 90-248, authorized in California by Chapter 1369 of the 1968 legislative session, and began operating in California on September 9, 1968.

The program was instituted to provide the necessary services, including counseling, job search assistance, training and education, and work experience, required to assist recipients of the Aid to Families with Dependent Children (AFDC) program to become employed and independent.

The WIN program has been deluged with problems since its inception. The primary sources of these problems appear to be:

1. The program was established on a crash basis with insufficient lead time to develop the most effective organizational structure, provide training for program personnel, inventory available resources, and develop reporting systems which would provide a basis for gauging the effectiveness of the program and pinpointing its weaknesses.
2. There are basic flaws in the federal legislation which prevent the most effective utilization of available resources.
3. The program is based on an assumption that there are adequate jobs in the economy, and since the inception

of the program the national and state economies have experienced a depressed condition in which adequate jobs were not available.

4. The program is administered by a multitude of agencies at the federal, state and local level, which has resulted in confusion, ill feelings, and inefficiencies.

This review was begun in March 1971, and completed in January 1972. A separate report will be issued covering procedures governing issuing and processing contracts for training services.

CONCLUSIONS

The review has resulted in the following conclusions which are discussed in detail in succeeding chapters of this report:

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PROGRAM ADMINISTRATION AND RESPONSIBILITY

LEGISLATION

Congress authorized the Work Incentive program by Public Law 90-248 (1967 amendments to the Social Security Act, Title IV, Part C). The program became effective July 1, 1968 for those states with enabling statutes and was mandatory in all states by July 1, 1969. Chapter 1369 of the 1968 Legislature authorized the program in California, and the program began receiving referrals in this state on September 9, 1968.

In addition to creating the WIN program, Public Law 90-248 phased out two similar public assistance programs:

1. The Community Work and Training Program

Created by 1962 amendments to the Social Security Act. It enabled welfare agencies to provide training services to AFDC recipients.

2. The Work Experience and Training Program

Authorized by Title V of the Economic Opportunity Act of 1964. It expanded the availability of training services to include not only AFDC recipients but also the heads of needy families who did not qualify for AFDC.

PARTICIPATING AGENCIES

The responsibility for the administration of the WIN program has been divided between the Department of Labor and the Department of Health, Education and Welfare at the federal level, the Department of Human Resources Development and the Department of Social Welfare at the state level, and the welfare departments at the county level.

Department of Labor (DOL)

This department has the primary responsibility for overall program planning and management, monitoring state and local government participation, providing technical assistance to state and local governments, and for providing program evaluation and research jointly with the Department of Health, Education and Welfare.

The department provides 80 percent of the funding for training-related expenses incurred in the program. The training-related expenses include:

1. An incentive payment of \$30 per month to each enrollee while participating in a program training component.
2. The costs of providing educational, vocational, and job training courses for WIN clients.
3. Books and supplies necessary to attend courses.

Department of Health, Education and Welfare (HEW)

This department shares joint responsibility with the Department of Labor for program planning and evaluation of the WIN program at the federal level.

The department provides 75 percent of the funding for training-related expenses of the program incurred by trainees enrolled in the WIN program. These training-related expenses include:

1. Transportation costs (or carfare) to and from work locations and training and educational facilities.
2. The additional costs of meals outside the home while engaged in work experience or training activities.
3. The additional costs of work clothes and safety and protective clothing items.
4. The additional costs of improved diet if engaged in physically exerting work experience or training activities, and the cost of more easily prepared food if the participant is also the housewife.
5. Suitable clothing and grooming for participation in education and training classes, other program activities, or in employment.

The federal government, through the Department of Health, Education and Welfare, also provides 75 percent of the funding of administrative expenses of the AFDC program and of necessary child care costs for WIN enrollees. AFDC grant payments and county administrative expenses are subject to 50 percent matching federal funds.

Department of Human Resources Development (HRD)

HRD has primary responsibility for program administration at the state level and shares jointly the responsibilities for planning and

Each team has a maximum caseload of 200 clients and may be housed in an Employment Service Office, an HRD Center, a Service Center, or a WIN office depending upon available facilities and caseload within the area served. From one to six teams may be located in one office, and there may be from one to 13 WIN offices in a county.

All WIN costs incurred by the WIN organization within HRD are funded 80 percent by federal funds and 20 percent by state funds. These expenses include:

1. HRD WIN-related administrative and personnel costs.
2. Incentive payments of \$30 per month to each enrollee participating in a program training component.
3. Costs of educational, vocational, and job training courses for WIN clients.
4. Books and supplies necessary to attend courses.

State Department of Social Welfare (SDSW)

SDSW shares the responsibilities with HRD for planning and evaluating the WIN program. The department also coordinates the county welfare departments' activities in referring eligible AFDC recipients to HRD WIN teams and providing supportive services to the clients while they are enrolled in the WIN program.

The federal government, through the Department of Health, Education and Welfare, provides 75 percent of the funds for program administration expenses incurred by the SDSW and WIN training-related expenses incurred by SDSW and the county welfare departments. The state provides the other 25 percent

evaluation with the State Department of Social Welfare. Department responsibilities include:

1. Providing (or contracting for) education, training, and employment services required for WIN clients.
2. Preparation and distribution of incentive payments to WIN clients actively participating in program training components.

WIN resources are allocated on the basis of "slots" which reflect the maximum number of persons who may be enrolled in the program at one time. Prior to July 1, 1971, California was allotted 16,800 slots. This was increased to 17,600 at July 1, and to 18,640 at December 1, 1971. The slots are allocated to counties based upon the total number of WIN-eligible AFDC cases in the county.

Federal guidelines require that all counties with 1,100 or more eligible AFDC cases must participate in the WIN program. Prior to July 1, 1971, there were 27 participating counties. Three counties have since been added.

To administer the program, HRD has established centers in all WIN₇ participating counties. The centers are staffed by a WIN manager, a program supervisor for every two teams, and teams consisting of:

1. Counselor
2. Manpower specialist
3. Work training specialist
4. Orientation leader
5. Coach
6. Clerk
7. Non-permanent members.

of the funds for SDSW program administrative expenses and 16.875 percent of the county-incurred program and training-related expenses. The counties provide the remaining 8.125 percent of the expenses that they incur. The federal government also provides 50 percent of the funding for AFDC grants. The state provides 33.75 percent and the counties provide 16.25 percent.

Department of Health, Education and Welfare guidelines for the WIN program allow the state agency, in order to simplify administration, to establish a standard reasonable money amount to cover the additional costs of food, clothing, and personal incidentals. In addition to this fixed amount, transportation costs, child care costs, and unusual expense items such as uniform costs must be provided.

SDSW has established the following guidelines for WIN training-related expenses:

1. A fixed amount of \$25 per month to cover the costs of lunch, clothing, grooming, and incidental expenses. This amount per enrollee is allocated on the basis of number of days in training or employment during the month.

<u>Number of Days</u>	<u>Amount</u>
1 through 5	\$ 6.00
6 through 10	12.00
11 through 15	18.00
Over 15	<u>25.00</u>

2. Transportation expenses incurred in traveling to and from training. Transportation expenses include:
 - a. Purchase of vehicle at a cost of up to \$75 per month and a maximum total price of \$770.

- b. Repairs to vehicle (repairs in excess of \$50 must receive prior approval).
 - c. Gasoline, oil, lubrication, and minor repairs at a rate of four cents per mile.
 - d. Other essential costs (registration fees, parking, insurance, etc.) to a maximum of \$25 per month.
3. Costs of child care.
 4. Medical treatment to the extent essential to realization of the purposes of the plan.
 5. Cost of essential items not provided by other agencies.
 6. Costs of relocation to obtain training.

Note: These guidelines were in effect during the period of our review and have since been revised.

County Welfare Departments

Counties must fund that portion of AFDC grants (16.25 percent), WIN training-related expenses (8.125 percent), and county program administrative expenses (50 percent) not funded by the state or federal government.

The counties also have the responsibility to:

1. Screen all AFDC recipients to determine whether they are appropriate for referral to WIN and to refer all those classified as appropriate.
2. Provide supportive services to the individuals while they are enrolled in the WIN program.

3. Assure that adequate child care is available to AFDC recipients while they are enrolled in the WIN program.

CONCLUSIONS

1. PROGRAM OPERATIONS ARE NOT COORDINATED AMONG THE STATE AND COUNTY UNITS RESPONSIBLE FOR THE ADMINISTRATION OF THE WIN PROGRAM.

Although the Department of Human Resources Development has primary responsibility for the program administration at the state level, the Department of Social Welfare shares the responsibility for program planning and evaluation and has primary responsibility for coordinating the county welfare department's activities in referring appropriate recipients to the program, disbursing AFDC grants, providing training and work-related expense funds, and providing supportive services to the AFDC recipient while enrolled in the program.

This diffusion of responsibility has created misunderstandings and antagonism between the state departments and conflicting instructions to county welfare departments. WIN personnel express the opinion that they inherited the responsibilities of the WIN program because the Department of Social Welfare and the county welfare departments have been ineffective in similar programs. The county welfare departments contend that programs which they have administered in the past and which they are presently administering have been more successful and less expensive than the WIN program. The results have been a lack of constructive communication between involved units, poor utilization of available personnel resources, and a disregard for knowledge and experience gained through other programs.

2. THE ORGANIZATIONAL STRUCTURE OF THE DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT PRECLUDES THE MOST EFFICIENT UTILIZATION OF WIN PERSONNEL.

The WIN program director at HRD headquarters, who is responsible for the program's effectiveness, is at the section chief level, which is a staff position with no line authority over WIN field personnel. He is responsible to the Assistant Deputy Director of the Program Services Branch, who in turn is responsible to the Deputy Director of the Job Training, Placement, and Development Division.

WIN field personnel are responsible to the local WIN manager. The WIN managers, except in those cases where WIN personnel are located by themselves in WIN centers, are responsible to the managers of the centers where they are housed whether they are located in an HRD center, a Service Center, or an Employment Service office. All of the center managers are responsible to Area Administrators. All eight Area Administrators are responsible to the Director of Line Operations at HRD headquarters, and the Director of Line Operations is responsible to the Deputy Director of the Job Training, Placement, and Development Division.

As a result of the fragmented authority over the WIN program personnel, it is impossible for the WIN Chief, or anyone else in the present organizational structure, to effect a concerted effort toward the goals established for the WIN program.

WIN field personnel are subject to the authority of personnel who are not fully aware of the goals of the WIN program, who do not understand the daily operations of the staff, and who have other responsibilities which they feel are more urgent.

3. APPLICATION OF THE TEAM CONCEPT IN STAFFING OF WIN FIELD PERSONNEL HAS RESULTED IN A LACK OF RESPONSIBILITY FOR ENROLLEES' WELFARE, MORALE PROBLEMS AMONG THE STAFF, AND DUPLICATIONS OF EFFORT.

The Department of Labor, as the federal agency with primary responsibility for establishing the WIN program, has required the adoption of the team concept in staffing the WIN program by all states. This concept is based on the involvement of various disciplines in a concerted effort to (1) identify the obstacles which the individual AFDC recipient faces in the employment market, (2) determine what services are required to overcome these obstacles, and (3) provide those required services which will result in permanent employment.

The Department of Human Resources Development, in applying this concept, has established teams with staffing standards in conformance with instructions promulgated by the Department of Labor in the Work Incentive Program Handbook. The following problem areas have resulted from the team concept staffing, or the manner in which the team concept has been implemented by the Department of Human Resources Development:

- a. Lack of leadership and commensurate responsibility at the team level has resulted in a wide disparity in results between teams in the same offices, animosity between team members, and a total reliance upon individual attitudes, ambitions, and health to perform their various functions.

In one of the offices visited, one team had not enrolled AFDC clients for several months because the counselor

was on extended sick leave. In another office, team members were observed loudly cursing at each other. Although these are extreme examples, variations of these conditions were observed in different degrees in almost every office visited.

Instructions issued to WIN field personnel in the WIN manual prepared by HRD, discourages independent action by team members. The manual states that "No team member is the team supervisor" and "The effective team operates by consensus decisions to which each member has contributed." The following quotations are taken from a subsection entitled "Decision making". "Teams will need to develop the art of reaching consensus decisions. A characteristic of these decisions is that they are not reached by taking a vote. The minority opinion may be the correct one." "If consensus cannot be reached, ask the team supervisor or WIN supervisor to arbitrate." "The supervisor should not make team decisions."

- b. Enrollee progress suffers because of a lack of fixed responsibility for individual enrollees by individual team members. This is evidenced by the high percentage of total enrollment time individuals spend in "holding" components.

Those enrollees reported as successful terminations through March 31, 1971, spent an average of approximately

24 percent of their total time in the WIN program in holding components. Approximately 56 percent of the time of enrollees terminated as non-successful was spent in holding components. During this period 34,449 enrollees were terminated. Of these, 6,287 were reported as successful terminations and 28,162 were reported as non-successful terminations.

The following is quoted from a "discussion of standards" in the HRD WIN manual. "In justice to the enrollee, who is investing his time in WIN, time spent in 'Holding' should be reduced to the minimum. Usually no more than 15 percent of the caseload should be in this category."

- c. The activities of the various teams are not coordinated. As a result, team members are repeatedly contacting the same training facilities and potential employers.

Many instances were noted where several individual contracts for training were prepared for participation of enrollees in one class or training course. These contracts could well have been consolidated and saved time of individual team members and the training facilities and perhaps have resulted in lower prices from the facilities.

Each team has representatives calling on employers to locate jobs for enrollees and to develop on-the-job training

contracts. The employers who have suitable jobs available and who are willing to participate and cooperate in the WIN program are limited. As a result, the same employers are contacted repeatedly by different WIN team members, representatives of the regular HRD employment service, and of other manpower programs. This discourages employers from participating in the program and is a waste of time for manpower program personnel and employers.

RECOMMENDATIONS

1. Establish line authority of the WIN Program Director over all WIN program personnel.
2. Designate one member of each WIN team as the team leader with commensurate authority and responsibility for team activity.

Note: This function should not be assigned to one discipline, but should vary from team to team at the discretion of the WIN manager.
3. Assign to each WIN team member, in addition to his other duties, a caseload for which the team member will be primarily responsible during the total enrollment period of the persons in the caseload.
4. Assign one person in each WIN office to the position of contract officer with the responsibility for negotiating and preparing all contracts for training.

5. Require regular employment service offices to provide a concerted job search effort for job-ready WIN enrollees, and discontinue this function in the WIN offices.

PROGRAM COSTS AND BENEFITSPROGRAM COSTS

Costs of the WIN program are funded from federal, state, and county resources. Federal funding is provided through the Department of Labor and the Department of Health, Education and Welfare. State funding is provided through the Department of Human Resources Development and the Department of Social Welfare. Local funding is provided by each of the counties presently participating in the WIN program. The extent to which these entities participated from September 8, 1968 through March 31, 1971, is shown below:

<u>Governmental Unit</u>	<u>AFDC Grants</u>	<u>Program and Administrative Costs</u>	<u>Total</u>
Federal government:			
Department of Labor		\$26,857,000	\$ 26,857,000
Department of Health, Educa- tion and Welfare	\$ 51,374,000	<u>23,051,000</u>	<u>74,425,000</u>
Total federal government	<u>51,374,000</u>	<u>49,908,000</u>	<u>101,282,000</u>
State government:			
Department of Human Resources Development		6,714,000	6,714,000
Department of Social Welfare	<u>34,678,000</u>	<u>4,220,000</u>	<u>38,898,000</u>
Total state government	<u>34,678,000</u>	<u>10,934,000</u>	<u>45,612,000</u>
County governments	<u>16,696,000</u>	<u>6,424,000</u>	<u>23,120,000</u>
Total	<u>\$102,748,000</u>	<u>\$67,266,000</u>	<u>\$170,014,000</u>

A more detailed schedule of these expenditures and of how they were determined is presented as Exhibit A on page 22.

Included in the calculations of program costs on the previous page, is approximately \$102.7 million in AFDC grants which were paid to recipients while they were enrolled in the WIN program. These costs should be considered as part of the WIN program costs because:

1. The grants provide the basic survival income which makes participation in the WIN program possible.
2. The manner in which the WIN program is administered has a direct effect upon the length of time a recipient will receive the AFDC grants.
3. The intent of legislation establishing the WIN program, both federal and state, is to restore individuals receiving such grants to independence.

BENEFITS

The purpose of the WIN program, as stated in P.L. 90-248, is to "require the establishment of a program...under which individuals receiving aid to families with dependent children will be furnished incentives, opportunities, and necessary services in order for (1) the employment of such individuals in the regular economy, (2) the training of such individuals for work in the regular economy, and (3) the participation of such individuals in special work projects, thus restoring the families of such individuals to independence and useful roles in their communities. It is expected that individuals participating in the program will acquire a sense of dignity, self-worth, and confidence which will flow from being recognized as a wage-earning member of society and that the example of a working adult in these families will have beneficial effects on the children in such families."

Although several intangible and unmeasurable benefits are expected to be achieved from the WIN program, they all hinge upon the recipients of AFDC being restored to independence through employment in the regular economy.

In order to accurately determine the success of the program it would be necessary to establish a control group of AFDC recipients with the same characteristics as those enrolled in the program and collect comparable data for the control group and for those enrolled in the program. No such control group has been established for comparison with WIN program enrollees.

As an alternative, we have compared characteristics of enrollees terminated from the WIN program as successful terminations with those terminated as non-successful terminations through March 31, 1971. In developing this comparison the following assumptions were made:

1. Persons successfully terminated were either more strongly motivated or possessed more marketable skills than those terminated as other than successful terminations. The percentage of persons in the successful termination category who would have been removed from welfare had they not participated in the WIN program would therefore at least equal the percentage of persons who were removed from welfare after non-successful termination from the WIN program.
2. Any reduction in the percentage of persons remaining on welfare among persons successfully terminated from the WIN program as compared with other terminations is the result of beneficial participation in the program.

3. Any reduction in average monthly welfare grants of persons successfully terminated from the WIN program as compared with others terminated is the result of beneficial participation in the program.

The following data are applicable to terminations from the WIN program through March 31, 1971:

	Male		Female	
	<u>Successful Terminations</u>	<u>Non-successful Terminations</u>	<u>Successful Terminations</u>	<u>Non-successful Terminations</u>
Total terminations	3,395	15,771	2,892	12,391
Estimated number remaining on welfare*	1,392	10,288	1,938	10,401
Percentage remaining on welfare*	41%	66%	67%	83%
Average monthly welfare grant at referral to WIN*	\$233	\$222	\$190	\$195
Average monthly welfare grant at present	<u>\$257</u>	<u>\$236</u>	<u>\$186</u>	<u>\$205</u>

*Based on sample of cases traced from WIN office files to county welfare department files in the counties of Alameda, Contra Costa, Fresno, Los Angeles, Sacramento, and Santa Clara.

As illustrated in the above table, successful termination from the WIN program resulted in a 25 percentage point differential between the number of male recipients who remained on welfare after successful terminations compared with non-successful terminations and a 16 percentage point differential in female recipients. The average monthly grant for females successfully terminated from the program remaining on welfare decreased an average of \$4 per month, while the average monthly grant for all other classifications of terminated recipients remaining on welfare increased by approximately five percent. The estimated annual savings from these reductions amount to approximately \$4 million.

WORK INCENTIVE PROGRAM
SUMMARY OF EXPENDITURES
FOR THE PERIOD FROM
SEPTEMBER 9, 1968 THROUGH MARCH 31, 1971

	<u>Source of Funding</u>			<u>Total Costs</u>
	<u>Federal</u>	<u>State</u>	<u>County</u>	
ADMINISTRATION:				
HRD-Headquarters	\$ 5,893,000	\$ 1,473,000		\$ 7,366,000
HRD-Field Offices	9,161,000	2,290,000		11,451,000
HRD-In-kind services	37,000	9,000		46,000
SDSW	302,000	101,000		403,000
County welfare departments (1)	<u>4,441,000</u>	<u>-</u>	<u>\$ 4,441,000</u>	<u>8,882,000</u>
Total Administration	<u>19,834,000</u>	<u>3,873,000</u>	<u>4,441,000</u>	<u>28,148,000</u>
CONTRACT SERVICES-HRD (2)	<u>6,632,000</u>	<u>1,658,000</u>	<u>-</u>	<u>8,290,000</u>
WORK AND TRAINING:				
Child Care	14,513,000	3,265,000	1,572,000	19,350,000
Work & Training- Related expenses	3,754,000	845,000	407,000	5,006,000
Relocation payments	31,000	8,000	-	39,000
Other work & training expenses	<u>41,000</u>	<u>9,000</u>	<u>4,000</u>	<u>54,000</u>
Total Work & Training Expenses	<u>18,339,000</u>	<u>4,127,000</u>	<u>1,983,000</u>	<u>24,449,000</u>
WORK INCENTIVE PAYMENTS				
HRD	<u>5,103,000</u>	<u>1,276,000</u>	<u>-</u>	<u>6,379,000</u>
Total WIN Program Expenditures	49,908,000	10,934,000	6,424,000	67,266,000
AFDC Grants to WIN Clients (3)	<u>51,374,000</u>	<u>34,678,000</u>	<u>16,696,000</u>	<u>102,748,000</u>
Total WIN Program Expenditures & Related AFDC Grants	<u>\$101,282,000</u>	<u>\$45,612,000</u>	<u>\$23,120,000</u>	<u>\$170,014,000</u>

- (1) County Welfare Administrative costs are estimated on the basis of information supplied by selected counties of Alameda, Contra Costa, Los Angeles, Sacramento, Santa Clara, and Fresno.
- (2) An additional \$18,743,000 was encumbered at this date. Based on past performance, it is impossible to make an accurate determination as to the

amount which will actually be expended on currently approved contracts, or how much of the encumbered balance is applicable to services rendered.

- (3) AFDC grant payments were estimated on the basis of average amount of AFDC-U and AFDC-FG grants applied to the number of recipients involved in the program on a monthly basis.

Release No. HRD LNR - 564

April 9, 1971

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Department of Human Resources Development
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FOR IMMEDIATE RELEASE

New facts on savings achieved and jobs found for welfare recipients through California's work incentive program were disclosed today by Gilbert L. Sheffield, Director of the Department of Human Resources Development.

Since the program began in September, 1968, results through March of this year show that 6,287 persons have successfully completed the program and been placed in permanent employment, said Sheffield. Estimated savings in welfare payments amount to approximately \$40 million, he added.

The work incentive program is a training and placement program operated jointly by HRD and the Department of Social Welfare in conjunction with welfare offices in 27 counties. The goal is to move welfare recipients with dependent children into productive employment as rapidly as possible.

"We have a strict standard for counting successes in the WIN program," said Sheffield. "We count only those persons placed in a job and still at work three months later, which gives us the current figure of 6,287. In fact, the actual number of enrollees who have gone from WIN to a job, either on their own or through our efforts, is much higher -- well over 15,000.

"The welfare savings, too, are based on conservative estimates," Sheffield added. "We count only the estimated savings in the first year although many of the people we help had been on welfare for years and may have remained there many years more -- even to the second generation".

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"The average annual savings in welfare payments per family is \$3,100," Sheffield said, "but the actual gross savings in probable future payments are incalculable."

The program starts with the mandatory referral to HRD of able-bodied fathers with dependent children on welfare, Sheffield said.

"Mothers, too, may be enrolled, but their participation is voluntary," he said. "Single members of a family may also participate in special circumstances."

Sheffield said the most recent figures on enrollments show that 95 percent were heads of families and 83 percent were male.

The enrollee goes through a two-week orientation period of counseling and aptitude-testing to learn about the program, face up to his particular problems and decide on what help HRD should provide to move him into employment as soon as possible, Sheffield said.

"Some people come to us with previous job experience or training but most need a variety of services before they can start to earn," he said. "These often include more education and vocational training but also might include help on special problems such as a language barrier, debts, or lack of motivation."

The enrollee is assigned to a WIN team composed of a counselor, a work-training specialist, a job developer, a coach and a clerk, Sheffield said.

"Depending on the size of the city, these teams are each helping 100 to 225 persons back to the world of work and offering follow-up help for up to six months," he said. "During the training period the welfare office continues the

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welfare payment and provides medical, child-care and other supportive services. Training-connected expenses are also paid and the enrollee is given an extra \$30 a month as an 'incentive' payment.

"The average cost of the program per enrollee is \$1,080," Sheffield added, "and this we believe is a small investment to help a person get off the welfare rolls and back into permanent employment."

Figures for March, issued by Sheffield, show the WIN program currently has 16,628 persons enrolled. Of these, 707 are undergoing orientation, 13,800 are in training, work experience or other assignments and 2,121 are in fulltime employment where follow-up services are being provided.

"But the impact of this program shouldn't be measured only by the number of welfare recipients who have gone from the welfare rolls to payrolls," said Sheffield. "For that modest investment of \$1,080 there's the intangible but clearly significant return in the quality of employability and motivation that our WIN graduates have. This conversion of an apathetic, unskilled, embittered welfare recipient into a self-sufficient, ambitious and skilled breadwinner is at least as significant an achievement in terms of the long-range benefit to the community and the state," he said.

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CONCLUSIONS

4. WIN PROGRAM EXPENDITURES OF \$67 MILLION AND AFDC GRANTS OF \$102.7 MILLION PAID TO RECIPIENTS WHILE ENROLLED IN THE PROGRAM DURING THE FIRST THIRTY-ONE MONTHS OF OPERATION RESULTED IN ESTIMATED ANNUAL SAVINGS IN AFDC GRANTS OF \$4 MILLION.

On the basis of an estimated \$4 million annual savings in welfare grants due to WIN program operations through March 31, 1971, it will take approximately 17 years to recover the costs of approximately \$67 million incurred during the same period which are directly attributable to the WIN program. If the \$102.7 million in welfare grants which were paid to recipients while enrolled in the WIN program are included as costs of the program, it will take more than 40 years to recover the estimated \$170 million costs of the program operations for the first 31 months.

5. THE WIN PROGRAM HAS NOT MET THE NEEDS OF THOSE REFERRED TO THE PROGRAM.

During the first 31 months of operation of the program, 143,720 recipients were referred to the program. Of this total, 2,957, or approximately two percent, have achieved the objectives of the program in that they were enrolled, received some service, were employed and successfully terminated, and have remained off welfare. The following data summarizes the movement of AFDC recipients within the WIN program during the first 31 months of the program's existence from September 1968 through March 31, 1971:

Total number of recipients referred to WIN	143,720
Total number enrolled in WIN	51,077
Total number enrolled at March 31, 1971	16,628
Total number terminated through March 31, 1971	34,449
Total number non-successfully terminated	28,162
Total number successfully terminated	6,287
Total number successfully terminated and still drawing AFDC (estimated)	3,330
Total number successfully terminated and not drawing AFDC (estimated)	<u>2,957</u>

WIN operating and reporting procedures reflect a structured program which lacks the necessary flexibility to cope with the diverse needs of AFDC recipients. County welfare departments make an assessment of recipients to determine whether they are appropriate for referral to WIN. WIN teams then make a determination as to whether the referred recipient is appropriate for enrollment in the program. This determination is made at an interview with the recipient which is the recipient's first personal contact with the program and must be considered one of the most crucial phases of the program.

This initial interview with enrollees is viewed as a mechanical function by team members. The individual team member who conducts this interview varies among teams and on some teams the function is rotated among the members. Some teams have held mass enrollment interviews where several recipients have been interviewed at one time and those considered inappropriate for enrollment have been eliminated from the program.

After enrollment, approximately 80 percent of all enrollees are assigned to orientation classes. The objectives of the orientation class are to introduce the enrollee to the "world of work" and to determine what other program component participation will be required to prepare the enrollee for this world of work. After orientation, enrollees are either assigned to active components or placed in a holding component while a decision is made as to what the next component should be and arrangements are made for entry into that component.

No distinction is made, nor are data accumulated, in this processing as to those enrollees who are job-ready at the time of enrollment, how much

service is required, and what is the success rate for those persons who were job-ready at enrollment as opposed to those requiring extensive training and counseling.

Both Congress and the state Legislature recognized the diverse characteristics and needs of the AFDC recipients when generating the legislation enacting the WIN program.

Public Law 90-248 states "The Secretary of Labor...shall...establish work incentive programs.... Such programs shall include...(1) a program placing as many individuals as possible in employment, and utilizing on-the-job training positions for others, (2) a program of institutional and work experience training for those individuals for whom such training is likely to lead to regular employment, and (3) a program of special work projects for individuals for whom a job in the regular economy cannot be found."

6. THE WIN PROGRAM HAS HAD NO DISCERNABLE EFFECT ON THE OVERALL WELFARE CASELOAD IN THE STATE.

During September 1968, when the WIN program was initiated, there were 19,356 unemployed cases and 195,941 other family groups on welfare. During March 1971, there were 71,524 unemployed cases and 383,362 other family groups on welfare.

7. SUFFICIENT COST AND STATISTICAL DATA REFLECTING PROGRAM OPERATIONS ARE NOT READILY AVAILABLE.

It is not possible for program administrators to make the most effective use of all available resources or for the Legislature to act intelligently on related legislation, both budgetary and regulatory, based upon the limited cost and statistical information which is presently available.

Press releases issued by the Director of the Department of Human Resources Development provide an example of dissemination of erroneous information because more accurate and meaningful information is not available.

A press release dated April 9, 1971 (Exhibit B, page 24) claims a \$40 million savings in welfare payments. These savings are based on placement in permanent employment of 6,287 enrollees through the WIN program as of March 31, 1971, at an average annual savings in welfare payments per AFDC family of \$3,100. The release also insinuates that these savings were achieved at an average cost of \$1,080 per person. The press release contains several errors as pointed out below.

- a. 6,287 successful terminations (placed in permanent employment) multiplied by an annual savings of \$3,100 per AFDC family equals \$19,489,700, not \$40 million.
- b. Of the 6,287 successfully terminated enrollees, 54 percent were receiving welfare grants during the period of our review and were no longer in "permanent employment".
- c. The only reference to the cost of the program is the statement that the average cost per enrollee is \$1,080. This figure was calculated by allocating HRD costs, including those reimbursed by the Department of Labor, to the 51,077 persons enrolled in the program through March 31, 1971. Of these 51,077 enrollees, 6,287 had been successfully terminated, 28,162 had been terminated as non-successful, and 16,628 were still enrolled. Costs have thus been

allocated on a basis inconsistent with services rendered or benefits received, and all costs attributable to non-productive activity have been ignored in the presentation of costs versus benefits. In addition, the costs which have been allocated represent only a portion of the total costs of the program. The costs incurred through the Department of Social Welfare and the county welfare departments have been ignored.

8. WIN TEAM MEMBERS ARE NOT FISCALLY RESPONSIBLE FOR PROGRAM OPERATIONS.

The WIN team members are not fully aware of, or fiscally responsible for, the costs of the employability plans which they develop for individual enrollees whom they are counseling. This lack of responsibility is reflected in the high rate of non-successful terminations, the small percentage of enrollees who have been successfully terminated who received training in the field in which they were employed, and the high percentage of time which enrollees spend in nonproductive "holding" components.

- a. Only 18 percent of the male enrollees who were successfully terminated received vocational training, and only 10 percent received vocational training that was related to the job in which they were employed after termination from the WIN program. Approximately 63 percent of the female enrollees who were successfully terminated received vocational training which was job-related.

Of those enrollees non-successfully terminated, approximately 17 percent of the males and 24 percent of the females received vocational training.

- b. Enrollees who were successfully terminated from the program prior to March 31, 1971, spent approximately 24 percent of their total time enrolled in "holding" components. Non-successfully terminated enrollees spent approximately 56 percent of their time in these components.

RECOMMENDATIONS

6. Subdivide the WIN program into three distinct programs in conformance with legislative intent, consisting of:
 - a. A program placing as many individuals as possible in employment and utilizing on-the-job training for others.
 - b. A program of institutional and work experience training for those individuals for whom such training is likely to lead to regular employment.
 - c. A program of special work projects for individuals for whom a job in the regular economy cannot be found.

Note: In the section of this report relating to program administration we are recommending that the responsibility for those functions under (a) above be transferred to the regular employment services of HRD.

7. Develop statistical and cost reporting procedures to adequately present basic data which will provide a basis for analyzing the various programs and components.

8. Require WIN teams to estimate total costs of completion of the employability plans, and all of the various components within these plans, which they prepare. These estimates should include costs incurred by other units such as county welfare departments and the Department of Social Welfare.

REFERRAL PROCESS

The federal legislation establishing the WIN program (P.L. 90-248) and guidelines issued by the Department of Labor and the Department of Health, Education and Welfare set forth the descriptions of persons to be considered appropriate for referral to the program and the priorities for such referrals.

MANDATORY REFERRALS

1. Appropriate unemployed fathers of families receiving AFDC must be referred to WIN within 30 days of receipt of public assistance. Failure by the county welfare offices to refer such unemployed fathers results in the federal governments non-participation in funding of AFDC grants of those individuals not referred.
2. Dependent youth and essential persons age 16 and over who are not substantially full time in school, at work, or in training and for whom there are no educational plans under consideration for implementation within the next three months must be referred to the WIN program although no specific time deadline or sanctions are provided for non-compliance. Essential persons are those persons living in the house who are essential to the well-being of the recipient and whose needs are included in the grant.

OPTIONAL REFERRALS

The county welfare agencies must also refer to the WIN program any other individual in the AFDC payment who, on a voluntary basis, requests

referral to it unless the agency determines that participation will be inimical to person or family.

APPROPRIATENESS FOR REFERRAL

Federal guidelines provide that persons with certain characteristics are inappropriate for referral to the WIN program. These characteristics are:

- A person with illness, incapacity, or advanced age
- A person so remote from any WIN project that he cannot effectively participate in it
- A child attending school full time
- A person whose presence in the home on a substantially continuous basis is required because of the illness or incapacity of another member of the household
- A person without an adequate child care plan.

When first enrolling in the WIN program states were required, to the maximum extent feasible, to enroll trainees who were receiving training under Title IV Work Experience and Training Program and under Community Work and Training Program. These programs terminated on June 30, 1968.

CONCLUSIONS

9. COUNTIES HAVE REFERRED MANY INAPPROPRIATE PERSONS TO WIN.

Counties have referred many persons to the WIN program who were later found to be inappropriate (many for drug and alcohol addiction and other physical and emotional handicaps) and have referred persons to the WIN program when WIN staff was not enrolling rather than risk the loss of federal participation in AFDC grants.

From the inception of the program in California in September 1968 through March 31, 1971, 143,720 persons were referred to WIN and only 51,077 were enrolled.

10. THE WIN PROGRAM HAS NOT HELD THE INTEREST OF MOST PERSONS ENROLLED IN THE PROGRAM.

Through March 31, 1971, the Department of Human Resources Development had recorded 34,449 terminations from the program. Only 6,287 were recorded as successful, and the remaining 28,162 were recorded as non-successful terminations for the following reasons:

<u>Reason for Termination</u>	<u>Percentage</u>
Refused to participate	15%
Cannot locate	6
Institutionalized	3
Health reasons	12
Pregnancy	3
Family care required	11
Moved from area	13
Death	1
Returned to welfare	6
Administrative separation	5
Other	<u>25</u>
Total	<u>100%</u>

11. MANY OF THOSE ENROLLED IN THE WIN PROGRAM POSSESSED MARKETABLE JOB SKILLS AND WERE ON WELFARE ROLLS DUE TO A GENERAL DEPRESSED ECONOMY.

Through March 31, 1971, HRD reported 6,287 successful terminations. Of these, 2,395 were men. Our review disclosed that only 18 percent of the male enrollees who were successfully terminated received vocational training, and only 10 percent of all male successful terminations received vocational training and were employed in the field for which they were trained. (A successful termination is defined as a person who was enrolled in the WIN program, became employed, remained employed for at least 90 days, and was terminated from the WIN program.)

12. COUNTIES MUST RE-REFER AFDC-U RECIPIENTS WHO HAVE DEMONSTRATED A LACK OF MOTIVATION FOR THE WIN PROGRAM.

Federal guidelines provide that all AFDC-U (unemployed fathers) clients who refuse to participate in the WIN program must be referred back to the county welfare department for intensive counseling for a period up to 60 days. If the client agrees to participate during this counseling period, he must be re-referred to the program. There are no limitations on the number of times which a client may, or must, be referred to or enrolled in the WIN program. As a result, persons with a demonstrated lack of interest in the program must be referred and occupy limited slots while others who are interested and motivated must be deferred.

RECOMMENDATIONS

9. Eliminate mandatory referrals to the WIN program and provide for participation on a strictly voluntary basis.
10. Place limitations on the number of times a person may be referred to and enrolled in the WIN program.
11. Develop more definitive guidelines for determination of appropriateness for referral to the WIN program by county welfare departments.

ENROLLEE PROGRESS

PERSONAL BARRIER THEORY

The WIN program has been developed around the personal barrier theory. This theory is based on the assumption that jobs exist in the economy for all qualified persons seeking employment. Therefore, if a person is receiving welfare, the person is either not effectively seeking employment or does not have the necessary training or experience to qualify for existing jobs.

To remove persons from welfare the recipients must be provided the motivation, work experience, training, and assistance in seeking employment which will enable them to become permanently employed and independent. These are the goals of the WIN program, and the target group is composed of recipients of Aid to Families with Dependent Children.

PROGRAM COMPONENTS

To achieve these goals the federal legislation establishing the WIN program requires the states to develop programs to:

1. Place as many of these individuals as possible in employment and utilize on-the-job training positions for others.
2. Provide institutional and work experience training for those individuals for whom such training is likely to lead to regular employment.
3. Provide special work projects for individuals for whom a job in the regular economy cannot be found.

Components of the programs so established include program orientation, basic education, training in communications and employability skills, work experience, institutional training, on-the-job training, job development, special job placement, and follow-up services in addition to the regular counseling, testing, and referral available through the regular employment service system to assist participants in securing employment and securing possibilities for advancement.

PROCEDURES

After referral to the WIN organization by the county welfare department, the AFDC recipient is scheduled for an enrollment conference with WIN team members to determine whether the recipient is appropriate for enrollment in the WIN program. If the recipient is deemed inappropriate, he is returned to the county welfare department. If he is considered appropriate, he is enrolled and an "employability plan" is prepared.

The employability plan is described in the WIN handbook (section 112) prepared by the U. S. Department of Labor as the "blueprint which guides the activities of the program components and supportive services in assisting enrollees to develop their occupational potential, and provides direction and continuity without rigidity in the movement of enrollees through the Work Incentive Program into a job."

A decision is made during an initial assessment conference as to whether the enrollee is able to get and hold a job or is in need of training, work experience, or services which can be provided through the WIN program or through other ongoing manpower programs. If the decision is that the enrollee

is able to get and hold a job, he must be referred to the mainstream employment services provided by the Department of Human Resources Development. If no suitable job is currently available through the mainstream employment services, the enrollee may be referred to a special WIN component until such time as a job becomes available.

Where any doubt exists as to the enrollee's ability to get and hold a job, he is enrolled in a WIN program orientation and vocational assessment component. Upon completion of the orientation and vocational assessment component the enrollee is placed in other program components, composed primarily of basic education and vocational training, which will provide the enrollee with more marketable job skills.

CONCLUSIONS

13. PLANNING AND COORDINATION OF ENROLLEE PARTICIPATION IN PROGRAM COMPONENTS LACKS CONTINUITY.

As a result of little or no continuity in the planning and coordination of enrollee participation in the various program components, a disproportionate amount of enrollees' total time enrolled in the WIN program has been spent in non-productive components. The following table illustrates the average time spent in the various components by enrollees terminated from the WIN program prior to March 31, 1971.

<u>Type of Component</u>	<u>Successful Terminations</u>		<u>Non-successful Terminations</u>	
	<u>% of Total Time Enrolled</u>	<u>Average No. of Weeks Enrolled</u>	<u>% of Total Time Enrolled</u>	<u>Average No. of Weeks Enrolled</u>
Components involving training	30.2%	17.2	38.1%	15.6
Holding and suspense components	23.7	13.5	56.4	23.1
Job follow-up components	46.1	26.3	5.5	2.3
Total	<u>100.0%</u>	<u>57.0</u>	<u>100.0%</u>	<u>41.0</u>

Note: Above figures are estimated based on samples of enrollee files at six of the most populous WIN counties.

The high percentage of enrollees' time which is spent in the various holding components discourages enrollees from further participation in the program, extends the period of time enrollees receive AFDC grants, and restricts the number of persons who can be processed through the limited number of "slots" available through the program.

An average of approximately 26 weeks, or six months, has been spent in job follow-up by persons successfully terminated. Enrollees are employed during this time but are retained in the program to be sure they will remain employed. Six months appears to be excessive for this function. Retaining employed persons in the program an excessive period of time restricts the number of persons who can be processed through the program.

14. WIN PERSONNEL, AT BOTH HEADQUARTERS AND LOCAL OFFICES, DO NOT HAVE SUFFICIENT INFORMATION REGARDING ENROLLEE ACHIEVEMENT IN PROGRAM COMPONENTS TO CRITICALLY ASSESS THE SERVICES BEING PROVIDED OR THE ENROLLEE PARTICIPATION.

Training of enrollees is provided through various sources, including instruction provided by WIN personnel; instruction and training by the public school system, community colleges, and state colleges; and academic and vocational training by privately owned facilities. The results of education and training so provided are not reviewed to determine which facilities are most successful in (a) active enrollee participation or (b) net costs per successful completion of the training per enrollee.

The results of enrollee participation in training programs are not recorded in individual enrollee files. It is generally difficult, or impossible, to determine whether an individual completed courses in which the

person was enrolled. There is no documentation as to the individual's class standing or whether the expected results were achieved. This is true of training provided by WIN personnel, through public schools, and private training facilities.

As examples, many enrollees participate in such courses as basic education to raise their academic proficiency and grade level, GED courses to acquire high school equivalence certificates, and driver training to obtain drivers' licenses, and there is no documentation to indicate whether grade levels have been raised, high school equivalence certificates have been granted, or drivers' licenses have been issued.

On the basis of the inordinately high percentage of enrollees who have been non-successfully terminated from the program, it appears that the enrollees were not adequately consulted in the development of the plans and that the enrollee's concurrence with the goals and methods of attaining these goals was not obtained.

RECOMMENDATIONS

To reduce the number of enrollees non-successfully terminated from the WIN program, to increase enrollee participation in the various program components, and to make better utilization of the limited number of WIN slots available:

12. Place greater emphasis on development of individual employability plans to improve the employment potential of the enrollee in the shortest period of time, acquire participation of the enrollee in developing these plans, and require enrollee concurrence with the goals and methods of obtaining these goals formulated in the employability plans.

13. Require the enrollee's signature on all employability plans.
14. Require personal contact with enrollees by WIN personnel at least once a month with proper documentation, including enrollee signature, of the results of the contact in the individual enrollee file folder.
15. Require mandatory termination from the WIN program of all enrollees who cannot be contacted.
16. Record the results of enrollee participation in all program components in the enrollee files.
17. Require the preparation and forwarding to the Department of Human Resources Development of an evaluation of all training components on a periodic basis and a summary evaluation upon the completion of each class or course in which WIN enrollees participate.

REVIEW APPROACH

In conducting this examination of the Work Incentive Program we reviewed the federal and state legislation establishing the program and operating guidelines issued by the various federal and state agencies responsible for the program administration.

Personnel responsible for program administration in the Department of Human Resources Development and the Department of Social Welfare were interviewed, and the organizational structure involved in the delivery of WIN services in both departments was reviewed.

Available correspondence and reports relative to the WIN program were reviewed. This included correspondence from state and federal agencies, local WIN offices and county welfare departments, WIN enrollees, and from agencies and firms providing program contract services.

Audit reports and other reports on operations of the WIN program were reviewed. Included were reports prepared by the Department of Finance, various consulting firms, county welfare departments, and the federal General Accounting Office, Department of Labor, and Department of Health, Education and Welfare.

Operations were reviewed in local WIN offices in six counties: Alameda, Contra Costa, Fresno, Los Angeles, Sacramento, and Santa Clara. The county welfare departments in these counties were also contacted. Over 2,000 individual case folders were reviewed at the local WIN offices, and county welfare departments were asked to verify information abstracted from 1,668 of these files and to provide additional information.

The data obtained from these cases were used to estimate the average amount of AFDC grants paid to recipients while enrolled in the WIN program, the length of time enrolled in the program and the various program components, the number of persons who remained on welfare after termination from the program, and the amounts of the grants they received after termination.


Copies of the draft of this report were provided to the Department of Human Resources Development and the Department of Social Welfare. Conferences have been held with responsible representatives of both departments to discuss discrepancies and areas of major disagreement. The Department of Human Resources Development has provided us with a summary of these comments.

Discrepancies in the report have been corrected. The major areas of disagreement with the report expressed by the Department of Human Resources Development are in:

1. Recommendation Number 1.
"Establish line authority of the WIN Program Director over all WIN program personnel."
2. Recommendation Number 5.
"Require regular employment service offices to provide a concerted job search effort for job-ready WIN enrollees and discontinue this function in the WIN offices."
3. Recommendation Number 6.
"Subdivide the WIN program into three distinct programs..."

The department's objections to the above recommendations are based on their contention that an adequate separation of functions presently exists within the administration of the WIN program and that any attempts to further segregate the program functions or to establish a more authoritative position over the program will weaken it.

The program has not met the needs for which it was established and this has been due in part to the approaches taken by the Department of Human Resources Development in implementing the program and the related organizational structure.


William H. Merrifield
Auditor General

January 26, 1972