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Testimony

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WELFARE TO WORK

**AFDC Training Program
Spends Billions, but Not Well
Focused on Employment**

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Madam Chairman and Members of the Committee:

I am pleased to be here today to discuss our review of the federal employment training program for Aid to Families With Dependent Children (AFDC) recipients.

As the Congress considers the effectiveness of our federal employment training system, it faces the challenge of moving hundreds of thousands of parents from welfare to work. Since the late 1960s, the country has made several efforts at reforming employment training programs in order to reduce the dependence of poor families on welfare payments. The Job Opportunities and Basic Skills Training (JOBS) program, created in 1988, is now one of the largest of the many federal employment training programs and is designed specifically to provide AFDC parents with the help they need to avoid long-term welfare dependence. Since its creation, federal and state governments have spent almost \$8 billion on this program. This is in addition to the hundreds of billions of dollars spent on cash assistance, medical services, food stamps, housing, and other services for these needy families.

You asked us to discuss the success of JOBS in moving AFDC recipients into employment. Our testimony today, based on our report issued last month,¹ will focus on five key points about JOBS: (1) what it was intended to do; (2) how many and which AFDC recipients are being served; (3) what is known about its participants gaining employment; (4) whether the program is sufficiently focused on employment; and (5) what role employers play.

Our conclusion is that, although billions have been spent, the JOBS program has not transformed AFDC into a transitional cash assistance program focused on employment. Few are served in JOBS and some of those most at risk of long welfare stays, such as teen parents, have not been reached. In addition, the JOBS program is not well focused on the ultimate goal of employment. First, as in many of the nation's employment training programs, the number of JOBS participants who have become employed is not known. Second, federal performance standards generally reward states financially for placing AFDC recipients in education and training, but not for finding them jobs. Third, the programs in most communities are not fully using the tools available to find and create jobs for their AFDC recipients.

JOBS INTENDED TO TRANSFORM AFDC TO TRANSITIONAL SYSTEM

In 1988, the Congress created the JOBS program to serve as the principal vehicle for transforming the culture of both welfare agencies and recipients, so that they would view cash benefits as temporary assistance on the path to employment and not as a

¹Welfare to Work: Current AFDC Program Not Sufficiently Focused on Employment (GAO/HEHS-95-28, Dec. 19, 1994).

permanent entitlement. The Department of Health and Human Services (HHS) oversees the program at the federal level and state welfare agencies administer it locally. Welfare agencies or their contractors² are to assess the needs and skills of welfare recipients³ and provide them with the services they need to prepare for and accept employment. To provide these services, JOBS programs rely heavily on a wide variety of community resources, such as Job Training Partnership Act (JTPA) agencies, adult basic education programs, high schools, the state employment service, and community colleges.

To encourage states to work towards the federal goal of reducing welfare dependence, the Congress provided financial incentives for states to serve increasing portions of their AFDC populations with education and training, placing special emphasis on those most at risk of long welfare stays--the hard-to-serve. The Congress also expected that, ultimately, states' receipt of these incentives also would be based on goals such as increased employment and earnings.

Between 1989 and 1994, the federal and state governments spent almost \$8 billion through the JOBS program to provide AFDC recipients with education, training, and support services, including child care. The amount of federal, state, and local dollars spent by other providers, such as JTPA, Head Start, and education providers, is substantial but is not included in this amount.⁴

FEW SERVED, AND THOSE MOST AT RISK NOT REACHED

In fiscal year 1993, about 11 percent of the more than 4.6 million adult AFDC recipients participated in JOBS education and training activities each month. More than half of the recipients

²While the AFDC agency must oversee the JOBS program, it may contract out day-to-day administration. In some states or areas, JOBS is operated by the Job Training Partnership Act (JTPA) agency, the state employment service, community-based organizations, or a combination of agencies and providers.

³AFDC recipients with children younger than 3 years old are not required to participate in JOBS. Recipients may also be exempted for other reasons, such as illness or remoteness from JOBS activities.

⁴One study of JOBS in six counties in California showed that about one-third of the total cost of services provided to JOBS participants was paid for by providers other than the welfare agency. See GAIN: Benefits, Costs, and Three-Year Impacts of a Welfare-to-Work Program, Manpower Demonstration Research Corporation (New York: 1994).

were exempt from JOBS, usually because they were caring for a child under 3 years old. Of those not exempt, about one-quarter were active in JOBS. About half a million AFDC recipients participated in JOBS activities each month.

While JOBS programs have made progress in serving AFDC recipients at risk of long welfare stays, some still are not widely served. Teen parents are especially at risk of long welfare stays because of their low levels of education and work experience and the young age of their children. Our 1992 review of 16 states containing most of the nation's AFDC teen mothers reported that 24 percent of them had been enrolled in JOBS.⁵ In addition, some AFDC recipients with barriers to employment, such as learning disabilities or substance abuse problems, are not being reached.

THE NUMBER OF JOBS PARTICIPANTS WHO HAVE BECOME EMPLOYED IS NOT KNOWN

Today, more than 5 years after JOBS was implemented, we do not know what progress has been made in helping poor families become employed and avoid long-term welfare dependence. Data are available on dollars spent, services provided, and the number and type of participants served. However, these data tell us nothing about how JOBS is moving people into employment. HHS does not track the number of JOBS participants who get or retain jobs or leave AFDC each year.

STATE JOBS PROGRAMS ARE HELD ACCOUNTABLE FOR PARTICIPATION, NOT EMPLOYMENT

Given that no data are collected on the numbers finding jobs, HHS certainly cannot hold states accountable for employment outcomes. The current federal performance standards provide little incentive for states to focus on moving AFDC recipients into employment. Each year, states must place a minimum number of participants in education, training, or work activities that average 20 hours a week. They also must spend over half of their JOBS dollars on targeted groups.⁶ If they do not meet both of

⁵Welfare to Work: States Move Unevenly to Serve Teen Parents in JOBS (GAO/HRD-93-74, July 7, 1993).

⁶To receive their full share of federal funding, states must meet participation and targeting requirements. The minimum participation standards rose from 7 percent of those required to participate in fiscal year 1991 to 20 percent in fiscal year 1995. States also must spend at least 55 percent of their JOBS program resources on recipients and applicants who have received AFDC for any 36 of the preceding 60 months; custodial parents under the age of 24 who (1) have not completed or are not enrolled in high school or high school equivalency courses or (2) have little or no work

these standards, they lose a portion of their federal funding, which can be millions of dollars for many states. As a result, JOBS programs may focus more on getting clients into program activities than into jobs and off AFDC. For example, at one site we visited, a woman had successfully completed several different training programs. Under the current performance system, this individual helps the program meet the federal standards to receive its full share of federal funding. Yet, she remained unemployed and on AFDC.

JOBS' performance standards are process-oriented, based on the numbers and types of participants enrolled in activities, rather than focused on outcomes, such as the portion of participants who become employed and leave welfare. While these process standards have played an important role in encouraging states to serve more participants, including the hard-to-serve, the ultimate goal of JOBS is to increase employment and reduce welfare dependence. The current JOBS performance system, however, does not include any standards based on such outcomes. This raises a question about whether JOBS administrators should be held accountable to standards based on outcomes, such as the portion of participants that find and retain jobs and the level of participants' weekly wages.

HHS has reported to the Congress on its plans to revise the JOBS performance standards to include outcome measures, an expectation stemming from the original legislation creating JOBS. However, HHS does not expect to implement these until 1998, a decade after the JOBS legislation was signed into law. In developing these standards, HHS expects to draw on information from its ongoing impact and cost benefit study of JOBS. It is sponsoring a seven-site national evaluation based on random assignment to determine the effectiveness of different approaches to operating JOBS.

LOCAL PROGRAMS NOT FULLY USING TOOLS AVAILABLE TO LINK PARTICIPANTS WITH EMPLOYERS

Most JOBS programs have weak links with employers. While the programs have discretion in selecting from a full range of tools to help participants prepare for and find employment, those tools most closely linked with employers play a relatively small role in JOBS.

In addition to preparing AFDC recipients for employment through education and training, JOBS programs are supposed to help participants secure a job. One way programs do this is by conducting job development activities, including identifying job

experience in the preceding year; or members of families about to lose their AFDC eligibility because of the age of the youngest dependent child.

openings, marketing clients to employers, and arranging interviews for clients. By working with employers, job developers can make their JOBS programs more responsive to their local labor market.

We have spoken to job developers in selected JOBS programs across the country and found that they play an important role in JOBS programs. One job developer we spoke with was a member of several employer organizations, such as the Chamber of Commerce or Rotary or Lions' Clubs, and used her connections to promote the JOBS program.

Although identified as a potentially important tool for moving JOBS participants into employment, not enough job development is being done to meet the needs of those JOBS participants looking for work. Our nationally representative sample of county JOBS administrators showed that about 40 percent of the programs have no full- or part-time staff dedicated to job development activities. In addition, about half of the program administrators reported that they worked only sometimes or rarely with private-sector employers to identify or create jobs for participants. In fact, more than half of the local administrators reported that, in their opinion, they did not do enough job development to meet their clients' needs.⁷ In our opinion, JOBS programs must do more to bring AFDC recipients and employers together.

Programs can also work with employers in other ways. When appropriate employment is not available, work activities can be used to provide work experience to AFDC recipients who do not have the skills and experience to gain employment on their own. JOBS programs can provide temporary financial incentives to employers that hire and train JOBS participants through on-the-job training and work supplementation/grant diversion programs.⁸ These programs are designed to encourage employers to hire welfare recipients whose productivity may be lower than that of other potential employees. In addition, for recipients who have limited work experience or need to develop good work habits, JOBS may place them

⁷To determine the extent of job development performed, we asked JOBS administrators about all job development activities performed on behalf of JOBS participants, including those activities conducted by paid contractors and those performed on a nonreimbursable basis. While welfare agencies took the lead in performing job development, others involved included JTPA agencies, state employment services, community-based organizations, and other education and training providers.

⁸In on-the-job training programs, JOBS programs may use JOBS funds to reimburse the training and supervision costs of an employer who hires a JOBS client. Under a work supplementation program, all or part of the AFDC grant is diverted to an employer to cover part of the cost of wages for a JOBS participant for up to 9 months.

with public and nonprofit agencies to gain work experience while performing services for their community.

While these work activities can make a difference in promoting employment or creating meaningful work opportunities for welfare recipients, they play a small role in JOBS. In mid-1994, less than one-third of counties placed JOBS participants in on-the-job training or work supplementation programs. And, although more widely used, work experience programs had limited numbers of enrollees. Administrators we spoke with said that too much time and effort were needed to develop these programs. We also learned that these activities can sometimes be more costly than education or classroom training, especially when the education or training is paid for by other providers and is free to the JOBS program.

CONCLUSIONS

The JOBS program does not provide the strong engine that is needed to move significant numbers of AFDC recipients, especially the hard-to-serve, into employment and off AFDC. While progress has been made in implementing JOBS, the program is not well focused on employment as the ultimate goal. JOBS does not track the number of participants who get jobs or leave AFDC annually. In addition, local JOBS programs generally have not forged the strong links with local employers that may be important for helping AFDC recipients gain work experience and find employment. Also, the JOBS performance measurement system holds states accountable for the number and type of AFDC recipients participating in JOBS activities but not for the number who get jobs or earn their way off AFDC. Thus, programs may focus more on preparing participants for employment than on getting them jobs. However, both are important.

Madam Chairman, that concludes my prepared statement. At this time, I will be happy to answer any questions you or other members of the Committee may have.

For more information on this testimony, please call David P. Bixler, Assistant Director, at (202) 512-7201 or Gale C. Harris, Senior Evaluator, at (202) 512-7235.

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Mother-Only Families: Low Earnings Will Keep Many Children in Poverty (GAO/HRD-91-62, Apr. 2, 1991).

Work and Welfare: Current AFDC Programs and Implications for Federal Policy (GAO/HRD-87-34, Jan. 29, 1987).

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