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

B-125037

OCTOBER 19, 1982

The Honorable G. V. Montgomery  
Chairman, House Committee on Veterans' Affairs

The Honorable Alan K. Simpson  
Chairman, Senate Committee on Veterans' Affairs

Subject: A Change to the Veterans Administration's  
Apprenticeship and On-The-Job Training  
Programs Should Be Made (GAO/HRD-83-12)

As part of our oversight of the Veterans Administration's (VA's) educational programs, we reviewed the apprenticeship and on-the-job training (OJT) programs. We found that VA educational assistance often helped fill a significant earnings gap during apprenticeship when veterans trained for relatively high paying jobs and starting wages were considerably less than the wages veterans would receive when fully trained. The wages to be paid to fully trained veterans in OJT programs, however, frequently were relatively low and the wages paid to trainees often were close to the wages they would receive as fully trained workers. Starting wages combined with tax-free VA assistance often exceeded the wages to be earned as fully trained workers.

Even with periodic reductions in VA assistance, some workers will lose income by completing training programs. We estimate that, for veterans entering apprenticeship and OJT programs between January 1, 1978, and March 31, 1981, VA assistance combined with wages paid during the first 6 months of their training would exceed the wages the veterans would receive as trained workers by about \$24 million.

Our review of the history of the legislation that provides for the payment of educational assistance for apprenticeship and OJT programs did not identify congressional expectations about whether VA assistance combined with wages received during training could or should exceed the veterans' wages as fully trained workers.



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The general purpose of the programs is to create an incentive for veterans to train for skilled jobs by providing financial assistance during training. Assuming a veteran is willing, at the outset of training, to work for the wage to be paid at the completion of training, in our view, an assistance amount which, when combined with wages earned during training, causes income to exceed the wages to be paid at the completion of training is excessive.

We believe that the Congress should limit assistance to veterans in apprenticeship and OJT programs to the difference between the wages veterans earn while in training and the wages they are likely to receive at the completion of training.

Our findings and our objectives, scope, and methodology are discussed in more detail in enclosure I.

In comments, dated August 20, 1982 (see enc. II.), VA disagreed that a change in the legislation pertaining to the apprenticeship and OJT programs should be considered. We do not believe that VA's reasons for disagreement provide sufficient basis for changing our recommendation. Our analysis of VA's comments starts on page 9 of enclosure I.

Copies of this report are being sent to the Director, Office of Management and Budget; the Administrator of Veterans Affairs; and other interested parties.



Comptroller General  
of the United States

Enclosures - 2

VETERANS ADMINISTRATION ASSISTANCE TO VETERANS  
IN APPRENTICESHIP AND ON-THE-JOB TRAINING PROGRAMS

The Veterans' Pension and Readjustment Assistance Act of 1967 (Public Law 90-77) authorized monthly assistance to veterans pursuing approved full-time training in apprenticeship or on-the-job training (OJT) programs. Apprenticeship programs, which must meet standards promulgated by the Secretary of Labor, involve planned daily on-the-job training and experience under proper supervision combined with technical studies in subjects related to the trade. Most apprenticeship programs take from 1 to 5 years to complete depending on the trade involved.

OJT programs are those which do not qualify as apprenticeship programs but do meet certain requirements, including

- the position that is the objective of the training is one in which advancement is based on skills learned through organized and supervised training rather than such factors as length of service and normal turnover,
- the customary training period is 6 to 24 months, and
- provision is made for related instruction if necessary.

For apprentices, the Secretary of Labor requires a progressively increasing schedule of wages and the entry wage generally must be at least the Federal minimum wage. For OJT participants, the 1967 act requires that the initial wage be at least 50 percent of the wage paid for the position for which the worker is being trained (objective wage) and the training wage be at least 85 percent of the objective wage not later than the last full month of the program.

Veterans are generally eligible for 1-1/2 months of VA assistance for each month or part-month of active duty up to a maximum of 45 months' eligibility. Veterans with 18 months or more of continuous service, however, are entitled to 45 months of assistance. Eligibility normally terminates 10 years after release from active duty. The apprenticeship and OJT programs are scheduled to expire on December 31, 1989.

The 1967 law did not tie the VA cash assistance to the veteran to wages paid by employers as had been the case under earlier programs. The OJT and apprenticeship programs for World War II and Korean veterans, by establishing ceilings on combined training assistance and earnings, tied VA assistance to the wages paid by employers.

On August 17, 1967, the then Chairman of the House Committee on Veterans' Affairs stated that gearing the veteran's allowance to the employer's wage scale caused considerable variation between

veterans training for the same job and created an incentive for the employer to pay as little as possible so VA would pay a greater amount for longer periods of time. He said the change to a standard allowance would assure more uniform support for veterans in training and would permit support of apprenticeship training where the beginning pay rate was quite high.

As of August 1982, monthly allowances for the apprenticeship and OJT programs were

<u>Period of training</u>	<u>Veterans with</u>			<u>Each additional dependent</u>
	<u>No dependents</u>	<u>One dependent</u>	<u>Two dependents</u>	
First 6 months	\$249	\$279	\$305	\$13
Second 6 months	186	217	243	13
Third 6 months	124	155	180	13
Fourth and any succeeding 6 months	62	92	119	13

The following table shows the size of the apprenticeship and OJT programs in recent years.

<u>Fiscal year</u>	<u>Veterans in programs</u>	<u>Expenditures</u> (millions)
1977	112,392	\$165
1978	93,579	147
1979	84,267	134
1980	74,148	120
1981	55,210	92
1982 (estimate)	65,650	102

The programs are administered by VA's Department of Veterans Benefits in Washington, D.C., and 58 regional offices. VA is assisted in administering the programs by State agencies which have contracted with VA to provide, among other things, the approval of the employer's training program as meeting OJT criteria and the inspection of those employers with veterans in training.

#### OBJECTIVES, SCOPE, AND METHODOLOGY

We made our review to determine how effectively the apprenticeship and OJT programs were being administered and the impact of the programs on veterans' incomes. This report discusses the impact of the programs; a report was issued to VA on August 5, 1982, discussing some administrative problems we found.

Our review was limited to analyzing data contained in veterans' files maintained by VA. 1/ These files included training agreements which showed the amounts that veterans were scheduled to receive at the beginning of training, the amounts and timing of increased wages during training, and the wages to be paid at the completion of training. Wages could change from these scheduled amounts for reasons such as general wage increases or cost-of-living adjustments. However, we used the wage scales shown in the training agreements since they reflect the wages the veterans were presumably willing to accept both as they were being trained and as trained workers.

Our analysis was performed on a 1-percent sample of the 98,200 veterans who had received financial assistance from VA at some time between October 1, 1978, and March 31, 1981, for an apprenticeship or OJT effort. We randomly selected 982 cases, including at least 1 from each VA region except Manila and San Juan. The largest number of cases from one region was 43. However, the data in this report are based on a review of 958 cases because we excluded 24 cases, generally because (1) VA could not locate the veteran's file, (2) VA was using the file, or (3) a dependent rather than a veteran was being trained.

The data for the 958 veterans in our sample include all the apprenticeship and OJT efforts for which VA paid benefits from the time they entered training which, in some cases, was as early as 1972. Because about one-sixth of the 958 veterans in our sample had participated in more than one effort, the sample included 1,128 apprenticeship and OJT efforts. About 40 percent of these efforts had been completed for the period of assistance approved by VA, 2/ 45 percent had been terminated before completion of the approved period, and 15 percent were still underway.

In comparing wage data, we excluded 15 of the 1,128 efforts in our sample because we considered the wages not to be representative. Generally, the 15 efforts involved veterans in prison.

Our work was performed in accordance with GAO's current "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions."

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1/In some cases VA had to obtain wage data for us.

2/In over 40 percent of the efforts in our sample, VA approved a period for assistance that was less than the time required to complete the program--usually because the veteran did not have sufficient entitlement or remaining eligibility to cover the entire program. VA did not have data on whether veterans remained in training after VA assistance ended.

MANY WORKERS IN OJT PROGRAMS  
WILL RECEIVE RELATIVELY LOW WAGES

The legislative history of the apprenticeship and OJT programs stressed that these programs are for training only in fields that offer worthwhile knowledge and skills leading to an acceptable training objective. However, we found no expressions on the acceptable level of wages to be achieved through the training programs.

We found that veterans in apprenticeship programs would generally receive much higher wages than veterans in OJT programs. The following table compares the hourly wages that veterans entering training between January 1, 1979, and March 31, 1981, would receive at the completion of training (objective wages) by the type of program.

<u>Objective wage range</u>	<u>Percent of veterans</u>			
	<u>OJT</u>		<u>Apprenticeship</u>	
	<u>In range</u>	<u>Cumu- lative</u>	<u>In range</u>	<u>Cumu- lative</u>
\$ 2.99 or less	(a)	(a)	0	0
3.00 to 3.99	7	7	3	3
4.00 to 4.99	25	32	5	8
5.00 to 6.99	45	77	25	33
7.00 to 9.99	21	98	32	65
10.00 to 11.99	2	100	19	84
12.00 or more	(a)	100	16	100

a/Less than 1 percent.

As shown above, in the 1979-81 time frame, about one-third of the veterans who entered OJT programs would earn less than \$5 an hour when fully trained, and only 2 percent would earn \$10 or more per hour. For veterans entering apprenticeship programs during the same period, about 35 percent would earn \$10 or more per hour upon completion of training, and only 8 percent had an objective wage of less than \$5 an hour.

We also compared objective wages to the Federal minimum hourly wage rates in effect at the times the training started and found that about 16 percent of the veterans in OJT situations were training for positions paying no more than 1-1/2 times the Federal minimum hourly rate. Conversely, only 3 percent of the veterans in apprenticeship situations were training for jobs with an objective wage rate no more than 1-1/2 times the Federal minimum hourly rate.

PAY INCREASES FROM  
OJT USUALLY SMALL

Wages for apprenticeship are governed by apprenticeship agreements approved by the Secretary of Labor. The legislation establishing the apprenticeship and OJT programs did not establish any limits

on wages for apprenticeship programs but did establish lower limits for OJT programs. The legislative history does not indicate what relationships were anticipated between wages while in training and objective wages. However, the lower limits for OJT--50 percent of the objective wage at the beginning of training and 85 percent of the objective wage by the last month of training--tend to indicate that wages paid during OJT were expected to be significantly less than objective wages.

We found that over half of the veterans in OJT were to be paid starting wages that were 80 percent or more of their objective wages, including nearly 20 percent that started at 90 percent or more of their objective wages. Only 15 percent of the apprentices had starting wages that were 80 percent or more of their objective wages and 41 percent started at less than 60 percent of their objective wages.

The following table compares starting and objective wages.

Starting wage as a percent of objective wage	Percent of OJT programs		Percent of apprenticeship programs	
	<u>In range</u>	<u>Cumu- lative</u>	<u>In range</u>	<u>Cumu- lative</u>
25 - 49	-	-	16	16
50 - 59	6	6	25	41
60 - 69	14	20	25	66
70 - 79	29	49	19	85
80 - 89	32	81	10	95
90 - 100	19	100	5	100

The above table is based on the normal beginning wage. Some veterans were given credit for prior experience or training which often resulted in a higher starting wage and, thus, a smaller difference between their starting and objective wages.

TRAINEES OFTEN RECEIVE  
MORE INCOME THAN TRAINED WORKERS

The amount of assistance paid to veterans in apprenticeship and OJT programs does not depend upon the earnings of veterans during training. Thus, veterans may receive more income while being trained than they will receive when fully trained because VA's assistance often exceeds the difference between their wages as trainees and their objective wages. 1/

1/Legislation for apprenticeship and OJT programs for World War II and Korean veterans placed specific dollar ceilings on combined wages and VA assistance. If ceilings were exceeded, assistance was reduced or terminated. However, such ceilings did not necessarily preclude the combined assistance and wages paid to trainees from exceeding their objective wages.

For the 1,113 training efforts where we compared wages, the combined starting wages and VA assistance of at least 66 percent of the OJT efforts and 17 percent of the apprenticeship efforts would exceed the objective wages for the veterans' first 6 months of training. Although there are periodic reductions in VA assistance, some veterans received or would receive combined wages and assistance that exceeded their objective wages throughout their training.

Our data on the extent to which VA assistance combined with starting wages would exceed objective wages are based on amounts scheduled to be received during the first 6 months of training. Some veterans, who terminated training, did not receive VA assistance for a full 6 months. Other veterans who were still in training at the completion of our fieldwork may terminate training before receiving VA assistance for a full 6 months. However, many veterans will receive a combined income of training wages and VA assistance that exceeds their objective wages for more than 6 months of training.

The following table shows the extent to which VA allowances combined with monthly wages to be paid at the start of training exceed the objective wages in each of the first 6 months of training.

	OJT program		Apprentice- ship program		Total	
	Num- ber	Per- cent	Num- ber	Per- cent	Num- ber	Per- cent
Did not exceed objective wage	203	34	428	83	631	57
Exceeded objective wage by:						
\$ .01 to \$ 49.99	74	12	28	5	102	9
50.00 to 99.99	102	17	25	5	127	11
100.00 to 149.99	86	14	25	5	111	10
150.00 to 199.99	100	17	6	1	106	10
200.00 to 249.99	31	5	4	1	35	3
250.00 or more	1	(a)	0	0	1	(a)

a/Less than 1 percent.

The above table (but not the examples which are presented later) understates the amounts by which objective wages are exceeded for some veterans because:

--Most veterans in our sample had dependents. For veterans with dependents we used the allowance for veterans with one dependent. Veterans with more than one dependent would receive higher allowances.



--Some veterans received credit for prior experience or training. In many situations, the credit would result in beginning wages for these veterans exceeding the wages normally paid at the start of training.

--We did not include the wage increases that some veterans were scheduled to receive during the first 6 months of training.

Also, since VA assistance is not subject to income or social security taxes, each dollar of VA assistance is worth more than a dollar of wages.

Of the 482 cases in our sample where VA assistance combined with starting pay exceeded objective wages, 378 were started between January 1978 and March 1981. 1/ To ascertain what the financial impact on the program might be if VA assistance were limited to an amount that, when combined with the starting wage, would not exceed the wages at completion of training, we recomputed the benefits for these 378 cases. We found that the first 6 months of VA assistance approved for these 378 cases would have been \$248,000 less if VA assistance were limited to the difference between starting pay and the objective wage.

We estimated that of the universe of 98,200 veterans, 36,600 entered into training efforts between January 1, 1978, and March 31, 1981, where VA assistance combined with initial training wages would exceed objective wages. These veterans were to receive about \$24 million more in assistance during the first 6 months of training than they would receive if VA assistance were limited to the difference between starting pay and objective wages. 2/ The following are some examples where combined VA assistance and wages exceeded objective wages.

Example 1:

A single veteran in a 6-month OJT program received a starting monthly wage of \$865 and VA assistance of \$226 for a total of \$1,091. His monthly objective wage was \$953 which is \$138 less than combined wages and VA assistance. After 3 months, the veteran

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1/We did not attempt to project the extent to which objective wages would be exceeded for the 104 older cases, some of which started as early as 1972.

2/We estimate at the 95-percent confidence level that there were from 33,377 to 39,823 training efforts started between January 1, 1978, and March 31, 1981, where VA assistance combined with initial training wages exceeded objective wages and the excess for these efforts during the first 6 months of training would be from \$21,532,404 to \$26,607,456.

was to receive a monthly pay increase of \$45. At that time, his VA assistance and wages would exceed his objective wage by \$183 a month.

Example 2:

A veteran with three dependents was approved for an 18-month OJT program. The program normally was 24 months, but the veteran was given 6 months' credit for past experience or training and started at a higher wage than normal. The veteran's starting monthly wage of \$814 and VA assistance of \$289 exceeded his objective wage of \$892 by \$211 a month for each of the first 6 months of training. Even after periodic reductions in VA assistance, his combined wages and assistance will exceed his objective wage during the entire training period.

Example 3:

A veteran with three dependents, approved for a 24-month OJT program, received a starting wage of \$1,230 and VA assistance of \$289, for a total of \$1,519 a month. This amount exceeded his objective wage of \$1,257 by \$262 a month. The veteran started work at \$7.10 per hour which was 98 percent of his \$7.26 objective wage. If he completes the program, this veteran will receive about \$5,000 in VA assistance. His objective wage is only \$332 a year higher than his starting wage.

CONCLUSIONS AND RECOMMENDATION  
TO THE CONGRESS

VA educational assistance often helped fill a significant earnings gap during apprenticeship when veterans trained for relatively high paying jobs and starting wages were considerably less than objective wages. The wages to be paid for fully trained veterans in OJT, however, were relatively low, and the wages paid trainees often were close to the objective wages. Thus, combined VA assistance and wages usually exceeded the objective wages for veterans in the first 6 months of OJT. For some veterans, whose combined wages and VA assistance would be higher than the objective wages for the entire period of training, successful program completion means reduced income.

The Veterans' Pension and Readjustment Assistance Act of 1967 does not preclude payments of assistance allowances to veterans (1) who are training for jobs where the entry-level wage differs little from the objective wage and (2) which result in their receiving combined incomes from assistance and wages which exceed objective wages. Our review of the legislative history of the act did not identify congressional expectations about whether VA assistance combined with wages received during training could or should exceed the veterans' wages as fully trained workers.

The purpose of the program is to create an incentive for veterans to train for skilled jobs by providing financial assistance during training. Assuming a veteran is willing, at the outset of training, to work for the stated objective wage at the completion of training, then in our view an assistance amount which, when combined with wages earned during training, causes income to exceed objective wages is excessive as an incentive to a veteran to enter training.

Recommendation to  
the Congress

The Congress should limit assistance allowances to veterans in apprenticeship and OJT programs to the difference between the wages veterans earn while in training and their objective wages. This could be accomplished by amending 38 U.S.C. 1787 by adding to subsection (b)(1) as follows:

"Provided, that in no month of training shall the training assistance allowance exceed the difference between the monthly wages to be paid for the job for which an eligible veteran is being trained and the monthly wages to be paid during training pursuant to the veteran's on-the-job training or apprenticeship agreement. For purposes of this subsection, the monthly wages shall be 4.33 times the weekly wages and the weekly wages shall be the hourly wages multiplied by the number of hours which constitutes the standard workweek of the training establishment."

AGENCY COMMENTS AND OUR EVALUATION

On August 20, 1982, VA commented on a draft of this report. VA stated that it did not agree that the Congress should limit assistance allowances to the difference between training wages and objective wages. VA said that such a change

- would result in veterans now seeking benefits to be treated differently from veterans who are already trained,
- would be virtually impossible to administer because wage schedule changes are seldom reported timely, and
- might give the wrong impression to veterans seeking training.

VA said that the current benefits act as an incentive for veterans to seek employment and for employers to develop and offer approved training programs. VA stated that the Congress has continually supported the programs in their present forms.

We agree that the Congress has supported the apprenticeship and OJT programs in their present forms for many years and that a change in these programs would result in some future participants being treated differently than prior participants. However, we believe these factors should not preclude a change to these programs.

In the past, VA has proposed, and the Congress has made, changes to longstanding programs that resulted in veterans being treated differently. For example, in 1981, the Congress eliminated flight training, which had been available as an educational benefit for many years, except for those veterans continuously enrolled in flight training programs on and after October 1, 1981.

This report shows that many veterans will receive more income during training than they will receive as fully trained workers. We believe that VA benefits that enable veterans to have the same income during training as they will earn when fully trained should provide sufficient incentive to veterans who intend to remain in the job for which they are being trained.

Employers do not receive VA assistance. We are unsure of the impact that reducing the assistance to the veteran would have on employers' willingness to develop and offer training programs.

We have modified the wording of our recommendation to clarify that we are not suggesting that VA recompute the amount of VA assistance every time wage schedules change. The levels of assistance could be established at the beginning of training based on data in the veterans' training agreements. Changes resulting from general wage increases need not be considered.

After we received VA's comments we met with officials of VA's Department of Veterans Benefits to clarify that our recommendation was based on using wage data shown in training agreements. These officials agreed that it would be possible to administer our recommended change based on data in the training agreements. However, they still disagreed with our recommendation. In addition to the reasons cited in VA's formal comments, they said that the costs of implementing our recommendation would not be warranted because participation in the programs, which expire on December 31, 1989, is declining.

They roughly estimated that there would be a one-time cost of about \$1 million to change VA's data processing system if the Congress adopted our recommendation. They also said there would be some increased processing costs because it would take a few more minutes to enter an assistance award into the system. These processing costs did not appear significant.

We believe that implementing our recommendation would result in substantial savings. Veterans entering training between January 1978 and March 1981 would have received about \$24 million less during the first 6 months of training if VA assistance were limited to the difference between starting pay and objective wages. Even if program participation declines significantly, VA's estimated one-time costs of about \$1 million should be offset by assistance savings in a short period of time.

We are not sure what impression our suggested change would make on veterans. We are not aware of any data which show how the amounts of assistance provided affect the willingness of veterans to enter apprenticeship or OJT programs. However, in response to a 1974 GAO questionnaire, about 80 percent of the veterans responding who entered apprenticeship or OJT programs said they would have entered these programs even if there were no VA benefits. 1/

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1/Letter report to the Chairman, Senate Committee on Veterans' Affairs (HRD-76-158, August 11, 1976.)

Office of the  
Administrator  
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Washington, D.C. 20420



**Veterans  
Administration**

AUGUST 20 1982

Mr. Gregory J. Ahart  
Director, Human Resources Division  
U.S. General Accounting Office  
Washington, DC 20548



Dear Mr. Ahart:

These are my comments on the July 7, 1982, draft report, "Changes to the Veterans Administration's Apprenticeship and On-the-Job Training Programs Should be Considered." I do not agree with the recommendation that the Congress consider limiting assistance allowances to veterans in on-the-job (OJT) and apprenticeship training programs to the difference between the wages veterans earn while in training and their objective wages.

I am taking this position because the changes would cause Vietnam veterans now seeking these benefits to be treated differently from those who have already trained; the benefits would be virtually impossible to administer because wage schedule changes are seldom reported in a timely manner; in these times of high unemployment, the proposed changes might give the wrong impression to veterans seeking training; the current benefits act as an incentive for veterans to seek employment and for employers to develop and offer approved training programs; and the Congress has continuously supported the training programs in their present forms as evidenced by rate increases and the recent 2-year extension of the programs. For these reasons, I do not believe changes in the method of computing OJT and apprenticeship training program benefits are warranted.

Thank you for the opportunity to comment on this report.

Sincerely,

A handwritten signature in cursive script, appearing to read "John P. Nimmo".

ROBERT P. NIMMO  
Administrator

For and in the  
absence of