

5-1976

# An Evaluation of Work Incentive Program (WIN) Rate of Placement and Generated Savings

Maine State Department of Audit

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AN EVALUATION

WORK INCENTIVE PROGRAM (WIN)

RATE OF PLACEMENT AND GENERATED SAVINGS

Administered by

MAINE STATE DEPARTMENT OF MANPOWER AFFAIRS

and

MAINE STATE DEPARTMENT OF HUMAN SERVICES

Prepared by:  
Maine State Department of Audit  
Division of Program Review and Evaluation  
Research Completed May, 1976



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July 21, 1976

Senator Richard N. Berry, Chairman  
Representative Georgette B. Berube, Co-Chairwoman  
Legislative Committee on Performance Audit  
State House  
Augusta, Maine 04333

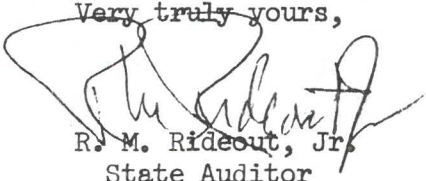
Dear Senator Berry and Representative Berube:

I am hereby forwarding for your review and consideration a report on an evaluation of the Work Incentive Program (WIN) including the subjects of the rate of job placements, the effect placements have on reducing the Aid to Families with Dependent Children's grants, and the program's costs of operation.

Other copies are being distributed as listed in the report on the page entitled Report Distribution.

There are now three reports available concerning the AFDC program and include: our evaluation of the absent parent support programs, the federal study of the operations of the AFDC Program and, this report. We believe that the three afford a substantial insight into one of the more costly programs of State and Federal government.

Very truly yours,

  
R. M. Rideout, Jr.  
State Auditor

RMRJr:ai

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## EVALUATION OF WIN PROGRAM

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  - (1) Director, Bureau of Social Welfare
  - (1) Coordinator, Work Incentive Program (SAU)
  - (1) Manager, Income Maintenance Unit
  - (6) Supervisors, Regional SAU
- 9 - Federal Agencies and Officials
  - (1) U. S. Department of Labor (WIN) Boston, Ma.
  - (1) U. S. Department of HEW (WIN) Boston, Ma.
  - (1) U. S. Department of Labor (WIN) Washington, D.C.
  - (1) U. S. Department of HEW (WIN) Washington, D.C.
  - (1) U. S. Government Accounting Office (GAO), Washington, D.C.
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## GLOSSARY

AFDC - (Aid to Families with Dependent Children) - A program authorized by the Social Security Act to provide financial assistance and social services to needy families with children.

AFDC Payment Reduction - The reduction of the AFDC assistance payment due to the earnings from the employment of a WIN participant or the refusal of an individual to participate in the WIN Program.

Certification - The process of verifying requested self-support services requested by WIN staff from the SAU have been provided and/or arranged and the individual is able to enter training or employment. Certification must be completed for each registrant who will enter training or employment.

De-registration - The process by which an individual is removed from registrant status in the WIN program.

Exempt - An AFDC recipient who is not legally required to register for employment or training under the WIN program.

IMU (Income Maintenance Unit) - The staff of the Welfare Agency that is responsible for the case review, registration, referrals to vocational rehabilitation, and de-registration.

Job Entry - The entrance into unsubsidized employment by a WIN participant. Such entrance can either be due in some way to WIN efforts or unrelated to WIN.

Mandatory Registrant - An individual who is registered for the WIN program as a condition of his eligibility for welfare.

Participant - A WIN registrant who has been appraised by the WIN staff, accepted as appropriate for participation in WIN, and for whom an Employability Plan has been initiated.

Placement - The process of successfully moving participants who are job-ready into unsubsidized employment for purposes of this report, "placements" are always WIN-Related.

Realized Savings - AFDC grant reductions actually achieved.

Registrant - An AFDC recipient who is required by the 1971 amendments to the Social Security Act, or volunteers to register for manpower services, training, and employment as a condition for benefits and has signed a completed registration form.

Registration - The process by which a non-exempt or volunteer AFDC applicant agrees to accept manpower services, training and employment in the WIN program.

SAU (Separate Administrative Unit) - The unit of the welfare agency set up to handle supportive services for WIN registrants. This unit helps to determine which services are needed for an individual to participate, and arranges for or provides all required services deemed necessary. The unit "certifies" to WIN staff that an individual can be placed in training or employment.

Supportive Services - Those services provided by the SAU, such as: child care, medical services, home management services, housing services, etc., which are necessary to enable participation in employment or training.

Voluntary Registrant - An individual who volunteers to register for the WIN program although he is not legislatively required to do so.

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## CHAPTER I

### BACKGROUND OF THE WIN PROGRAM

Origin - The Work Incentive Program (WIN) was authorized by the 1967 amendments to the Social Security Act, Part C, Title IV. The program was designed to provide the services and opportunities necessary to assist recipients of Aid to Families with Dependent Children (AFDC) to shift from welfare dependency to self-support through stable employment. The Department of Human Services and Department of Manpower Affairs jointly administer the WIN program in the State of Maine.

Changes: WIN II - In December, 1971, Congress enacted amendments to Title IV of the Social Security Act to provide for improvements to the Work Incentive program. The major thrust of these changes were:

- 1). to redirect the program's focus toward actual employment and away from training,
- 2). to require that at least one-third of all manpower funds be expended for on-the-job training and public service employment,
- 3). to require the mandatory registration of AFDC applicants, unless these applicants are specifically exempted.

Eligibility - As a condition of eligibility for AFDC, all individuals must register for WIN, unless that individual is:

- 1). a child who is under age 16 or attending school full time;
- 2). a person who is ill, incapacitated, or of advanced age;
- 3). a person so remote from a WIN project that his effective participation is precluded;
- 4). a person whose presence in the home is required because of illness or incapacity of another member of the household;
- 5). a mother or other relative of a child under the age of six who is caring for the child;
- 6). the mother or other female caretaker of a child, if the father or another adult male relative is in the home.

In addition, individuals under AFDC may volunteer for participation in the WIN program.

Registration - The welfare agency completes a registration form for each mandatory or voluntary registrant and forwards it to the WIN Manpower Unit (WIN/MA). Information contained on the form is used by WIN/MA to screen the "employability potential" of the registrants.

Intake - After screening the registration forms, the WIN staff conducts an appraisal interview of the registrants. An employability plan is initiated for those individuals accepted as appropriate for participation in WIN. The welfare staff participates with WIN/MA in the appraisal interview to assist in determining the necessary support services, such as child care, needed by the individual to undertake employment or training for employment. The welfare agency also certifies that services requested by the WIN/MA staff have been provided or arranged for the participant.



Supportive Services - Child care and other welfare social services are often essential to employment of recipients. These services are provided through separate administrative units (SAU) of the Department of Human Services. Other services provided may include: family planning, medical examination, home management, and transportation.

Manpower Services - When appropriate work is available, WIN participants enter jobs directly. Where employment is not immediately available or where further training may be necessary, participants may be assigned to various program components, depending upon the degree and types of services identified as necessary in their employability plan.

Available components include:

1). On-the Job Training (WIN/OJT) whereby a participant is employed under contract for structured skill training with public or private employers who are reimbursed for up to 50 percentum of trainee wages. A participant is to be hired with an expectation of continuing employment in the occupation for which trained, and the occupation should require sufficient skill to warrant a training period of not less than four weeks. Occupations which have not traditionally required specific occupational training as a prerequisite are not eligible.

2). Public Service Employment (PSE) whereby a participant for whom a job in the regular economy cannot be found, is placed with a transitional subsidized job in a public or private nonprofit agency. PSE employers may be subsidized for employment costs at the rate of 100 percentum for the first year, 75 percentum for the second year, and 50 percentum for the third year.

3). Skill Training, Classroom Training, Work Experience whereby a participant is placed in an environment of organized training to achieve necessary background in a specific category for placement on the job.

Job Entry - When participants begin employment, their welfare grants are adjusted according to the wages they receive.

De-registration - If the participant's income is sufficient to remove the individual from welfare, that individual is "de-registered" from WIN and is terminated from the AFDC program. If the individual's income is not sufficient to remove that person from the welfare rolls, the person continues to collect a perhaps reduced AFDC grant and continues to be considered as a participant of the WIN program.

Tax Credit - An additional change was also provided by the Revenue Act of 1971. This law provided a tax credit to employers who hired WIN registrants.

Funding - The contribution rates are up to 90 percentum Federal and at least 10 percentum State in the provision of funding.

## CHAPTER II

### SCOPE AND METHODOLOGY OF EVALUATION

#### Section A

##### Phase I: Rate of Placement

Phase I of this report represents an analysis of the success rate of the WIN program. Success rate is defined as a unit of measure which represents validly claimed placements in gainful employment of AFDC recipients referred for this purpose.

The selection of the sample for review was important since it was necessary for the WIN program to have at least one full year for executing the services necessary to bring about employment. The month of February, 1975 (the only month in which a complete list of referrals was obtainable that still maintained our desired twelve month span) was selected. Each Human Services district office was requested to send a list of all (Mandatory and Voluntary) AFDC recipients who had been referred to WIN in that month.

Each referral's folder was analyzed at the local WIN district offices for documented evidence indicating whether a participant was either non-placeable or placeable. The latter was further refined by documented evidence to establish what would then constitute a rate of placement.

#### Section B

##### Phase II: Generated Savings on Placements

Generated savings on AFDC grants from WIN placements is a major product of the Work Incentive Program; therefore, Phase II was important in that it established a valid sample for measuring the savings generated. The criteria utilized were:

- 1). The number of job entries in the selected month to be as close as possible to the average in a given one year period. The list as reported to us by WIN consisted of 15 months of job entries totaling 2,039 employed participants resulting in a monthly average of 136 per month.
- 2). Our sample month should permit a subsequent one year indepth study for determining the generated savings on AFDC grants.
- 3). The month of January, 1975 was found to be the closest to the average number of job entries (133) as well as being the median month for all job entry reports from October 1974 thru December 1975.

The generated savings (both potential and actual) are computed on the basis of these placements in January, 1975 with a limitation of either up to twelve months or employment termination, whichever comes first. Savings are calculated in two parts:

- 1). Actual savings shows the exact reduction of the AFDC grant. Also included are the total grant saved when a recipient's grant is closed due to employment but still being limited to the twelve month period.



2). Potential savings are the total amount which could be saved. Frequently, administrative and other difficulties prevent the full potential for savings from being realized, therefore, the reason for the difference between potential and actual savings.

### Section C

#### Phase III: Cost/Savings (Utilizing Phase II Data)

The expenditures of the Departments of Human Services and Manpower Affairs were obtained for the WIN operation in the fiscal year ending June 30, 1975.

The expenditures were averaged on a monthly basis to arrive at an analysis of program costs versus AFDC savings (generated by WIN-related January, 1975 job entries from Section B).

Two different analyses are presented in this report. One version utilizes all employed recipients who generated savings (either partial or full) and applies these savings against the cost of WIN prior to acknowledging true savings to the taxpayer. The other utilizes only those individuals who were made independent from welfare. "Independent from welfare" relates to the evaluators' interpretation of the major purpose of WIN as stated in the Social Security Act.

The premise behind these analyses is that true savings cannot be realized by the taxpayer until the cost of the WIN program is absorbed by the AFDC grant reductions.

It is noted that the WIN program has considerable effect on state monies not only in the direct cost of the program itself but in the impact that the program has on the expenditures of AFDC dollars. Only the financial picture of WIN is presented for measuring success, even though we fully understand that certain social benefits may have been gained from WIN services. The latter was not pursued as this was not included within the scope of coverage established for the study.

# CHAPTER III

## FINDINGS

### Section A

#### Phase I: Rate of Placement

##### Subsection I

###### Exhibit 1

###### AFDC Referrals from Human Services to WIN - February, 1975

| <u>Classification</u>          | <u>#</u> | <u>%</u> |
|--------------------------------|----------|----------|
| Non-Placeable (Per Evaluation) | 188      | 56.3     |
| Placeable (Per Evaluation)     | 146      | 43.7     |
| Total Referrals                | 334      | 100.0    |

GENERAL . . . . The above 334 recipients of AFDC were referred by the seven district offices of WIN/MA (Sanford, Portland, Lewiston, Augusta, Rockland, Bangor, and Presque Isle offices) for the purpose of bringing about employment.

FINDING . . . . Less than one half of those referred or 43.7 percent could conceivably be placed in gainful employment.\*

\* According to the evaluators' analysis of AFDC and WIN files.

##### Subsection 2

###### Exhibit 2

###### Referrals (February, 1975) - Non-Placeable

| <u>Classification</u>                     | <u>#</u> | <u>%</u> |
|---|----------|----------|
| 1) Working at time of Referral            | 78       | 41.5     |
| 2) Subsequent Exemption (After Referral)  | 30       | 16.0     |
| 3) Voluntary - Subsequently Disinterested | 60       | 31.9     |
| 4) Not Certifiable by SAU                 | 4        | 2.1      |
| 5) Health Exempted by WIN                 | 16       | 8.5      |
| Total Non-Placeable                       | 188      | 100.0    |

GENERAL . . . . The participants in exhibit 2 include those individuals that the evaluators deemed appropriate to classify as non-placeable.

CRITERIA . . . . The methodology utilized required the evaluator to "purify" the AFDC referrals, by deletion of the participants that WIN/MA would not, for justifiable cause, seek to place in employment. The five classifications in exhibit 2 came about after close examination of the case folders in the district offices.

FINDING . . . . Item one of exhibit 2 represents persons who are already working at the time of referral. The necessary handling of these cases by SAU and WIN/MA produces a needless and unproductive waste of resources. Federal regulation mandates, "As a condition of eligibility for AFDC under Title IV of the Social Security Act, all individuals must register for WIN, unless that individual is exempted." The exemptions listed do not include recipients who are gainfully employed. This procedure was reasonable under the concept of WIN that existed prior to the advent of WIN II, since there was the possibility of upgrading the earning capacity of AFDC recipients through training. On the other hand, WIN II changes passed by Congress in 1971 assert a major thrust "to redirect the program's focus toward employment and away from training;" therefore, a conflict exists on the major thrust of WIN II when employed recipients are referred to WIN. We mention this only as an observation due to the fact that this particular technique is federally mandated and a recommendation at the state level is not applicable.

FINDING . . . . Item two of exhibit 2 represents persons who are subsequently exempted after referral and some create a needless and nonproductive use of resources. We noted 17 referrals in the test month that could have been eliminated from referral to WIN by IMU.

RECOMMENDATION . . . . That IMU personnel exercise a more strict and careful application of the exemption criteria for referral.

FINDING . . . . Item three of exhibit 2 represents voluntary referrals to WIN who subsequently became disinterested and also represents nonproductive use of time in the handling. The major trouble spot for these referrals occurs in page 14 of the AFDC application form where the recipient of AFDC is requested to fill out and sign the registration form. An implication of being denied AFDC clearly exists on the form (see Attachment I) in that it induces recipients exempted from mandatory referral to register for WIN even though they were not interested.

RECOMMENDATION . . . . Changing of the phrase "I refuse to register (Knowing I won't receive AFDC)" to read, "I refuse to register (Knowing I won't receive AFDC unless exempted as above)."



**ATTENTION: READ CAREFULLY**

The law requires that each AFDC recipient, who is 16 or older, must register for work:  
unless declared exempt. Each member of your family (16 or older) must complete and  
sign the appropriate section below. Your application cannot be completed until this is  
 filled out.

**1. SECTION FOR MOTHER (OR OTHER ADULT FEMALE)**

Name

Address

First

Last

Street or P.O. Box

City or Town

CHECK ONE OR MORE BOX AND SIGN

I am exempt because:

☐ I have a child under 6    ☐ My husband is registered for WIN    ☐ I am disabled

☐ I have to care for a sick family member    ☐ I am over 65

☐ I cannot arrange transportation back and forth to work

☐ I refuse to register (knowing I won't receive AFDC) ] **Note!!**

☐ I hereby register for manpower services

Signature of mother (or other adult female)

Date

**2. SECTION FOR FATHER (OR OTHER ADULT MALE)**

CHECK ONE OR MORE BOX AND SIGN

I am exempt because:

☐ I am disabled    ☐ I am over 65    ☐ I have to care for a sick family member

☐ I cannot arrange transportation back and forth to work

☐ I refuse to register (knowing I won't receive AFDC)

☐ I hereby register for manpower services

Signature of father (or other adult male)

Date

**3. SECTION FOR CHILD 16 OR OVER (DON'T FILL OUT IF IN SCHOOL)**

CHECK ONE OR MORE BOX AND SIGN

I am exempt because:

☐ I am disabled    ☐ I have to care for a sick family member

☐ I cannot arrange transportation back and forth to work

☐ I refuse to register (knowing I won't receive AFDC)

☐ I hereby register for manpower services

Signature of child not in school

Date

**For Office Use Only**

**Exemptions**

**Registrations**

|                          |                          |                          |                          |                          |                          |                          |                          |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| -6                       | H                        | R                        | A                        | T                        | IC                       | IL                       | S                        |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Mand

Vol

1 2 3

1 2 3



Subsection # 3

Exhibit 3

Referrals February, 1975 - Placeable

| <u>Classification</u>                       | <u>#</u>   | <u>%</u>     |
|---|------------|--------------|
| 1) Placed by WIN                            | 28         | 19.2         |
| 2) WIN-Related Self-Obtained Employment     | 2          | 1.3          |
| 3) Non WIN-Related Self-Obtained Employment | 10         | 6.8          |
| Sub-Total Participants Employed during Year | <u>40</u>  | <u>27.3</u>  |
| 4) On-the-Job Training                      | 6          | 4.2          |
| 5) Clients Not Employed (Since Referral)    | <u>100</u> | <u>68.5</u>  |
| Total Placeable                             | <u>146</u> | <u>100.0</u> |

CRITERIA . . . . Exhibit 3 includes all referrals not documented as non-placeable and therefore considered by the evaluators as being employable participants in the WIN Program.

FINDING . . . . 40 individuals or 27.3 percent of the placeable participants (or 12 percent of the total referrals) became gainfully employed during the one year period after February, 1975 either through WIN-related efforts or self-placement.

FINDING . . . . 6 individuals or 4.2 percent of the placeables (or 1.8 percent of the total referred) were engaged in OJT subsidized employment. Subsidized OJT wages are reimbursed to the employer on a contractual basis of up to 50 percent with a minimum of four weeks and a maximum of fifty-two weeks, depending upon the complexity of the employment training.

Exhibit 3a

Referrals - Placeable - Clients Not Employed

| <u>Classification</u>          | <u>#</u>   | <u>%</u>   |
|--------------------------------|------------|------------|
| 1) Waiting For Training        | 4          | 4          |
| 2) Training In Process         | 7          | 7          |
| 3) Job Development In Process  | 10         | 10         |
| 4) No Significant WIN Activity | <u>79</u>  | <u>79</u>  |
| Total Clients Not Employed     | <u>100</u> | <u>100</u> |

(Percentage of Placeable 68.5%)

CRITERIA . . . . Any written record, no matter how slight, was used in determining the four classifications in exhibit 3a.

FINDING . . . . 100 individuals or 68.5 percent of the placeable participants were still not employed after one full year of participation in WIN.

FINDING . . . . As indicated by items two and three of exhibit 3a a possibility exists that 14.3 percent of the placeable (or 6.3 percent of the referrals), will be employed in the near future since training or job development for employment is in process.

GENERAL . . . . Item 4 of exhibit 3a "No Significant Activity," is analyzed in further detail as follows:

Exhibit 3a.1

Referrals - Placeable - No Significant WIN Activity

| <u>Classifications</u>  | <u>#</u>  | <u>%</u>     |
|---|-----------|--------------|
| 1) No Records Available at WIN                                    | 15        | 19.0         |
| 2) Clients Rejected No Reason                                     | 6         | 7.6          |
| 3) Initial Inquiry Only   | 25        | 31.6         |
| 4) Extended Delay Since Last Contact                              | 21        | 26.6         |
| 5) No Effort Due to Prior Experience                              | 2         | 2.5          |
| 6) Cannot Locate Client   | 4         | 5.1          |
| 7) Family Problems Cited  | 5         | 6.3          |
| 8) Temporarily Disabled   | <u>1</u>  | <u>1.3</u>   |
| Total No Significant Activity<br>(Percentage of Placeables 54.1%) | <u>79</u> | <u>100.0</u> |

CRITERIA . . . . After close scrutiny of the records and/or discussion with the supervisors of the district offices, these referrals were placed in the eight classifications of exhibit 3a.1.

FINDING . . . . 79 individuals or 54.1 percent of the placeable participants (or 23.7 percent of the total referrals) constitute those individuals who have a somewhat remote chance of becoming employed or obtaining training services from WIN due to the fact that twelve months elapsed after referral. New referrals are received every month by WIN and receive the major portion of available WIN effort.

FINDING . . . . Of the 79 individuals above, 52 constitute mandatory referrals from the Department of Human Services. The primary significance of this fact is that if any of these individuals refuse to accept employment and/or training, they can be removed from the AFDC grant after the accomplishment of certain administrative procedures. It then becomes important, from a practical point of view, to fully explore the intentions toward employment of all mandatory referrals in order to determine that person's eligibility for an AFDC grant.

RECOMMENDATION . . . . It is recommended that WIN place a high priority upon establishing at least a positive attitude toward employment on the part of the mandatorily referred recipient. It is further recommended that negative responses be aggressively pursued in concert with the Department of Human Services to remove those individuals, if appropriate, from AFDC.

#### Subsection 4

#### Exhibit 4

#### Referrals (February, 1975) - Placeable-WIN-Related Job Entries

| <u>Classification</u>                  | <u>#</u>  |
|--|-----------|
| Placed by WIN                          | 28        |
| WIN-Related Self-Obtained Employment   | <u>2</u>  |
| Total WIN-Related Job Entries          | <u>30</u> |
| (Percentage of Referrals 9.0%)         |           |
| (Percentage of <u>Placeable</u> 20.5%) |           |

FINDING . . . . 30 individuals or 20.5 percent, or about one out of every five participants, who are potentially placeable, received employment attributable to WIN services. Looking at the larger picture, 9 percent or nine out of every one hundred AFDC recipients, who were referred to WIN, received employment attributable to WIN services. The former point is clearly the more important of the two.

Any decisions concerning the adequacy of the 20.5 percent success rate would necessarily be entirely dependent upon first-hand and thoroughly researched knowledge of available job opportunities existing in the state at the time covered in the study. The scope of our examination did not include the acquisition of such data. In Section C of Chapter III of this report we seek to apply success data of this type against program cost. "Of this type" is emphasized because different WIN cases were used in the development of Section C for technical reasons pertinent to that phase of the overall study.

CRITERIA . . . . Documented evidence recorded in WIN case folders, along with verification of employment based upon records of Human Services AFDC and Manpower Affairs quarterly reported wages by employers, was used in determining WIN-related job entries. Placements made by WIN were clearly identifiable. WIN-Related Self-Obtained Employment required documented evidence of WIN associated training which was influential or beneficial in obtaining employment.

#### Subsection 5

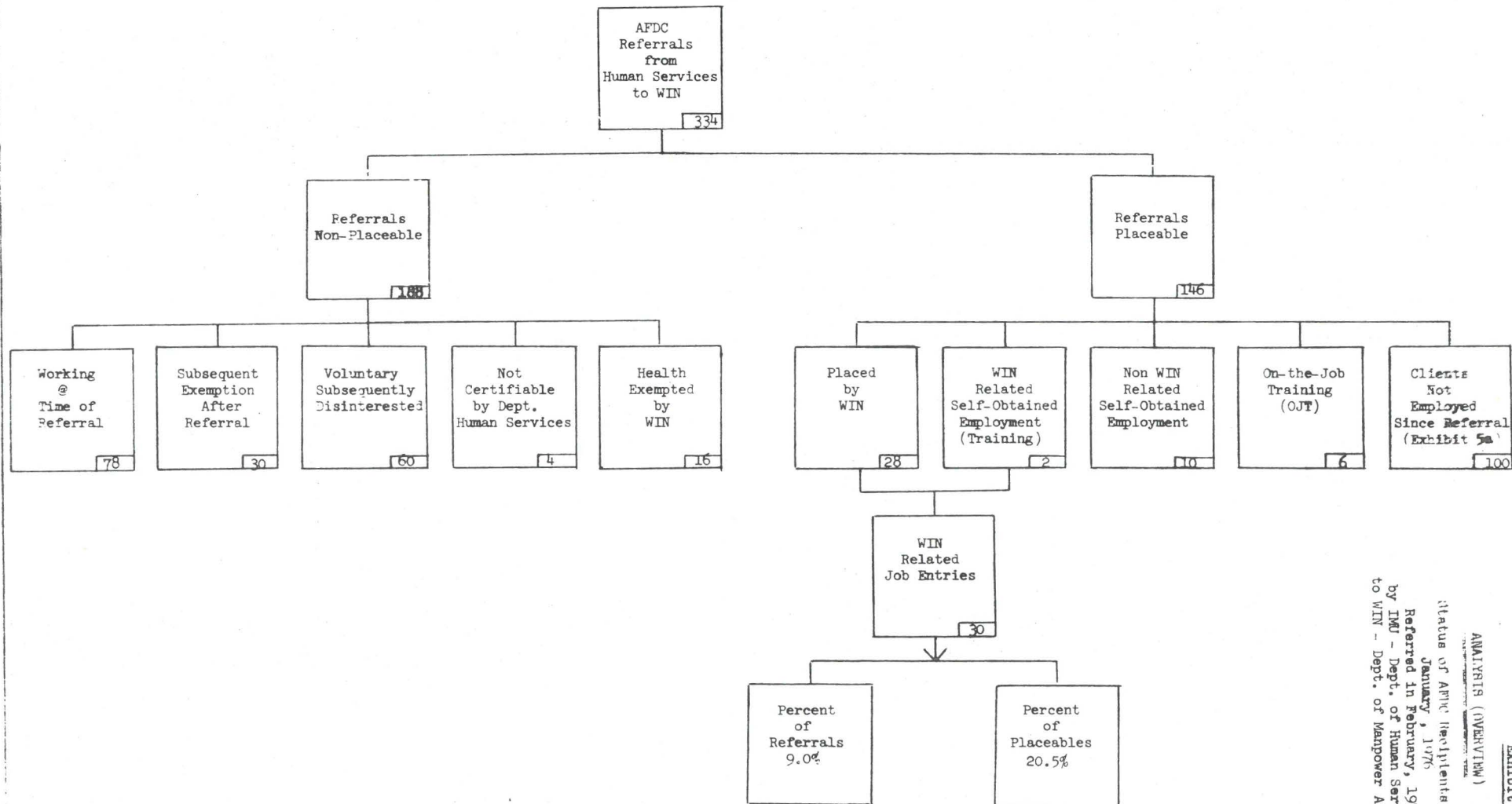
#### GENERAL OBSERVATION

FINDING . . . . WIN offices do not possess an effective method for identifying all available candidates for particular-type jobs as the jobs become available. This causes WIN to draw upon the more recent and, therefore, more familiar referrals to the Program in filling job vacancies. It would seem advisable for an employment agency such as WIN to be readily aware of all candidates for jobs as the jobs become available, regardless of the participants' length of time in the Program since referral.



RECOMMENDATION . . . . It is recommended that in addition to the current filing system, which is oriented primarily to fulfilling federal reporting requirements, WIN begin a system of filing unemployed participants' names under particular job classifications. We do not necessarily believe that more placements would result from such a system, however, general efficiency should be enhanced and chances improved for long-time WIN registrants to be utilized in filling new job openings.

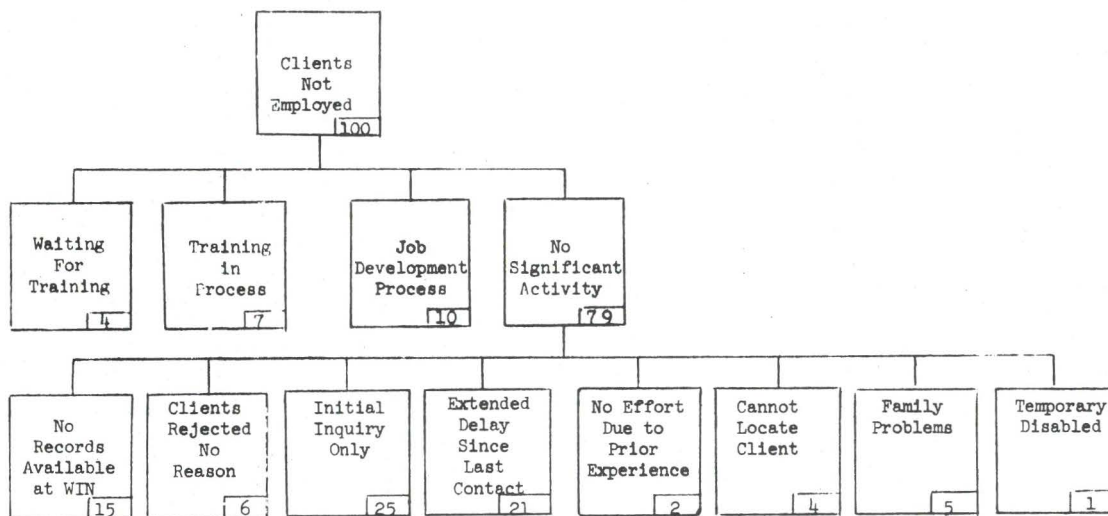
Note: Exhibits 5 and 5a present an overview of the status as of January 31, 1976, of all referrals in the sample month of February, 1975.



ANALYSIS (OVERVIEW)  
Status of AFDC Recipients at  
January, 1976  
Referred in February, 1975  
by IMU - Dept. of Human Services  
to WIN - Dept. of Manpower Affairs

## ANALYSIS (OVERVIEW)

Continuation of Exhibit 3



STATE DEPARTMENT OF AUDIT



# CHAPTER III

## FINDINGS

(Continued)

### SECTION B

#### Phase II: Generated Savings

Note: The job entries reflected in the following subsections are not, for reasons enumerated on page 3, the same job entries examined in Phase I.

#### Subsection 1

Exhibit 6

#### Evaluation Analysis of WIN-Related Job Entries in January, 1975

| <u>Classification</u>                                | <u>#</u>   | <u>%</u>     |
|--|------------|--------------|
| 1) Non WIN-Related Job Entries                       | 67         | 50.4         |
| 2) WIN-Related Job Entries                           | 66         | 49.6         |
| Total WIN <u>Reported</u> Job Entries, January, 1975 | <u>133</u> | <u>100.0</u> |

GENERAL . . . . In answer to our request, WIN reported to us that there were 133 job entries in the month of January, 1975. It was then necessary for the evaluators to identify those job entries that actually resulted from the efforts of WIN.

CRITERIA . . . . Each participant's case record was reviewed for documentation of: date of placement, name of company, hours worked and rate per hour, type of work, follow-up (determining whether still on the job after 30 days) and any pertinent information which could be used in ascertaining if the job entry was related to the efforts of WIN.

#### Subsection 2

Exhibit 7

#### Non WIN-Related Job Entries

| <u>Classification</u>                                | <u>#</u>  | <u>%</u>     |
|--|-----------|--------------|
| 1) Self Obtained Employment Unrelated to WIN         | 45        | 67.2         |
| 2) Placements less than 30 days or 30 hours per week | 10        | 14.9         |
| 3) Invalidly claimed WIN Placements                  | 12        | 17.9         |
| Total Non WIN-Related Job Entries                    | <u>67</u> | <u>100.0</u> |

FINDING . . . . With regard to item #1, 67.2 percent of the non WIN-related job entries or 33.8 percent of all reported job entries in this month constitute participants who have obtained employment through their own efforts.

With regard to item #2, 14.9 percent of the non WIN-related job entries or 7.5 percent of all reported job entries recorded in this month are placements according to definition, but fall short of the intended goal in shifting from welfare dependency to self-support through stable employment, due to the short duration and/or lack of substance of the employment.

The 12 reported job entries in item #3 represent invalidly claimed placements and make up 17.9 percent of the non WIN related job entries or 9 percent of all reported job entries. The 12 are analyzed in greater detail as follows:

Exhibit 7a

Invalidly Claimed WIN Placements - January, 1975

| <u>Classification</u>                               | <u>#</u>  | <u>%</u>     |
|---|-----------|--------------|
| 1) Employed Prior to Claimed Placement              | 7         | 58.3         |
| 2) No AFDC Relationship (Prior 5 or more Months)    | 3         | 25.0         |
| 3) Should have been reported as On-the-Job Training | <u>2</u>  | <u>16.7</u>  |
| Total Invalidly Claimed WIN Placements              | <u>12</u> | <u>100.0</u> |

FINDING . . . . In item #1, 58.3 percent of invalidly claimed WIN placements or 5.2 percent of all reported job entries consist of participants who were already employed by the same employer prior to the claimed WIN placement. Care was taken to assure that the situation was not simply a one or two month late-claimed placement. Two district offices produced instances of this type; four in one office and three in another. In each case, the district manager was consulted, but was unable to satisfactorily explain why these seven placements were claimed in January, 1975 when employer payroll records of the Department of Manpower Affairs indicated the individuals had been employed for some time prior. Due to agreements made with WIN personnel at the beginning of the study, we did not check with either the participant or the employer to learn more of the circumstances surrounding the situation.

RECOMMENDATION . . . . It is recommended that this matter be pursued to its ultimate conclusion by appropriate officials of the Department of Manpower Affairs.

FINDING . . . . Item #2 on exhibit 7a represents 3 participants who had not been recipients of AFDC for five months or more prior to placement, making the placements not truly productive with regard to WIN's goals.

FINDING . . . . Item #3 on exhibit 7a represents 2 participants, initially classified as placements correctly, but subsequently changed to an OJT training status, retroactive to their placement. (OJT is subsidized employment).

Subsection 3

Exhibit 8

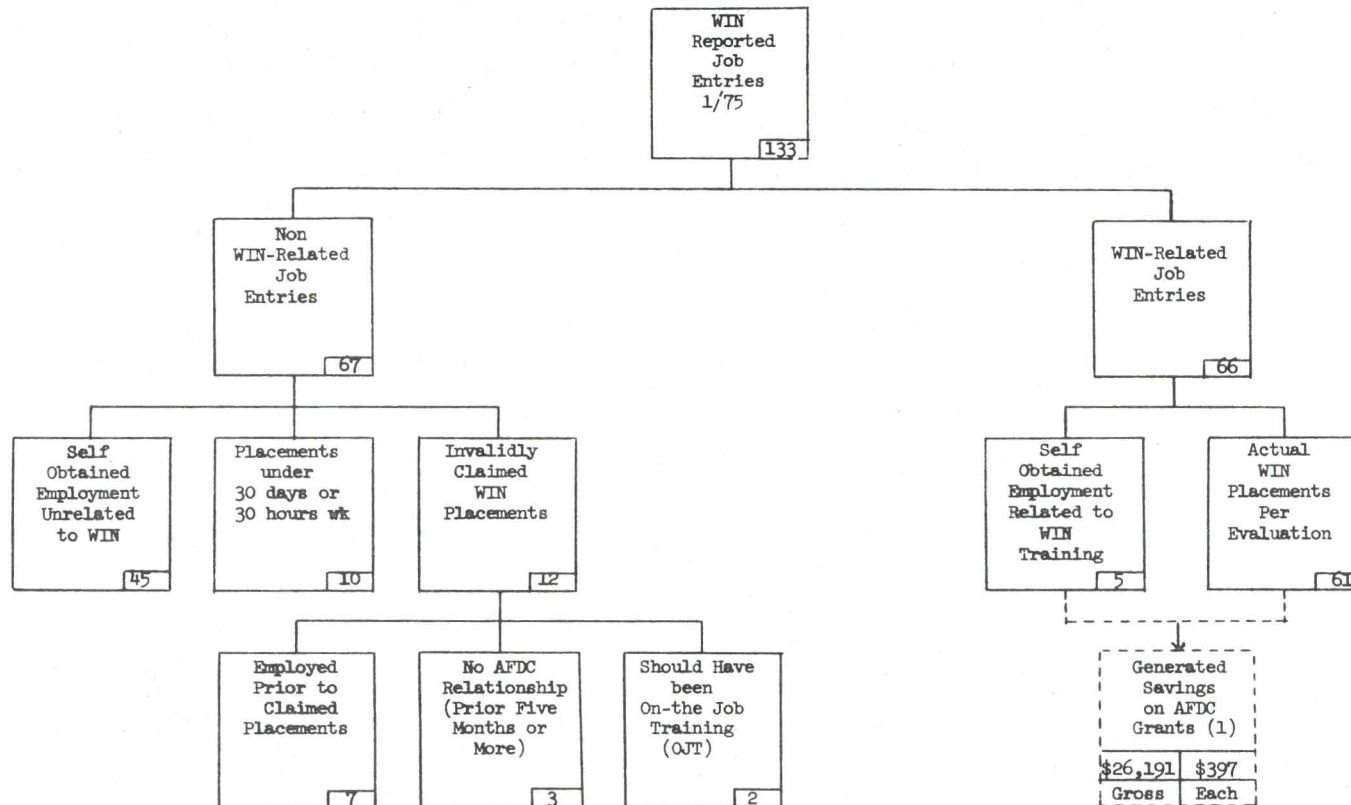
WIN-Related Job Entries

| <u>Classification</u>                        | <u>#</u>  | <u>%</u>     |
|--|-----------|--------------|
| 1) Actual WIN Placements (Per Evaluation)    | 61        | 92.4         |
| 2) Self-Obtained Employment Related to WIN   | <u>5</u>  | <u>7.6</u>   |
| Total WIN-Related Job Entries                | <u>66</u> | <u>100.0</u> |
| Percentage of the Total Reported Job Entries |           | 49.6         |

FINDING . . . . Item #1 represents 45.9 percent of all reported job entries in January, 1975 and were actual WIN placements.

FINDING . . . . Item #2 represents 5 cases which should be included to present a fair placement survey, even though Federal regulations mandate that these job entries cannot be considered as placements.

CRITERIA . . . . Inclusion in the latter classification was based upon reliable training either given or acquired for the participant by WIN.



(1) In one year period immediately subsequent to job entry.  
Savings continue only as long as placements last.



#### Subsection 4

#### AFDC GRANT SAVINGS GENERATED

GENERAL . . . . Reducing the cost of AFDC is a major value to be derived from the WIN Program. To this end, a substantial amount of earnings will directly affect the calculated grant amount. Therefore, the AFDC grants of the 66 recipients entering employment with the assistance of WIN were analyzed to determine the amount of grant savings produced from such employment for a period of time "up to 12 months." The phrase "up to 12 months" is used due to the fact that available records at the start of the examination extended only through January, 1976; thereby making that date the mandatory ending point for calculating generated savings. Additionally, it was learned that savings did not always extend the full 12 month period for various reasons, such as the end of employment or the termination of the grant for some reason other than employment.

Savings are referred to in this narrative as being either potential, actual or lost. The amount of money applicable to each category was arrived at by a thorough review of each participant's AFDC records and a careful recalculation of the individual grants by the evaluators using earnings data. Earnings not reported to the AFDC office were acquired from employer payroll records at the Department of Manpower Affairs. Work related expenses allowed as a reduction to income in the calculation of grants were estimated, if not known, utilizing data gained from an earlier study of the AFDC Program conducted by the evaluators.

A reading of the next paragraph should lead to an understanding of the terms: "Potential", "Actual", and "Lost" savings, as well as the term, "No Potential" for savings.

CRITERIA . . . . The following is the criteria used for classifying job entries as no potential, potential, actual and lost. The bracketed figures are used in aiding the reader to identify the various classifications with subsequent material.

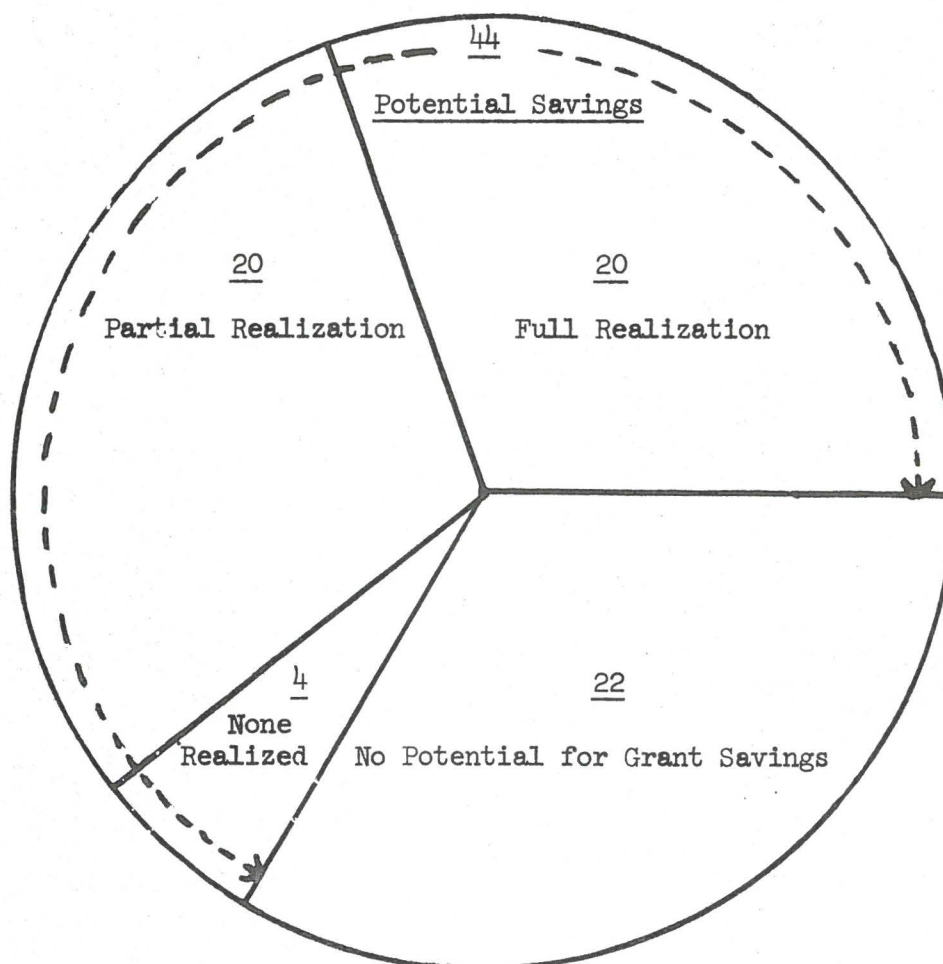
A number of WIN-related job entries did not earn a sufficient amount of money from their employment to produce savings to the AFDC Program and were classified as "No Potential" (22 of the 66). However, some did earn enough money to produce at least a "Potential" for savings (44 of the 66). A number of those creating potential savings produced "Actual" savings; that is to say, these participants actually caused the AFDC Program to realize at least a portion of the potential for savings created by their employment (40 of the 44). Others, although reflecting sufficient earnings to do so, did not actually achieve any of the potential savings and were classified as "Lost" savings (4 of 44). Therefore, the latter individuals added to those achieving only part of their potential savings results in the total number reflecting "Lost" savings (4 + 20 = 24).

The following exhibit analyzes the 66 cases with regard to both their potential for savings and their actual savings.

POTENTIAL FOR GRANT SAVINGS

|   | #  | %    |
|---|----|------|
| None Realized   | 4  | 6%   |
| Partial Realization   | 20 | 30%  |
| Full Realization  | 20 | 30%  |
| WIN Related Job Entries with Potential for Grant Savings    | 44 | 66%  |
| WIN Related Job Entries with No Potential for Grant Savings | 22 | 34%  |
| WIN Related Job Entries - January, 1975                     | 66 | 100% |

or, as illustrated below: (To show relationship among the three categories of potential):





FINDING . . . . The evaluators determined the amount of potential savings, in the twelve months subsequent to job entry, to be \$26,191 or 22.9 percent of the \$114,579 in AFDC grants that the 66 participants would have been eligible to receive without WIN created employment. (See Exhibit 11) We believe the potential for savings to be more important than actual savings when analyzing the value of the WIN Program. The reason for this opinion is that the difference or "Lost" savings are not attributable to the WIN Program, rather, represent administrative shortcomings of the AFDC (grant) Program.

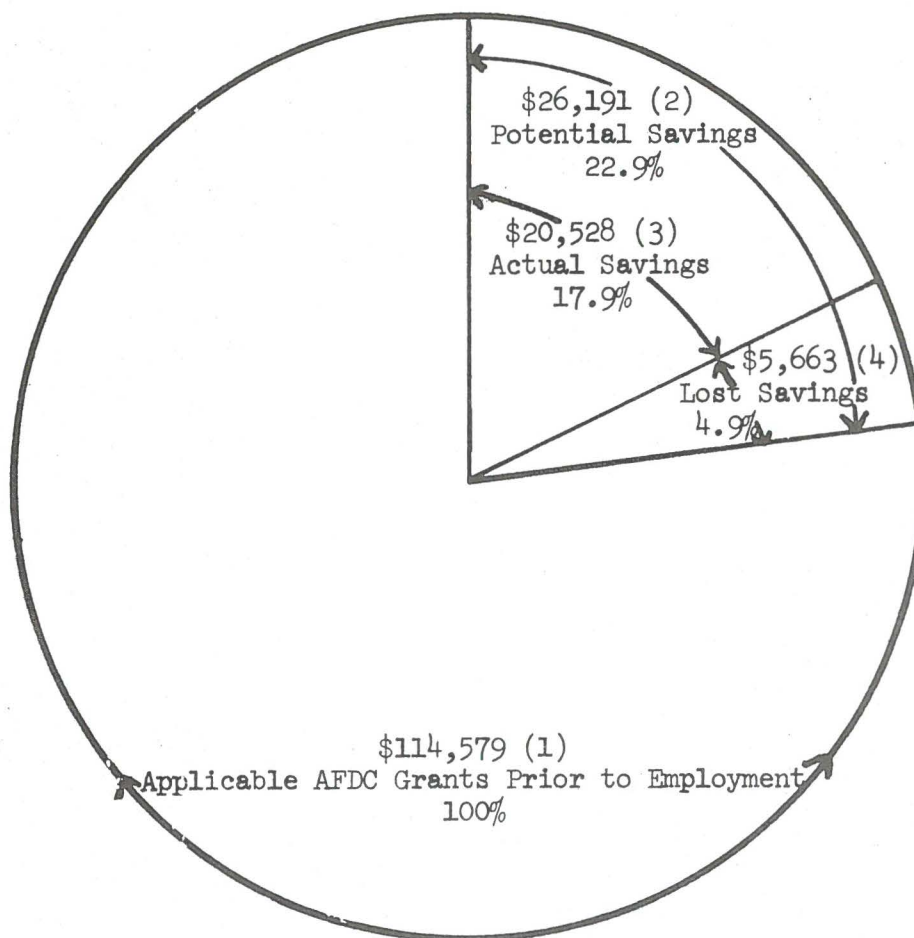
Therefore, it may be stated, that the WIN Program potentially reduced by 22.9 percent the cost of AFDC grants for the 66 persons (or cases) in our sample. Furthermore, we believe our sample to be representative of the WIN Program. We know of no general standard of acceptability for savings and, therefore, the adequacy or acceptability of the amount of savings is not judged by the evaluators. (Later in this report, the overall costs of the WIN Program will be related to program achievement in terms of WIN-related job entries and resulting "true" savings to the taxpayer.)

Federally mandated disregard of portions of earned income in the calculation of grants make it very difficult for earnings to effect a substantial impact on the amount of a grant. Such "disregards" include the first \$30.00 and one-third of the balance of gross monthly earnings as well as work related expenses (including child care, taxes, noon meals, etc.).

21.6 percent of the potential savings or \$5,663 was found to be lost due to various administrative shortcomings involved in the timely and accurate acquisition and utilization of earnings information by the AFDC Program. Most of the loss occurred in the first three months subsequent to job entry:

| <u>Month</u>   | <u>Lost Savings</u> | <u>% of<br/>Total Loss</u> |
|----------------|---------------------|----------------------------|
| February, 1975 | \$1,644             | 29.0                       |
| March, 1975    | 1,486               | 26.3                       |
| April, 1975    | <u>913</u>          | <u>16.1</u>                |
|                | <u>\$4,043</u>      | <u>71.4</u>                |

- 1) Applicable AFDC Grants Prior to Employment
- 2) Potential Savings Resulting from Earnings
- 3) Actual Savings Due to Inclusion of Earnings in Grant Computation
- 4) Lost Savings Due to Failure to Include Earnings in Grant Computation



CRITERIA . . . . The criteria utilized to ascertain savings are somewhat complex to describe in all of their detail, but, we allude to certain points for the benefit of program administrators. Suffice it to say, we computed what the individual grants would have been for the twelve month period had it not been for the WIN-related job entries of these AFDC recipients. We then calculated what the grant would be with earnings incorporated in the computation. The difference was classified as potential savings produced by WIN.

RECOMMENDATION . . . . A recommended solution to the loss of savings due to late reporting of earnings is the retroactive calculation of future grants until such time as the loss is recovered. Presently, retroactive AFDC payments are made to recipients when employment is terminated and a portion of the benefits are lost during the conversion time. Conversely, it would seem logical to apply this same technique to the opposite set of circumstances.

Furthermore, knowledge of the enforcement of this recommended change might be expected to bring about more timely and accurate reporting of earnings by those individuals inclined toward late or no reporting of earnings.

FINDING . . . . The 66 WIN-related job placements reflected the following effect with regard to termination and reduction of AFDC grants:

Exhibit 12

| Effect of Employment<br>on AFDC Grants    | # of<br>Recipients | %            | .....Savings..... |                |                 |
|---|--------------------|--------------|-------------------|----------------|-----------------|
|   |                    |              | Actual            | Lost           | Potential       |
| Terminated                                | 10                 | 15.2         | \$11,405          | \$1,898        | \$13,303        |
| Reduced                                   | 30                 | 45.5         | 9,123             | 2,559          | 11,682          |
| No Actual Effect<br>(Potential only)      | 4                  | 6.0          | None              | 1,206          | 1,206           |
| No Effect<br>(Potential <u>or</u> Actual) | <u>22</u>          | <u>33.3</u>  | <u>None</u>       | <u>None</u>    | <u>None</u>     |
| Totals                                    | <u>66</u>          | <u>100.0</u> | <u>\$20,528</u>   | <u>\$5,663</u> | <u>\$26,191</u> |

The 22 placements which reflected no reduction of the AFDC grant can be attributed to two main reasons. The first reason has been mentioned previously in this report and concerns the federally mandated disregards of portions of earned income in the calculation of grants which make it very difficult for earnings to effect an impact on the grant amount. Such "disregards" include the first \$30.00 and one-third of the balance of monthly gross earnings, as well as work related expenses. The second reason is primarily indicative of the time prior to the ratable system where an unmet need had to be absorbed before savings could be realized.



FINDING . . . . The recently adopted AFDC system of ratable reduction greatly enhances the potential for savings resulting from earnings. Since our sample period includes the October 1975 advent of the "ratable reduction" system in the calculation of AFDC grants, the beneficial effect of such a system can be demonstrated. Ratable reduction, although simple enough in application, is somewhat difficult to explain, particularly due to the fact that it causes a reduction in benefits for some and an increase for others. This seeming contradiction results under "ratable" because income has a more profound impact on the calculation of the grant amount than under the former system.

Reduced to its barest essentials, ratable reduction is a system whereby an AFDC recipient's income is deducted from a "ratably reduced" amount of need rather than the full actual need. The reduction referred to is intended to reflect the resources that the legislature believes it can make available for AFDC when approving the overall General Fund budget. As an additional matter, under ratable reduction, no administrative maximums apply, as was formerly the case, and the full amount is paid after deducting recognized income from the recognized need.

Exhibit 13

SIMPLIFIED EXAMPLE - EFFECT OF RATABLE

(1 parent with 1 child)

| <u>Prior to Ratable</u> |               | <u>Ratable</u>                |                |
|-------------------------|---------------|-------------------------------|----------------|
| Need                    | \$205         | Recognized Need (\$205 x 80%) | \$164          |
| Net Earnings            | - 75          | Net Earnings                  | - 75           |
| Deficit                 | <u>\$130</u>  |                               |                |
| Grant                   | <u>\$128*</u> | Grant                         | <u>\$ 89**</u> |

\* Administrative Maximum

\*\* No Administrative Maximum - full amount paid.

Note: \$39 savings to AFDC under ratable system.

A more definitive example of the effect of ratable on savings is as follows, utilizing the cases in our sample:

Exhibit 13a

COMPARATIVE ANALYSIS OF 4 MONTHS PRIOR AND SUBSEQUENT TO RATABLE

June to September (4) Months Prior to Ratable

|                                     | <u>Grants</u>   | <u>%</u>    |
|-------------------------------------|-----------------|-------------|
| Gross AFDC Grants (Before Earnings) | \$36,554        | 100.0       |
| Less: WIN Created Potential Savings | <u>6,372</u>    | <u>17.4</u> |
| Net AFDC Grants                     | <u>\$30,182</u> | <u>82.6</u> |

October to January (4) Months Subsequent to Ratable

|                                     | <u>Grants</u>   | <u>%</u>    |
|-------------------------------------|-----------------|-------------|
| Gross AFDC Grants (Before Earnings) | \$37,261        | 100.0       |
| Less: WIN Created Potential Savings | <u>11,973</u>   | <u>32.1</u> |
| Net AFDC Grants                     | <u>\$25,288</u> | <u>67.9</u> |

Note: Potential Savings Increased Due to Ratable System 87.9%



## Subsection 5

### GENERAL OBSERVATIONS

GENERAL . . . . During the course of the study, some amount of attention was given to observing the relative success among the various WIN offices at producing AFDC savings. It was not actually our intention to discover and report if one office was producing better results than another, since many factors might be involved in the reasons for a difference and it would not be fair to appear to discredit any particular office unless all of the reasons were thoroughly explored. The review did, however, produce an interesting finding included here for the general information of all concerned.

FINDING . . . . An analysis of the potential savings generated from WIN-related job entries in the month of January 1975 disclosed that there is some hazard in assuming that larger numbers of job entries create larger potential savings for the AFDC Program. For instance, the Lewiston office created \$3,141 of potential savings with 23 WIN-related job entries, while the Bangor office created \$7,406 of potential savings with only 11 job entries. The Lewiston per person average was \$136 and the Bangor average was \$673 leading to the observation that the number of placements is not necessarily a reliable indicator of the amount of savings produced. Rather, the quality of the placement in terms of earnings is the critical factor in the production of savings.

GENERAL . . . . As indicated in the Phase I portion of this study, additional savings can be produced by locating and administratively eliminating from AFDC, mandatory referrals actually unwilling to become employed. This policy would involve the follow-up of individuals collecting AFDC but not responding to communications from WIN.

Note: The savings referred to above, cover a one year period of time.

# CHAPTER III

## FINDINGS

(Continued)

### SECTION C

#### Phase III: Cost/Savings (Utilizing Phase II Data)

##### Subsection 1

##### Costs: Departments of Human Services and Manpower Affairs

GENERAL . . . . Under the Social Security Act, the cost of WIN is to be appropriated using Federal funds of not more than 90 percent and the balance to be made up of state funds. Upon our request, each of the two departments submitted a financial report for the fiscal year ending June 30, 1975. Each report was analyzed to determine the nature of the costs and care was taken to determine that the costs reported were all-inclusive. The following is a breakdown by department of the expenditure of state and federal funds:

Exhibit 14

#### WIN EXPENDITURES FISCAL YEAR ENDING JUNE 30, 1975

| <u>Department</u> | <u>Personnel<br/>Assigned</u> | <u>State</u>     | <u>%</u> | <u>Federal</u>     | <u>%</u> | <u>Totals</u>      |
|-------------------|-------------------------------|------------------|----------|--------------------|----------|--------------------|
| Human Services    | 38                            | \$156,448        | 19.1     | \$ 661,300         | 80.9     | \$ 817,748         |
| Manpower Affairs  | <u>70</u>                     | <u>158,753</u>   | 10.0     | <u>1,429,878</u>   | 90.0     | <u>1,588,631</u>   |
| Totals            | <u>108</u>                    | <u>\$315,201</u> | 13.1     | <u>\$2,091,178</u> | 86.9     | <u>\$2,406,379</u> |

FINDING . . . . The state's share of expenditures for the fiscal year ending June 30, 1975 amounted to \$315,201 and was 3.1 percent or \$74,598 more than the usual 90/10 ratio that the departments anticipate as the standard cost ratio. A federal cutback of the federal appropriation to the state was the prime factor behind this greater than originally programmed use of state funds. The cutbacks were justified under the federal regulation which reads: "Funds may be used to meet no more than 90 percent - - -."

RECOMMENDATION . . . . It is recommended that if the legislature desires to limit the state's financial participation in the WIN Program to 10 percent, future state appropriation acts include applicable wording to that effect.

## Subsection 2

### Analysis Program Costs Versus AFDC Savings

GENERAL . . . . The savings referred to previously in Section B are only the savings to the AFDC Program in the form of grant reductions brought about by employment generated for AFDC recipients by the WIN Program. Therefore, one must consider the costs of the WIN Program in calculating true savings to the taxpayer. Ideal conditions do not exist for exact calculations, however, we believe that the data acquired in this study provides a very reasonable base for analyzing the financial benefits to the taxpayer, if any, from the WIN Program.

The 1974-75 federal and state costs of operating the State of Maine WIN Program were \$2,406,000 or \$200,500 on an average monthly basis. There were in the statistically typical month of January 1975, 44 WIN-related job entries that produced some amount of potential savings to the AFDC Program during the course of the ensuing twelve months. That means there were 44 financially successful job entries created in one month and a monthly Program cost of \$200,500 (average) for a cost of \$4,556 per producer of potential savings to the AFDC Program. January 1975 was typical in terms of the number of job entries in one month, and therefore, provides a base for examining the costs of creating savings producers for the AFDC Program against the potential savings produced.

FINDING . . . . A detailed study of the 44 WIN-related job entries in January 1975 that created potential savings to the AFDC Program revealed the following:

- 1.) 20 ceased producing AFDC savings during the 1st year after job entry  
24 produced AFDC savings in the 13th month after job entry  
44
- 2.) 20 x \$4,556 individual cost: \$ 91,120 to be liquidated with AFDC savings  
24 x \$4,556 individual cost: 109,344 to be liquidated with AFDC savings  
44 \$200,464
- 3.) 20 potentially saved AFDC \$ 6,456 during 1st year following job entry  
24 potentially saved AFDC 19,735 during 1st year following job entry  
44 \$26,191
- 4.) \$200,464 WIN cost to be liquidated before true savings begin  
- 26,191 Potential AFDC savings in 1st year  
\$174,273 WIN cost remaining to be liquidated after initial year
- 5.) 20 produced no potential for savings after 12th month  
24 produced potential (and actual) AFDC savings of \$3,013 in 13th month  
44
- 6.) \$174,273 ÷ \$3,013: 57.8 additional months necessary to recover the costs of the WIN Program

Note: There are no true savings to the taxpayer until almost 6 years after one month's job entries (1 year plus 57.8 months) when the overall costs of the WIN Program will be recovered, but, only if those individuals producing savings in the 13th month continue producing savings at the same rate.



In summary, it can be said that while potential savings to the AFDC Program begin immediately after job entry, true savings to the taxpayer do not begin until at least 6 years after job entry due to the overall cost of operating a WIN Program. We believe the above portrayal of information to be fair in that it recognizes that there is a total cost to maintaining a WIN Program that is aimed at assisting AFDC recipients in finding gainful employment and that the cost of maintaining a WIN Program can only be borne by those individuals who produce savings and/or the taxpayers.

WIN management personnel point to savings in other areas by working AFDC recipients such as; food stamps, tax monies produced, etc. and we do not dispute this claim, but feel the impact of such savings are quite limited unless employment acquired results in substantial earnings. As still another matter, tax credits are frequently given to employers of WIN placed AFDC recipients thereby creating additional costs. Suffice it to say, the entire subject of costs and benefits becomes very complex with many points to be examined.

CRITERIA . . . . The criteria used in arriving at the above findings are believed to be basically self-explanatory. It should be stated, however, that the total cost of the Program which was used in the development of the findings includes costs other than simply those associated with initially locating employment. Within the context of its use in the finding, it is our opinion that such is fitting and proper in portraying the overall condition.

GENERAL . . . . The purpose of the WIN Program as stated in the federal Social Security Act (see attachment 2) is to bring AFDC recipients into employment in the regular economy, " - - thus restoring the families of such individuals to independence and useful roles in their communities". (emphasis added) Actually, no mention is made of savings to the AFDC Program in the stated purpose of the WIN Program, however, since the savings generated by WIN is of such obvious value to the taxpayer, we have basically devoted this report to that subject.

It must be noted that while there may be degrees of "dependence", there are no degrees of "independence". An individual or a family either is or is not financially independent. Although the standard presents stringent criteria by which to judge the WIN Program, we believe it is necessary to compare this type of a desired result with the overall cost of the Program to determine if the Program is accomplishing its stated purpose at an acceptable cost to the taxpayer. (It should not be overlooked that the purpose goes on to indicate that individuals are expected to acquire a sense of dignity, self-worth, and confidence and that the example of a working adult will have beneficial effects on the children in such families. These matters were not studied.)

FINDING . . . . 10 participants earned sufficient monies from the January 1975 WIN-related job entries to become financially independent from AFDC at some point during the ensuing 12 months. The average monthly cost of conducting a WIN Program is approximately \$200,500 (FY 75) for a cost per individual made independent of \$20,050.



These 10 individuals were found to have potentially saved AFDC a total of \$13,303 in the first year after job entry (based upon grant amounts at the time of leaving the AFDC Program, adjusted for ratable). Utilizing the savings amount in the 13th month of \$1,497 it can be seen that another 125 months of savings is necessary to absorb the remaining portion of the \$200,500 average monthly Program cost. The total time required to absorb costs then becomes 11 years and 5 months provided savings are presumed to continue at the same rate. The average age of the youngest child involved in these 10 situations was 7.6 at the 13th month, indicating grant eligibility based upon age would end at approximately at the same point that costs are absorbed and with no true savings to taxpayers realized.

We anticipate a question in the minds of some as to the appropriateness of including all costs of the Program into a calculation affecting only the 10 described individuals. We believe this technique to be entirely appropriate since it is assumed that all costs of WIN are actually directed toward the ultimate WIN goal of making AFDC recipients (financially) independent and since there is no way that it can be predetermined which participants will become (financially) independent. Therefore all costs are associated with this goal.

In our opinion, however, it is not fair to judge the overall value of the WIN Program solely on the basis of how many AFDC recipients the Program caused to become independent, regardless of the stated purpose of the Program. We believe a more accurate portrayal is reflected in the earlier analysis of savings versus costs that included partial reductions to grants.

## SOCIAL SECURITY ACT—§ 431(c)

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(2) for contracts or jointly financed cooperative arrangements with States and public and other organizations and agencies for the conduct of research, special projects, or demonstration projects relating to such matters.

(h) Payments of grants or under contracts or cooperative arrangements under this section may be made in advance or by way of reimbursement, and in such installments, as the Secretary may determine; and shall be made on such conditions as the Secretary finds necessary to carry out the purposes of the grants, contracts, or other arrangements.

**Part C—Work Incentive Program for Recipients of Aid Under State Plan Approved Under Part A**

**Purpose**

**Sec. 430.** The purpose of this part is to require the establishment of a program utilizing all available manpower services, including those authorized under other provisions of law, 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 public service employment,<sup>1</sup> thus restoring the families of such individuals to independence and useful roles in their communities. It is expected that the individuals participating in the program established under this part 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.

**Appropriation**

**Sec. 431.** (a) There is hereby authorized to be appropriated to the Secretary of Health, Education, and Welfare for each fiscal year a sum sufficient to carry out the purposes of this part. The Secretary of Health, Education, and Welfare shall transfer to the Secretary of Labor from time to time sufficient amounts, out of the moneys appropriated pursuant to this section, to enable him to carry out such purposes.

(b) Of the amounts expended from funds appropriated pursuant to subsection (a) for any fiscal year (commencing with the fiscal year ending June 30, 1973), not less than 33 $\frac{1}{3}$  per centum thereof shall be expended for carrying out the program of on-the-job training referred to in section 432(b)(1)(B) and for carrying out the program of public service employment referred to in section 432(b)(3).<sup>2</sup>

(c) Of the sums appropriated pursuant to subsection (a) to carry out the provisions of this part for any fiscal year (commencing with the fiscal year ending June 30, 1973), not less than 50 percent shall be

<sup>1</sup> P.L. 92-223, sec. 3(b)(1), inserted "public service employment" in lieu of "special work projects". Effective July 1, 1972.

<sup>2</sup> P.L. 92-223, sec. 3(b)(2), added sec. 431(b). Effective July 1, 1972.



## CHAPTER IV

### SUMMARY AND CONCLUSIONS

#### Phase I - Rate of Placement

Only 43.7 percent of all AFDC recipients referred by the Department of Human Services to the WIN Program, for the purpose of bringing about independence through gainful employment, can be considered as actually placeable in employment due to the particular circumstances involved in each case. Some of the non-placeable referrals that consume the time and effort of the WIN staff could be avoided by a change in the federal regulations that require the referral of AFDC recipients already working full-time and by a more strict and careful application of exemption criteria by AFDC personnel.

Along these same lines, certain otherwise exempted persons volunteer for WIN services although not truly desirous of receiving such. This is sometimes brought about by an inappropriate implication contained in the application form that AFDC benefits will be denied unless recipients volunteer for WIN employment-producing services. Many times these volunteers learn of their non-obligation and drop from the Program after consuming the time of WIN personnel. A change in the application form's phraseology should serve to reduce the rate of incidence of such an occurrence.

27.3 percent of the placeable referrals (or 12 percent of the total referrals) in a given month become employed at some point during the one year period following the month of referral, but not all are due to the efforts of WIN:

|  |              |             |
|--|--------------|-------------|
| Placed by WIN                            | 19.2%        | (28)        |
| WIN-Related Self-Obtained Employment     | 1.3          | ( 2)        |
| Non WIN-Related Self-Obtained Employment | <u>6.8</u>   | <u>(10)</u> |
|  | <u>27.3%</u> | <u>(40)</u> |

A thorough review of the records on file in the regional WIN offices revealed little, if any, evidence of WIN pursual in 54.1 percent of the referrals (79 of 146). Again, it is possible that in view of the job market existing at the time, there may have been no justification in the minds of WIN officials for the expenditure of time and effort to analyze those cases. It must be remembered, however, that individuals can be removed from AFDC payrolls if they refuse to accept employment or WIN training. Therefore, all referrals should be vigorously pursued to determine their true intentions toward accepting employment. In our opinion WIN officials should take a strong position in this matter and exercise available legal and regulatory prerogatives.



The rate of success for the WIN Program in bringing about employment (other than subsidized OJT) is 20.5 percent of the placeable referrals. Any judgment as to the adequacy of this rate must be tempered with precise and accurate knowledge of the existing job market during the one year period examined and that matter was not included within the scope of this review. Therefore, we make no judgment as to the adequacy of the rate and, instead, refer the information to WIN officials and others for their consideration.

The possibility exists that general efficiency in job placement could be enhanced somewhat through a refinement in the present filing system. Under the proposed system, unemployed participants' names would be filed by general job-type classifications in addition to the present system designed to meet certain federal requirements. As specific-type jobs then become available, a brief reference to the described file should disclose all available candidates. The change is not likely to increase the number of WIN placements but should, as stated, serve to enhance general efficiency.

## Phase II - Generated Savings

### (Not Related to Data Base Reflected in Phase I)

Only 49.6 percent (66) of the job entries recorded and reported by WIN as occurring in a statistically typical month can be directly attributed to the efforts of WIN. The other job entries during the month represent individuals who succeed in obtaining employment with no assistance from the WIN Program.

67 percent (44) of the WIN-related job entries produce a potential for AFDC savings of \$26,191 in the first year after the month of job entry due to the amount of earnings and their effect on the calculation of grant amounts. Because the AFDC Program fails to either immediately or retroactively reflect earnings in grant calculations, the full amount of savings is frequently not realized, resulting in a partial loss of potential savings. Particularly since the AFDC Program retroactively calculates a grant in the event of an under payment due to terminated employment, a grant should be retroactively calculated to realize savings beginning with the date of employment.

The advent of the "ratable reduction" system for calculating the amount of AFDC grants creates a substantial favorable impact upon the potential for savings. The potential for WIN-produced savings is enhanced by 87.9 percent under this system, thereby greatly increasing the value of the WIN Program. The reader is cautioned, however, to review the examination of savings compared to Program costs, as reflected in Section C of Chapter III.

It was observed in the sample that 23 WIN-related job entries from one particular WIN office produced in the one year period following job entry \$3,141 in potential savings (\$136 per person), while only 11 WIN-related job entries from another WIN office produced \$7,406 in potential savings (\$673 per person). Such an observation leads to the obvious conclusion that the "number" of placements is not always an adequate indicator of the production of savings. WIN officials should determine if it is possible to combine the merits of emphasizing, among the staff, the importance of the number of placements with the merits of emphasizing perhaps fewer, but, higher quality placements in terms of savings produced. "Fewer" placements presumes a greater demand on available time and funds to produce job entries with larger earnings.



### Phase III - Cost/Savings

(Utilizes Phase II Data Base)

The savings produced for the AFDC Program by WIN-related employment must be examined in light of the overall costs of the WIN Program which is designed to develop gainful employment in the regular economy for AFDC recipients, thereby creating the potential for savings of public welfare funds. In fiscal year 1974-75, \$2,406,000 was expended on the WIN Program in the State of Maine; \$315,000 in state funds and \$2,091,000 in federal funds.

It was observed that the state's share of WIN expenditures came to 13.1 percent of the total expenditures rather than the anticipated and budgeted rate of 10 percent. This occurred as the result of a cutback in federal funds during the fiscal year. It is recommended that if the state wishes to limit its participation to 10 percent, then future appropriation acts should contain restrictions to that effect. (3.1 percent unanticipated excess: \$74,598).

Federally legislated "income disregards" used in the computation of AFDC grants make it relatively difficult for earnings from employment to decrease or eliminate grants. However, the state's recently adopted "ratable reduction" technique does serve to substantially improve this situation. When such reductions do occur as a result of employment brought about through the efforts of the WIN Program, the grant reductions are referred to as AFDC savings.

It is our opinion, however, that the term "savings" is misleading in that, although savings are immediately realized in the AFDC Program, true savings do not begin for taxpayers until the costs of the WIN Program are absorbed by such so-called savings. The total costs of WIN are calculated in our analysis to be absorbed by AFDC savings since the overall goal of the Program is to bring recipients to independence through gainful employment in the regular economy and the achievement of that goal has an overall cost. The only way to recover that cost or investment, if it is to be recovered, is by means of the AFDC savings.

A detailed examination of the savings produced by WIN-related job entries in a statistically typical month indicates that the costs of the WIN Program are such that 6 years of AFDC savings after the month of WIN assisted job entry are required to recover overall WIN costs. The technique utilized in arriving at the 6 year figure was based on known savings in the first 12 months. Also, the known savings of the 13th month were projected into the future to determine the time period necessary to recover one month of average WIN costs.

There is, however, no real assurance that the AFDC eligibility of the families involved in the savings calculation of the 13th month would continue through the necessary 6 years. Since the average length of stay for a family in the AFDC program has recently been placed through statistical research at 2.3 years, according to the Director of the Bureau of Social Welfare, it is very unlikely that the costs of the WIN Program would be recovered in 6 years. Therefore, it is unknown how many years in excess of 6 may actually become necessary to absorb costs by the families still creating savings. It must be pointed out that, although it is financially highly desirable for families to leave the AFDC Program as soon as possible, the amount of the grant terminated can not be viewed as WIN savings if AFDC eligibility ended for reasons other than WIN. (Savings include those families eliminated from AFDC as well as those receiving a reduced grant due to WIN related earnings.)



Savings in other areas due to employment, such as: food stamps, tax monies produced, etc. are positive factors for the WIN Program, but, on the other side of the ledger, it must be remembered that tax credits are frequently authorized by the WIN Program to employers of AFDC recipients. The extent to which one offsets the other is unknown since the matter was not included within the scope of the study. Also not included within the scope of the study were any of the possible non-financial social benefits generated by the employment of AFDC recipients.

The report addresses the interest of congress, as evidenced by the language of the Social Security Act, in causing AFDC recipients to become independent. The emphasis on independence is so strong in the stated purpose of the Program that, despite the harsh standard that the term imposes, the report includes an analysis of how many families became independent in the sample and compares this number with overall costs of the WIN Program. Overall costs were utilized for reasons stated in the report, but, amount to the fact that independence is the stated purpose of the Program in addition to certain social values to be gained.

10 families were found to have been made financially independent of AFDC in the statistically typical sample month due to the efforts of the WIN Program. The average monthly costs of WIN were \$200,500 in fiscal year 1974-75 for a cost of \$20,050 per family, assuming (financial) independence to be the goal of the WIN Program aside from the social values referred to previously.

The analysis revealed that a total of 11 years and 5 months of savings at the rate established at the point in time when AFDC grants ended, would be required to absorb the costs of the WIN Program. In our opinion, there is little reason to assume that eligibility conditions prior to employment would remain the same long enough to theorize that costs could be recovered utilizing the criterion of independence. The reader is reminded that the average length of stay on AFDC is estimated by the Department of Human Services to be 2.3 years.

It is our opinion that the value of the WIN Program should not be judged solely on the basis of the numbers of families made independent of AFDC. We provide the information here only because of the phraseology appearing in the Social Security Act. Rather, we believe that all AFDC savings should be considered when examining the financial value of the WIN Program. When the latter criterion is applied we project that WIN costs are not recovered for at least 6 years and, assuming that the families' AFDC eligibility would remain the same during this period, only then would savings to taxpayers begin.

In conclusion, it is our opinion that the WIN Program is not self-supporting in terms of recovering its costs for the taxpayer by means of lowering the cost of AFDC through assistance in obtaining job entries. Since the WIN Program does not recover its own costs, it obviously can not be speculated that true taxpayer savings are produced from this type of an investment. (It is acknowledged that there is no actual statutory requirement for self-support and savings.)

We believe the WIN Program is not justified based on a purely financial analysis unless definitive long-range studies prove that: (1) a substantial number of AFDC recipients become sufficiently motivated from their WIN experience to obtain self placements in the regular economy after the initial WIN placement has terminated, or (2) the children of persons assisted into gainful employment by WIN do not themselves become welfare recipients because of their parents' WIN experience. Without such definitive studies, the long-range financial benefits attributable to the WIN Program, if any, become a matter of speculation and opinion based largely upon one's point of view.

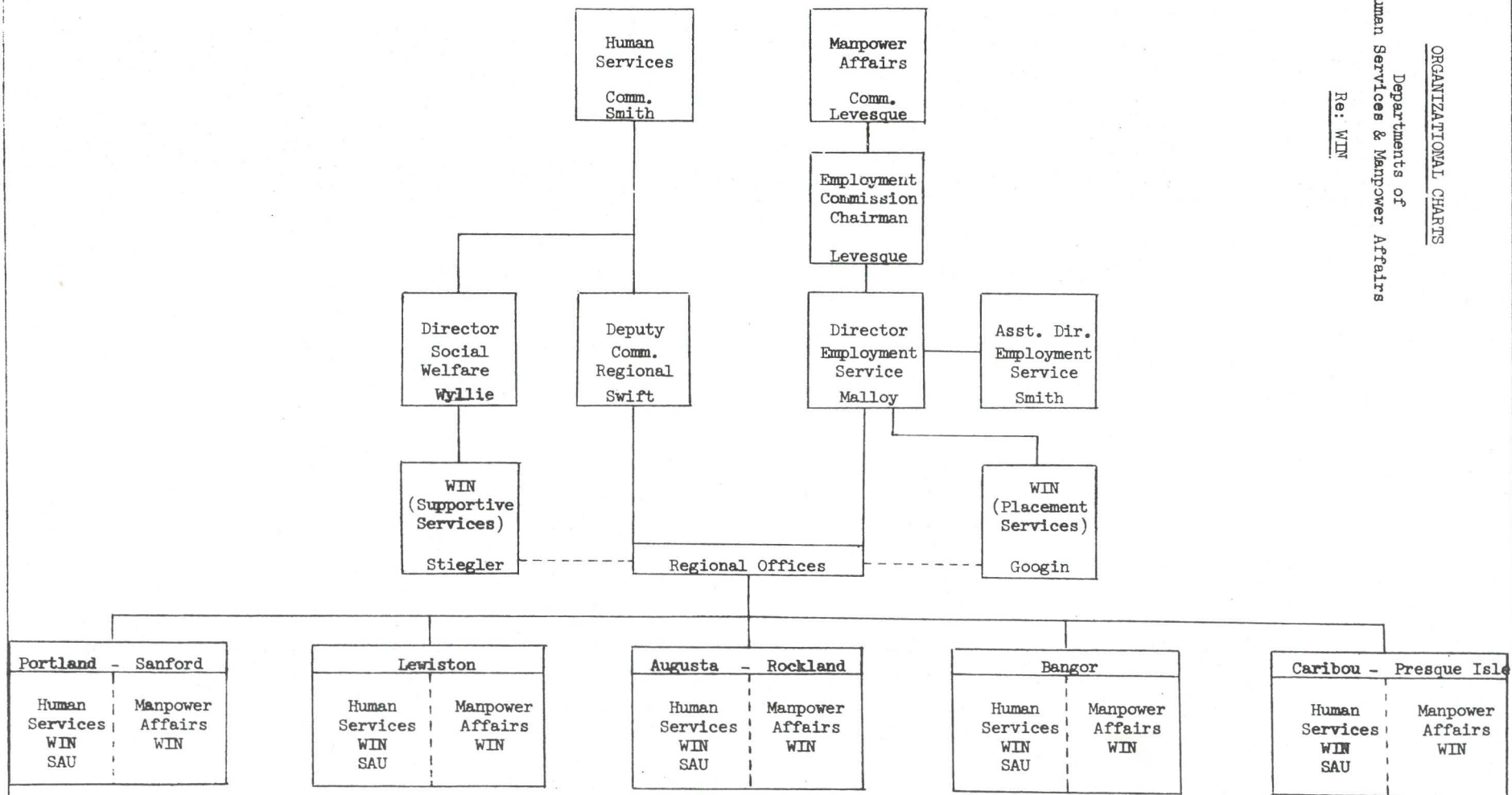


In any event, the state is not in a position to abandon the WIN Program since it is required under the Social Security Act if there is to be an AFDC Program. Any decision to terminate or substantially modify the Program's policies belongs to the federal government. The state can only take care to limit its cash contribution to 10 percent, make administrative improvements to bring the described actual savings up to the full potential and, correspondingly, raise the potential for savings to the highest possible level through the use of good and efficient management techniques.

ORGANIZATIONAL CHARTS

Departments of  
Human Services & Manpower Affairs

Re: WIN







STATE OF MAINE  
DEPARTMENT OF AUDIT  
AUGUSTA, MAINE 04330

AREA CODE 207  
TEL. 289-2201

R. M. RIDEOUT, JR.  
STATE AUDITOR

LESLIE J. HANN  
DEPUTY STATE AUDITOR  
ROBERT G. REDMAN  
DIRECTOR OF MUNICIPAL AUDITS  
JOHN L. PARRISH  
FRAUD INVESTIGATION DIVISION

OVERVIEW: DEPARTMENT RESPONSES vs. EVALUATION REPORT

We have carefully reviewed the responses of the two affected agencies to the report concerning the evaluation of the WIN Program. Where deemed appropriate, adjustments have been made to the report to reflect certain comments of the agencies. A brief review of selected comments follows:

Department of Manpower Affairs

Pages 1 and 2, "Chapter II, Subsection 3"

The Agency questions our use of the term "placeable" in cases where records were not available at WIN or WIN could not locate the client. It is argued that certain client services must be certified by the Department of Human Services as available before a referral can be considered placeable.

We would allow that other terminology might better be applied, such as; "Awaiting WIN Determination and/or Action", however, no change is made to the report.

Page 3, "Section C, Subsection 1, Exhibit 14"

The decision was made when working with the Department's accountant in gathering the costs of the Program to include the 6/30/75 obligations as well as the actual expenditures. This was due to the fact that the particular records utilized included only the expenditures obligated in the current year and not the unpaid obligations at 6/30/74. Since there was some difficulty in determining the exact amount of 6/30/74 obligations actually expended in 1974-75, we used what we believe to be a very adequate and accurate method for portraying costs; namely, 1974-75 actual expenditures plus 6/30/75 obligations to actually be paid in the ensuing fiscal year.

Page 4, "General Comments"

The Agency quotes Department of Labor statistics which we choose not to examine in detail due to time limitations. It is apparent, however, that one major reason for a difference between these costs and those included in this report is that the DOL reflects all job entries in its calculation and we only reflect those that resulted in a potential (or actual) reduction in the cost of welfare.

Department of Human Services

Page 2, "Section B, Subsection IV"

We made no attempt to identify payment errors as client or agency oriented. The point to the comment is simply that when it is learned by the AFDC Program that employment has started, it would seem reasonable to determine the correct starting date and assure that only the appropriate amount of grant is paid from that date forward. This would be true even if a retroactive claim against current grant amounts were made necessary. To avoid an undue hardship such claims might be amortized over a period of time.

Page 3, "Subsection V"

The last question raised by the Agency is the correct one. The \$673 amount represents a period of one year. A note to this effect will be made on the appropriate page of the report.

Page 3, "Section C, Subsection 1"

We checked again with the Department's Deputy Commissioner of Management, Budget and Policy and learned that he was unaware of any subsequent supplemental federal appropriation that restored the 9-1 match. Since we originally developed the information utilizing accounting records and consultation with the Deputy and the Department's budget specialist, the observation stands as reported.

Although the responses of the two departments indicated conflicts with the information and/or interpretations contained in this report, further analysis of their exceptions failed to disclose any documented or substantive evidence which might alter the major findings of this report. Therefore, only minor and very limited changes were made to the original draft.

We wish to acknowledge the cooperation extended by the staffs of both the Department of Manpower Affairs and the Department of Human Services.

Very truly yours,



Stanley R. Sumner  
Director, Program  
Review and Evaluation

JAMES B. LONGLEY  
Governor

EMILIE A. LEVESQUE  
Commissioner



State of Maine  
Department of Manpower Affairs  
20 Union Street  
Augusta, Maine 04330

EMPLOYMENT SECURITY COMMISSION  
BUREAU OF LABOR AND INDUSTRY  
MANPOWER TRAINING DIVISION

July 9, 1976

Department of Audit  
Augusta, Maine  
Attn: R. M. Rideout, Jr.

Dear Mr. Rideout:

Thank you for the opportunity to respond to  
your WIN Program evaluation report.

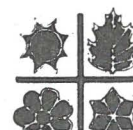
Enclosed are the draft copies you requested  
along with our responses.

Very truly yours,

A handwritten signature in cursive script, reading "E. A. Levesque".

Emilien A. Levesque  
Commissioner

RRG/kcd





## CHAPTER I

### "Background of the WIN Program"

This section presents only the background of "WIN II". At the time the Department of Audit started their evaluation the WIN Program was in a transitional period. We were in the process of implementing "WIN Redesign" which affected the method of operation within the program.

The "Redesign" basically transferred the Registration and Deregistration processes to the Employment Service. During the period WIN II was in effect, many problems arose around the registration process. The information and the "Registration" forms transmitted to us were at best minimal, and not sufficient to make a reasonable determination as to whether or not the individual named could be a participant. Many of those registered as mandatory turned out to be exempt. Others who "volunteered", when confronted with the fact that they could not get one to four years of post secondary education, "lost interest". The Income Maintenance Unit, who had deregistrations, would not deregister these people until they received a written request from the client to do so, hence the large number of "volunteers" in our files. This problem has been corrected under the "Redesign".

## CHAPTER II

In the first paragraph reference is made to validly claimed placements. A placement, as defined by the Employment Service, occurs when:

1. An employer has an "opening" - the Employment Service selects or refers an individual to the employer, and he is hired.
2. The Employment Service has a client and a job development is done on his behalf which results in his employment.

As a result of the foregoing definitions, WIN was losing credit for their efforts by not being able to take a "placement". One of the prime examples of this is our L.P.N. (Licensed Practical Nurse), graduates. We spend time and money to get clients through training and then they are "placed", or obtain employment directly from the school. This also occurs in many of the schools that we contract with. They have their own placement service which many of the graduates use.

This condition was recognized and corrected under the "Redesign". We are assigned a goal of "X" number of clients to "enter unsubsidized employment". This is a combination of "placements" and "obtained employment". Any WIN registrant who enters unsubsidized employment subsequent to registration will be counted and the savings computed.

### SUBSECTION 3:

This section deals with referrals which the evaluator considered "placeable". His classification includes:

1. Waiting for training
2. Training in process

If a participant needs training to become employable, we do not consider

him job ready, or "placeable".

Exhibit 3a.1

"No significant activity" This breakout includes such classifications as:

1. No Records Available at WIN
2. Cannot Locate Client

If there were no records, the registration never arrived.  
On what basis are these people "placeable"?

It is noted that all reference to the persons referred to the WIN program are catagorized as participants. A participant is a registrant who has been selected by the WIN team to actively participate in an ongoing WIN component, i.e., Orientation, Institutional Training, Work Experience, OJT, etc.

In order to participate, the registrant must first be certified by Human Services that all services necessary for participation have been provided. This has a profound effect upon the Mandatory Registrants. If services (child care, etc.) cannot be provided, then that person cannot be mandated to participate. This leads to the question, "were all the Placeable people referred to in the evaluation certified to accept employment"? This is obviously one point overlooked by the evaluator.

SUBSECTION 5:

The statement, "WIN offices do not possess an effective method for identifying all available candidates for particular type jobs as the jobs become available", is an opinion with little foundation. When a registrant or participant is job ready, they are assigned to a job developer. Each job developer has a case load for whom he is directly responsible. He attempts to develop or locate jobs that are suitable for his case load. WIN job developers do not go out and solicit jobs and then try to find people to fit them. Theirs is the reverse approach which has proved successful in meeting our employment goals.

CHAPTER III

SUBSECTION 2:

The statement was made that "33.8% of all reported job entries in this month constitute participants who have obtained employment through their own efforts". WIN may not have contributed directly to their placement (i.e. job development) but it is not known whether or not these individuals had received counseling or orientation. Many registrants, as a result of the concentrated efforts of our counselors, and their participation in group orientation become motivated and seek and obtain employment on their own, this can be attributed to WIN indirectly.

Responding to "Placements less than 30 days or 30 hours per week" the



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Responding to "Placements less than 30 days or 30 hours per week" the



economic situation in Maine was quite critical. By February, 1975 the unemployment rate had risen to 9.9%. We were fortunate to obtain temporary or even short term employment. There are instances where, as a part of the employability plan, participants are placed in these positions - usually as a result of dire financial need.

Exhibit 7a

1. Employed Prior to Claimed Placement

This problem was identified last year as a result of confusing guidelines. Attached are two (2) Series Letters issued by this office to clarify and correct the situation.

2. No AFDC Relationship (prior 5 or more months)

Once an employability plan is initiated, WIN has the prerogative to carry it through to completion, even though the AFDC grant might be closed. Example, a participant is enrolled in L.P.N. (Licensed Practical Nurse) training at Central Maine Vocational, Technical Institute. She has completed 30 weeks of the 52 week course. For some reason, her AFDC grant is closed. We retain her in the program until she completes training and becomes employed. It would be a gross waste of money to deregister her when the grant closed.

3. Should Have Been Reported as OJT

Although subsidized employment, an OJT meets all the requisites of a placement. Welfare savings are realized as a result of the OJT whether or not the employment is subsidized.

SECTION C

SUBSECTION I

Exhibit 14

The figures shown for Manpower Affairs are in error. Those figures include resources on order. The actual expenditures are as follows:

| <u>State</u> | <u>%</u> | <u>Federal</u> | <u>%</u> | <u>Totals</u> |
|--------------|----------|----------------|----------|---------------|
| \$136,324    | 10.0     | \$1,226,913    | 90.0     | 1,363,237     |

## General Comments

The WIN Program in Maine is continuously monitored by D.O.L. (Department of Labor) personnel from the Regional Office in Boston. We are also accountable to Operational Planning and Control System (OPCS) personnel who "cost" out the program. Their report for Fiscal Year 75 provided the following information:

1. Total entering insubsidized employment 1503
2. Participants still in OJT & PSE at end of FY75 149
3. Cost per participant entering unsubsidized employment \$1351

This figure does not include the Welfare agency cost. 1652 persons who were, or are on the AFDC rolls have derived benefit from the Work Incentive Program. Although the actual welfare savings were not computed, it would appear that the grant closures plus the grant reductions annualized would at least offset the D.O.L. (Department of Labor) cost shown above.

We are in the process of completing our reports for Fiscal Year 76. The following information has been completed:

1. Total entering unsubsidized employment 1539
2. Participants still in OJT & PSE 176
3. The costs have not yet been completed, but it would appear that there will be no significant change from Fiscal Year 75.

We are pleased that once again we were able to assist (directly or indirectly) 1715 persons into employment.

The WIN Program provides a necessary service to those persons whose circumstances forced them onto the AFDC rolls. The following quotation is from the WIN Program sixth annual report to the Congress:

"Central to the work incentive concept is an affirmation of the work ethic -- that work is the acceptable means of maintaining livelihood. WIN introduces a discipline into the welfare system -- that those supported by public funds and able to work must accept employment, or preparation for employment, when offered, rather than passively subsisting with public support."

DEPARTMENT OF MANPOWER  
Employment Security Commission

August 20, 1975

WIN Series Letter #52

To: Area Directors

Subject: WIN REPORTING OF ENTERED EMPLOYMENT

This is to clarify Manpower Administration policy regarding reporting of participants identified as having obtained employment prior to or after July 1, 1975.

Employment of a WIN registrant that occurred before July 1, 1975, which could not have been counted under the Reporting System then in effect, cannot be counted after July 1, 1975, as an "obtained employment". For example, a non-certified WIN registrant who found her own job prior to July 1, 1975, could not at that time be counted as a job entry. If the WIN Sponsor learns of the person's employment after July 1, credit may not be taken for a job entry. In the case of a non-certified registrant, only when the job is obtained in FY 1976 can it be counted as an obtained employment in item 11. However, a participant who obtained a job before or after July 1, may be counted as an "obtained employment".

If you have questions please do not hesitate to contact the Administrative Office.

William R. Bolloy  
Employment Service Director

RG/ps



MAINE DEPARTMENT OF LABOR AFFAIRS  
Employment Security Commission

October 28, 1975

WIN Series Letter #53

To: Area Directors

Subject: TIME LIMITS FOR WIN EMPLOYMENT CREDIT

Purpose: To provide instructions on time limits for counting WIN obtained employment

Background: On July 1, 1975, the WIN Reporting System changed from the MA 5-97 to the Employment Security Automated Reporting System (ESARS). At that time, the component "job entry" was replaced by the status, "entered employment" which was further subdivided into "placements" (structured employment service definition) and "obtained employment" (all other entered employment).

Reporting Instructions: In the new reporting system, WIN sponsors report WIN registrants who obtain employment on their own. In many instances, the knowledge of this employment may not be immediately available to the WIN sponsor. As crediting WIN with an employment obtained months or even years ago cannot be justified, an "obtained employment" may be counted by the WIN sponsor only if the job was obtained in the 90 days immediately preceding completion of the MA 5-97 i.e., the differences in dates in items 7 (date of entry into employment) and 18D (date form was completed) on the MA 5-97 does not exceed 90 days. But in no event will "obtained employment" be credited if such employment occurred prior to registration in WIN. This instruction will be reflected in the changes to Chapter IV of the MA Handbook No. 309 (ESARS) currently in preparation.

William R. Malloy  
Employment Service Director

RG/ps



STATE OF MAINE  
DEPARTMENT OF HUMAN SERVICES  
AUGUSTA, MAINE 04333

DAVID E. SMITH  
COMMISSIONER

July 8, 1976

Mr. Raymond Rideout  
State Auditor  
State House  
Augusta, Maine 04333

Attn: Stanley R. Sumner

Dear Mr. Sumner:

We have read the draft report of the WIN program audit and the following are our comments on the findings. The response is developed by subsections of the report and restricted to those which pertain strictly or primarily to this Department's responsibility. Basically, the findings were anticipated and most of the problems raised regarding departmental responsibilities have either been already handled or are in process.

A. Chapter I

The background statement is acceptable as written.

B. Chapter II

The methodology for the study is accepted, but we do not believe that the "value" of the WIN program can only be equated with dollar savings; it must, in fact, evaluate the positive social impact on the recipient and the family constellation. Even though it is indicated that such was not studied, we would argue that the impact of the WIN program, good and bad, cannot be known unless a "measuring" is done of that component in addition to the financial analysis. Perhaps longitudinal studies are, in fact, important to demonstrate "true" savings to the taxpayers. On this point we would concur with the evaluators.

Given the employment market, the wage scale of Maine, and the work incentive disregards built into the AFDC program, we would agree that the major purpose of WIN - "independence" (from welfare) is certainly not realistic for this State. Maine emphasizes that a lessening of dependence on AFDC through employment is also a legitimate and valid goal of WIN for our recipients; we believe it is also a goal acceptable at the federal level.

We have elaborated further in the report on the section about cost/savings and choose not to respond here.

C. Chapter III

1. Section A

Subsection I -- Appropriately MESC's response.

Subsection II - a. Finding #1 - We agree that the referral to the WIN program of persons currently employed is time-consuming

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for both this agency and MESC and nonproductive for the client. Until the law is changed, however, it continues to be a requirement.

b. Finding #2 - During the time span studied, caseloads per assistance payments worker closely approximated 500. Therefore, the finding that we referred some who ultimately were non-placeable is accepted as a positive demonstration that referrals were being made despite unwieldy caseloads. Because of the nature and thrust of the program, we have always encouraged the referral of those few clients whom the given worker may think are of marginal capability to benefit from the WIN program. Such mandatory referrals are more appropriately evaluated for employment potential by the employment agency than ourselves. Therefore, we will re-evaluate performance in this area, but do not necessarily agree with either the finding or the recommendation.

c. Finding #3 - We agree that the wording of this form may have been sufficiently ambiguous so some unnecessary referrals resulted. As of March 16, 1976, the registration responsibility was transferred (per federal regulation) to the Maine Employment Security Commission; page 14 of the application form is no longer used for registration purposes.

Subsection III

Although this subsection primarily applies to MESC, we do accept a shared responsibility for assisting the "mandatory" client to develop a positive attitude toward employment. In-service training of our WIN social worker staff to further refine their skills to assist in this objective is scheduled for September this year.

Subsections IV and V - Appropriately addressed by MESC.

2. Section 3

The subsections I, II, and III are appropriately addressed by MESC.

Subsection IV

We are confused as to whether the potential savings lost (if we correctly understand the terms) is due to agency or client error. For example, if we were negligent in getting updated information on the computer, it is coded as an agency error and there should be no retroactive claim requested against the recipient: If, however, it can be shown that the client was withholding information, consideration should be given to the



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## Subsection IV (continued)

recommendation. Such a decision should consider the level of payments and the fact that the standards used are reflective of the cost of living in 1969. Furthermore, it has been the administrative position of this Department to the present, that we would not recoup overpayments from already inadequate grants.

## Subsection V

There is confusion as to the meaning of the second paragraph on page 24. We understand what is trying to be said, but the illustrations given leave the statement highly suspect. The number of families in January of 1975 who were receiving grants of \$673 or more were practically nonexistent. The placements of the 11 in Bangor must have been in high paying jobs or there is an error in reporting the figure, or the average figure stated is for a longer period than just one month?

3. Section C

## Subsection I

We disagree with findings and recommendations reported here and suggest that the figures should have been rechecked by the auditors. Had a review been done, it would have been discovered that a subsequent supplemental federal appropriation restored the 9-1 match; therefore, no more than 10% of program costs were financed by State money.

It should be stated here that our WIN program staff have been urged by their federal counterparts to utilize Title XX funded child care resources whenever possible. Primarily, this is because of limited WIN dollars and the capability of the Title XX funded service to continue furnishing necessary child care when WIN is no longer active in the case. Title XX is a Federal-State matched program at a 75%-25% ratio; therefore, it would not be unusual to find some 75%-25% funded services provided as a support to the WIN participant.

## Subsection II

While historically the WIN program was not really expected to be self-supporting but rather to be a resource for those who could benefit from the program as well as, in our opinion, a deterrent to those who wished to "use" the AFDC program without capitalizing on their own personal resources, the exploration of only one factor in arriving at true savings is an incomplete and suspect statement. The statement, "Suffice it to say, the entire subject of costs and benefits becomes very complex with many points to be examined" <sup>1.</sup> is a valid viewpoint and should stand for this whole subsection.

We would agree that when all factors are considered, the program would probably not be self-supporting but we cannot agree with the dollar amounts

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## 3. Section C - Subsection II (continued)

attributed to true savings nor with the general statements made because the method used in this section of studying only one factor of savings is, in our opinion, suspect in addressing the question of true savings generated by the WIN program.

Some overall observations:


1. The difficulty which the evaluators recognized in explaining some of the administrative processes involved in administering the AFDC program (e.g., rateable reduction, the \$30 and 1/3 income disregards) is symptomatic of a larger problem -- that of a program which was established to meet Society's needs 40 years ago, but which can no longer be "patched up" to meet the needs of today. It has been our position for some time that the logical answer to this dilemma can only be achieved through a carefully thought out, carefully planned and implemented, national welfare reform package.
2. We found the major outline of this report to be of logical format. The development of the material, however, in the subsections, is difficult to follow and some of the terms used very confusing (for example, "actual" vs. "potential" vs. "true" savings). Although we have no definitive corrective proposal to make, we would suggest some outline use with numbering as well as a setting forth of all recommendations in the summary section with reference to the respective part of the report.

All of the preceding comments were prepared by staff people who I felt should have the opportunity to address the report and make observations.

Let me assure you that each recommendation will be given deliberate analysis and it will also be referred to the Task Force on Human Services Program Monitoring to determine if the program should be discontinued or revised.

Thank you for the opportunity to respond to this draft report.

Sincerely,

  
David E. Smith,  
Commissioner

DES:t