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# REPORT TO THE CONGRESS

## Evaluation Of Results And Administration Of The Job Opportunities In The Business Sector (JOBS) Program In Five Cities B-163922

Department of Labor

BY THE COMPTROLLER GENERAL  
OF THE UNITED STATES

~~713-710~~

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MARCH 24, 1971



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON D C 20548

B-163922

To the President of the Senate and the  
Speaker of the House of Representatives

This is our report on evaluation of results and administration of the Job Opportunities in the Business Sector (JOBS) program in five cities--Detroit, Michigan, Oakland, California, Portland, Oregon, San Francisco, California, and Seattle, Washington.

Our review was made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

Copies of this report are being sent to the Director, Office of Management and Budget, the Secretary of Labor, and the Director, Office of Economic Opportunity.

A handwritten signature in cursive script that reads "James B. Stacks".

Comptroller General  
of the United States

D I G E S T

WHY THE REVIEW WAS MADE

The Senate Committee on Labor and Public Welfare has urged the General Accounting Office (GAO) to provide the Congress with broad, independent appraisals of the management of Federal manpower programs by executive agencies

One of the principal manpower programs is the Job Opportunities in the Business Sector (JOBS) program. It is designed to assist disadvantaged persons achieve self-sufficiency through employment in private enterprise.

The program consists of a contract component under which about 25 percent of the persons were reported as hired and a noncontract or voluntary component under which about 75 percent of the persons were reported as hired.

The Department of Labor, in cooperation with the National Alliance of Businessmen, started the JOBS program in January 1968. Through June 30, 1970, the Department had programmed \$499.1 million for the program.

Initially 50 cities were designated for participation in the JOBS program. GAO selected five metropolitan areas on the basis of the desirability of including a large city--Detroit, Michigan--where the program is quite extensive and other cities--San Francisco and Oakland, California, Portland, Oregon, and Seattle, Washington--where the programs are more limited. GAO also considered the results of various other evaluations of JOBS.

FINDINGS AND CONCLUSIONS

Overall conclusions

JOBS, a new and somewhat experimental program, has been effective in focusing the attention of businessmen on the employment problems of disadvantaged persons and in eliciting broad responses and commitments by many private employers to hire, train, and retain the disadvantaged.

The Department of Labor and the National Alliance of Businessmen, however, have not compiled accurate data on the results achieved, and their reports on accomplishments generally are overstated.

The most significant problems with the JOBS program concern (1) the need for more accurate and meaningful data on program operations, (2) questions relating to how the program was conceived and designed, and (3) improvements needed in the operation and administration of the program.

Data on program operations

Reporting by the Department of Labor and the National Alliance of Businessmen on the total number of jobs pledged by business, trainees hired, trainees terminated,

trainees on board, and the trainee retention rate was based substantially on data that, for the most part, had not been verified and, in some cases, was based on inaccurate or misleading data (See p 13 )

A revised and improved management information system was put into use in February 1970 (See p 20 )

Basis on which the JOBS program was conceived and designed

As presently conceived, the JOBS program provides for helping the disadvantaged to obtain meaningful employment creditably well during periods of high or rising employment levels but not during periods of high or increasing unemployment

This program was begun during a period of high employment. It now appears that adequate consideration may not have been given to what would happen during periods of declining labor demand (See p 23 )

The JOBS program is not a job-creation program, ordinarily it does not increase the number of existing job openings. Therefore, during periods of declining or relatively stable labor demand, for an employer to participate in the program he would have to give preference to disadvantaged persons over persons he would have hired normally in filling job openings. When this happens, the program appears to simply shift the burden of unemployment from disadvantaged persons to others (See p 24 )

The people whom the JOBS program was designed to assist are too broad a segment of the population and include many who have no clear and legitimate need for assistance under this type of program. Many persons enrolled under present eligibility criteria appeared to require placement assistance only, not costly on-the-job training and the support services that are also integral parts of this program (See p 26 )

Operation of the JOBS program

Contracting for on-the-job training on a fixed-unit-price basis generally is not appropriate. Many contracts provided for excessive payments to contractors for on-the-job training. This was due primarily to the fundamental difficulty of negotiating fixed-unit-price contracts at a time when neither the amount of training required nor the costs of providing the training were known (See p 31 )

The number of job pledges by some prospective employers were unrealistically high and not always consistent with their ability, or intention, to provide the jobs. As a result, information on JOBS program activities available to the Congress did not provide a realistic picture of industry participation. (See p 41 )

A significant number of the jobs provided by contractors paid low wages and appeared to afford little or no opportunity for advancement. Often these were jobs traditionally filled with unskilled or low-skilled persons. In these cases, it appeared to GAO that very little was being accomplished under the JOBS program for the funds expended.

This same condition existed, but to a lesser degree, under the noncontract component of the program. This condition appeared to have been caused, in substantial part, by the lack of appropriate departmental guidelines defining the elements of meaningful employment for use by JOBS program administrators. (New guidelines, which provide a system for rating jobs pledged under the contract component, were promulgated after the completion of GAO's fieldwork) (See p 47 )

Substantial improvements are needed in the procedures and practices for ascertaining and documenting the eligibility of persons for enrollment in the JOBS program

GAO's tests of eligibility of trainees reported as "hires" in the JOBS program showed that a substantial number of the trainees either did not meet the eligibility criteria established by the Department or could not be identified readily as having met the criteria, because pertinent information either had not been obtained from them or had not been reported to the National Alliance of Businessmen (See p 51 )

Enrollees in the Concentrated Employment Program were not always given first priority in filling openings in the JOBS program, contrary to provisions of the Department's policy statements (See p 58 )

For 17 of the 31 contracts reviewed, the contractors were providing substantially fewer services than were required by the contracts. In all cases, however, the contractors were receiving payment as if the services were being provided (See p 63 )

Overpayments totaling about \$24,000 and underpayments totaling \$240 were noted on 16 of 29 contracts reviewed. For the most part, the erroneous payments appeared to be due to misunderstandings of the billing procedures by contractors (See p 71 )

The Department's failure to scrutinize contractor performance has perpetuated many of the problems identified (See p 73 )

#### RECOMMENDATIONS OR SUGGESTIONS

##### The JOBS program management information system

The Department should examine periodically the information system for the JOBS program to ensure that

- the system provides all the data necessary for program management and evaluation,
- employers of trainees are reporting program data accurately and timely,
- statistical reports on operations of the program are qualified appropriately to describe the limitations under which the reports must be considered when data is known to be incomplete, has not been verified, or is only estimated (See p. 21 )

##### The design of the JOBS program

The Department should direct the JOBS program more specifically to

- helping the disadvantaged obtain employment in those segments of the economy where labor shortages exist and thereby avoid competition in those segments where there already is an ample supply of trained labor (see p. 25),
- redefining the parameters of the disadvantaged segment of the population and applying resources to those persons who are not job-ready and who require costly on-the-job training and supportive services (see p 27), and
- providing job counselors and placement officials with detailed instructions for screening prospective enrollees and requiring, in the case of each applicant, written justification concerning how the program is to fulfill an applicant's specific needs (see p 27)

Operation of the JOBS program

The Department should

- contract for on-the-job training and supportive services on (1) a cost-reimbursable basis when services to be provided cannot be specifically defined and when sufficient experience is not available to enable a realistic estimate of the costs of providing the services and (2) a fixed-unit-price basis when the services can be adequately defined and a realistic estimate can be made of the costs (see p 38),
- require contractors, under cost-reimbursable contracts, to adequately document training and supportive services provided and costs incurred (see p 39),
- review contractors' costs and performances to ensure that the Government is paying only for services provided (see p 39),
- watch closely the implementation of its guidelines for evaluating prospective contractors' present and planned capacity to perform in accordance with their job pledges (see p 46),
- adopt guidelines for rating jobs, offered by noncontract employers, similar to those adopted for contract employers (see p 50),
- develop more exacting procedures for screening prospective trainees, including substantiation of their statements as to their family incomes (see p 56),
- take the necessary steps in collaboration with the National Alliance of Businessmen (1) to ensure that trainees hired by noncontract employers are comparable to trainees hired by contract employers and (2) to explore the feasibility of having the Alliance request noncontract employers to hire JOBS trainees only through the Concentrated Employment Program, the Work Incentive Program, and the local Employment Service offices (see p 56),
- ensure that employers give the Concentrated Employment Program and the Work Incentive Program the highest priority in filling training openings and instruct the Concentrated Employment Program and the Employment Service to refrain from certifying persons selected in advance by the contractors, or subcontractors, unless there is adequate justification for so doing (see p 61),
- emphasize to its contract negotiators the need for (1) adherence to prescribed guidelines in negotiating contracts for trainee supportive services, taking into consideration the contractors' capabilities to provide the services, (2) specificity concerning the nature of the services to be provided, and (3) documentation of the services actually provided and the costs incurred (see p 69),
- review contractors' activities to ensure that payments are made only for supportive services provided and to recover payments that have been claimed improperly (see p 69), and
- revise its billing instructions to show contractors how monthly invoices should be prepared and how the amounts should be calculated (see p 72)

Lastly, the Department should monitor effectively contractors' compliances with contract requirements (See p 76 )

AGENCY ACTIONS AND UNRESOLVED ISSUES

Both the Department of Labor and the National Alliance of Businessmen questioned whether GAO could draw broad conclusions and recommendations concerning the JOBS program on the basis of a review involving only five cities and 31 contracts

GAO contends that the scope of its review extended beyond an examination of the contracts in the five cities. GAO notes that the results of its review generally were confirmed by other evaluations of the JOBS program made in other areas (See p 78 )

The Department of Labor agreed that the timeliness, accuracy, and comprehensiveness of data were extremely important and that significant actions had already been undertaken, in cooperation with the National Alliance of Businessmen, to improve the management information system of the JOBS program. The Department stated that this improvement represents departmental action on GAO's recommendations. (See p. 21 )

The Department stated that it endorsed GAO's suggestion that an additional job-readiness determination be added to the basic eligibility requirements to focus the JOBS program more specifically on those persons most in need. (See p 28 )

The Department disagreed with GAO's recommendation that, where cost experience is lacking, contracting for on-the-job training and supportive services be on a cost-reimbursement basis rather than on a fixed-unit-price basis. The Department stated that contracting on a cost-reimbursement basis did not appear to be feasible or practicable and would preclude many smaller companies that did not have suitable cost accounting systems from participating in the program. GAO believes, however, that reasonable documentation of costs need not be burdensome and need not preclude any prospective contractor, however small, from participating in the program. (See p 39 )

The Department concurred for the most part with GAO's other recommendations for improving the administration of the JOBS program and cited various corrective actions that either had been taken or were being considered. (See pp. 50, 56, 69, 72, and 76 )

Although the Department acknowledged certain difficulties in coordination between JOBS employers and the Concentrated Employment Program and the Work Incentive Program regarding the filling of jobs, it indicated no specific corrective action. (See p 61 )

MATTERS FOR CONSIDERATION BY THE CONGRESS

As stated in the opening section of this digest, a committee of the Congress has expressed its interest in how effectively and efficiently the Department of Labor administers Federal manpower programs. The information in this report on problems in the design and administration of the JOBS program, therefore, may be useful to the Congress in considering future manpower legislation

## C o n t e n t s

	<u>Page</u>
DIGEST	1
CHAPTER	
1 INTRODUCTION	6
Legislative authority and funding of the JOBS program	7
Operation of the JOBS program	9
2 RESULTS OF JOBS PROGRAM OPERATIONS	13
Analysis of program results reported by NAB and the Department of Labor	13
Conclusions	21
Recommendations to the Secretary of Labor	21
3 OBSERVATIONS ON CERTAIN PROBLEMS IN THE CONCEPTUAL BASIS AND DESIGN OF THE JOBS PROGRAM	23
Inherent limitations of the JOBS program during periods of economic downturn	23
Possible shifting of the burden of unemployment	24
Agency comments and our evaluation	25
Recommendation to the Secretary of Labor	25
Target population for the JOBS program needs to be re-defined	26
Recommendations to the Secretary of Labor	27
4 NEEDED IMPROVEMENTS IN PROGRAM OPERATIONS	29
Substantial improvements needed in contracting for on-the-job training	31
Conclusions	38
Recommendations to the Secretary of Labor	38
Need to evaluate ability of prospective employers to provide the jobs pledged	41
Conclusions	45
Recommendation to the Secretary of Labor	46
Need for more meaningful employment opportunities for JOBS trainees	47
Conclusions	50
Recommendation to the Secretary of Labor	50
Improvements needed in procedures and practices for ascertaining and documenting the eligibility of persons for enrollment in the JOBS program	51
Conclusions	56
Recommendations to the Secretary of Labor	56
Better coordination with the Concentrated Employment Program needed to fill JOBS openings	58
Conclusions	61
Recommendation to the Secretary of Labor	61
Need to ensure that contractors provide required supportive services	63
Conclusions	69
Recommendations to the Secretary of Labor	69



CHAPTER	<u>Page</u>
Erroneous payments to contractors	71
Conclusions	72
Recommendation to the Secretary of Labor	72
5    MONITORING JOBS PROGRAM CONTRACTORS	73
Conclusions	76
Recommendations to the Secretary of Labor	76
6    ADDITIONAL COMMENTS BY THE DEPARTMENT OF LABOR AND NAB AND OUR EVALUATION	78
Scope of the GAO review	78
GAO evaluation	78
Accomplishments of the JOBS program	81
GAO evaluation	81
Business commitment and support	82
GAO evaluation	82
Changes in hiring practices	82
GAO evaluation	82
7    SCOPE OF REVIEW	84
 <b>APPENDIX</b>	
I    Reported characteristics of JOBS trainees and training and job opportunities	87
II   Other studies of the JOBS program	90
III  Letter dated January 4, 1971, from the Acting Assistant Sec- retary for Administration, Department of Labor, to the Gen- eral Accounting Office	92
IV   Letter dated December 11, 1970, from the Executive Vice President, Secretary-Treasurer, National Alliance of Busi- nessmen, to the General Accounting Office	105
V    Principal officials of the Department of Labor responsible for the administration of the JOBS program	111

#### ABBREVIATIONS

CEP	Concentrated Employment Program
GAO	General Accounting Office
JOBS	Job Opportunities in the Business Sector
NAB	National Alliance of Businessmen
OEO	Office of Economic Opportunity
WIN	Work Incentive Program

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## CHAPTER 1

### INTRODUCTION

The General Accounting Office has made a review of the results of operations and the administration of the Job Opportunities in the Business Sector program in five cities--San Francisco, Oakland, Portland, Seattle, and Detroit--from the inception of the program early in 1968 through June 30, 1970. Our review in these cities was supplemented by certain additional work performed in the regional and headquarters offices of the Department of Labor and the headquarters office of the National Alliance of Businessmen (NAB). We also considered the results of various other evaluations of the JOBS program (See app II )

The JOBS program was announced by the President in his Manpower Message to the Congress on January 23, 1968. The program represents a joint effort by the Government and the private sector to find meaningful employment for disadvantaged persons. The President announced also the formation of NAB to assist the Department of Labor in implementing and administering the program.

Of the 50 cities initially designated for participation in the JOBS program, we selected the above-cited five cities on the basis of the desirability of including a large city (Detroit) where the program is quite extensive and several cities where the programs are more limited.

Our review was made with three basic objectives in mind.

- 1 To evaluate the accuracy, reliability, and completeness of reports issued by the Department of Labor and NAB on JOBS results and accomplishments
2. To evaluate the basic concepts of the JOBS program and its principal design characteristics
- 3 To evaluate program administration on a test basis in certain selected cities.

With regard to our third objective, our review was not directed to establishing the full extent to which administrative deficiencies existed either in the five cities or on a programwide basis, although sufficient work was performed to indicate whether or not the matters noted represented isolated instances or broader scale problems arising from inadequacies in procedures established on a programwide basis. It is our frequent practice to identify problem areas on this basis in order to provide responsible administrative agencies with information necessary for timely corrective action. The scope of our review is described on page 84.

The Department of Labor's and NAB's comments and views on our draft report were furnished by letters dated January 4, 1971 (app. III), and December 11, 1970 (app IV), respectively. Where pertinent, these comments and views have been incorporated into the applicable sections.

We presented our preliminary review findings and observations in testimony before the Select Subcommittee on Labor of the House Committee on Education and Labor on May 1, 1970, and the Subcommittee on Employment, Manpower, and Poverty of the Senate Committee on Labor and Public Welfare on May 5 and 6, 1970. This report is basically an amplification of that testimony.

LEGISLATIVE AUTHORITY AND FUNDING  
OF THE JOBS PROGRAM

The basic concepts of the JOBS program are authorized under both the Economic Opportunity Act of 1964, as amended (42 U S C 2740), and the Manpower Development and Training Act of 1962, as amended (42 U S C 2571)

The Economic Opportunity Act authorizes the Office of Economic Opportunity (OEO) to provide financial assistance in urban and rural areas for comprehensive work and training programs, including programs to provide incentives to private employers, other than nonprofit organizations, to train or employ unemployed or low-income persons. The act authorizes also (1) reimbursements to employers for unusual training costs for a limited period when an employee might not be fully productive, (2) payments for on-the-job counseling and other supportive services, and (3) payments to permit employers either to provide employees with transportation to and from work or to reimburse the employees for such transportation. OEO has delegated its authority with regard to the JOBS program to the Department of Labor.

The Manpower Development and Training Act directs the Secretary of Labor to provide occupational training for those unemployed or underemployed persons who cannot otherwise be expected to secure appropriate full-time employment.

In carrying out the purposes of this act, the Secretary is responsible for determining the skill requirements of the economy, developing policies for the adequate occupational development and maximum utilization of the skills of the Nation's workers, promoting and encouraging the development of broad and diversified training programs, including on-the-job training, designed to qualify for employment the many persons who cannot reasonably be expected to secure full-time employment without such training, and equipping the Nation's workers with the new and improved skills that are or will be required.

The total funds programmed, obligated, and expended for the JOBS program through June 30, 1970, were as follows:

<u>Fiscal</u> <u>year</u>	<u>Programmed</u>	<u>Obligated</u>	<u>Expended</u>
	----- (millions) -----		
1968	\$114 2	\$ 84 9	\$ 60.0
1969	209 9	126 6	49 4
1970	<u>175 0</u>	<u>168 9</u>	<u>21 7</u>
Total	<u>\$499 1</u>	<u>\$380 4</u>	<u>\$131 1</u>



Budget estimates submitted to the Congress by OEO and the Department of Labor in support of requests for fiscal year 1970 funds for the JOBS program totaled \$420 million. After various reductions by the Congress and administrative adjustments by the Office of Management and Budget, the Department of Labor and OEO appropriations totaling \$280 million were made available for fiscal year 1970.

In April 1970 the Department of Labor transferred \$105 million to other manpower programs and activities. This transfer left a total of \$175 million available for the JOBS program.

As of June 30, 1970, Department records showed that \$168.9 million, or about 97 percent of the available funds for fiscal year 1970, had been obligated. This amount represented about 40 percent of the program funds originally requested. Of the amounts obligated, only \$21.7 million had been expended at the end of the year.

The reprogramming of fiscal year 1970 funds from the JOBS program was attributable primarily to the shrinkage in the demand for labor which resulted in the award of fewer contracts to private employers for the training and employment of persons. The shrinkage in demand for labor resulted also in the expenditure in fiscal year 1970 of only \$21.7 million, or about 12.8 percent of the funds obligated in that year, because some contract employers (1) were hiring at a rate lower than proposed and (2) were experiencing a high rate of trainee turnover and were unable to recruit persons to keep trainee positions filled throughout the training period.

## OPERATION OF THE JOBS PROGRAM

The JOBS program is directed to persons classified as disadvantaged who need on-the-job training and such various supportive services as health care and counseling to enable them to become productive workers. The program is founded on the premise that immediate placement in jobs at regular wages, followed by on-the-job training and supportive services, provides superior motivation for disadvantaged persons. The program consists of a contract component and a noncontract, or voluntary, component

Under the contract component, private employers enter into negotiated contracts with the Department of Labor either individually or in groups--consortiums--for the employment and training of disadvantaged persons. The contracts provide for the payment of the extraordinary costs in hiring, training, and retaining disadvantaged persons on the basis of the number of days worked by trainees and at a daily rate specified in the contract

Under the noncontract component, private employers pledge to hire specific numbers of disadvantaged persons without any cost reimbursement by the Government. Noncontract employers are not subject to the same Government restrictions, controls, and reporting requirements as contract employers

Other principal differences between the contract and noncontract components are:

--Under the contract component, private employers are required to use the State Employment Service or the Concentrated Employment Program (CEP) and more recently the Work Incentive Program (WIN) as sources for obtaining persons for job-training openings and to give CEP and WIN 48 hours within which to refer persons before obtaining persons through other manpower sources. This procedure was adopted to give added assurance that the program would be directed to the disadvantaged since CEP is operational primarily in the inner-city ghetto areas and WIN is directed toward recipients of aid for dependent children

Noncontract employers are encouraged to use CEP, WIN, and the State Employment Service as a source of referrals, however, they are not required to give preference to these source, and may obtain trainees from any source.

--Under the contract component, trainees are required to be certified as being disadvantaged by CEP or by the State Employment Service. The certification is intended to ensure that all persons taken into the program meet the prescribed eligibility criteria

Noncontract employers customarily self-certify trainees as being disadvantaged--a practice which lacks the control that results from having an independent agent, knowledgeable of the eligibility criteria and experienced in identifying the disadvantaged, performing the certification function.

--Under the contract component, an employer is required to define his proposed on-the-job training program in some detail, is required to

provide in the program for counseling, and is encouraged to provide other supportive services

Noncontract employers cannot, of course, be required either to define their programs in writing or to provide any specific training or supportive services

The JOBS program is administered by the Manpower Administration of the Department of Labor in cooperation with NAB. Within the Manpower Administration, the program is under the jurisdiction of the U S Training and Employment Service and 10 regional manpower administrators. The regional manpower administrators are responsible for the evaluation of JOBS program training proposals submitted by prospective contractors, for the negotiation and award of JOBS program contracts, and for the monitoring of the contracts. The principal officials of the Department having responsibilities for the JOBS program are listed in appendix V

### National Alliance of Businessmen

NAB was established as a private, independent, nonprofit corporation (with headquarters in Washington, D C ) for the purpose of stimulating private business firms to hire and train disadvantaged persons. NAB seeks to attain this objective by creating awareness, involvement, and commitment of the business community to provide jobs and training for such persons. NAB also advises the Secretary of Labor on how the Government can facilitate this employment and training process

In October 1970 NAB's field organization consisted of 10 regional offices and 150 metropolitan offices. In addition, NAB plans to establish by June 30, 1971, offices in 31 additional cities to accommodate the nationwide expansion of the program

NAB's board of directors is composed of the top executives of 17 major companies. NAB reports that a significant number of persons are on loan from private industry and the Government and that such substantial administrative resources as space, furniture, and travel have been donated by participating companies and the Government. In addition to these donated services and resources, the Department has awarded three contracts to NAB totaling about \$15.1 million to finance its administrative costs through June 30, 1971

NAB's national and regional offices are concerned primarily with JOBS program organizing, planning, counseling, and troubleshooting, its metropolitan offices, under the direction of the metropolitan chairmen, are concerned with obtaining job commitments from private employers and assisting the Government in implementing the JOBS program

Each metropolitan chairman, who is selected from the top business leadership in his community, is assisted by a team comprising (1) a manager of recruiting and Government programs, who is provided by the State Employment Service, (2) a manager of job procurement and placement, who is provided by local firms, and (3) a metro director who is designated by the metropolitan chairman. The main task of the team is to contact companies,

directly or through existing organizations, to secure pledges to provide jobs to the disadvantaged, and to work with local, public, and private organizations to identify and recruit disadvantaged persons to fill available jobs.

The initial goals for the JOBS program were the employment in the nation's 50 largest cities of 100,000 hard-core unemployed at June 30, 1969, and 500,000 at June 30, 1971. In March 1969 the goals, as reestablished, were the employment in 125 cities of 338,000 of the hard-core unemployed at June 30, 1970, and 614,000 at June 30, 1971. In November 1969 the program was expanded from 125 cities to nationwide coverage, however, the 1970 and 1971 goals were not changed.

NAB encourages industry to use its own resources and creativity to provide employment opportunities for persons that would not ordinarily be employed. Where this requires special effort and expense, NAB encourages the companies to avail themselves of Government support through a contract with the Department.

The JOBS program has gone through a series of changes since it was conceived early in 1968. It has been developed and implemented by a series of individual manpower assistance programs--specifically designated as MA-3 through MA-6. Programs designated as MA-1 and MA-2 preceded the JOBS program and were experimental pilot programs designed to define and verify the concepts on which the contracting format was to be based. The JOBS program therefore began with the MA-3 phase.

The basic characteristics of the MA-3 through MA-6 programs are as follows:

- MA-3 was operated in the Nation's 50 largest cities under the joint sponsorship of the Department and NAB. The program consisted of both contract and noncontract components. Contracts were awarded between May and November 1968. They provided for the hiring and training of a specified number of disadvantaged persons for permanent employment.
- MA-4 was an extension of the MA-3 program. The principal change from the earlier program was the addition of a new short-form-type contract and the allowance, under certain contracts, of a fixed amount for supportive services. Contracts were awarded from September 1968 through July 1969.
- MA-5 was a continuation of the MA-3 and MA-4 phases. Major changes were the expansion of the program to 125 major cities and the addition of upgrading training. Contracts were awarded beginning in May 1969. Program was operational at the close of our fieldwork.
- MA-6, more popularly known as JOBS-70, continued the hiring, training, and retention objectives of the earlier phases of the program and extended the program to nationwide coverage. The major changes were in the procedures for proposal development and evaluation and for the negotiation and award of contracts. The initial date for submission of JOBS-70 proposals was November 15, 1969. Program was operational at the close of our fieldwork.

In addition to our review of JOBS, three other comprehensive reviews have been made of the program. A brief description of the three reviews is presented as appendix II.

## CHAPTER 2

### RESULTS OF JOBS PROGRAM OPERATIONS

The JOBS program generally has been effective in focusing the attention of businessmen on the employment problems of disadvantaged persons and in eliciting a broad response and commitment by many private employers to hire, train, and retain the disadvantaged. Accurate data, however, has not been compiled by the Department of Labor and NAB on the results of JOBS program operations, and reports on program accomplishments generally tend to be overstated.

This chapter deals with the results of JOBS program operations as we have been able to ascertain them on the basis of data available at the Department of Labor and NAB headquarters and certain field offices and within the five cities where we made our review. Succeeding chapters deal with certain problems in the conceptual basis and design of the JOBS program and the need for various improvements in its implementation and administration. Our analysis of various data on trainees, jobs, and earnings is presented as appendix I.

#### ANALYSIS OF PROGRAM RESULTS REPORTED BY NAB AND THE DEPARTMENT OF LABOR

Our analysis of reports by the Department of Labor and NAB showed that only limited amounts of data had been collected on JOBS program operations and that the data which was collected had been obtained frequently on a very informal basis and, for the most part, had not been verified. Our review in the five metropolitan areas showed also that some of the reported data was inaccurate or misleading. In the early part of 1970, the Department revised its management information system to provide for obtaining the additional data needed for evaluating the program. (See p 20.)

The following table summarizes the results of JOBS program operations from inception through June 30, 1970, for both contract and noncontract components, as reported by NAB and the Department of Labor.

	<u>Total</u>	<u>Contract component</u>	<u>Noncontract component</u>
Jobs pledged (note a)	445,187	129,169	316,018
Trainees hired	494,710	127,210	367,500
Trainees terminated	264,720	78,859	185,861
Trainees on board	229,990	48,351	181,639
Retention rate (percent)	47	38	49
Number of companies pledging jobs	26,671	Not available	Not available
Number of companies hiring	15,501	Not available	Not available

<sup>a</sup>Under the contract component, job pledges incorporated into JOBS contracts represent legal commitments to provide jobs and services to specific numbers of persons. However, economic or business conditions, as well as problems in program operation, can result in nonfulfillment.

Our comments on the composition of this data, the sources and methods by which it was obtained, and the qualifications that attach thereto are presented below

Jobs pledges--445,187

Job pledges are estimates by businesses of the number of meaningful jobs for which they are willing to hire, train, and retain disadvantaged persons. Obtaining such pledges is one of NAB's most important functions in implementing the JOBS program.

The reported number of pledges is accumulated from information on pledge cards submitted to NAB by participating companies. The pledge cards serve to enroll companies in the JOBS program and to stipulate the number of jobs pledged by them.

Although many business establishments undoubtedly made pledges which were fully consistent with the objectives of the JOBS program, the cumulative number of pledges reported by the Department and NAB as of June 30, 1970, appeared to us to be somewhat questionable, since the reports showed that about 60 percent of the companies which had made pledges had actually hired any trainees. Also our review revealed a number of instances where job pledges by companies were unrealistically high and were not always consistent with their ability or intention to perform.

Under the contract component, the disparity between the number of job pledges and the number of persons hired in many cases has resulted in a substantial amount of funds' being tied up in unliquidated contract obligations for long periods.

In commenting on our draft report, the Department advised us that the inability of contractors to fulfill their job commitments had on occasion resulted in obligated funds' being unliquidated over long periods of time. The Department stated that it had shortened the scheduled employee-hiring period to alleviate this problem and that it was considering other steps to effect a more timely use of available funds. The Department concluded that the shortened hiring period combined with a more effective monitoring system should effect the needed improvements.

We noted that the reported number of pledges was not regularly adjusted downward on the basis of pledgors' revised estimates of their needs as a result of such factors as economic reverses. Also, in many instances, companies' pledges were for jobs which offered little opportunity for advancement or which paid low wages, and the companies' pledges therefore should not have been accepted because such jobs fall short of meeting the objectives of the program.

NAB uses pledge figures primarily as management information to assist in the implementation of its program and reports progress principally in terms of trainees hired and on board.

Further comments on jobs pledges, the types of jobs offered by private employers pursuant to their pledges, and the need for certain corrective action in this area are presented beginning at pages 41 and 47.

## Trainees hired--494,710

The number of trainees reported as hired represents the cumulative number of persons who were placed in jobs under the JOBS program from its inception. About 75 percent of these persons represents hires under the noncontract component, and the remainder represents hires under the contract component

The total reported hires of 494,710 persons was greater than the number of jobs pledged, because in many instances, as a result of terminations, more than one person was reported as hired to fill the same job pledge. In other instances persons were reported as hired when they were actually rehired for the same job after company lay offs. Because of these factors a meaningful comparison cannot be made of the number of trainees hired and the number of jobs pledged

The total number of trainees hired is based on data obtained by NAB from employers under a "tally card" reporting procedure. In most cities the local NAB staff maintains tally cards for each participating JOBS employer. Each employer's tally cards are updated quarterly to show on a current basis the number of persons hired in the JOBS program, terminated from the JOBS program, terminated after having been on board for more than 6 months, and currently on board

In some cities the tally card information is obtained by telephone. In other cities NAB representatives leave blank tally cards with the employers and request that a card be filled out for each reporting period and returned to the local NAB office. Under both procedures the local NAB offices forward the completed tally cards to NAB headquarters where the data is compiled to provide a national total of trainees hired, terminated, and on board

In four of the five cities where we made our review, we found that, for many of the noncontract companies, the number of hires accumulated on the basis of the tally count reporting procedure exceeded the number of persons actually hired, according to information we obtained from the companies' officials. For example, in one city the NAB tally card data included about 5,000 persons who had been employed by the reporting company before the JOBS program began

In two other cities, for 35 randomly selected noncontract companies, the tally card data showed that 382 persons had been hired. Information provided by officials of the 35 companies, however, showed that the number of persons hired by seven of the companies was either overstated or understated. The information furnished showed that 337 persons had been hired, or about 12 percent less than the number reported by NAB

For another five randomly selected noncontract companies in two cities, NAB reported that 422 persons had been hired. Officials of each of these companies, however, told us that there were no records or information available to substantiate the reported number of persons hired. The NAB Metro Directors in both of the cities advised us that NAB did not have the manpower to verify the reported data and that they realized that there could be errors in the tally cards submitted by the participating companies



The information obtained by us at these five companies appeared to be indicative of a condition which previously had been brought to NAB's attention. A public accounting firm engaged by NAB to conduct audit tests of the validity of data produced by the tally card procedure reported in October 1969 that there was a need for better recordkeeping and reporting by the participating employers, if the reported data was to be relied upon with full confidence. The public accounting firm stated that, although its tests in 10 cities showed that some of the employers had maintained good records of JOBS employees which provided information comparable to that produced under the tally card procedure, a significant number of noncontract employers kept only informal records, or no records, to support the information reported to NAB.

We were unable to verify the data reported under the tally card reporting procedure for some companies. The officials of these companies told us that they did not have any information on the status or number of JOBS employees.

In addition to submitting the tally card, employers are required to submit a "hire card" for each trainee hired. The hire cards serve to substantiate the eligibility of trainees hired and contain demographic information and other information on each trainee. We found that employers had submitted hire cards for only 216,668, or 44 percent of the 494,710 trainees reportedly hired. Therefore neither NAB nor the Department had such specific information as the name and eligibility status of the 278,042 individuals for whom hire cards had not been submitted.

Also the reported number of trainees hired is misleading to the extent that the number includes persons from outside the established target population. A significant number of the persons hired under both contract and noncontract components of the JOBS program were from outside the target population.

Our findings were based on information contained on hire cards submitted to NAB by employers and on other information we obtained. These findings, which are discussed on page 51 indicate that more careful screening of JOBS trainees is needed. Also our findings indicate the need for requiring employers to submit a hire card for each trainee hired so that NAB and the Department can determine whether the persons enrolled in the program are from the target population.

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In commenting on our draft report, the Department advised us that neither the tally card nor the hiring card systems had, in the past, operated with optimum success and that, since no incentives for better recordkeeping and reporting were provided to noncontract employers, it would be unrealistic to expect these employers to respond timely unless some funds could be made available to offset their costs.

In addition, errors in the reporting of trainees hired and terminated, as previously discussed, affects the accuracy of the number of trainees reported as on board. These factors must be considered in weighing the validity of the on board count as a measure of program accomplishment.

Trainees terminated--264,720

The number of trainees reported as terminated represents the cumulative number of persons who were hired under the JOBS program but who were no longer employed by their JOBS employer.

NAB obtains information on the number of trainee terminations through its tally card reporting procedure. Also, prior to February 1970, employers were required to submit a "termination card" for each trainee leaving the program, or 2 years after enrollment, showing the length of time he worked, the type of termination (quit, discharged, lay-off), and the reason for the termination (to take other employment, excessive absenteeism, etc). Revisions made in February 1970 to the management information system require employers to submit a "completion/termination card" for trainees hired under the program. The purpose of this card is to provide the Department and NAB with the number of trainees who completed training under the program and the number of trainees who left the program before completing training.

As of June 30, 1970, termination cards had been submitted for about 36 percent of the trainees reported under the tally card procedure--about 49 percent for the contract component and about 30 percent for the noncontract component. The percentage of termination cards submitted by employers varied significantly from city to city. For example, under the contract component, employers had submitted termination cards for about 18 percent of the trainees in Detroit in contrast to about 76 percent of the trainees in San Francisco.

Moreover, the cards that were submitted quite often did not show how long a trainee had been employed or why he had been terminated. For instance, information on the length of employment was available at NAB for about 24 percent of the 264,720 trainees--33 percent for the contract component and 20 percent for the noncontract component.

NAB reports as of June 30, 1970, categorized terminations under the contract component, as follows: 52 percent quit, 32 percent discharged, 5 percent laid off, 11 percent retired, incurred permanent disability, or died, or the company dropped out of the program. NAB reports also provided data on the reasons for 56 percent of the terminations. Data reported is shown in the following table.

<u>Reason</u>	<u>Percent</u>
Personal reasons	23
Excessive absenteeism	15
Other employment	9
Unsatisfactory job performance	5
Disciplinary reasons	3
Armed forces and school	1

Also, the NAB reports as of June 30, 1970, categorized terminations under the noncontract component, as follows: 47 percent quit; 30 percent discharged, 7 percent laid off; 16 percent retired, incurred permanent

disability or died, or the company dropped out of the program The NAB reports also provided some data on the reasons for 48 percent of the terminations Data reported is shown in the following table

<u>Reason</u>	<u>Percent</u>
Personal reasons	19
Excessive absenteeism	13
Other employment	7
Unsatisfactory job performance	5
Disciplinary reasons	3
Armed forces and school	1

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In commenting on our draft report, the Department stated that no action to differentiate between those completing training and terminees was taken until the management information system was revised in February 1970, and therefore the data related to terminations reported before that date is misleading, since they include some persons who had completed the training program

NAB stated that an important area of underreporting of JOBS accomplishments may exist with regard to terminees NAB stated that a substantial number of those persons reported as terminated remained on the job long enough to receive training and work experience which would enable them to move to better jobs than they had held before entering the JOBS program.

It seems reasonable to us to presume, as NAB has done, that persons participating in the JOBS program for short periods may be helped to some degree in moving to better jobs As previously indicated, an adequate management information system could provide more factual data on program results and could minimize the need for judgmental assessments concerning the effectiveness of the JOBS program. For example, NAB's summary report on JOBS program activities through June 30, 1970, shows that information on reasons for terminations were known for about 18 percent of the 264,720 persons who were terminated up to that date.

#### Trainees on board--229,990

The 229,990 trainees reported as on board were intended to represent those who were still employed by their JOBS employer These trainees represent 68 percent of the goal of 338,000 hard-core unemployed in jobs at June 30, 1970

The number of trainees on board was obtained through the tally card reporting procedure and, because of incomplete reporting on terminations, includes some trainees who had terminated their employment

The on-board count does not include persons who terminated during training with their JOBS employer and who are employed elsewhere For example, about 8 percent of the reported reasons for terminating was attributed to trainees' quitting to take other employment.

Average retention rate--47 percent

The average retention rate represents the percentage of trainees who had been hired and who were still employed by their original JOBS employer at June 30, 1970. The retention rate for the contract component was about 38 percent and for the noncontract component was about 49 percent.

Because data furnished by employers on hires and terminations under the contract component is required to be supported by appropriate records, more reliable retention rates are available for that component. As of June 30, 1970, the retention rate for each of the four phases of the contract component is shown in the following table.

<u>Contract phase and period covered</u>	<u>Contract positions</u>	<u>Hires</u>	<u>Terminations</u>	<u>On board</u>	<u>Retention rate (percent)</u>
MA-3 (Mar. 1968 to Nov. 1968)	25,813	49,292	36,017	13,275	26.9
MA-4 (Sept. 1968 to June 1969)	33,999	42,140	27,760	14,380	34.1
MA-5 (May 1969 to June 1970) (note a)	39,269	26,108	11,903	14,205	54.4
MA-6 (Nov. 1969 to June 1970) (note a)	<u>30,088</u>	<u>9,670</u>	<u>3,179</u>	<u>6,491</u>	<u>67.1</u>
Total	<u>129,169</u>	<u>127,210</u>	<u>78,859</u>	<u>48,351</u>	38.0

<sup>a</sup>Contracting under the MA-5 and MA-6 phases of the program and hiring under MA-4, MA-5, and MA-6 contracts were still in effect at June 30, 1970.

Under each successive phase of the JOBS program, the percentage of trainees still employed by their JOBS employer at June 30, 1970, has increased; an expected result since persons hired more recently are more likely to still be employed than persons hired earlier.

The rate of retention of trainees by JOBS employers under the contract component of the program varied from city to city. The average retention rates as of June 30, 1970, for the five cities and the nation, based on data in Department reports, are shown in the following table.

	<u>Retention rate (percent)</u>
The five cities	
Detroit	31.5
Oakland	22.9
Portland	33.6
San Francisco	49.4
Seattle	11.5
Nationwide	38.0

The higher retention rate in San Francisco appeared to be due, in part, to generally higher starting wages and a greater number of available jobs in white-collar occupations, such as bank tellers and office workers.

The low-retention rate in Seattle was attributable to a severe decrease in the manpower requirements of one large company which dominated the Seattle area economy and which was experiencing a reduction in its activities.

On the basis of NAB reports, cumulative terminations as of June 30, 1970, because of lay offs under the contract component in Seattle, were 32 percent of the cumulative reported hires--more than double the 14.4 percent rate as of March 31, 1970. As of January 31, 1970, NAB reports showed that there were no terminations in Seattle because of lay offs.

The following table shows the nationwide retention rates by various occupational groups under the contract component. The rates were based on the Department's report of individuals who had been hired and who were currently in training and those who had completed training and who were still employed as of July 31, 1970. Comparable information was not available for the noncontract component.

<u>Occupational group</u>	<u>Retention rate (percent)</u>
Professional, technical, and managerial	50.5
Clerical and sales	50.7
Service	45.6
Farming, fishery, forestry, and related	32.7
Processing	47.6
Machine trades	37.7
Benchwork	35.3
Structural work	41.2
Miscellaneous	33.8

The table shows that the nationwide retention rates in white-collar occupations were over 50 percent--the highest of all occupational groupings. This was consistent with our findings regarding the retention rates in the five cities visited.

#### Revision to management information system

The Department and NAB issued revised instructions in February 1970 for reporting on JOBS program activities. The revised instructions require companies in the contract component of the program to submit with each monthly invoice, for payment under their contracts, a hire card for each new trainee and a termination card for each trainee leaving the program. The instructions provide for the Department to reconcile the number of trainees on a contractor's invoice with the number of trainees as determined from the hire and termination cards submitted by the contractor and to notify the contractor of any discrepancies.

The hire card has been revised to provide additional information including the occupation for which the trainee was hired and the hourly wage rate.

The termination card has been revised to function as a completion/termination card, and it provides for showing why an employee terminated and whether he had completed training

### Conclusions

Reports by the Department of Labor and NAB on program results and progress of the JOBS program were not based on reliable data and tended to overstate program accomplishments

The successful management of the JOBS program depends, in substantial part, on the timeliness, accuracy, and comprehensiveness of data supplied through the Department's management information system. Such data is needed also for evaluating program results and for informing the Congress of accomplishments and other factors relevant to decisionmaking on program design and funding.

Although the revisions to the management information system in February 1970 provide for the needed data, more effort should be devoted to obtaining compliance by both contract and noncontract employers with reporting requirements and to ensuring that data reported by each JOBS employer on job pledges, hirings, terminations, and trainees on board is accurate, complete, and represent the true status of the JOBS program.

### Recommendations to the Secretary of Labor

We recommend that the Department periodically reexamine the management information system for the JOBS program to ensure that

- the system provides all the data necessary for program management and evaluation and for meaningful, accurate reporting,
- employers of trainees are reporting program data accurately and timely,
- statistical reports on program operations are appropriately qualified to describe the limitations under which the reports must be considered when data is known to be incomplete, or has not been verified, or is only estimated.

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The Department advised us that it agreed that the timeliness, accuracy, and comprehensiveness of data were extremely important and that significant activities had already been undertaken to improve program design and analysis. The Department advised us also that it recognized the need to improve its own data-gathering capabilities and that, in cooperation with NAB, it had developed and implemented a revamped management information system which would effect a better response rate from participating JOBS employers.

The Department stated that the management information system, as revised in February 1970, would be monitored very closely during the next 6 months to ensure accurate and meaningful program data.

NAB advised us that several GAO recommendations would require elaborate and costly procedures for verifying information. NAB stated that it was extremely important, particularly in the noncontract component of the program, to avoid encumbering the program with time-consuming and costly administrative procedures which would discourage employers from participating.

We are not recommending that either costly or elaborate reporting requirements be imposed upon participating employers. We do, however, consider it essential that employers be required to report the employment status of each person hired or terminated under the JOBS program on an accurate and current basis.

## CHAPTER 3

### OBSERVATIONS ON CERTAIN PROBLEMS IN THE CONCEPTUAL BASIS AND DESIGN OF THE JOBS PROGRAM

Our review of the JOBS program results and its administration indicated certain problems in the conceptual basis and design of the program which we believe merit some reexamination. These problems, which bear significantly on the program's potential for effectiveness in achieving statutory objectives, concern:

1. Inherent limitations of the program during periods of economic downturn.
2. The possibility that, under certain circumstances, the program may simply shift the burden of unemployment from the disadvantaged to other persons not so categorized.
3. The inclusion of many persons in the defined target population, who have no clear or legitimate need for the JOBS program.
4. The inappropriateness in many instances of contracting with employers on a fixed-unit-price basis to provide training and supportive services to program trainees.
5. The deemphasis on monitoring contractors' performance under the program.

Items 1, 2, and 3 are discussed on pages 23 to 28, item 4 is discussed on pages 31 to 40, and item 5 is discussed on pages 73 to 77

#### INHERENT LIMITATIONS OF THE JOBS PROGRAM DURING PERIODS OF ECONOMIC DOWNTURN

The JOBS program, as presently conceived, provides for achieving the objective of helping the disadvantaged to obtain meaningful employment creditably well during periods of high or rising employment levels but not during periods of high or increasing unemployment. The program was initiated during a period of high employment, and it appears that adequate consideration may not have been given to what would happen during periods of declining labor demand.

A basic concept of the JOBS program is that it is in the public interest to increase the supply of trained labor by reimbursing private business organizations for the cost of hiring, training, and retaining disadvantaged persons whom they otherwise would not have hired. A major problem with this concept is that the successful placement of such persons depends on labor demand. During periods of rising unemployment it becomes increasingly difficult to interest employers in the JOBS program, particularly if well-qualified persons who need no further training are available for employment or if employers are experiencing cutbacks in their operations and a part of their regular work force is on furlough.



Of perhaps greater concern in a declining economy is the fact that JOBS trainees are frequently the first ones to be laid off, leaving them no better off, and perhaps worse off, than they were before entering the program.

For fiscal year 1970, in recognition of the increasing difficulty of awarding JOBS contracts because of rising unemployment and other factors, the amount, included in appropriations, for the JOBS program was reduced from the Department's initial request of \$420 million to \$280 million, and the Department later reprogrammed about \$105 million of the appropriated funds for the JOBS program to other types of manpower training programs.

We believe that the inherent limitations of the JOBS program during periods of rising unemployment need to be more fully recognized. We believe further that the Department of Labor has a particularly difficult challenge in assisting furloughed JOBS trainees to prevent training gains from being dissipated.

#### POSSIBLE SHIFTING OF THE BURDEN OF UNEMPLOYMENT

The JOBS program is not a job-creation program, ordinarily it does not increase the number of existing job openings. Job pledges by employers, for example, typically pertain to existing or prospective job openings.

During periods of high or rising employment levels, the JOBS program appears to be a valuable aid to both private employers and disadvantaged persons, it enables such persons to obtain jobs that they otherwise may not be able to obtain, and it relieves employers of the costs of training such persons to transform them into acceptable employees.

Although in certain instances it appeared to us that private employers participating in the JOBS program were allocating existing job openings for disadvantaged persons rather than for persons who would have been hired normally, we found no extensive indications that the JOBS program had resulted in a shifting of the burden of unemployment from disadvantaged persons to others (1) because, in the early stages of the JOBS program, employment levels and demand for labor were relatively high and (2) because of various deficiencies in other aspects of program implementation, namely, that many JOBS enrollees were not perceptibly different from normal hires, were being offered jobs that they could ordinarily get without the JOBS program, or were from outside the target population. These matters are discussed fully in subsequent sections of this report.

In this connection, Greenleigh Associates--a management consultant firm under contract with the Department--found that in the 10 metropolitan areas where its review was made, employers reported no change in the number of persons recruited through gate-hiring as a result of the JOBS program and attributed it to the fact that the program had been directed more to the types of persons normally hired than to the truly disadvantaged.

Conversely, in periods of declining or relatively stable labor demand, for an employer to participate in the JOBS program, he would have to give preferences to disadvantaged persons in filling job openings over persons he would have hired normally. When this happens, the program appears to simply

shift the burden of unemployment from disadvantaged persons to other persons.

It appeared to us that, to avoid having the JOBS program compete for jobs with either the existing work force or available trained labor, it should be directed more specifically to those segments of the economy which are growing and in which labor shortages exist. The Department has sought to maintain a certain momentum in the JOBS program, despite increasing unemployment, by shifting emphasis to those occupational and industrial categories which are growing in the present economy.

#### Agency comments and our evaluation

In our draft report, we proposed that the Department direct the JOBS program more specifically to filling skill-shortage jobs rather than having it compete for jobs for which there is already an ample supply of trained persons.

In commenting on our proposal, the Department stated that the JOBS program was designed specifically to prepare disadvantaged people for existing jobs as quickly as possible and to provide assistance through special on-the-job training and supportive services. The Department stated also that the preparation for most skill-shortage occupations of merit usually entailed an extended training time that had been shown to be less effective in meeting the needs of the disadvantaged. The Department stated further that our proposal would, in effect, ask for a repeat of earlier failures in dealing with the severely disadvantaged unemployed.

It was not the intent of our proposal that the Department undertake a program of training or otherwise prepare disadvantaged persons to fill positions requiring extensive skills. Rather it was our intention that the Department direct its job-training efforts to those segments of the economy where labor shortages exist and avoid competition in areas where there is already an ample supply of trained labor. Therefore our recommendation to the Department has been rephrased to clarify this intent.

#### Recommendation to the Secretary of Labor

We recommend that the Department direct the JOBS program more specifically to helping the disadvantaged obtain employment in those segments of the economy where labor shortages exist and thereby avoid competition in those segments where there already is an ample supply of trained labor.

TARGET POPULATION FOR THE JOBS PROGRAM  
NEEDS TO BE REDEFINED

The target population for the JOBS program, as for most other manpower programs, is the so-called disadvantaged segment of the population. The Department has defined this segment as including persons

--whose net annual family incomes are less than amounts specified in the Office of Economic Opportunity Poverty Guidelines and who do not have suitable employment and

--who are either school dropouts, under 22 years of age, 45 years of age or over, handicapped, or members of a minority.

Although the JOBS program is directed primarily to the individuals described, the total target population for the program has been enlarged somewhat to include poor persons with special obstacles to employment. These persons are defined as (1) unskilled workers who have had two or more spells of unemployment totaling 15 weeks or more during the past year, (2) workers whose last jobs were in occupations of significantly lower skill than their previous jobs, (3) workers who have family histories of dependence on welfare, and (4) workers who have been permanently laid off from jobs in industries which are declining, for example, agriculture and coal mining.

We believe that the Department's definition is far too broad and encompasses many persons who have no clear and legitimate need for assistance under the JOBS program. Many persons enrolled in the program under the present eligibility criteria appeared to us to require only placement assistance and not the costly on-the-job training and supportive services that are also integral parts of the program.

For example, we observed that a number of well-motivated recent high school graduates, whom their employers acknowledged were no different than their normal hires, were enrolled in the JOBS program. We also noted instances where college students and graduates were enrolled in the JOBS program in full accordance with the aforesaid criteria, i.e., they were from poor families and were under 22 years of age.

A fundamental shortcoming in the Department's definition of disadvantaged, when used as the criterion for enrollment in the JOBS program, is that it does not provide for considering the job readiness of a prospective enrollee. Within the very broad range of disadvantage encompassed in the foregoing definition, it is possible for a person to be fully job-ready and to need nothing more than ordinary placement assistance.

The Department of Labor and NAB, in reporting on the accomplishments of the JOBS program, frequently describe persons hired under the program as a somewhat homogeneous group who lack the necessary skills, attitude, and motivation to successfully compete in the job market. We believe that such characterizations are misleading. Our observation has been that many enrollees in the JOBS program are well motivated and job-ready and, as previously stated, need only placement assistance.

Notwithstanding the existing eligibility criteria for enrollment in the JOBS program, we found that many of the persons in the program had been enrolled from outside the designated target population due to laxities in screening on the part of the State employment service, administrators of CEP, and the employers. This matter is discussed further beginning on page 51.

Although the exact number of persons eligible for the JOBS program under the existing criteria is not known precisely, estimates range from 7 million to 12 million. Appropriations for the JOBS program for fiscal year 1970 were estimated to be sufficient for enrollment in the program of about 140,000 persons under the contract component, or about 1 to 2 percent of the total estimated target population. The number of persons enrolled in fiscal year 1970 under the noncontract component totaled about 232,000

In the interest of improving program effectiveness and economy, we believe that, because various estimates show that the present target population eligible for enrollment in the JOBS program includes many more persons than can be enrolled, more restrictive eligibility criteria are needed to better ensure that Federal funds are used only to train and otherwise prepare for jobs those persons who could not reasonably be expected to secure suitable employment without such assistance

#### Recommendations to the Secretary of Labor

We recommend that the Department

- redefine the parameters of the disadvantaged segment of the population and focus the program resources on those persons who are not job-ready and who require the costly on-the-job training and supportive services that are provided under the program
- provide job counselors and placement officials with detailed instructions for screening prospective enrollees in the JOBS program and require, in the case of each applicant, a written justification concerning how the JOBS program is to fulfill an applicant's specific needs

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The Department of Labor stated that JOBS eligibility criteria were essentially similar to those of other manpower programs and to make them more restrictive would put them in disagreement with the other programs. The Department stated also that it was necessary to allow for broad individual differences among those persons who could be classified as needing special assistance and that the principal task was to ensure that the eligibility standards are properly administered

The Department has noted that 50 percent of all JOBS employees are under 22 years of age, that the average JOBS employee is a young black male who has been unemployed for a lengthy period of time and has not graduated from high school, and that this latter group comprises one of the major social concerns of the country, and the JOBS program is clearly reaching them.

The Department agreed that an additional job-readiness determination should be added to the basic eligibility requirements and stated that it tentatively planned to incorporate this change in the JOBS handbook and related instructional material now undergoing revision

The Department was not specific as to how or when it may make job readiness a factor in determining eligibility for the JOBS program We believe, however, that the crux of our recommendations could be satisfied through an appropriate tightening up in this respect

CHAPTER 4

NEEDED IMPROVEMENTS IN PROGRAM OPERATIONS

Our review has indicated that there is a need for improvements in various aspects of the administration of the JOBS program to increase its effectiveness and economy. Specifically, there is a need for improvements in

- contracting for on-the-job training (see p. 31),
- evaluating prospective employers' ability to provide the jobs pledged (see p. 41),
- obtaining more meaningful employment for disadvantaged persons (see p. 47),
- ascertaining and documenting the eligibility of persons for participating in the program (see p. 51),
- coordination with CEP in recruiting persons to fill employers' job openings (see p. 58),
- ensuring that contractors provide trainees with required supportive services (see p. 63), and
- verifying contractors' requests for payment (see p. 71).

Our findings regarding the need for the above improvements in the administration of the JOBS program generally were based on a review of programwide instructions and procedures and their application to (1) program activities of 62 of 215 employers under 31 contracts, as shown in the table below, (2) program activities of 79 noncontract employers, and (3) eligibility of about 46,000 trainees for participation in the program.

	<u>MA-3 and MA-4 contracts</u>		<u>Number of employers</u>	
	<u>Total</u>	<u>Number reviewed by GAO</u>	<u>Participating in contracts reviewed</u>	<u>Visited</u>
Detroit	45	11	44	16
Oakland	25	9	62	18
Portland	5	3	3	3
San Francisco	12	5	103	22
Seattle	<u>8</u>	<u>3</u>	<u>3</u>	<u>3</u>
Total	<u>95</u>	<u>31</u>	<u>215</u>	<u>62</u>

The contracts selected for review were in our opinion, representative of the contracts awarded in the five cities. The contracts were selected without prior knowledge of the existence of any problems. The following specific considerations went into our selection of the contracts in the five cities.

In Detroit we selected the three largest contracts in the total amount of about \$9.5 million, because they represented about 36 percent of the total contract obligations, the other eight contracts represented an additional 9 percent of the contract obligations. These eight contracts, which were selected at random, provided coverage of various types and sizes of businesses.

In Seattle and Portland we selected six contracts which represented about 85 percent of the total contract obligations. Our selection provided for audit coverage of the largest contract dollar amount possible and enabled us to review the programs of large, medium, and small businesses dealing in different types of activities.

In San Francisco and Oakland our selection of 14 contracts represented about 75 percent of the total contract obligations. The 14 contracts included several contracts with consortiums--two of these involved some of the largest companies in the San Francisco-Oakland area--a contract with a large regional company, and several contracts with medium and small size businesses. Some of the selected contracts provided for high-skill training and relatively high hourly wages

We selected most of the 79 noncontract employers on a random basis. In certain cases, noncontract employers were specifically chosen for review of their program activities because they had simultaneously participated under the contract component of the program or had hired a large number of trainees or because of the nature of their businesses.

SUBSTANTIAL IMPROVEMENTS NEEDED IN  
CONTRACTING FOR ON-THE-JOB TRAINING

Many JOBS program contracts included in our review provided for excessive payments to contractors for on-the-job training given to trainees under the program. This was due primarily to the fundamental difficulty of negotiating fixed-unit-price contracts when neither the amount of training required nor the anticipated costs of providing the training were known by the contracting parties and secondarily to the Department's contracting procedures which precluded the analyzing and evaluating of contractors' estimates of their anticipated costs

From the inception of the JOBS program, the contract component of the program has been operated under fixed-unit-price contracts negotiated with individual employers, or with employer consortiums, which provide for the payment of their extraordinary costs of providing training and various supportive services to the trainees

The Department's decision to contract on a fixed-unit-price basis, rather than on a cost-reimbursement basis, was made on the premise that (1) contracting on a fixed-unit-price basis would result in fewer administrative problems associated with recordkeeping and cost ascertainment when postaudits of contractors' records were made and (2) the JOBS program could be promoted much more readily with employers under fixed-unit-price contracts because they would minimize Government red tape

The Department's request for proposals by prospective contractors placed very little emphasis on the need for data in support of training cost estimates, and its contracting procedures specifically directed its contract negotiators not to analyze or evaluate the cost data or to otherwise determine the basis for proposed training costs

To arrive at contract amounts, the negotiators generally (1) compared a contractor's total proposed costs for each occupation with a predetermined range of costs set forth in the departmental guidelines and accepted costs that were within this prescribed range or (2) allowed the contractor an amount computed on a formula basis. Although these contracting procedures shorten the time required to negotiate contracts, their effect in many instances has been to provide for excessive payments to contractors for both on-the-job training costs and supportive services

Legislative authority to reimburse employers is set forth in section 123(a)(8) of the 1967 amendments to the Economic Opportunity Act (EOA), as follows

"The Director [OEO] may provide financial assistance in urban and rural areas for comprehensive work and training programs or components of such programs, including \*\*\* programs to provide incentives to private employers \*\*\* to train or employ unemployed or low-income persons, including arrangements by direct contract, reimbursements to employers for unusual training costs for a limited period when an employee might not be fully productive, \*\*\*."



OEO delegated this authority to the Department of Labor for the JOBS program. In the December 1967 House Conference Report accompanying the bill which amended the EOA, it was stated that:

"\*\*\* In order to prevent abuse it is expected that appropriate administrative steps shall be taken to assure that reimbursements paid to an employer under section 123(a)(8) should cover only such costs as are incurred because the particular worker or workers are not able to perform on the job in the manner the employer previously expected of his new hires for the same or a similar occupation "

In implementing the JOBS program, the Department requested employers desiring to obtain JOBS contracts to submit proposals describing their training and supportive services program and an estimate of the extraordinary costs of their proposed programs. The Department's procedures provided for its regional staff to review such proposals, conduct negotiations with the employers, during which proposals might be changed, and award contracts to the employers, as warranted.

To expedite implementing the JOBS program, the Department established teams of regional contract negotiators to evaluate and negotiate contracts. The teams, which were headed by departmental personnel, included staff on loan from the State Employment Services and other governmental agencies.

Departmental guidelines require that a regional team evaluate and negotiate each element of an employer's proposed training program before an evaluation is made of the proposed training costs. The guidelines provide that, in evaluating and negotiating the proposed costs, the negotiators not press for too much detail. The guidelines stated that, since the costs of each program element, such as orientation, were not to be negotiated, time spent in face-to-face cost negotiation beyond an average of half an hour ordinarily would not be an effective use of a negotiator's time.

Two basic methods were used, with variations, by the Department in the MA-3, MA-4, MA-5, and MA-6 phases of the JOBS program to determine the basis on which the contractors would be paid. However, neither method requires the negotiators to evaluate whether the costs proposed for on-the-job training and for supportive services are reasonable and represent only the extraordinary costs incurred in training disadvantaged persons.

Under the first method, used for MA-3, MA-4 option A, and MA-5, the total proposed cost for training a person in each job was evaluated by determining whether the cost fell within a predetermined range as set forth in the departmental guidelines.

The second method, involves the use of a standardized formula. Under MA-4 option B phase, this method provided for the payment to a contractor of a predetermined amount for supportive services; on-the-job training costs, however, were based on the use of guidelines as in the MA-4 option A phase. Similarly, under MA-6, a standardized formula was used for determining the cost of each program element, such as on-the-job training, basic education, and counseling.

Under both methods, the guidelines instructed the negotiators that the maximum or predetermined dollar amounts (market costs) were the sole-cost criterion which the negotiator was to use in his deliberations with employers

The MA-3 and MA-4 guidelines stated

"\*\*\* market cost bears no necessary relationship to actual program performance cost. It may represent something more or something less than program performance cost in any given case. Therefore, the contractor's estimated program performance costs in toto or in part are not relevant to market cost evaluation and negotiation. Accordingly, they shall not be considered in the \*\*\* pricing procedure."

The MA-5 and MA-6 guidelines contain basically identical language

With regard to the employers' cost of providing training and supportive services, the Department's guidelines stated that

"\*\*\* Although the contractor may have ample supporting cost data to justify his position, the evaluator/negotiator must make it clear to the contractor that the Government is not concerned with the cost of the program. In other words, the evaluator/negotiator is concerned more with the Government's objective to buy at market cost than he is with the contractor's costs (as reasonable or as unreasonable as they may be)."

We reviewed the basis for paying contractors under the 31 contracts included in our review and examined the proposals, contracts, records of evaluation and negotiation and discussed pertinent aspects of the negotiations and subsequent cost experience with the contractors and Department officials. We also examined into the manner in which the negotiators applied the Department's guidelines.

Of the 31 contracts, 17 provided for excessive payments to the contractors. Of the 17 contracts, 10 were based on the acceptance, without question, of the contractor's (1) estimate that trainees would require more weeks of training than it normally took to learn the skill necessary to perform the job according to the departmental guidelines and (2) estimates of its productivity loss during the training period. Also, nine of the contracts provided for the payment of on-the-job training costs that exceeded the Department's predetermined range of allowable costs.

Although it is a basic tenet of the JOBS program that a contractor be reimbursed only for his extraordinary costs of training disadvantaged persons--that is, the costs in excess of those normally incurred in providing training and supportive services to its regular employees--the Department's request for proposals did not require prospective contractors to disclose their regular training costs. As a result, prospective contractors frequently proposed and were awarded contracts providing for payment of the total cost for on-the-job training and supportive services rather than the extraordinary costs.

The excessive payments occurred to a greater degree under those contracts providing for payment on the basis of the standardized formula method of determining allowable costs for supportive services. Under this method, a contractor was allowed \$850 for providing supportive services to a trainee

The Department did not conduct any preaward contract surveys of the 31 contractors' plants to ascertain the specific nature and requirements of the jobs being offered and the plans the contractors had for providing training. The contract negotiators advised us, in general, as noted in other sections of this report, that they were under constant pressure to negotiate contracts as quickly as possible.

Following are three examples of contracts which, we believe, provided for excessive payments for on-the-job training costs.

Contractor A--Contractor A was awarded a national MA-3 contract dated June 11, 1968, in the amount of \$1,227,674 to hire and train 258 grocery check-out clerks in six cities. We examined into that part of the contract that provided \$495,530 for training 100 persons in the contractor's supermarkets in two cities--\$311,485 for on-the-job training (\$3,115 per trainee) and \$184,045 for supportive services (\$1,840 per trainee). As of June 10, 1970, the contractor had been paid \$451,809, of which about \$284,600 was for on-the-job training.

The contract provided for each trainee to receive 47 weeks of on-the-job training and 5 weeks of classroom training in grocery checking--2 weeks at the beginning of the trainee's employment and 1 week in each of the second, third, and fourth quarters of the trainee's first year of employment.

The contractor's proposal showed that the anticipated training costs were based on estimates of the amount of time the trainees would not be doing productive work while being paid, as shown below

	<u>Training weeks</u>	<u>Percent of unproductive time</u>
Time spent in training classes	5	100
Time spent working in supermarket		
1st quarter	8	100
2d    "	13	50
3d    "	13	30
4th   "	<u>13</u>	20
Total	<u>52</u>	

We visited eight supermarkets, selected from the 44 supermarkets in the two cities to which trainees had been assigned, for inquiry as to

whether the above estimates were reasonable As of June 30, 1970, 143 trainees had been hired by the 44 supermarkets

Store managers at the eight supermarkets advised us that the JOBS trainees assigned to their stores had been productive from the first day that they started to work They advised us further that the 17 trainees whom they could recall as having worked compared favorably in productivity with regular new employees With regard to the trainees' work readiness and capability, they said that, of the 17 trainees, six were better than their regular new employees, six were average, and five were below average

As previously noted, the Department's contract provided for paying the contractor for on-the-job training on the basis of the assumption that the trainees would be totally unproductive during the first quarter of the year On the basis of information obtained from the store managers regarding the trainees' actual productivity, we concluded that a large part of the payments to the contractor was unjustified

In questioning an official of the contractor about how the proposed productivity differentials were developed, he informed us that the company's estimates were arbitrary, because, at the time that the proposal was developed, the company did not know the extent to which disadvantaged persons might be unproductive. He informed us also that for this reason the estimates were open to negotiation but that the Department's negotiators had not questioned the basis or reasonableness of the estimates

We noted that the negotiators allowed an amount for on-the-job training in excess of the maximum amount shown in the departmental guidelines as allowable This excess allowance occurred because the negotiators did not question the proposed costs for each element so long as the total proposed costs did not exceed the total amount allowable for all elements As a result, the contract amount of \$770,719 allowed for providing on-the-job training in the six cities was \$129,169 in excess of the maximum amount allowable for this element under the departmental guidelines Also under the guidelines, only 26 weeks of on-the-job training should have been allowed rather than the 52 weeks that were allowed

We inquired of the negotiators as to why they had not questioned the reasonableness of the contractor's assumption that the trainees would be 100 percent unproductive during their first quarter of the year and only partially productive for the remainder of the year and why the contractor's costs of unproductive time for regular new employees had not been ascertained. The negotiators stated that no analysis had been made of the individual elements of the cost proposal for this contract or any other contract and that, if the total proposed costs were within the total of the predetermined range of costs, they were accepted without question

Contractor B--Contractor B, a consortium, was awarded an MA-3 contract on August 8, 1968, in the amount of about \$3 1 million to provide 970 jobs to disadvantaged persons At the time the contract was awarded, 31 different business establishments, which were members of the consortium, provided jobs, such as cleaning orderlies, material handlers, general clerks, and warehouse helpers.

Aside from supportive services, the consortium proposed a training program which consisted of 10 weeks of pretraining and 20 weeks of on-the-job training at a cost of about \$1 1 million, or an average \$1,200 per job. As of June 30, 1970, 649 persons had been hired and the consortium had claimed reimbursements of about \$2 4 million, of which about \$792,000 was for on-the-job training.

According to departmental guidelines, costs for on-the-job training should have been allowed at about \$900 per trainee for the types of jobs offered by the consortium. Because the negotiators did not adhere to the departmental guidelines, the amount allowed for the on-the-job training portion of the contract was about \$300,000 in excess of the maximum amount allowable under the guidelines.

Records of negotiations between the Department's contract negotiators and the consortium officials were not available, and the negotiators were unable to explain why the contract was awarded on the basis of on-the-job training costs that greatly exceeded the amount allowable under the guidelines. A Department associate regional manpower administrator said that, in his opinion, this contract should not have been awarded at such a high unit cost and that he did not know why the negotiator had accepted it. The negotiator is no longer employed by the Department.

We visited four of the companies in the consortium to ascertain the type of on-the-job training program that was provided to the trainees. Since the companies were not similar, the jobs differed greatly, however, all were low-skilled jobs. We found that one company provided 3 days of pre-on-the-job training and that another company provided 4 weeks of such training. The other two companies did not provide any pre-on-the-job training.

Officials at the four companies told us that no special on-the-job training was provided by their companies. They explained that the on-the-job training program consists of assigning a trainee to a job, explaining what is required, showing him how to do it, and providing him with some supervision. Officials of two companies stated that it took about 20 minutes to show a trainee how to do the job. Officials of another company stated that entry-level jobs require minimal job training. Most of the trainees we talked to at the four companies said that it took them from a few days to 2 weeks to learn to do their jobs as well as regular employees.

On the basis of our review and discussion with company officials and JOBS trainees, we believe that the on-the-job training costs allowed this consortium were greatly in excess of the training costs actually incurred.

Contractor C--Contractor C, a small contractor, was awarded an MA-4 contract on November 22, 1968, in the amount of about \$41,000 to provide 15 jobs to disadvantaged persons as automatic drill and screw machine loaders.

The contractor proposed an on-the-job training program for a period of 20 weeks, under which qualified instructors would spend 1 hour a day in providing special instruction to each trainee and 7 hours a day in careful

supervision of each trainee. To accomplish the on-the-job training program, the contractor proposed, and Department negotiators accepted, a cost of \$9,000, or \$600 per trainee. As of May 31, 1970, the contractor had claimed reimbursements of \$24,423, of which \$5,373 was for on-the-job training.

The general manager of the company advised us that these jobs were unskilled and that the company did not have a formal on-the-job training program. He said that the initial training lasted less than 1 week and that additional training was given as needed.

According to the nine trainees we interviewed, it took from a few hours to a month to learn to operate the machines for which no special tools or skills were required. One trainee said that, after receiving some instructions, it took her about 2 hours to learn to operate her machine. Another trainee said that she had operated both the automatic screw and drill machines and that all the machines were quite similar and little instruction was required to operate them. We estimated that the contractor incurred costs of about \$1,500 for on-the-job training, although he claimed reimbursements totaling about \$5,400.

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We were advised repeatedly by the Department's regional contract negotiators that they relied completely on departmental guidelines which did not require an analysis or evaluation of individual cost elements of contractors' proposals. They advised us also that, in most instances, they did not have time for any lengthy evaluations of proposals, since their objective in the early stages of the program was to negotiate and award as many contracts, and in as short a time, as possible. A Department regional official also advised us that the lack of well-trained, experienced contract negotiators had affected the quality of negotiations.

Department regional officials also advised us that the pressure to award contracts had diminished and that they were making more thorough evaluations of prospective contractors' proposals. They advised us also that, in their opinion, negotiations under the MA-6 guidelines had resulted in contracts being awarded at more reasonable costs because the proposed cost for each program element was required to be shown and evaluated separately.

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## Conclusions

The Department has not adequately implemented the legislative requirement that contractors be reimbursed only for the unusual and extraordinary costs of hiring and training the disadvantaged. Many of the contracts which we reviewed authorized payments in circumstances where the contractors had no extraordinary costs or where the authorized payments significantly exceeded the training costs actually incurred.

The Department had not required prospective contractors to disclose the basis for their cost estimates, nor had it required its contract negotiators to analyze and evaluate the cost estimates to ascertain whether they represented regular or extraordinary training costs.

In our opinion, fixed-unit-price contracting generally is not appropriate for the JOBS program for several reasons.

- Prospective contractors and departmental contract negotiators, in many instances, arrive at firm fixed prices for training and supportive services before the employers have had any cost experience in training disadvantaged persons, as a result contracts have provided for excessive reimbursements for both training and supportive services.
- Fixed-unit-price contracts for training and supportive services were invariably agreed upon before the persons to be provided the training and supportive services were selected. Since there is a great variation in need by disadvantaged persons for training and supportive services, the persons subsequently selected for JOBS training frequently did not require either the quantity or the type of training and supportive services provided for in the contracts.
- In the many instances where either the contractors did not provide or the trainees did not need the amount of training and/or supportive services specified in the fixed-unit-price contracts, it did not appear to be either practicable or feasible to recover the excessive payments.

## Recommendations to the Secretary of Labor

We recommend that the Department contract for on-the-job training and supportive services

- on a cost-reimbursable basis when the services to be provided cannot be adequately defined or when sufficient cost experience is not available to enable a realistic estimate of the costs of providing the services and
- on a fixed-price basis for the continuation of a training project for which information on the extent and cost of the services to be provided is available or where similar information is available prior to award of a contract.

We recommend further that the Department

- require contractors, under cost-reimbursable contracts, to adequately document training and supportive services provided and costs incurred and
- review contractors' costs and performances to ensure that the Government is paying for services actually provided.

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Both the Department and NAB stated that they were opposed to contracting on a cost-reimbursement basis. They said that this contracting method did not appear to be feasible or practicable. The Department referred to a section of the Code of Federal Regulations which states that for cost-reimbursement contracts it is essential that a contractor's cost accounting system be adequate for the determination of costs applicable to the contract.

Both the Department and NAB indicated that the use of cost-reimbursement contracts would severely limit the number of companies that could participate in the program. The Department stated that, with the advent of the JOBS program nationwide and the participation of a growing number of smaller companies in the program, a suitable internal accounting procedure would be very difficult to find and that the objectives of the program could be thwarted by the lack of an ancillary accounting procedure.

The Department recounted its early problems in contracting for the JOBS program and acknowledged that these early methods contained flaws. The Department stated, however, that in November 1969 a new contracting method was established for the MA-6, or JOBS-70 series, and that this new method was being used for approximately 92 percent of the contracts that had been awarded so far in fiscal year 1971.

In describing its new contracting method, the Department stated, in essence, that the extent of training and supportive services to be provided by the contractor is clearly defined in the contract by individual cost component and that the total cost is developed from costs established for certain training components on the basis of the skill level or hourly wage rate of the jobs offered and for other training components on the basis of established amounts with maximum limitations. The Department stated, however, that the measure of contract performance was not based on actual expenditures by the contractor but was based on the provision of certain contract elements to benefit the JOBS employee, for which the contract had set forth an agreed-upon price.

The Department stated that effective implementation of this contracting process requires a satisfactorily explicit training plan and a suitable monitoring effort to ensure compliance. The Department stated further that the burden remains with its field staff to evaluate and negotiate proposals and to determine that contract elements are adequate to meet the needs of the job and that they are not excessive to those needs.



The Department stated that the determinations of fair and reasonable cost levels for each contractual element in the MA-6 contracts are being based on prior experience in earlier contract series and concluded that this procedure meets the requirements for fixed-unit-price contracts that fair and reasonable prices be established at the outset of the contract.

We believe that, although the modifications made by the Department in November 1969 to its earlier contracting procedures may represent some improvement, the basic problems concerning contracting on a fixed-unit-price basis have not been overcome.

Prospective contractors and departmental contract negotiators operating under the new contracting method may still arrive at firm fixed-unit prices for training and supportive services before the contractors have had any cost experience in training disadvantaged persons and before the persons to be provided the training and supportive services are selected. Since there is a great variation in need by disadvantaged persons for training and supportive services, the persons subsequently selected for JOBS training may not require either the quantity or the type of training and supportive services provided for in the contracts.

Also, where either the contractors do not provide or the trainees do not need the amount of training and/or supportive services specified in the fixed-unit-price contracts, recovery of excessive payments is both cumbersome and uncertain.

We are not advocating the imposition of costly or elaborate cost accounting requirements on JOBS program contractors. Also, we do not believe that smaller companies should be precluded from participation in the JOBS program because they lack sophisticated cost accounting systems. We do believe, however, that all contractors should be prepared, in connection with submitting monthly invoices to the Department for payment, to make some reasonably specific representation as to the extraordinary costs they incurred by reason of employing JOBS trainees. This seems to be particularly important in view of the basic concept of the JOBS program that only extraordinary costs incurred by employers be reimbursed by the Government.

The Department acknowledged that wide variations exist among JOBS trainees with respect to their need for training and supportive services. Similarly, our review has shown, in a number of instances, that the needs of JOBS trainees for training and supportive services have been no different than the needs of regularly hired employees.

It is essential in negotiating fixed-unit-price contracts that sufficient cost information be available to arrive at fair and reasonable unit prices. In establishing fixed-unit prices under its new contracting method (see p. 39), the Department is relying on prices which it paid for services under earlier contracts, rather than on actual cost experience in providing such services. On the basis of our review findings, we believe that this procedure does not provide the Department with adequate cost data on which to establish fair and reasonable contract unit prices.

NEED TO EVALUATE ABILITY OF  
PROSPECTIVE EMPLOYERS  
TO PROVIDE THE JOBS PLEDGED

As noted in chapter 2 (p. 14), the number of job pledges by some prospective employers were unrealistically high and not always consistent with their ability or intention to provide the jobs. Our reviews showed that, in four of the five cities included in our review, the Department had entered into a number of JOBS contracts which committed the contractors to hire more persons than they could reasonably be expected to absorb in their operations. As a result, information on JOBS program activities available to the Congress and others did not provide a realistic picture of industry participation in the program.

Under the contract component, unrealistic job pledges and the award of the related contracts resulted in the obligation of funds which were not subsequently used or were not used timely and which may have precluded the reprogramming of the funds for use in other manpower programs.

The Department's instructions to its contract negotiators stress that the contract was designed as a mechanism to achieve the stated JOBS program goals of providing jobs and related training and supportive services for disadvantaged persons.

The Department's contracts with employers, however, did not require that the stated number of persons be actually hired. Therefore the contracts provided that payments to the contractor be computed by applying the fixed unit rate for each job to the number of days the trainees worked in each job. Success in attaining program goals is dependent, in part, on the contractors' ability to hire and absorb into their businesses the number of trainees stated in their contracts.

Departmental guidelines stress the need for contract negotiators to carefully evaluate the ability of potential contractors to hire and train the proposed number of trainees. Prior to the MA-6 phase of the program, however, the departmental guidelines did not require that such evaluations be based on onsite surveys of potential contractors' plants prior to the award of contracts. Specifically, the guidelines required the negotiators to make the following general analyses of a potential contractor's proposal.

- Identify the number of persons the firm permanently employs. The guidelines stated that the number of trainees ordinarily should not be more than 25 percent of the total number of employees. The guidelines did not clarify what was meant by "ordinarily" or explain the circumstances under which the rule could be waived. A regional Department official advised us that the purpose of this one-fourth rule was to limit the trainees to a number which an employer could absorb without seriously disrupting the productivity of his firm.
- Consider whether the firm has or will have a continuum of business or contracts during the contract period to enable the providing of jobs for the proposed number of trainees.

--Evaluate the firm's financial condition and business trend by obtaining a credit-rating report.

The guidelines pointed out further that, if a contractor should fail substantially to hire the number of persons specified in his contract, the Government would incur additional administrative costs and would have funds tied up which otherwise could be applied in productive training efforts.

We examined the Department's records relating to the negotiation of the 31 contracts included in our review to ascertain whether the contractors' ability to hire and train the proposed number of trainees had been adequately evaluated prior to award of the contracts.

Our evaluation of each contractors' actual performance toward meeting the contract-hiring goals showed that (1) two consortium contracts totaling \$3.4 million contained unrealistic hiring goals; however, after substantial delays in meeting the goals, changes in the consortiums' membership resulted in the consortiums' being able to meet a substantial part of their goals, and (2) seven contracts totaling \$6.2 million also contained hiring goals which were based on unrealistic assumptions by the contractors as to the number of trainees they could hire and absorb into their businesses, as a result they fell far short of meeting their contract-hiring goals.

At the time of our review, the contract terms and the contractors' actual performance under the seven contracts were as follows

	MA-3 ( <u>one contract</u> )	MA-4 ( <u>six contracts</u> )
Contract terms		
Number of jobs to be filled	100	1,545
Contract amounts	\$437,432	\$5,764,555
Contract periods	24 mos.	24 mos.
Actual performance		
Number of trainees hired	25	563
Percent of trainees hired to jobs to be filled	25	37
Number of trainees terminated	21	309
Number of trainees still employed	4	254
Total contract payments	\$28,070	\$345,028
Average contract period elapsed	18 mos.	13 mos.

As shown above, over a year (more than one half of the contract periods) elapsed, on the average, before about one third of the trainees were hired.

Under the MA-3 and MA-4 programs, a contractor could be fully reimbursed only for the number of trainees hired during the first 12 months of the contract period. For trainees hired after the 12th month, the reimbursements had to be reduced to the fractional part of the second 12-month contract period that remained. The departmental guidelines stated that these basic compensation arrangements were designed to encourage employers "\*\*\* to hire employees early in the contract period and in no event to hire beyond the first day of the 13th month." For MA-3 and MA-4 contracts the contract period was 24 months.

Under the arrangements, a contractor's monetary incentive was reduced at the halfway point of the contract period, because it would be only partially reimbursed for trainees hired beyond that point. Since the contract-reimbursement procedure tended to discourage contractors from hiring after the first year of the contract period, there appeared to be little likelihood of full performance under the seven contracts.

With regard to the evaluation of the contractors' ability to train the proposed number of persons, it seemed to us that the Department's contract negotiators had not obtained sufficient information from the contractors regarding the basis for the number of trainees they proposed to hire. For example, under some contracts, the number of trainees to be hired was not based on the contractors' current levels of business activity but on anticipated new business and plant expansions which did not subsequently occur.

The contract negotiators, in our opinion, did not obtain enough information prior to the award of the contracts to judge whether the contractors' projected business increases were reasonable or whether their expansion plans were reasonably firm. Also contract negotiators did not make preaward contract survey inspections at the contractors' plants, even though such inspections would have given them a much better understanding of the contractors' businesses and the reasonableness of their proposed hiring goals.

In the case of certain consortiums, the contract negotiators did not meet with the members but held all discussions with the consortium agent, which in some cases was a member, a separate organization, such as a trade organization, or a subcontractor. In our discussions with certain individual members who had not hired any trainees regarding the basis for their job pledges, we were told that the job pledges had been assigned to them by the consortium agent, without a clear understanding as to how many trainees they could or would hire. In one case, a member stated that he had made a job pledge to "go along with the group" without really intending to hire any trainees.

In some cases, proposals were accepted in which the number of trainees exceeded 25 percent of the employer's regular work force. The Department negotiators accepted one such proposal because they did not accurately determine the number of permanent employees at the employer's plant. In other cases, the Department's records did not show why the negotiators had waived the one-fourth rule. We could not readily interview the negotiators in question because they had left the Department.

The following examples illustrate JOBS contracts having what we consider to be unrealistic hiring goals. In these cases, it did not appear that the Department adequately evaluated the employer's ability to meet proposed hiring goals.

Contractor A--This contractor was awarded an MA-4 JOBS contract in the amount of \$541,800 to hire and train disadvantaged persons in 155 jobs during the period April 1, 1969, through March 31, 1971. As of December 31, 1969, after 9 months of the contract period had elapsed, 78 trainees had been hired, 55 had terminated before completing training, and 23 were still employed. Of the contract amount, \$17,730 had been paid to the contractor.

Because of poor performance, the contract was modified on January 19, 1970, to reduce the number of trainees to be hired to 74 and the contract amount to \$249,888

In its proposal, the contractor stated that it had 65 regular employees, about one half of whom were trainees under a previous MA-3 JOBS contract. Even if all the 65 employees had been considered as the employer's permanent work force, under the Department's one-fourth rule the contract should have provided for hiring only 16, rather than 155, trainees. A Department regional office official advised us that the guidelines were relaxed because the contractor's company represented an experimental effort to develop minority entrepreneurship.

The company was established in May 1968 as a minority owned and operated company with initial financing consisting of grants and loans from the Small Business Administration, Office of Economic Opportunity, and other Federal agencies. The company's sales consisted primarily of sales under short-term Government procurement contracts and a few commercial orders. As justification for the proposed number of trainees, the company in a letter transmitting its proposal stated that:

"We are further working on designs for approval and anticipated contracts for 10,000 to 100,000 Fiberglass Storage Bins, Laminar Flow Hoods, and 26' Fiberglass Whaleboats for possible national distribution to Sea Scout Organizations. This MA-4 Proposal reflects the additional work and training required in our fiberglass and boat area." (Underscoring supplied.)

The proposal indicated that substantially all the expanded production was to be performed with JOBS trainees. The president of the company told us that it was a mistake to have attempted to train a large number of JOBS trainees with a small number of journeymen who also had to maintain an ongoing production effort. He said that both efforts suffered from this situation. A visit to the company by Department representatives in December 1969 to negotiate a modification of the contract showed that 90 percent of the work force consisted of trainees.

Contractor B--This contractor--a consortium consisting of 31 member companies--was awarded an MA-3 contract in the amount of about \$3.1 million (\$3,200 per trainee) to hire and train 970 persons during the period August 15, 1968, to August 15, 1970. Nearly half of the contract goal, 450 jobs, represented a commitment by one company, a large department store.

Six months after the award of the contract, this company had hired only 53 trainees, and after 12 months it had hired only 142, of which 86 had terminated. According to the hiring schedule in the contract, the company should have hired 362 trainees during the first 6-month period and the 450 trainees by the end of the 12 months.

Our inquiries as to why the department store had not met its goal revealed that it apparently had never intended to hire 450 trainees. Correspondence from one consortium official to another stated that the store had

"\*\*\* pledged 450 job slots with the understanding that as many of these slots as possible would be given to other companies who will want to enroll in the Consortium after the deadline."

The consortium eventually solved its performance problem by reducing the department store's job slots from 450 to 76 and by bringing into the consortium new companies which pledged to hire persons for the remaining 374 slots.

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Department officials in Detroit and San Francisco acknowledged that they had not adequately evaluated the reasonableness of job pledges for the MA-3 and MA-4 contracts, because of a limited number of contract negotiators and because of the Department's policy, at that time, of entering into as many JOBS contracts, and in as short a time, as possible. Department officials in San Francisco advised us that, beginning in February 1970, they had implemented new procedures for evaluating the reasonableness of the number of trainees that a prospective contractor proposed to hire. They said that conferences were held with contractors and members of consortiums, to determine their ability to absorb the number of proposed trainees into their businesses.

These Department officials stated, however, that, in their opinion, entering into contracts with optimistic hiring goals was not always undesirable, since in some cases the contracts were with industries which had not previously hired the disadvantaged. They stated that in such cases the contracts would be continued in force to take advantage of the possibility that the contractors might perform and that, if they did not perform, no real harm was done as no money had been spent.

Department officials in Seattle also concurred in our findings.

### Conclusions

The success of the JOBS program in meeting its stated goals is dependent, in part, on awarding contracts that result in the hiring of the number of trainees that is provided for in the contracts. As discussed previously, however, a number of the contracts we reviewed contained hiring goals which (1) committed the contractors to hire more trainees than they could reasonably be expected to absorb in their businesses and (2) resulted in the Department's obligating funds for the contracts at unrealistic levels. This result could have been avoided by a more stringent implementation of the departmental guidelines.

The acceptance of unrealistic job pledges and the award of JOBS contracts that provide for the hiring of an unrealistic number of trainees has resulted in (1) information on program activities available to the Congress and others that does not provide a realistic picture of industry participation in the JOBS program and (2) the obligation of funds for the JOBS program that were not subsequently used and which may have precluded the reprogramming of the funds for use in other manpower programs.

Recommendation to the Secretary of Labor

We recommend that the Department monitor closely the implementation of its guidelines for evaluating prospective contractors' present and planned capacity to perform in accordance with their JOBS pledges.

NEED FOR MORE MEANINGFUL EMPLOYMENT  
OPPORTUNITIES FOR JOBS TRAINEES

A significant number of the jobs provided by contractors under the JOBS program paid low wages and appeared to afford little or no opportunity for advancement, often they were the types of jobs that traditionally were filled with unskilled or low-skilled persons. In these cases it appeared to us that very little was being accomplished for the funds expended under the JOBS program. This same condition existed, but to a lesser degree, under the noncontract component of the program. This condition appeared to have been caused, in substantial part, by the lack of appropriate departmental guidelines defining the elements of meaningful employment for use by JOBS program administrators.

In October 1970 the Department, in collaboration with NAB, promulgated an extensive Occupational Opportunities Rating System for use by contract negotiators in evaluating JOBS program proposals. These new guidelines, if properly implemented, should provide for substantial improvement in the quality of job opportunities provided under the JOBS program.

The House Committee on Education and Labor's Report 866, dated October 27, 1967, on the Economic Opportunity Amendments of 1967, in commenting on the types of jobs that should be excluded from Federal manpower programs, stated:

"It is not intended that these programs should provide assistance which would be supportive of firms or industries which have high rates of turnover of labor because of low wages, seasonality or other factors, \*\*\* It would not, therefore, be in keeping with the purposes of the act to make available financial assistance or other incentives for work, training and related programs for industries which are highly mobile, labor intensive, and vigorously competitive on a national basis which have high labor turnover, and in which the prior possession of a specific skill or training is not typically a prerequisite for employment "

According to the departmental guidelines in effect during the period covered by our review, the JOBS program was to provide disadvantaged persons with steady and suitable employment through meaningful full-time permanent positions.

The Department, however, had not developed a comprehensive job-rating system for use by the contract negotiators and NAB. The guidelines counseled contract negotiators to consider wage rates and advancement possibilities, but they provided little guidance as to how these elements were to be evaluated, other than that acceptable occupations must require a specific training period, involve a present and projected marketable skill, and pay no less than \$1.60 an hour. The negotiators, therefore, had to rely for the most part on their own judgment to determine whether job offers were acceptable.

In the five cities covered by our review, we analyzed the wage rates for jobs pledged by the 215 employers participating in the JOBS program.



under the 31 contracts we reviewed and by the 79 noncontract employers we visited. We also made onsite reviews of the types of jobs pledged by a random selection of 62 of the 215 contract employers and obtained information from the 79 noncontract employers on the types of jobs they had pledged

Our analysis showed that, of the 6,300 jobs pledged by the 215 contractors and of the 25,700 jobs pledged by the 79 noncontract employers, about 3,300 (52 percent) and about 2,000 (8 percent), respectively, offered starting wages of \$2 an hour or less.

The high percentage of jobs pledged by the noncontract employers that offered starting wages in excess of \$2 an hour was attributable to about 21,300 jobs that were primarily for assembly line work in the automotive industry. These jobs, which offered starting wages of from \$3 to \$3 50 an hour, were pledged by three large companies. About 900 other jobs, pledged by contract and noncontract employers, although offering starting wages in excess of \$2 an hour, provided little or no opportunity for an employee to advance beyond the entry level.

About 80 percent of the 32,000 jobs analyzed offered both wages of \$2 an hour or more and an opportunity for advancement. This condition, however, varied by area. In the San Francisco-Oakland area, about 35 percent of the jobs offered good wages and an opportunity for advancement, compared to about 78 percent in the Seattle area and about 85 percent in the Detroit area.

Analysis of the types of jobs being offered that paid \$2 or less an hour showed that many historically had a high rate of turnover, did not provide for permanent employment, and were the type of jobs normally filled by unskilled or low-skilled persons.

For example, in San Francisco, NAB's files on 158 noncontract employers that pledged jobs in 1968 and 324 noncontract employers that pledged jobs in 1969 showed that 26 (16.4 percent) and 33 (10.2 percent), respectively, were offering marginal jobs which appeared to be in high-turnover occupations involving minimum skills and low wages. These included jobs as janitors, messengers, maids, porters, dishwashers, busboys, potwashers, and bar assistants, many of which were at wage rates of less than \$2 an hour. Similar jobs were also being offered by noncontract employers in the other four cities included in our review.

The effect of accepting pledges for low-wage jobs was pointed out to the Department in a letter dated February 28, 1970, from the Director, California Department of Human Resources Development, to the Regional Manpower Administrator in San Francisco. The letter stated, in pertinent part, as follows:

"Several of our field offices have expressed concern about the number of NAB jobs which offer a low entry wage. The offices report that many of these jobs are duplicates of traditionally low paying occupations that have been unacceptable for training purposes. There is a basis for this concern when you consider the volume of MA-4 and MA-5 contracts that have been awarded in which all or part of the occupations have a starting wage of less

than \$2.00 per hour. A recent check showed that of 100 MA-4 contracts awarded to train 6,548 trainees, 26 contracts to train 1,124 trainees listed an entry wage below the \$2 level, and of 30 MA-5 contracts awarded to train 1,397 trainees, 10 contracts to train 517 trainees showed a similar low entry wage.

"A large proportion of disadvantaged people now enrolled in our employability programs are from families depending upon welfare for their subsistence. The state average size of a family on welfare is 5.7 people. If you apply this average family size to the NAB-JOBS income criteria, you arrive at a poverty level figure of \$4,200 per year.

"Based on a 40-hour work week, an hourly wage of \$2.00 would allow an annual income of \$4,160. It would seem that an entry wage at or below \$4,200 per year would not be solving the problem of poverty for a large number of disadvantaged persons, but on the contrary, would be only perpetuating the problem. When you consider that the employer receives full reimbursement for wage loss during the time the trainee is not on OJT [on-the-job-training] training, and 50 percent of the wage loss while trainee is on OJT, it would appear reasonable to insist upon an entry level wage which exceeds the poverty level as defined in the NAB-JOBS income criteria."

A Department of Labor letter dated October 5, 1970, to State Employment Security Agencies stated that a review had been made of 277 JOBS contracts (13 percent of all fiscal year 1970 JOBS contracts awarded through June 5, 1970). The letter indicated that, had the new guidelines for rating job proposals (see p. 47) been in effect at the time the 277 contracts were proposed, 22 percent of the occupations would have been found unacceptable and another 15 percent would have been considered marginal.

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Officials of the Manpower Administration in Seattle stated that in their opinion there were no "dead end" jobs; every job could motivate an individual to want to better himself. The Regional Manpower Administrator in Seattle advised us that only seasonal jobs were specifically excluded under Department criteria.

The Associate Regional Manpower Administrator in Chicago agreed that during the early part of the JOBS program many contracts were awarded for low-skill jobs offering low wages. He stated also that during 1970 the region had established \$2 an hour as the minimum wage for trainees under JOBS program contracts, and, therefore, contracts offering low wages, such as those previously entered into, would no longer be awarded.

The Assistant Regional Manpower Administrator in San Francisco advised us that the regional contract negotiators' evaluation of the acceptability of a job was based on the departmental guidelines which stated that a job should not pay less than \$1.60 an hour. He stated, however, that some low-paying jobs represented a breakthrough for minorities into certain industries, this made their placement in such jobs desirable.

NAB officials in Detroit commented that they did not believe NAB should be selective in accepting job pledges by an employer and that, as long as the employer was paying the going wage, the amount did not matter. In San Francisco NAB officials stated that any job pledge which offered the minimum wage of \$1.60 an hour was acceptable. In Oakland NAB officials stated that job pledges were not screened to eliminate low-wage or low-skill jobs which were traditionally filled by disadvantaged persons.

### Conclusions

The Department's and NAB's acceptance of employers' job pledges which do not provide meaningful employment opportunities in terms of wages and advancement possibilities does little to assist disadvantaged persons in obtaining meaningful employment--the objective of the JOBS program.

We recognize that many of the jobs on the labor market paying less than \$2 an hour are essential and provide employment for large numbers of persons. Many of these, however, are the types of jobs which traditionally are filled by unskilled or low-skilled persons. Accordingly, in our opinion, the use of Federal funds to finance training in such jobs does not accomplish the stated objectives of the JOBS program and does not appear to be justified.

On the basis of the comments we received from certain local officials of the Department and NAB, it appears to us that there is a need for the Secretary of Labor to reemphasize to all local officials that the goal of the JOBS program is to assist disadvantaged persons in obtaining meaningful jobs.

The newly developed guidelines for rating job pledges by prospective contract employers, if properly implemented, should aid materially in obtaining meaningful jobs for disadvantaged persons.

### Recommendation to the Secretary of Labor

To upgrade the quality of jobs pledged by prospective noncontract employers, we recommend that the Department adopt guidelines for rating jobs, offered by noncontract employers, similar to those adopted for contract employers.

The Department advised us that NAB had endorsed the job-rating-system guidelines for the noncontract pledged jobs and stated that the implementation of the job-rating system (see p. 47) would have an upgrading effect on the total program.

IMPROVEMENTS NEEDED IN PROCEDURES  
AND PRACTICES FOR ASCERTAINING AND  
DOCUMENTING ELIGIBILITY OF PERSONS  
FOR ENROLLMENT IN THE JOBS PROGRAM

Substantial improvements are needed in the procedures and practices for ascertaining and documenting the eligibility of persons for enrollment in the JOBS program. Our tests of eligibility of trainees reported as hires in the JOBS program showed that a substantial number of the trainees either did not meet the eligibility criteria established by the Department or could not be identified readily as having met the criteria, because pertinent information either had not been obtained from them or had not been reported to NAB.

Even where the trainees' eligibility appeared to be documented in the files, there was no reasonable assurance of its accuracy, because the Department's enrollment procedures did not provide for any verification of the information provided by prospective enrollees regarding their eligibility. Also, the enrolling of persons in the program from outside the target population diverted job opportunities from the disadvantaged and, in the case of the contract component, resulted in dissipating Federal funds.

The established eligibility criteria for enrollment in the JOBS program provide that persons must be poor, do not have suitable employment, and are either (1) school dropouts, (2) under 22 or at least 45 years of age, (3) handicapped, or (4) subject to special obstacles to employment.

Persons who are subject to special obstacles to employment are (1) unskilled workers who have had two or more spells of unemployment totaling 15 weeks or more during the past year, (2) workers whose last jobs were in occupations of significantly lower skill than their previous jobs, (3) workers who have family histories of dependence on welfare, (4) workers who have been permanently laid off from jobs in industries which are declining in their region (e.g., agriculture and coal mining), and (5) members of minority groups.

Poor persons are defined as those whose families receive cash welfare payments or whose net incomes in relation to family sizes and locations do not exceed specific income levels defined in the OEO Poverty Guidelines.

The following were our specific findings for the contract and noncontract components.

Contract component

In the five cities covered by our review, we selected for a review of their eligibility for enrollment in the JOBS program 7,700 trainees from the 15,890 trainees reported as hired from the inception of the program through March 20, 1970. The 7,700 trainees included 7,278 trainees for whom the contract employers had submitted hire cards to NAB and 422 trainees selected on a random-sample basis from the 8,612 trainees for whom the contract employers had not submitted hire cards. Our review was directed specifically toward determining whether the persons hired were poor as defined in the Department's eligibility criteria.

We reviewed the information on trainees' family incomes as shown on the hire cards submitted by the employers, and we supplemented that information by examining, on a test basis, information contained in the certification documents on file at CEP and the State Employment Service offices. Also, we interviewed various trainees, examined personnel folders, and reviewed certain State payroll tax and welfare agency records.

Of the 7,700 trainees covered by our review, we could not ascertain the eligibility of 3,882, or about 50 percent, because the hire cards submitted by the employers did not show family incomes or sizes. Related records at CEP and the State Employment Service offices either did not show family incomes or size, or were not available, or had been destroyed.

For the remaining 3,818 trainees, our review showed that 535 had family incomes which clearly exceeded those permissible for their inclusion in the disadvantaged category and that 3,283 appeared to meet the income eligibility criteria on the basis of data which they had given either to their employers or to certifying officials at CEP and the State Employment Service offices.

The following table presents a summary of our findings concerning trainee eligibility.

City	Trainees hired	Selected by GAO for review	GAO findings on eligibility status		
			Eligible	Ineligible	Insufficient information
Detroit	12,501	5,215	1,624	232	3,359
Oakland	819	555	307	51	197
Portland	352	224	137	27	60
San Francisco	1,571	1,068	682	200	186
Seattle	<u>647</u>	<u>638</u>	<u>533</u>	<u>25</u>	<u>80</u>
Total	<u>15,890</u>	<u>7,700</u>	<u>3,283</u>	<u>535</u>	<u>3,882</u>

The Department's policy does not provide for any verification of statements by an applicant regarding family income or other information furnished to establish his eligibility for enrollment in the program. The Department's instructions state that applicants generally will be able to provide only estimates of their family incomes and, in some cases, may not know their family incomes. The instructions state further that:

"As investigations will not be appropriate, or 'proof' required, the judgment and skill of the interviewer will be controlling."

Department officials advised us that the policy of not verifying information supplied by prospective trainees was intended to preclude giving the JOBS program the appearance of a welfare program.

In each of the five cities, we found instances where CEP's or State Employment Service's records clearly showed that applicants were ineligible. This was particularly prevalent in San Francisco, Oakland, and Detroit. In San Francisco and Oakland, some local officials were following State

instructions--which were at variance with the Department's instructions--in screening prospective trainees.

The California Department of Human Resources Development had issued to the local offices instructions which differed in various aspects from the JOBS program eligibility criteria. The most significant difference was the instruction to its local certifying officials to use net wages, or take-home pay, for determining family income rather than gross wages, as specified in the Department's instructions.

In addition, records available in San Francisco and Oakland often did not show the basis on which applicants had been certified for enrollment in the program. Also, records for many applicants were not available, because, under the State's policy, such records were destroyed after one year.

An official of the California Department of Human Resources Development stated that his office had followed the Department of Labor's policy of not requiring verification of the information furnished by applicants. Moreover, he said that his office did not want to maintain records of eligibility determinations, because such records would facilitate auditing and would permit the certifying officials' judgments to be "second guessed" by others.

Our examination of certification records on file at the Michigan Employment Security Commission in Detroit showed a number of instances where applicants had been certified as eligible for enrollment in the JOBS program, even though the records showed that their family incomes exceeded the prescribed eligibility criteria income levels.

The JOBS coordinator for the Commission informed us that, at the start of the JOBS program, his office had not received any eligibility guidelines and, therefore, did not assume any responsibility for improper certifications during the MA-3 program. He also stated that the State Employment Service was not philosophically attuned to investigating and verifying statements made by clients and, therefore, might not have been as critical in its interviewing under the JOBS program as it should have been.

Noncontract component

Our review showed that it was highly uncertain what proportion of the trainees enrolled in the noncontract component were disadvantaged, even considering the Department's very broad definition of that term

The eligibility criteria applicable to the contract component are equally applicable to the noncontract component. Noncontract employers, however, are permitted to self-certify trainees--i e , they make eligibility determinations rather than obtain a certification of eligibility from the local Employment Service office or from CEP administrators as must be done under the contract component

In its instructions to noncontract employers, NAB advised them that they were not expected to use costly, elaborate, or probing verification for self-certification and that pre-hiring screening techniques needed to be no more extensive than those normally applied for other job applicants NAB accepts the hire cards submitted by the employers as notification that the trainees meet the eligibility criteria

Noncontract employers in the five cities covered in our review reported that 63,709 trainees had been hired under the JOBS program through March 1970 They had submitted, however, only 38,193 hire cards to NAB Of these, only 7,237 (19 percent) contained sufficient information to enable us to determine whether the trainees were eligible to participate in the program

Of the 7,237 trainees for whom adequate information was available, 2,042 (28 percent) had reported family incomes to their employers which exceeded those permissible for their inclusion in the disadvantaged category. A summary of the number of trainees hired, hiring cards submitted, and trainee eligibility as determined by us is shown in the following table.

<u>City</u>	<u>Trainees hired</u>	<u>Hire cards submitted</u>	<u>Eligibility status as shown on the hire card</u>		
			<u>Eligible</u>	<u>Ineligible</u>	<u>Insufficient information</u>
Detroit	46,849	34,169	4,193	1,704	28,272
Oakland	5,643	1,884	243	109	1,532
Portland	4,269	479	314	17	148
San Francisco	3,770	928	235	135	558
Seattle	<u>3,178</u>	<u>733</u>	<u>210</u>	<u>77</u>	<u>446</u>
Total	<u>63,709</u>	<u>38,193</u>	<u>5,195</u>	<u>2,042</u>	<u>30,956</u>

In the San Francisco and Oakland areas, from the 1,010 employers who had pledged jobs under the noncontract component, we selected 27 on a random-sample basis and discussed with them their procedures for determining the eligibility of JOBS trainees

Of the 27 employers, 17 told us that they had followed no specific procedures in determining the eligibility of the trainees that they had reported as hired under the JOBS program, five told us that they considered trainees to be eligible if they met any one of the several elements of the

poverty criteria, such as being from a minority group, regardless of whether or not they were poor, and the remaining five told us that they had followed the Department's prescribed procedures for determining eligibility

In Detroit, of 22 randomly selected noncontract employers whom we interviewed, 16 stated that they considered all new employees to be eligible for the JOBS program and that they had made no attempt to determine whether newly hired employees were disadvantaged under the Department's eligibility criteria. The remaining six employers stated that they had screened applicants in accordance with the prescribed criteria.

In Seattle and Portland, of 17 noncontract employers whom we interviewed, 10 stated that they had determined the eligibility of JOBS trainees by using the Department's prescribed family size and income criteria as provided by NAB, six stated that they had obtained trainees from CEP, the State Employment Service, and other local agencies and therefore did not do any certifying, and the remaining employer said that he decided whether persons were disadvantaged by ascertaining whether or not they could write and speak good English.

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Representatives of the Department's regional offices in Chicago, San Francisco, and Seattle agreed that some ineligible persons had been enrolled in the JOBS program.

A Seattle regional official advised us that CEP in Portland did not do an adequate job in screening applicants and that CEP intended to conduct training sessions concerning eligibility certification.

Officials of the California Department of Human Resources Development agreed that some local Employment Service offices were using improper criteria for certifying the eligibility of persons for participating in the JOBS program. They stated that instructions setting forth the proper criteria for use would be issued to the local Employment Service offices.

Officials of the Michigan Employment Security Commission and the Detroit CEP commented that the departmental guidelines were ambiguous and caused confusion. They stated, for example, that the guidelines were not clear as to whether gross or net incomes should be used for determining whether persons' family incomes were within the prescribed income limitations.

The director of the NAB metro office in Oakland told us in August 1970 that the office had recently become aware that private employers were submitting hire cards which showed that some trainees were ineligible for enrollment in the program. He said that the hire cards previously had been sent directly to NAB in Washington.

The director also informed us that ineligible trainees had been included in the number of trainees hired in reporting on program accomplishments. He also stated that noncontract employers frequently did not understand the Department's eligibility criteria or that they assumed that the



agency that referred an applicant had determined that he was eligible for enrollment in the program

### Conclusions

As noted in a previous section of this report (see p 26), we believe that the Department's prescribed eligibility criteria for the JOBS program are far too broad and encompass many persons who have no clear and legitimate need for the type of assistance provided under the program. Apart from this, however, our review has shown that a number of persons from outside the designated target population have been enrolled in the program as a result of laxities in applying the prescribed criteria. Thus, the effectiveness of the JOBS program in assisting the disadvantaged in obtaining employment appears to have been limited.

With regard to the noncontract component of the JOBS program, we are of the view that the Department and NAB have a very limited basis for confidence that employers are hiring only those persons who are disadvantaged under the Department's definition of that term. We also are of the view that the Department and NAB should take steps to reasonably ensure that applicants under the noncontract component are screened on a basis comparable with those in the contract component. In the absence of such assurance, reported hirings under the noncontract component should be clearly labeled as unverified.

### Recommendations to the Secretary of Labor

We recommend that the Department develop more exacting procedures for screening prospective trainees. Such procedures should provide for reasonable substantiation of those elements upon which eligibility determinations are based, particularly applicants' statements as to their family incomes. In our opinion, it is not realistic to accept such information without verifying it, at least on a test basis. The necessity for confirming, through appropriate tests and other means, information that provides the basis for Federal benefits is a well established practice.

With regard to the noncontract component, we recommend that the Department and NAB take the necessary steps to ensure that trainees hired by noncontract employers are comparable to trainees hired by contract employers. We recommend also that the Department explore the feasibility of having NAB request noncontract employers to hire trainees only through CEP, WIN, and the local Employment Service offices and to report as hires only those persons who have been certified as disadvantaged by those agencies.

In commenting on our recommendation the Department stated that the State Employment Service agencies were responsible for certifying the eligibility of JOBS participants, that the caliber of work performed by these agencies varied widely, and that efforts to upgrade performance were continuing.

With regard to the noncontract component, the Department has stated that, in the selection of employees, there is clearly a limit to the amount of persuasion that can be applied to an employer who is participating in the program on a voluntary basis.

The Department advised us that, within existing procedures, it might request verification of family income data, but that this presented other human problems, and that it was prepared to discuss with appropriate counseling and placement officials the possibility of developing additional criteria to indicate job readiness

The Department further stated that our observations regarding the effectiveness of certification were contrary to the most recently collected information regarding enrollee characteristics for both the contract and noncontract components of the program. In support of its position, the Department cited certain reports of overall average data on the demographic characteristics, such as years of education, family sizes, and incomes, of enrollees in the MA-5 and MA-6 phases of the program

In our opinion the use of overall average data to evaluate persons' individual eligibility for the JOBS program does not provide an appropriate means for testing the effectiveness of eligibility certification. The same data would show that about 40 percent of the persons enrolled had at least high school educations and that data on ages, numbers in family, and family incomes varied significantly among the enrollees

Our evaluation of the effectiveness of certification was made on the basis of individual eligibility and thereby avoided the use of average data on demographic characteristics which tended to be misleading when used for that purpose

BETTER COORDINATION WITH THE  
CONCENTRATED EMPLOYMENT PROGRAM  
NEEDED TO FILL JOBS OPENINGS

Our review showed that enrollees in CEP were not always given first priority in filling openings in the JOBS program. The Department's policy statements and related instructions provide that, beginning with the MA-4 program, CEP should be given first priority in referring disadvantaged persons for enrollment in the JOBS program

Both the CEP and JOBS programs were expected to benefit from such coordination. The JOBS program would have a source of trainees from an agency that worked with persons having the greatest need for training and employment, and CEP would solve a long-standing problem of finding jobs for the population it was serving.

CEP is a manpower program designed to help those most in need of assistance to become employable and to obtain employment. The program is focused mainly on specific target areas in the inner-city ghettos of the Nation's largest cities. Enrollees in CEP are provided with a variety of supportive services and skill training.

The Department and NAB have clearly stated the benefits to be derived by a close linkage of the JOBS program and CEP. A letter dated May 27, 1968, by the Department's headquarters office to its Regional Manpower Administrators explained the intended relationship between CEP and the JOBS program and stated that the local CEP staffs should be made fully aware of the abundant possibilities available through close coordination of CEP and NAB. In commenting on the advantage of using CEP, the letter stated.

"The CEP can best identify, recruit, refer and certify the eligibility of individuals for participation in the NAB/JOBS program. \*\*\* The coordination of the CEP and NAB/JOBS programs can yield major benefits to each. CEP programs have been plagued by difficulties in finding suitable outlets for enrollees after the orientation periods or they have been placed in a holding status. The NAB job development effort can be an important source of employment for these enrollees. \*\*\*"

The letter went on to state that.

"\*\*\* the existence of a recruiting mechanism and a well-rounded package of supportive services offered by the CEP can insure a smooth flow of hard-core unemployed persons into NAB job openings and help increase the retention rate for such placements."

The above-mentioned letter followed a letter dated May 15, 1968, by the Department's headquarters office to its Regional Manpower Administrators which stated that the language in the MA-3 request for proposal, regarding the need for employers to use CEP, was very weak and open to interpretation. The letter recommended that, as a part of the review and evaluation of these JOBS proposals, the Regional Manpower Administrators.

"\*\*\* require contractors to agree that the CEP's will be the primary source of recruitment for employee-trainees. Only after the CEP has certified in writing that it is unable to supply the recruits within the appropriate period of time should the contractor be permitted to recruit through the Employment Service."

The Department's MA-3 program instructions had specified that CEP and the State local Employment Service offices would be the primary source of trainees, however, the Department's MA-3 request for proposal stated that employers would be allowed to directly recruit persons for program participation, the only requirement being that recruits had to be certified as eligible by CEP or the State Employment Service.

Because of the provision in the MA-3 request for proposal allowing contractors to recruit trainees directly, Department regional officials in San Francisco advised us that they were unable to require MA-3 contractors to obtain trainees from CEP on a priority basis

Under MA-4 contracting procedures which became effective in September 1968, the contractors were required to use CEP, where operational, as the first referral service for trainees. Use of any source for referrals, other than CEP or the State Employment Service, had to be approved in writing by a Regional Manpower Administrator

NAB guidelines, dated December 1968 stated that

"The CEP is an ideal source of hard-core unemployed persons seeking work, as well as a supplier of support services, for the job openings obtained by the NAB "

The reference to CEP, however, was in the nature of a suggestion to the noncontract employers and not a firm requirement

In March 1969 the Department issued to the State Employment Services instructions, applicable to contract and noncontract components, which stated that CEP should have a 48-hour preference in referral of persons to the JOBS program. On January 23, 1970, WIN was ranked along with CEP as having the 48-hour preference.

We examined the 31 contracts included in our review to determine the referral sources that the contractors were required to use, and we visited 62 contract employers and 79 noncontract employers to determine the referral sources that they had used to obtain trainees. We also discussed job referrals and placements with representatives of CEP in the five cities covered by our review and reviewed CEP's procedures for referring persons to the JOBS program

CEP referrals of persons to the contract and noncontract components of the JOBS program consisted of two groups: (1) persons who had been enrolled in CEP for prejob training and (2) persons who needed job referral assistance only. CEP records indicated that the number of enrollees actually hired under the JOBS program was small. A comparison of CEP placements in the JOBS program with total estimated JOBS hires at the time of our reviews in the five cities follows.

	<u>Period covered</u>	<u>Estimated number of JOBS trainees</u>	<u>CEP referrals hired</u>	
			<u>CEP enrollees</u>	<u>Other persons</u>
San Francisco	11/68- 1/70	3,696	283	216
Oakland and Richmond	11/68- 1/70	6,231	214	343
Detroit	12/68- 4/70	37,025	35 <sup>a</sup>	1,935 <sup>a</sup>
Seattle	10/68- 3/70	2,843	186	276
Portland	10/68-12/69	3,367	281	20

<sup>a</sup>Represents the number of referrals; records were not available on number of persons hired

The reasons why CEP was not used to a greater degree as a referral source varied from city to city. The most significant reason, however, was that the noncontract employers, who employed about 75 percent of JOBS trainees on a nationwide basis, did not as a general practice choose to use CEP as a referral source. NAB officials advised us that there was no practical way to require them to use CEP. Our discussions with the 79 noncontract employers in the five cities showed that they used various sources to obtain trainees to fill job pledges, such as gate hires and referrals by employment agencies and various community action agencies.

To implement the contract requirement that MA-4 contractors obtain referrals from CEP or the State Employment Service, Department procedures provided that the State Employment Service contact contractor employers soon after JOBS contracts were awarded and obtain job orders for trainees. At the time that a contractor indicates that he is ready to interview and hire persons, the State Employment Service is to allow CEP a 48-hour priority to fill the order. If CEP waives the priority or cannot fill the job order, it is to be sent through the regular State Employment Service channels.

We found that MA-4 JOBS contractors bypassed this system, or partially bypassed it, by selecting applicants for trainee positions from other sources, such as gate applications, and by referring them to the Employment Service to be certified. Under this procedure, CEP played no part in filling the job orders.

The contractors who obtained their trainees in the manner described above advised us that they did so for one of the following reasons. (1) they had previously agreed with a subcontractor that he could supply the trainees; (2) they wanted to use the referral sources that they had used in the past, particularly community programs, such as Youth for Service, so that they could protect their image in their neighborhood, and (3) they were dissatisfied with the referrals from CEP and the Employment Service.

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Officials of the Department's regional offices in Chicago, San Francisco, and Seattle agreed that there was a need for more coordination and cooperation between JOBS program and CEP.

California Department of Human Resources Development officials at the headquarters level said that they did not like employers' direct selections of trainees because this practice resulted in a "rubber stamping" at CEP which would be required to certify those selected. They said also that the local CEP offices should take every advantage of the JOBS program to place their enrollee graduates.

### Conclusions

Improved controls and procedures are needed for effective coordination between the JOBS program and CEP. It appeared to us that contract employers were, in certain instances, seeking to minimize the difficulties involved in fulfilling their contract commitments by carefully screening and selecting trainees from the broadly defined eligible target population--a process frequently referred to as creaming.

Although we recognize that adequate consideration must be given to JOBS contractors' problems in hiring disadvantaged persons and to their desire to preserve relationships with other community assistance organizations, we are of the opinion that real progress under the JOBS program depends on the hiring of truly disadvantaged persons.

### Recommendation to the Secretary of Labor

We recommend that the Department.

- Take the necessary steps to ensure that contract employers under the JOBS program give CEP and WIN the highest priority in filling training openings.
- Instruct CEP and the Employment Service to refrain from certifying persons selected in advance by the contractors, or subcontractors, unless there is adequate justification that the trainee openings could not have been filled by referral from CEP or WIN.

The Department did not comment on the second part of our recommendation. With regard to the first part, the Department acknowledged that there had been some difficulty in effective coordination between JOBS employers, local CEPs, and other federally financed programs, such as WIN, which might have been able to refer disadvantaged applicants to JOBS openings. The Department stated that the major factor contributing to this problem was the location of the CEP target area in relation to the location of the JOBS contractors.

The Department stated that the CEP target community was often restricted to a small inner-city area which might be a considerable distance from the areas in which JOBS openings were located; that urban-suburban public transportation facilities were frequently poor and private transportation to the job site was not always available, and that, although the JOBS contract package includes transportation assistance, these monies could be used only for relatively short periods until the JOBS employees were able to arrange for their transportation.

The Department stated also that a number of JOBS employers had established transportation networks to alleviate the problem and that, in these instances, the employers could realistically make use of CEP applicants.

NEED TO ENSURE THAT CONTRACTORS  
PROVIDE REQUIRED SUPPORTIVE SERVICES

In our opinion, one of the more significant problems in the contract component of the JOBS program was the failure of certain contractors to provide trainees with supportive services. Our review of contractors' performances under the 31 contracts in the five cities that were covered in our review revealed that 17 of the contractors were providing substantially fewer services than were required by the contracts. Each of the 17 contractors, however, was being paid as if the services had been provided.

Under the JOBS contract component, employers generally are required to provide supportive services, along with on-the-job training, to trainees. Supportive services are directed to increasing the trainees' employability and stability so that they become fully productive employees. The range of supportive services typically provided for, as described in the Department's request for proposal, include:

- Initial orientation and counseling, including employee orientation in program objectives, and preliminary assessment of the vocational and personal attitudes and potential of each individual.
- Job-related basic education, including basic reading and writing skills.
- Special counseling and job coaching, related to inplant, job-related activities and problems.
- Medical and dental services, including initial examinations.
- Supervisory and human relations training for the trainees' supervisors and other regular employees.
- Transportation.
- Day care.

The Department's contracting procedures provide for a prospective employer to develop and submit an individually tailored JOBS program proposal which includes a brief narrative description of the training and supportive services to be provided.

The procedures require the Department's contract negotiators to (1) determine whether a proposal demonstrates a clear understanding of each program element and describes a reasonable method for providing the training and other services during the contract period and (2) evaluate each of the elements for sufficiency and acceptability. For example, when a proposal provides for transportation assistance to trainees, the Department's contract negotiator is required to determine whether the proposal is based on a realistic assessment of the adequacy of public transportation and whether the special assistance proposed is sufficient.

The contract negotiator is also required to make an analysis of a prospective contractor's capacity to provide the proposed supportive services.



The handbook for the JOBS program states that a contract employer's personnel responsible for providing supportive services should possess the necessary training or experience qualifications. For example, the negotiation guidelines state that specialized counseling usually requires the professional qualifications of personnel managers, psychologists, or lawyers, as appropriate.

The handbook provides that contract employers may arrange for outside organizations to provide the supportive services on a subcontract basis. Such organizations include CEP, Opportunities Industrialization Centers, Skill Centers, and others which have the capability to provide the needed services.

The MA-4 negotiation guidelines stated that a contractor's proposal, as finally accepted, must be included as part of the contract in order to bind the contractor to perform in accordance with his proposal. The guidelines stated also that, if a contractor was required to provide certain supportive services, mandatory language, such as the contractor shall, should be used, if providing these services was optional with the contractor then permissive language should be used, such as the contractor may.

We reviewed the negotiation records for the 31 contracts to determine whether the proposals had been adequately evaluated and visited contract employers and their subcontractors to determine whether the required services had been provided. One of the 31 contracts did not require the contractor to provide any supportive services to the trainees. The contract employers, under 17 other contracts, were either providing none of the contractually required supportive services or substantially fewer services than required by the contracts. Of the 17 contracts, 12 were small companies (fewer than 500 employees) and five were large companies or consortiums. Although the contractors did not provide the required services, they were paid as if the services had been provided.

The contracts often contained permissive language in describing when, how, and to whom a specific service was to be provided or contained general and vague language concerning the services to be provided, thus giving the contractors extensive latitude as to what constituted performance under the contracts. For example, a contract stated that remedial education would be given to trainees as needed, and other contracts stated that minor medical services would be given and that counseling would be available. In these cases, the contracts provided for payment for the services for all trainees, even though such permissive language was used.

We also noted instances where a contractor had no written agreements with its subcontractors specifying the supportive services that were to be provided or how they were to be provided. As a result, there were misunderstandings regarding what services would be provided to trainees, how they were to be provided, and who was to provide them.

We also found that some small employers had not provided the required supportive services, because they did not have the in-house capability to do so and had not made arrangements for the services to be provided by other organizations. For example, the manager of one company told us that under the contract he would have had to give orientation, counseling, and basic education to the trainees, arrange for their medical examinations,

transportation, and the like, and at the same time manage the business. He said that he simply did not have the time to do so. We found also that certain small employers did not appear to fully understand the purpose of supportive services. This was particularly true in the case of short-form contracts issued under the MA-4 program. Under these contracts the employers were automatically allowed \$850 to provide a designated range of supportive services.

We also noted instances where contractors provided substantially fewer supportive services than required by their contracts, because, in their opinion, it was not necessary to provide the services in the manner or to the extent required by the contracts. In these cases the changes concerning what would be provided were made unilaterally by the contractors without prior approval of the Department or without modification of the contracts.

For example, certain contracts required that orientation and basic education be given in a classroom (nonwork) environment. These contractors told us, however, that they had put the trainees to work the first day and then provided them with whatever orientation and basic education they believed necessary as the trainees worked (production environment). Most of the trainees we talked to, who were to have been provided orientation and basic education in this manner, said either that they could not recall that these services had been provided or that they were certain that they had not been provided.

Following are examples of our findings with respect to certain specific employers.

Contractor 1--This contractor was awarded a short-form MA-4 contract covering the period April 28, 1969, through April 27, 1971, in the amount of \$34,900 for hiring and training disadvantaged persons in 10 landscape gardener positions--a cost of \$3,490 per trainee. As of June 30, 1970, after 14 months of the contract period had elapsed, 53 trainees had been hired and 52 had been terminated. None of the 53 individuals hired had completed the training period.

The contract provided for the payment of \$850 per trainee for the standard range of supportive services specified in all short-form contracts. As of June 30, 1970, the contractor had billed the Government about \$10,200, of which about \$2,500 was for supportive services.

We could find no evidence that any supportive services, other than normal first-day orientation and some counseling, had been provided to the trainees. A contractor official informed us that the supportive services had not been provided because of a misunderstanding among the contractor, NAB, and the Department regarding how the services were to be provided. He informed us also that, as manager of the firm's local office, it was never his intention to personally provide the services because he did not have the time and that there was no other person available who could do so.

Although not provided for in the contract, he told us that it was his intention at the time the contract was negotiated to have a local community organization, the Opportunities Industrialization Center, provide him with trainees who had been provided with most of the required supportive services

and who were ready for work. He stated that only after he had entered into the contract was he told by a State Employment Service official on loan to NAB that he would have to obtain trainees from the State Employment Service and not from the Center. He therefore obtained all trainees from the Employment Service but essentially provided no supportive services even though he continued to accept payment for such services. Departmental regional officials advised us that they would discuss the possible recovery of funds with officials in the Washington headquarters.

Contractor 2--This contractor, a consortium consisting of 31 hotels, through a hotel association acting as the consortium agent, was awarded an MA-4 contract covering the period February 28, 1969, through February 27, 1971, in the amount of \$274,785 for training disadvantaged persons for 100 desk clerk and office jobs--an average cost of about \$2,748 a trainee.

As of June 30, 1970, 55 trainees had been hired, 24 had been terminated, and seven had completed training and were still employed. The contractor had billed the Government about \$45,700, of which about \$27,400 was for supportive services.

The contract provided for the payment of an average of \$1,624 a trainee for the full range of supportive services, such as 1 week of initial orientation and counseling, 4 to 6 weeks of job related basic education, special counseling and job coaching, medical and dental services, supervisory and human relations training, transportation, and day care. The initial orientation and 2 to 3 weeks of the job-related basic education were to be given to the trainees in a classroom, before they reported to individual hotels for work. Under the contract, these, as well as the other supportive services, were to be provided by a subcontractor.

We found that the subcontractor was a one-man organization that had no capital or income other than a salary from the consortium agent and that there was no written agreement between the consortium agent and the subcontractor. Consortium officials advised us, however, that there was an oral agreement between the consortium agent and the subcontractor which required the subcontractor to provide the services specified in the consortium's contract with the Department.

The subcontractor informed us that, although he had prepared the consortium's proposal and had done much of the planning, funds had not been made available to set up the prejob training classes and that he had not had the time to provide trainees with the other supportive services specified in the contract. The subcontractor said that the trainees were hired and directly put to work at the hotels. Except for some counseling and occasional transportation assistance, the subcontractor did not provide any of the supportive services required by the consortium's contract.

Contractors 3, 4, and 5--These three contractors were awarded MA-4 contracts, as follows

<u>Contractor</u>	<u>Amount of contract</u>		<u>Training positions</u>	<u>Period of contract</u>
	<u>Total</u>	<u>Per trainee</u>		
3	\$119,200	\$2,980	40 detail draftsmen	Nov. 21, 1968, to Nov. 21, 1970
4	40,950	2,730	15 machine operators	Nov. 22, 1968, to Nov. 22, 1970
5	738,200	3,691	200 machine operators	Dec. 6, 1968, to Dec. 6, 1970

Each of these contracts provided that supportive services, including job orientation, job related basic education, counseling, medical and dental examinations and services, supervisory and human relations training, and transportation assistance, were to be provided to trainees. The average costs for the trainees for the supportive services were \$2,080, \$2,130, and \$2,651 for contractors 3, 4, and 5, respectively.

The three contractors, prior to the award of the MA-4 contracts, entered into separate oral agreements with the same subcontractor to (1) prepare and negotiate their proposals, (2) recruit and certify trainees, (3) provide supportive services to trainees, and (4) prepare the monthly invoices to the Department for payment under the contracts. The first contractor agreed to pay the subcontractor 50 percent of the payment received from the Department and each of the other two contractors agreed to pay the subcontractor 25 percent of such payments.

We found that the subcontractor had not provided the supportive services to the trainees. In addition the subcontractor caused ineligible trainees to be recruited and certified, and it prepared erroneous monthly invoices for the contractors. This latter problem is discussed on pages 71 and 72. None of the three contractors had a written agreement with the subcontractor. In our opinion, the lack of written subcontracts contributed significantly to the confusion and misunderstandings which existed between the contractors and subcontractor concerning the extent to which supportive services were to have been provided to trainees.

As of January 31, 1970, the three contractors had provided their trainees with considerably fewer supportive services than required by their contracts. Trainees of two contractors were provided job orientation lasting about one day, trainees of the other contractor were not provided any job orientation. Only six trainees of one contractor were provided job-related basic education.

Trainees of two contractors were provided limited counseling, and only one trainee of the other contractor was provided counseling. Trainees of the three contractors were not provided transportation assistance, it appeared that such assistance might have resulted in increasing one contractor's trainee retention rate because its plant was not located on a public transportation route. Also, supervisory personnel of the three contractors were not provided supervisory and human development training.

As of January 31, 1970, the three contractors billed the Government about \$165,000, of which about \$119,000 was for supportive services. Of the total amount, the subcontractor's share was about \$55,700. Our review of available records and discussions with contractor and subcontractor representatives showed that the three contractors, in addition to the \$55,700 payable to the subcontractor, had incurred costs of about \$3,500 for supportive services and that the subcontractor had incurred costs totaling about \$14,000.

An official of contractor 3 advised us that, in his opinion, the trainees hired were of such high caliber that they did not require many of the supportive services. He stated that truly hard-core disadvantaged persons would require at least a year of intensive training and that this was not contemplated under the program.

Officials of contractor 4 told us that many of the supportive services were not provided because they were not considered necessary. For example, he stated that classroom training (job-related basic education) was not provided because it was not considered necessary for the skill level required to do the job.

An official of contractor 5 agreed with our finding that only six of its 166 trainees had been provided classroom training and that neither the contractor nor the subcontractor had provided trainees with any additional or extraordinary medical or dental care. The official stated that she would require the subcontractor to "shape up" or be replaced.

An official of the subcontractor advised us that all of the supportive services were available but that the JOBS contractors had not requested the services. We noted, however, that the subcontractor had not prepared training schedules or plans showing how these services would be provided.

We advised the regional officials and the Department's Special Review Staff of our findings regarding the failure of the contractors' subcontractor to provide the supportive services required under the three contracts. A subsequent evaluation of contract performance by the Department's Special Review Staff showed that the subcontractor generally had not provided the supportive services to the trainees of the three contractors or to the trainees of 15 other contractors. Regional officials informed us that they had suspended payments under these 18 contracts.

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Department officials in San Francisco agreed, for the most part, that the contractors had not provided all or substantially all of the trainee supportive services. The officials advised us, however, that, under the JOBS program fixed-unit-price contracts, a contractor's performance should be considered as a whole. They said that, if the contractor was reasonably successful in hiring and training individuals, the contractor should not be held accountable for failure to provide each and every supportive service.

The Regional Manpower Administrator in Chicago concurred with our findings that certain contractors in Detroit were failing to provide contractually required trainee supportive services and stated that payments to certain contractors had been suspended.

The Regional Manpower Administrator in Seattle advised us that he was concerned about the failure to provide supportive services under JOBS program contracts. He said that contractors were expected to provide supportive services and that he was willing to reduce contract payments in cases of substantial nonperformance.

### Conclusions

In designing the JOBS program, the Department recognized that supportive services, such as counseling, job related basic education, and medical and dental services, were essential if the program was to be effective in bringing disadvantaged persons into the labor force.

When employers fail to provide the services called for in their JOBS contracts, not only does the Government pay for services not provided, but disadvantaged trainees may not be receiving the assistance needed to overcome obstacles to their continued employment.

We recognize that some of the trainees may not require each of the services which the program offers and that, in some cases, contractors may not be able to provide a full range of supportive services. Therefore, it is essential that departmental contract negotiators give appropriate consideration to services that contractors can provide in establishing contract requirements and bases for paying contractors.

### Recommendations to the Secretary of Labor

We recommend that the Department

- Emphasize to its contract negotiators the need for (1) adherence to prescribed guidelines in negotiating contracts with prospective contractors for trainee supportive services, taking into consideration the contractors' capability to provide the services, (2) specificity concerning the nature of the services to be provided, and (3) documentation of the services actually provided and the costs incurred.
- Obtain contractors' compliance with contract requirements for supportive services or modify the contracts to provide for payment only for the services actually provided.
- Review contractors' activities to ensure that payments are made only for supportive services actually provided and take appropriate action to recover payments that have been claimed improperly.

The Department stated that, despite the fact that negotiators drew from a bank of two years' experience in the JOBS program, it was impossible for them to accurately determine the needs of each individual to be hired at the time of proposal development.

The Department stated further that it therefore was developing more precise program standards relating to supportive services. In this regard, the Department has stated that the revised MA-6 or JOBS-70 standards will require that an employer provide all supportive services stipulated in his contract and that this will facilitate deobligations of funds under those

contracts in which the stipulated services have not been provided. The responsibility for perceiving the need for deobligation will reside with the program monitors in accordance with a newly developed Contract Service and Assistance System. (See p. 73 )

## ERRONEOUS PAYMENTS TO CONTRACTORS

Our review of payments under 29 contracts revealed erroneous payments--involving the overpayments of \$24,431 and underpayments of \$240--under 16 of the contracts. For the most part the erroneous payments appeared to be due to misunderstandings of the billing procedures by contractors.

The fixed-unit-price contracts provide for the payment of the contract amount if the contractors hire and train the agreed-upon number of trainees. The contractors are furnished with instructions for claiming progress payments. They provide for the submission of monthly invoices containing information on the number of trainees to be hired, number of trainees hired, trainee-days worked, and the amount claimed. They provide also for computing the amount claimed by multiplying the number of trainee-days worked in each occupation by the applicable daily training rate.

We examined into the monthly invoices submitted under 29 MA-3 and MA-4 contracts to determine whether they were adequately supported by the contractors' payroll records. Our examination revealed that erroneous payments had been made to 16 contractors as a result of the submission of one or more incorrect monthly invoices--overpayments totaling \$24,431 were made to 13 contractors and underpayments totaling \$240 were made to three contractors. Of the total overpayments, \$21,522--about 17 percent of the total amount (\$123,736) examined--were made to eight contractors.

The errors in the invoices were caused generally by the manner in which the contractors calculated the number of days that trainees actually worked. In some cases the contractors estimated the number of days worked on the basis of the number of work days in the month, rather than determining from payroll records the number of days actually worked. In other cases the contractors kept no record of amounts previously claimed for the days a trainee worked and, as a result, claimed amounts in excess of the maximum amount allowable for the trainee. We also noted instances where the contractors continued to include amounts for trainees after they had been terminated and for regular employees who were not trainees.

As a result of bringing our findings to the attention of the contractors, five contractors made full refunds of the overpayments totaling \$4,261, and one contractor made a partial refund of \$3,795. The Department is analyzing the invoices of the other 10 contractors.

After we discussed our findings with the Department's regional officials in one city, the Department's Special Review Staff reviewed invoices submitted under 18 contracts. The staff's report on its review stated that its samplings of the invoices had disclosed overcharges by most of the 18 contractors. In addition to the erroneous payments revealed by us, the report identified two contractors which had overbilled the Government a total of \$21,125. The Department has taken action to recover all overpayments disclosed by its review and is reviewing the cases from the viewpoint of possible fraud.

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Department officials in Detroit, Seattle, and San Francisco agreed that erroneous payments had been made to some contractors as a result of the submission of incorrect monthly invoices.

A Department official in San Francisco advised us that he planned to require his staff to more fully explain to the contractors the manner in which their monthly invoices should be prepared and the manner in which the amounts claimed should be calculated. He also stated that the existing billing instructions were inadequate, that more detailed instructions should be provided to contractors, and that such instructions should be issued by the Department's headquarters office to ensure uniformity throughout all the regions.

An official in the Department's Seattle region advised us that there had been some misunderstandings about the billing procedures and that, in addition to having his staff explain the procedures to the contractors, a detailed explanation of the procedures was now included with the monthly invoice forms that were given to the contractors.

### Conclusions

The high incidence of erroneous payments revealed by our review of payments made under the 29 contracts indicated that the Department should place special emphasis on ensuring that contractors submit correct monthly invoices. Many of the errors appeared to be due to misunderstandings of the billing procedures by contractors.

### Recommendation to the Secretary of Labor

We recommend that the Department revise its billing instructions to more clearly inform the contractors concerning the manner in which their monthly invoices should be prepared and the manner in which the amounts claimed should be calculated.

The Department advised us that contract service representatives, who are State employees assigned to work with the Regional Manpower Administrators in operating the program, would be required to assist contractors in preparing invoices where necessary.

The Department advised us also that additional training of contract service representatives was planned for early in calendar year 1971, as soon as revised program standards were completed and adopted. In addition, the Department advised us that an automatic data processing system would be used to identify accounting errors so that appropriate action might be taken by departmental staff.

## CHAPTER 5

### MONITORING JOBS PROGRAM CONTRACTORS

The Department's monitoring of the operations of JOBS program contractors needs to be greatly strengthened to ensure that the many contractors participating in the program are performing in accordance with their contract requirements. Most of the problems which we observed in the administration of this phase of the program were perpetuated through the Department's inadequate monitoring and surveillance of contractors' operations.

The Department's regulations relating to contracting under manpower programs provide that monitoring be conducted periodically to determine compliance with contract terms. Various departmental regional officials advised us, however, that, in the early stages of the JOBS program, the emphasis was placed on awarding contracts and not on monitoring

In January 1969 the Department devised a monitoring system which was made operational initially in two of the nine departmental regions in February 1969. Shortly thereafter monitoring teams were established in the other seven regions. Under this system, the monitors' responsibilities were limited primarily to helping contractors prepare their monthly invoices, expediting the payment of the invoices, and providing correct information for the Manpower Administration data system.

In July 1969 the Department issued instructions to the Regional Manpower Administrators, which required monitors to visit every contractor that was delinquent in submitting invoices and established the following monitoring schedule. Monitors were instructed to visit contractors with (1) contracts of \$100,000 or more at least every 30 days, (2) contracts of from \$50,000 to \$100,000 at least every 60 days, and (3) contracts of \$50,000 or less at least every 90 days. Although this instruction emphasized the need for monitoring, it did not provide the monitors with any specific instructions on what to do during these visits. The apparent emphasis was still on assisting contractors to prepare their monthly invoices

In October 1969 the Department revised its monitoring instructions to establish a Contract Services and Assistance System. This system provided for furnishing contractors with certain technical assistance in addition to assistance in preparing monthly invoices. The instructions prescribed a frequency of service visits similar to the frequency schedule in the July 1969 instructions

The instructions also provided for the use of an observation and appraisal schedule for planning service visits, recording observations relative to contract performance, and indicating the need for corrective action thereon, but the instructions had not provided for the schedule's use in an in-depth evaluation of the quality or effectiveness of the program operations. The main thrust of the October 1969 instructions provided services and assistance to the contractor. We found, however, that the instructions had not been implemented in the five cities covered by our review.

As commented on in chapter 4, some of the problems in the operation of the JOBS program that might have been dealt with, had the program been adequately monitored, were the contractors' (1) inability to meet specific hiring goals which resulted in the obligation of program funds which either were not subsequently used or were not timely used and which might have precluded the reprogramming of the funds for other manpower programs, (2) failure to provide required on-the-job training and related supportive services, and (3) submission of incorrect invoices which resulted in overpayments.

Our comments on the extent of monitoring by the three departmental regional offices having cognizance over the operation of the program in the five cities covered by our review follow.

#### DETROIT

An official of the Department's Chicago region whose staff was responsible for monitoring JOBS contracts in Detroit told us that the monitoring functions had evolved because of invoicing problems experienced during the first year of the JOBS program. He told us also that, prior to February 1969, the Department concentrated on developing JOBS contracts and obligating funds, and as a result, there was very little monitoring of contractor performance.

A regional JOBS program monitor in Chicago advised us that he was assigned on a temporary basis, in February 1969, to assist in the preparation of monthly invoices and that he was the only program monitor in Detroit until September 1969 when another person was assigned.

Another regional official told us that, when the program first started, there was tremendous pressure by NAB and other groups because they felt that the Department should not police the JOBS program because policing would discourage businessmen from joining the program. He told us also that, as a result, the Department did not assign program monitors until after it became evident that contract monitoring was needed. He said that, once monitors were assigned, their only function was to assist contractors in correctly preparing their monthly invoices because monitors were never intended to make in-depth analyses of the effectiveness of contractors' programs. He also stated that, because of manpower limitations, it was not possible to comply with the July 1969 instructions that each contractor with contracts totaling \$100,000 or more be visited every 30 days.

Reports by the monitor on each visit were usually brief and pertained mainly to matters related to the preparation of the monthly invoices; the reports did not indicate the existence of any of the problems disclosed by our reviews. (See p 29.)

#### SEATTLE AND PORTLAND

The departmental regional official responsible for the monitoring of JOBS contracts in Seattle and Portland informed us that only three men were assigned to monitor all Department of Labor contracts in the region which encompasses the States of Alaska, Idaho, Oregon, and Washington and that, for that reason, only cursory reviews rather than in-depth evaluations had been made of JOBS contractors' operations.

In October 1969 the six contracts that we selected for review in the cities of Seattle and Portland had been monitored. Prior to that month, however, there had been no monitoring of these contracts. In every case the monitoring reports indicated that the contractors were generally performing within the requirements of their respective contracts and that they generally had an understanding of the program objectives and were knowledgeable of all recordkeeping and invoicing requirements. These reports disclosed no problems of substance, in contrast to our findings that significant problems existed in connection with five of the six contracts. (See p. 29.)

Regional Department officials advised us in March 1970 that several actions were being taken to improve the performance of JOBS contractors including (1) the development of self-appraisal forms for contractors to prepare and submit to the Department, (2) providing contractors with more detailed instructions on proper billing procedures, and (3) using State officials to assist the Department in monitoring the contracts. In October 1970 the Regional Manpower Administrator told us that the region had contracted with a private organization to monitor JOBS and certain other manpower programs in fiscal year 1971.

#### SAN FRANCISCO AND OAKLAND

The departmental regional office monitoring program in San Francisco and Oakland was much more extensive than in the other three cities included in our review. The monitoring efforts were not sufficient, however, to disclose the types of problems in contract performance noted during our review.

In California the Department awarded contracts to the State Division of Apprenticeship Standards to provide the monitoring of the JOBS program.

The first contract, covering fiscal year 1969, contained generalized instructions, such as provide operational monitoring and servicing and provide periodic reports. The primary function of the State monitors under this contract was to verify the correctness and validity of the contractors' monthly invoices. The State monitors were to visit each contractor once a month to examine its invoice to see that it was mathematically correct and to discuss the program with the contractor. The monitors, however, did not verify the invoices against supporting payroll records, did not determine whether the contractors were providing all contractual services, and did not make any comprehensive evaluation of contractors' performance.

Departmental regional officials told us that they instructed the State Division of Apprenticeship Standards to play down the monitoring function so as not to upset the contractors, because the contractors had been told by NAB that they would not be monitored.

Our discussions with the State monitors showed that they were aware of some of the contract performance problems discussed in this report. They acknowledged that they had not always commented on these problems in reporting to the Department, and they attributed this to the absence of detailed reporting criteria in the State's contract with the Department and to a State policy that monitors should try to solve contract performance problems.

The fiscal year 1970 contract with the State provided for more extensive monitoring of the program. Five in-depth visits were to be made to each employer in addition to monthly invoice verification visits. The reporting requirement was strengthened by requiring that written reports be prepared for each in-depth visit. Monitoring guidelines for the in-depth visits were included in the contract. The guidelines generally stated the objectives to be accomplished but did not provide guidance concerning what the monitor should do to accomplish the objectives or how the monitor should approach the task.

Departmental regional officials told us that they were considering strengthening the fiscal year 1971 contract with the State by including stricter reporting requirements and monitoring procedures. Subsequent to the completion of our review, however, a departmental regional official advised us that a decision had been made not to award another monitoring contract to the State but to conduct the monitoring function with regional personnel.

### Conclusions

We believe that a need exists for a more effective monitoring of the JOBS program, as implemented under contracts with employers, to ensure that the contractors comply with contract requirements.

The Department's monitoring of the JOBS program in the five cities covered in our review was not effective because the Department

- Did not emphasize monitoring during the early phases of the program.
- Had not provided adequate guidance to its field offices on how to monitor the program.
- Had allocated only limited manpower to the monitoring function which, except in California, resulted in a low frequency of monitoring visits to contractors.
- In contracting for monitoring the program in California, did not require in-depth reviews or detailed reporting on contract performance problems.

### Recommendations to the Secretary of Labor

We recommend that the Department provide for more effective monitoring of the JOBS program to ensure that contractors (1) comply with contract requirements regarding eligibility of persons for enrollment in the program, on-the-job training and supportive services, and jobs to be provided and (2) submit correct claims under their contracts.

The Department stated that adequate monitoring of JOBS contracts was clearly recognized as being essential to the effective operation of the overall program. The Department stated also that its JOBS monitoring system, which was largely operational in some regions, was to be more fully implemented in others.

The Department stated further that (1) a comprehensive checklist for use in the monitoring of ongoing manpower programs was being developed by the Manpower Administration and that it would be used once it has been tested in the field and (2) training in applying the new monitoring procedures, as well as the new program standards, would be provided to its field staff soon after the beginning of calendar year 1971.

## CHAPTER 6

### ADDITIONAL COMMENTS BY THE DEPARTMENT OF LABOR

#### AND NAB AND OUR EVALUATION

Certain comments by the Department of Labor and NAB on our draft report, which are not fully covered in the preceding chapters, are presented below with our evaluation.

#### SCOPE OF THE GAO REVIEW

Both the Department of Labor and NAB questioned the scope of our review. The Department stated that our selection of metropolitan areas and contracts was arbitrary and that the findings therefore were not necessarily representative of the areas reviewed--much less of the JOBS program as a whole. The Department stated that it felt that the findings included in the report were applicable only to the contracts and contractors reviewed and were not representative of the entire JOBS population.

NAB questioned our selection of the five cities, stating that they were not well balanced geographically and were not representative economically of the Nation or of the 50 major cities in which NAB had its largest programs. NAB cited various disparities in unemployment rates between the five cities selected by us and other JOBS cities and the country as a whole.

NAB stated that three factors relevant to our review were affected by economic conditions. These factors were (1) an individual employer's ability to hire the disadvantaged, (2) the specific qualifications of the disadvantaged workers he hires, and (3) his ability to keep these workers on the job. NAB stated further that conclusions drawn from a limited number of cases in the five cities, concerning either the effect of changing economic conditions on the overall nationwide program or hiring and retention experience, were unlikely to be valid for the entire country.

With regard to the contracts selected for review, NAB stated that the number was small (31) and that the review appeared to be limited to contracts which were awarded in the earliest months of the JOBS program and which were the basis for improvements incorporated in the JOBS-70 contracts introduced early in 1970. NAB stated further that it appeared that GAO had not made a representative or random selection of contracts for study and that the biased nature of cities selected and the relatively small number of contracts examined indicated that many of the generalizations and recommendations made in the report were based on samplings which might be inadequate and which were certainly not representative.

#### GAO evaluation

We believe that the scope of our review was fully sufficient to support the conclusions and recommendations presented in this report. In response to the above generalizations by the Department of Labor and NAB, however, we are restating below, in summary form, the specific work which we have performed in achieving each of our three review objectives.

The first objective of our review was to evaluate the accuracy, reliability, and completeness of reports issued by the Department of Labor and NAB on JOBS program results and accomplishments. To achieve this objective we made an extensive examination, covering a period of about 18 months, into the design and operation of the management information system at NAB's Washington headquarters and at five of its metro offices.

Our review at the national headquarters took into account all data reported on a nationwide basis and the various internal controls and procedures relating to the development and analysis of this data. In addition, we reviewed specific procedures followed by 141 employers--62 contract employers and 79 noncontract employers--who were providing data for the management information system and the report of a public accounting firm engaged by NAB to conduct in 10 cities audit tests of the validity of data reported in the management information system.

On a comparable basis, we also examined into the reports prepared by the Department of Labor on activities under the contract component of the program.

Our findings, which are detailed in chapter 2 of this report (see p 13) showed, in general, that only limited amounts of data had been collected on JOBS program operations, that the data which had been collected had been obtained frequently on a very informal basis and, for the most part, had not been verified; and that, in the five metropolitan areas which we visited, some of the reported data was inaccurate or misleading. It was our general conclusion that complete and accurate data had not been compiled by the Department and NAB on the results of the JOBS program operations and that reports on program accomplishments generally tended to be overstated.

In commenting on our draft report, the Department stated that, in cooperation with NAB, it had developed and implemented a revamped management information system in February 1970. The Department stated also that its action in this regard represented departmental action on our recommendation for accurate and meaningful program data. We therefore have difficulty in reconciling the Department's comments on the scope of our review, as it relates to our first review objective, with the Department's acknowledged need for improving the JOBS management information system.

Our second review objective was to evaluate the basic concepts of the JOBS program and its principal design characteristics. In this connection, we presented in chapter 3 observations on five problems relating to the JOBS concept and design. These problems concerned (1) inherent limitations of the JOBS program during periods of economic downturn; (2) the possibility that, under certain circumstances, the program might simply shift the burden of unemployment from the disadvantaged to other persons not so categorized; (3) the inclusion of many persons in the defined target population who had no clear or legitimate need for the JOBS program; (4) the inappropriateness, in many instances, of awarding fixed-unit-price contracts to employers for providing training and supportive services to JOBS trainees, and (5) the deemphasis on monitoring contractors' performances under the JOBS program.



Our conclusions and recommendations on these five problems were not based exclusively on the fieldwork performed in the five cities visited. In addition to that work, we gave careful consideration to the overall intent and impact of the JOBS program as determined through (1) reviews of the legislative history of the program, (2) reports on reviews of various other evaluations of JOBS program operations by consultants employed by the Department of Labor, (3) extensive discussions of all important aspects of the program with responsible officials of NAB and the Department of Labor, and (4) reference to the extensive testimony presented to the Congress concerning the JOBS program during its consideration of manpower bills in the 91st Congress.

We do not believe that more extensive work in other cities or with respect to additional contracts would have led us to any conclusions different from those which we expressed on the five problems.

Although the Department has differed with us in its comments as to the need for corrective action on certain of the five problems, neither the Department nor NAB have offered any evidence that the problems which we have identified are somehow unique to the cities we visited or pertain only to the contracts which we examined.

Our third review objective was to test the implementation of program-wide administrative procedures and instructions in selected cities for the purpose of identifying significant problem areas needing management attention. Our review was not directed to establishing the full extent to which administrative deficiencies existed either in the five cities visited or on a programwide basis, although sufficient work was performed to indicate whether or not the matters noted represented isolated instances or broader scale problems arising from inadequacies in procedures established on a programwide basis.

As described in chapters 4 and 5 of this report, eight specific problem areas relating to the administration and implementation of the JOBS program were identified during our review. These related to (1) contracting for training services, (2) ability of prospective employers to provide the jobs pledged, (3) providing meaningful jobs to trainees, (4) certification of trainee eligibility, (5) coordination of the JOBS program with the Concentrated Employment Program, (6) providing supportive services to trainees, (7) reimbursements of contractors, and (8) program monitoring. With regard to each of these problem areas, the Department has indicated its concurrence with us concerning the existence of the problems but has not concurred in some instances with the full range of corrective action which we are recommending.

As previously indicated, it was not within the scope or intent of our review to establish the numerical extent to which problems and administrative deficiencies existed in the JOBS program as a whole, and we made no such projections in this report. We were able to conclude, however, that each of these eight problems represented significant problems in the five cities visited and that these problems, in many cases, were of such a nature that the need for programwide corrective action was strongly indicated.

With regard to NAB's comment concerning the small number of contracts selected for review, the 31 contracts which we selected represented about 33 percent of the 95 active contracts in the five cities and accounted for about 50 percent of the funds obligated under MA-3 and MA-4 contracts in the five cities from inception of the program through June 30, 1970. Also, the 31 contracts represented about 10 percent of all MA-3 and MA-4 obligations countrywide during the same period

With regard to NAB's comment that the GAO review was limited to contracts awarded in the earliest months of the JOBS program and that these early contracts were the basis for improvements incorporated in the JOBS-70 contracts early in 1970, we believe that it should be noted that the MA-3 and MA-4 contracts represented the predominant activity under the JOBS program both at the time we started our review and at June 30, 1970, the approximate date of the completion of our field evaluations.

For example, at June 30, 1970, the reported claims for reimbursements, which represent performance by contractors, under the MA-3 and MA-4 phases of the program accounted for about 80 percent of the total amounts claimed for all phases of the JOBS program. Further, it should be noted that we gave appropriate consideration to the changes incorporated in the MA-6 or JOBS-70 contracts in developing the conclusions and recommendations contained in this report.

#### ACCOMPLISHMENTS OF THE JOBS PROGRAM

NAB stated that our report did not adequately bring out the accomplishments of the JOBS program and, in particular, presented a totally inadequate picture of the accomplishments of the noncontract component which accounted for approximately 70 percent of the trainees hired. NAB stated further that the fact that the program provided employment for hundreds of thousands of disadvantaged persons should not be obscured by undue emphasis on the inevitable margin of error in data which had been compiled voluntarily by employers who participated without Government reimbursement or reporting requirements in a large nationwide program.

#### GAO evaluation

As stated in chapter 2 of this report (see p. 13), complete and accurate information is not available on the results of JOBS program operations for either the contract or the noncontract component. In the absence of reasonably complete and reliable data, we are unable to evaluate fully NAB's various claims concerning program effectiveness and accomplishments for the noncontract component of the program.

We have set forth in chapter 2, with appropriate qualifications, NAB's reported accomplishments of the noncontract component of the program, including the hiring of 367,500 persons through June 30, 1970. Also, we have recognized on page 9 that the voluntary or noncontract employers are not reimbursed by the Federal Government for any extraordinary costs which they may incur.

We believe, however, that the mere hiring of persons without appropriate assurance that such persons are from the defined target population is not a reliable index of JOBS program accomplishments

## BUSINESS COMMITMENT AND SUPPORT

NAB expressed regret that our report did not recognize financial contributions by businesses to the JOBS program in the form of office space and other logistical support, including the loan of executives.

### GAO evaluation

The draft report, which we transmitted to NAB for comment, recognized that professional staff and services were donated by private companies. We have now supplemented our report to include certain additional information on donated services contained in NAB's second annual report which we obtained subsequent to the preparation of our draft report. (See p. 10.)

## CHANGES IN HIRING PRACTICES

NAB stated that the assertions made in several places in our report that employers under the program were hiring essentially the same people as in the past were clearly incorrect for the program as a whole. NAB stated that the comments by some employers to GAO that they found no difference between JOBS employees and those they had hired in the past might have been based on the employers' hesitancy to tell Government investigators that they had been excluding disadvantaged workers in the past.

### GAO evaluation

NAB's comments appear to be based largely on the subjective judgment that there has been widespread program effectiveness and not on specific field verification or documentary evidence.

Under a contract with the Department of Labor, the consulting firm Greenleigh Associates, Inc., in reporting on its evaluation of the JOBS program in 10 metropolitan areas, made the following statements with regard to differences between normal hires and JOBS employees.

### "2. Differences Between Normal Hires and JOBS Employees

A significant majority, 71 percent, of those willing to hire JOBS employees indicated that there was no difference between the work habits of this group and those of regular employees of the same level. JOBS employees were said by 19 percent to have worse habits, and by 12 percent to have better habits than regular employees."  
(Underscoring supplied.)

\* \* \* \* \*

"Employers, when asked to describe the differences between regular hires and JOBS employees, responded as follows: none, 55; less experience and need extra help, 22, difficulty adjusting to work routine, 20; less education, 16; lack self-confidence, motivation, and initiative, 13, hostile attitude, 6; better attitude, 6; and police records, 5. The general lack of difficulty experienced by employers supports the observations made by the field analysts, and by trainee responses in interviews, that a needy disadvantaged

motivated population was being reached, but not the truly hard-core unemployed. The responses of those who were not willing to continue to hire this group indicated that they had found the same type and degree of differences between JOBS and regular employees as those who were." (Underscoring supplied.)

Although our examination into this aspect of the JOBS program was less extensive than that performed by Greenleigh, we believe that our findings (see pp. 24 and 26) are consistent with Greenleigh's to the extent that we have concluded that JOBS employees have been no different than normal hires in a number of instances.

## CHAPTER 7

### SCOPE OF REVIEW

Our review of the JOBS program in San Francisco, Oakland, Portland, Seattle, and Detroit was directed toward examining into the program results and the efficiency of administration.

Our fieldwork covered the period from the program's inception in March 1968 through June 30, 1970, and included a review of 13 MA-3 contracts in the amount of \$9,873,000 for hiring and training 4,173 persons and 18 MA-4 contracts in the amount of \$7,311,000 for hiring and training 2,125 persons. These 31 contracts involved 215 employers. We also visited 62 of these employers.

We did not select any MA-5 and MA-6 contracts for review because, at the time of our fieldwork, the number of persons hired under these contracts was too limited to permit an evaluation of their effectiveness. We also reviewed the JOBS programs of 79 noncontract employers who were voluntarily participating in the program.

Our review also included an examination of (1) the legislative history of the JOBS program and of the Department's policies and procedures for administering the program and attaining program objectives and (2) pertinent records of the Department, NAB, and the contractors. We also interviewed representatives of the Department, NAB, the State Employment Services, CEP, trainees, and contract-employers' and non-contract-employers' officials. Our review was made primarily at the employers' plants; at local and regional offices of the Department, NAB, and the State Employment Services; and at Department and NAB headquarters in Washington, D.C.

**APPENDIXES**

REPORTED CHARACTERISTICS OF JOBS  
TRAINEES AND TRAINING AND JOB OPPORTUNITIES

REPORTED CHARACTERISTICS OF JOBS TRAINEES

Demographic characteristics were known by NAB for about 216,668, or 44 percent, of the 494,710 trainees who had entered the JOBS program through June 30, 1970

Information on the other 278,042 trainees was not available because the employers had not completed the prescribed hire cards on these trainees or had not forwarded them to NAB. Many of the hire cards that had been forwarded were incomplete in various respects. For example, income information--a prerequisite for establishing eligibility for the JOBS program--was not shown on over half of the forms received by NAB. Other missing information included such items as educational level attained, number in family, and welfare status.

Information on the demographic characteristics of the JOBS trainees was (1) not obtained at random, (2) incomplete in certain respects, and (3) not verified by NAB or by us. Accordingly, to the extent that these factors may bias this information, the following data on the characteristics of JOBS trainees may not be representative.

The following information on the characteristics of trainees is based on the data reported to NAB by employers for 216,668 trainees in the JOBS program.

<u>Category</u>	<u>Percent</u>
Sex:	
Male	71
Female	<u>29</u>
	<u>100</u>
Age	
Under 22	49
22 to 44	47
Over 44	<u>4</u>
	<u>100</u>
Race:	
Black	71
White	22
American Indian	1
Oriental	1
Other	<u>5</u>
	<u>100</u>

<u>Category</u>	<u>Percent</u>
Family size	
1	24
2 to 4	47
5 to 7	21
8 to 10	6
Over 10	<u>2</u>
	<u>100</u>
Family income	
\$ 0 to \$1,000	28
1,001 to 2,000	24
2,001 to 3,000	20
3,001 to 4,000	14
Over 4,000	<u>14</u>
	<u>100</u>
Grades of education	
Under 8	6
8	7
9 to 11	47
12	39
Over 12	<u>1</u>
	<u>100</u>
Weeks unemployed prior to enrollment in JOBS	
Under 5	29
5 to 14	19
15 to 26	19
27 to 52	33
Over 52	<u>-</u>
	<u>100</u>
Handicapped persons	<u>2</u>
Public assistance recipient at time of enrollment in JOBS	<u>16</u>

The data on hire cards submitted also indicate that a typical JOBS trainee is about 25 years old, has three or four persons in his family, has an average family income of \$2,269, has completed 10-1/2 grades of education, and has been unemployed about 20 weeks.

The reported characteristics of participants varied somewhat between the contract and voluntary component of the program and among the five



metro areas included in our review For example, on a nationwide basis the racial distribution for the two components of the program varied--74 percent of the participants in the contract component were black, whereas 69 percent of the participants in the voluntary component were black Also, the percentage of male and female participants varied significantly among metro areas In the contract component, for example, only 58 percent of the participants in San Francisco were male, whereas 95 percent of the participants in Portland were male

TRAINING AND JOB OPPORTUNITIES

The JOBS program offers a wide range of training and job opportunities Our analysis of the training and job data which was available for 37,645 of the 51,485 persons who were reported as employed in the contract component as of July 31, 1970, showed that about 24 percent were in white-collar occupations and an additional 31 percent were being trained in machine trades and structural work These areas are considered by the Department to be occupations of projected manpower growth

The following table shows the percentage distribution of employment of the above 37,645 persons by various occupational groups Comparable information is not available for the noncontract component because the NAB reporting system does not provide information on the types of jobs pledged by noncontract employers nor on the types of occupations for which trainees were hired

<u>Occupational group</u>	<u>Percentage as of July 31, 1970</u>
Professional, technical, and managerial	4.3
Clerical and sales	19.3
Service	8.2
Farming, fishery, forestry, and related	0.7
Processing	17.4
Machine trades	15.1
Benchook	10.4
Structural work	15.6
Miscellaneous	<u>9.0</u>
Total	<u>100.0</u>

OTHER STUDIES OF THE JOBS PROGRAMSystems Development Corporation

The Systems Development Corporation is a consultant firm with headquarters in Falls Church, Virginia. In June 1968, the Department awarded a contract to the corporation to evaluate the JOBS program in nine cities--Chicago, Illinois; Kansas City, Missouri; Los Angeles, California; Minneapolis, Minnesota; New Orleans, Louisiana; Pittsburgh, Pennsylvania; San Antonio, Texas; Seattle; and Tampa, Florida. The review was conducted during the period July 1968 through June 1969 at a cost of \$142,368.

The corporation's report dated September 1969 discussed, among other matters, (1) the program's history; (2) the status of the contract component, including contractor performance; (3) an appraisal of overall program effectiveness, including impact on industry and types of persons hired; (4) administrative problems, such as contracting methods; and (5) operational problems, including recruiting and employee turnover. The report also presented the contractor's prognosis for the program and its potential for improvement.

Greenleigh Associates, Inc.

Greenleigh Associates, Inc., is a management consultant firm with offices in New York, N.Y; Chicago, San Francisco, California; and Washington, D.C. In June 1969 the Department awarded a contract to Greenleigh to make an evaluation of the impact of the contract component of the JOBS program in ten standard metropolitan statistical areas--Atlanta, Georgia; Baltimore, Maryland; Dayton, Ohio; Detroit, Michigan; Houston, Texas; Jersey City, New Jersey; Miami, Florida; Phoenix, Arizona; San Diego, California; and Tulsa, Oklahoma.

This review was conducted during the period July 1, 1969, through June 30, 1970, at a cost of \$252,792. The principal areas reported on were (1) impact on the community, (2) impact on the job market, (3) impact on trainees, (4) relations of JOBS with other manpower programs and community organizations, and (5) impact on employers.

Staff of the Subcommittee on  
Employment, Manpower, and Poverty  
Senate Committee on Labor and Public Welfare

The staff of the Subcommittee on Employment, Manpower, and Poverty, Senate Committee on Labor and Public Welfare, made a study of the JOBS program which included a mail survey of the largest corporations with JOBS contracts. The results of its study were published in April 1970 for the use of the Senate Committee on Labor and Public Welfare. The staff publication presented the results of its survey of JOBS contractors; comments on the JOBS program in operation; discussion of some specific contracts; and the views of the Department of Labor on the subjects discussed therein.

U S DEPARTMENT OF LABOR  
OFFICE OF THE ASSISTANT SECRETARY FOR ADMINISTRATION  
WASHINGTON, D C 20210



JAN 4 1971

Mr. Henry Eschwege  
Associate Director  
Civil Division  
U.S. General Accounting Office  
Washington, D. C. 20548

Dear Mr. Eschwege:

Thank you for the opportunity to review and comment on your draft report entitled, "Evaluation of Program Results and Administration of the Job Opportunities in the Business Sector (JOBS) Program in the Metropolitan Areas of Detroit, Michigan; Oakland, California; Portland, Oregon; San Francisco, California, and Seattle, Washington." Our comments relative to this report are as follows:

**Finding:** reporting by the Department of Labor and the National Alliance of Businessmen on the total number of jobs pledged by businesses; total trainees hired; total trainees terminated; total trainees on board; and the trainee retention rate, is based in substantial part on data that has not been verified, and in some cases, is inaccurate and misleading.

The report in some instances appears to confuse the contract and noncontract aspects of the program. It refers to pledges as estimates of the numbers of jobs in which businessmen are willing to hire disadvantaged individuals; however, the concept of "pledge" as expressed in the report does not apply to the contract component. Rather, the legal relationship established under a contract obligates the employer to provide jobs and services as specified in the contract. Although economic or business conditions as well as problems in program operation can result in nonfulfillment, the contract represents a legal commitment. [See GAO note.]

GAO note Footnote inserted on page 13 to clarify this point.

Inability to meet contract obligations has on occasion, resulted in obligated funds being unliquidated over long periods of time. The Department has moved to alleviate this problem by shortening the scheduled employee intake period. Employers under the MA-5 series were required to fill all contracted jobs within nine months. JOBS '70 employers were required to hire within the first six months, and Regional Manpower Administrators recently have been advised to give serious consideration to limiting the intake period to three months. This new funding procedure, combined with the more stringent and effective monitoring system currently under development, should effect either a more timely use of the available funds or a more immediate deobligation of those funds which presumably will not be expended.

In order to ensure that only those occupations which represent significant opportunities are accepted, the Occupational Opportunities Rating System (ORS) has been developed. The ORS, initiated in September 1970, is used to evaluate each job offered under contract as to its potential for upward mobility, wages to be paid, degree of skill required, among others. Basic procedures with regard to ORS and the JOBS Optional Program are contained in General Administration Letter No. 1411, which was recently issued.

The report also deals with problems arising in reporting the number of hires. Neither the tally nor the hiring card systems have, in the past, operated with optimum success. Since no incentives for better record keeping and reporting are provided to noncontract employers, it would be unrealistic to expect these employers to respond in a timely fashion unless some funds could be used to offset these minimal costs.

The GAO report cites a need for more careful screening of JOBS participants. Within the present procedures, the Department might request verification of family income data. This does present other human problems, and the Department is prepared to discuss with the appropriate counseling and placement officials the possibility of developing additional criteria to indicate job readiness.

The figures related to terminations cited in the GAO report are misleading, for they include those who have completed the training program. Under the reporting procedures operative before February 1970, a Termination Card was submitted for each participant at the end of the contract period. Thus, the previous system would reflect a 100 percent "drop out" rate. No action to

differentiate between those completing training and terminees was made until the management information system was revised in February 1970. Even if the compilation of terminees was adduced by GAO from an examination of the Monthly Progress Reports - Invoices (form MA 3100-9), there would be no way of determining which of the terminees were completors and which dropped prior to completion of the training. The invoice deals only with gross numbers of enrollees hired, terminated or presently employed, and does not differentiate between the enrollees or indicate their progress in the program. Furthermore, not all terminations can be regarded as "negative." Examples of "positive" terminations would be moving on to other better jobs, returning to school, and entering the Armed Forces. The Department has provided for these contingencies through the use of additional payments for positive terminations. Some of the same observations made in reference to the discussion of terminations naturally apply to the description of retention rates. The fact that all individuals who completed the training period were counted as terminees prior to the end of second quarter of 1970 adversely affects the retention rate and presents a false picture of program experience. Further, retention in entry level jobs is normally lower in industry generally, and the levels of retention are comparable to the normal work force.

It is agreed that the timeliness, accuracy and comprehensiveness of data are extremely important and significant activities have already been undertaken to improve program design and analysis.

Recommendation: reexamine the management information system for the JOBS program periodically to assure that it provides all of the data necessary for program management and evaluation, and for meaningful, accurate reporting; and, through appropriate monitoring, assure that employers are reporting accurate and timely data. Where data is known to be incomplete or has not been verified, appropriate qualifications should be appended to the related statistical reports describing the limitations under which such reports must be considered.

We recognize the need to improve our own data gathering capabilities and we have, in cooperation with the National Alliance of Businessmen (NAB), developed and implemented a revamped management information system which will effect a better response rate from participating JOBS employers.

As it is noted in the report, a new JOBS management information system was implemented in February 1970.

Presently, Hiring Cards are required by all employers participating in the contract phase. Under the new system, Hiring Cards and Completion/Termination Cards are accumulated by the employer each month to provide a base for the monthly invoice and are submitted to the Regional Offices along with the Monthly Progress Report/Invoice.

This management information system is producing data of generally good quality and the constant attention of the regional office to the problem of delinquent reporting is producing good results. In keeping with the changes in the JOBS management information system, the Manpower Administration has developed and is in the process of implementing an Operational Planning and Control System (OPCS) for the major programs including JOBS. The basic purpose of the OPCS is to provide regional and national staff a timely tool for assessing program performance. The operation of this system requires a smoothly functioning management information system and provides the necessary checks in those instances where the information system is not producing accurate and timely data. In two regions we are also attempting to have regional staff capture meaningful information from the basic JOBS source documents (invoices) rather than relying on information produced on a national basis. This system will be monitored very closely during the next six months and represents Departmental action on the GAO recommendation for accurate and meaningful program data.

Recommendation:       direct the JOBS program more specifically to filling skill-shortage jobs rather than having it compete for jobs for which there is already an ample supply of trained persons.

Other manpower activities are more concerned, by design, with preparing people to fill skill shortage occupations. These occupations usually require a complex or lengthy training period which in itself is often a contributing factor to the shortage. The JOBS program is designed specifically to put disadvantaged people into the mainstream of employment as quickly as possible by preparing them for existing jobs that they can fill with the assistance of special OJT and supportive services. The preparation for most skill shortage occupations of merit usually entails an extended training time that has been shown to be less effective in meeting the needs of the hardcore disadvantaged. JOBS was intended to remedy this. The GAO recommendation would in effect ask for a repeat of earlier failures in dealing with the severely disadvantaged unemployed.

The JOBS program has broadened the labor pool drawn upon by the private sector. It has proven to American industry that those individuals heretofore regarded as unacceptable for other than nonskilled labor, could in fact, be successfully trained and merged into the general labor pool of the country.

The JOBS program does not create jobs nor was it ever intended to do so. The creation of jobs is a function of the market's demand for goods and services, and not on the availability of able workers.

Recommendation:       implement more exacting procedures and practices for screening prospective trainees.

Certification of individuals for JOBS eligibility is performed by the State Employment Service agencies. The certification is based on poverty criteria established by OEO and is now the measuring tool for all manpower and poverty programs. The effectiveness of the certification thus depends on the agency responsible for certification. The caliber of work performed by the State agencies varies widely and efforts to upgrade performance are continuing. We recognize the problem as one that goes beyond JOBS, and actually affects all aspects of manpower programs involving the certification of eligible enrollees.

We endorse the GAO suggestion that an additional "job readiness" determination be added to the basic eligibility and tentatively plan to incorporate this change in the JOBS handbook and related instructional material now undergoing revision.

The distinction between contract activities and noncontract activities should be made. The Manpower Administration and the NAB can provide firm orders in the selection process of employees enrolled in the program on a contract basis; however, there is clearly a limit to the amount of persuasion that can be applied to an employer who is participating in the program on a voluntary basis, without the use of Federal funds. We understand that the GAO has made copies of its preliminary draft available to the NAB and this matter has been brought to their attention. We will continue to work with NAB in this regard and seek their cooperation in getting adherence to prescribed eligibility standards.



GAO's observations regarding the effectiveness of certification are contrary to the most recently collected information regarding enrollee characteristics for both the contract and noncontract programs. Enrollee characteristics data, through July 31, 1970, indicate that the program is currently reaching deeper into the ranks of the disadvantaged than it had previously. The average family income in the MA-6 series is \$2,158, with the family size remaining approximately constant at 4.1 persons. This is the lowest for any phase of the contract series. Participants have also been unemployed for longer periods than those who were employed under the preceding contract series. In contrast to implications made in the report, the average number of academic years completed by participants has dropped from an average of 10.3 years for those in the MA-5 program to 10.0 years in MA-6. It is highly doubtful, therefore, that the number of college graduates in the program is statistically significant.

Recommendation:       augment substantially the monitoring of performance by JOBS contractors.

Adequate monitoring of JOBS contracts is clearly recognized as being essential to the effective operation of the overall program. To this end, a monitoring system for JOBS, which is largely operational in some regions, and is to be more fully implemented in others, requires the participation of both State (Contract Service Representatives--CSR's) and regional (Program Generalist) staff. The program generalist is responsible for all manpower programs in a given geographic area. CSR's conduct frequent visits to the contractor which will flag significant program problems for the generalist's attention. The CSR's also provide technical assistance for the resolution of many simple operating problems.

Generalists have a more comprehensive responsibility for the project. Guided by the activities of the CSR's, generalists must conduct three major contract compliance visits during the life of the contract and they implement decisions to deobligate monies, or to terminate nonproductive contracts. They must likewise provide technical assistance for the resolution of complex contractual problems. The earlier visits of the generalist as well as the CSR's are geared toward providing contract service and assistance while subsequent visits are directed toward monitoring contract compliance.

A comprehensive checklist for use in the monitoring of ongoing manpower programs is now being developed by the Manpower Administration, and it is anticipated that this checklist will be utilized to assist in JOBS monitoring procedures once the document has been tested in the field.

Training on the new monitoring procedures, as well as the new program standards, will be presented to field staff soon after the beginning of calendar year 1971.

Recommendation: obtain compliance by contractors with contract requirements for supportive services, or where this is not practicable, modify the contracts to provide reimbursements only for the services provided.

All contractors visited by GAO were participating in programs that have since been redesigned to provide for an adequate description of the kind and quantity of supportive services to be provided. Further, Contract Service Representatives are now employed in the JOBS program to assist employers in preparing their proposals and to emphasize their responsibilities under contract.

Despite the fact that negotiators draw from a bank of two years' experience in the JOBS program, it is impossible for them to accurately determine the needs of each individual to be hired at the time of proposal development. The Department is, therefore, currently developing more precise program standards relating to supportive services while retaining sufficient flexibility to meet the diverse needs of a heterogeneous trainee population. The revised JOBS '70 standards will require that the employer provide all supportive services stipulated in his contract. This will facilitate deobligations from those contracts in which the stipulated services have not been provided. The responsibility for perceiving the need for deobligation will reside with the Contract Service Representatives and the regional program generalists in accordance with the newly developed Contract Service and Assistance System.

Employers who are unable individually to provide the supportive services necessary may, of course, secure these services through a subcontract, through publicly supported agencies, or by joining in a consortium with other JOBS employers. Contract Service Representatives have been instructed to refer those submitting proposals who do not wish to provide any supportive services or who are offering jobs which do not lend themselves to providing these services to the new JOBS Optional Program. The JOBS Optional Program allows primarily for providing on the job training with no specific requirement for providing supportive services.

Recommendation: with regard to both on-the-job training and supportive services, adopt the use of cost-reimbursement type contracts when necessary cost information is not available from which to negotiate fixed-price contracts.

The use of cost reimbursement contracts by the Department of Labor for the program does not appear to be a feasible and administratively practical idea.

The circumstances of the program preclude the widespread utilization of the cost reimbursement contract. The Code of Federal Regulations (CFR), Title 41, Chapter 1, Section 1-3.405-1(b) sets forth the application of such contracts as follows:

"The cost reimbursement type of contract is suitable for use only when the uncertainties involved in contract performance are of such magnitude that cost of performance cannot be estimated with sufficient reasonableness to permit use of any type of fixed price contract. In addition, it is essential that (1) the contractor's cost accounting system is adequate for the determination of costs applicable to the contract, and (2) appropriate surveillance by Government personnel during performance will give reasonable assurance that inefficient or wasteful methods are not being used."

The requirement of the CFR for adequate cost accounting methods on the part of a contractor operating under a cost reimbursement contract would severely limit the number of companies that could participate in the program. With the advent of the program nationwide and the participation of a growing number of smaller companies in the program, a suitable internal accounting procedure will be very difficult to find. The purpose of the program to find better employment possibilities for the Nation's poor could be thwarted by the lack of an ancillary accounting procedure.

Initially, during the first stages of the JOBS contract series, the costing factors for the various components were not easily definable. Reasonable estimates, based on costs of similar services supported by public funds were made, however, and the total possible costs for contractors providing these services, in combination with estimated time and cost factors with respect to skill level and salary levels were developed and released to the field. These estimates were used as guidelines for negotiators on a total cost basis, and it was expected that the negotiations would range downwards from the maximum amounts depending upon the various components and the range of their use by a prospective contractor.

Subsequent analysis by the Department's program staff revealed that the "market cost" method of determining equitable costs contained flaws. In November 1969, a new contracting method was established in the MA-6 or JOBS '70 series. This is the predominant method presently being used for approximately 92 percent of the contracts awarded in fiscal year 1971. A former series, MA-5, is still available for extraordinary job opportunities that do not lend themselves to the MA-6 restrictions.

The MA-6 initiated the component cost method of developing contract costs. Rather than determining a proper "market value," each component within the contract was to be clearly defined, limits were placed on the extent of the component relative to the skill level, and maximum cost levels were established for each component. Instead of the bottom line cost permissible for each skill level, the contract was constructed on a building block basis, with the costs of various components to be offered to a JOBS employee constituting a portion of the final cost. Under the new method, specific components, clearly set forth those that are to be included in the training program thereby providing the cost base, and components that are not deemed relevant to the overall program are not allowed.

The requirement of specific training or services that are to be provided has in effect bridged the cost reimbursement concept. The measure of contract performance is not based upon actual expenditures by the contractor but rather the provision of certain contract elements to benefit the JOBS employee and for which the contract has set forth an agreed upon price.

The effective implementation of this contracting process requires a satisfactorily explicit training plan and a suitable monitoring effort to insure compliance. Changes in the form of the construction of the proposal have already gone far to enunciate the contractor's specific obligations under the contract. Further changes in the language of the JOBS '70 announcement and the contract instrument are presently underway to preclude future questions of specific responsibility. The determination of fair and reasonable cost levels for each contractual element have been made based on prior experience in the earlier contract series. The fixed price contract retains the importance of contract performance as a full responsibility of the contractor, for, without such performance, no funds can flow from the Government to the contractor.

The utilization of attendance as a means of determining performance provides an adequate base for measuring performance when compared to a fixed training schedule. The schedule need not be constructed in an absolute time frame during the training period, provided all of the requisite support elements are concluded before the termination of the training period. The burden remains with the Department's field staff who are charged with the evaluation and negotiation of the proposals to determine that these contract elements are adequate to meet the needs of the job and that they are not excessive to these needs. The responsibility of the Department's monitors is to see that the training plan is in fact being implemented. The foregoing meets the requirements for fixed price contracts being suitable for use when reasonably definite design specifications and when fair and reasonable prices can be established at the outset of the contract.

Recommendation:        redefine the eligible target population for the JOBS program so that it is directed more specifically to persons with a bona fide need for the program.

The suggestion that a more restrictive eligibility criteria be developed would not appear to be in agreement with other manpower development programs. The JOBS eligibility criteria is essentially similar to that of other programs. It is necessary that we allow for broad individual differences among those persons who can be classified as needing special assistance. The principal task as we see it is to ensure that the eligibility standards are properly administered.

It is important to note that 50 percent of all JOBS employees are under 22 years of age. In fact, the average JOBS employee is a young Negro male who has been unemployed for a lengthy period of time and has not graduated from high school. It is this group that comprises one of the major social concerns of the country, and the JOBS program is clearly reaching them.

Recommendation:        effect better coordination of the JOBS program with the Concentrated Employment Program and Work Incentive Program.

We concur that there has been some difficulty in effective coordination between participating employers and local CEPs and other Federally financed programs such as WIN which might have been able to refer disadvantaged applicants to JOBS openings.



The implementation of ORS will have an upgrading effect on the total program. It provides for a series of objective criteria against which proposals can be measured and has nationwide ramifications on program standards.

Recommendation:       improve instructions to contractors on the preparation of monthly invoices.

Contract Service Representatives, who are State employees assigned to work with the Regional Manpower Administrators in operating the program, are to assist contractors in filling out invoices where necessary.

Additional training for CSR's is planned for early in calendar year 1971, as soon as the revised program standards are completed and adopted. Another check will be the use of an automatic data processing system to flag accounting errors so that appropriate action may be taken by Departmental staff.

The selection of the metropolitan areas and the contracts chosen for review was arbitrary. The findings, therefore, are not necessarily representative of the areas reviewed much less the JOBS program as a whole. We feel, therefore, that the findings included in the report are applicable only to the contracts and contractors reviewed and are not representative of the entire JOBS population.

The Department feels that the private sector continues to be a viable vehicle for providing job opportunities to hire, train, and retain the disadvantaged.

In preparing a reply to this report comments from the Office of Economic Opportunity, interested employment security agencies, and components of the Manpower Administration were considered. Let me

express my appreciation again for the opportunity to comment on the report in its draft form. I hope that you find the comments constructive.

Sincerely,



Tom Kouzes  
Acting Assistant Secretary  
for Administration

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December 11, 1970

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Dear Mr Eschwege

We appreciate the opportunity to comment on the GAO draft report on the JOBS program

**• AT-LARGE MEMBERS**

Francisco Bravo  
Henry Ford II  
John Gardner  
Paul W. Kaysar  
Donald M. Kendall  
Roger Lewis  
G. William Miller  
John H. Sengstacke

Unfortunately, we find that the draft report given to us for comment is based on inadequate investigation and faulty methodology. As a result, it distorts the overall accomplishments of the program. In its emphasis on criticism, the draft report largely ignores the accomplishments of the program and gives the misleading impression that the examples cited in the report are typical. This failure to bring out the accomplishments of the program gives a negative slant which is quite at variance with an attempt at balanced evaluation.

- 1 Selection of Cities The GAO made a faulty and unrepresentative selection of cities for its evaluation. The cities are not well balanced geographically, more important, they are not representative economically of the nation or of the fifty major cities in which the NAB has its largest programs.

These five cities were not comparable to the nation or to the fifty largest cities in regard to unemployment in June, 1969, when the GAO selected them for its report. This variance has increased during the year of the study.

During fiscal 1970, unemployment rates in these five cities rose by 67.1 percent, compared to an increase of 36.6 percent in the nation as a whole and 37.1 percent in the fifty major NAB cities. And at the end of June 1970, average unemployment rates in these five cities stood at 7.1 percent, compared to 5.6 percent for the nation as a whole.

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At least three factors relevant to the study are affected by economic conditions -- an individual employer's ability to hire the disadvantaged, the specific qualifications of the disadvantaged workers he hires, and his ability to keep these workers on the job

Therefore, conclusions drawn from a limited number of cases in these five cities about either the effect of changing economic conditions on the overall nationwide program or about hiring and retention experience are unlikely to be valid for the entire country

- 2 Number of Contracts Reviewed The number of contracts studied by GAO is small (31). The study appears to be limited to contracts awarded in the earliest months of the JOBS program and which were the basis for improvements incorporated in the JOBS '70 contracts introduced in early 1970.

Furthermore, it appears that the GAO did not make a representative or random selection of contracts for its study. The biased nature of the cities selected and the relatively small number of contracts examined indicates that many of the generalizations and recommendations made in the GAO report are based on samplings which may be inadequate and are certainly not representative.

- 3 Positive Accomplishments The GAO report rightfully notes that "the JOBS program has been effective in focusing the attention of businessmen on the employment problems of disadvantaged persons and has effected a broad response and commitment by many businesses to hire, train and retain the disadvantaged." Unfortunately, the report, in its emphasis on imperfections in the data-gathering system and on the weaknesses in performance under some -- primarily the earliest, now obsolete -- MA contracts, distorts the picture of the JOBS program by failing to spell out and give examples of the positive accomplishments of the program.

In particular, the GAO report presents a totally inadequate picture of the accomplishments of the

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voluntary program which accounts for approximately 70 percent of the hires. The fact that the NAB program has provided employment for hundreds of thousands of disadvantaged persons at no cost to the government should not be obscured by undue emphasis on the inevitable margin of error in data on a large, nationwide program which has been provided voluntarily by employers who participate without government reimbursement or reporting requirements.

4. Management Information System. We have continuously maintained that the information we use from both contract and voluntary employers is a reasonable measure of program accomplishment, although necessarily not completely verifiable. As the NAB gave GAO its own study on the imperfections of the MIS system, the numerous pages which the GAO report spends on this topic seem out of balance with the importance of the subject.

It should be recognized that several GAO recommendations would require elaborate and costly procedures for verifying information. Particularly in the voluntary program, we believe it is extremely important to avoid encumbering the program with time-consuming and costly administrative procedures which would discourage employers from participating.

Furthermore, the CAO apparently overlooked an important area of under-reporting. A substantial number of those individuals reported as "terminated" remained on the job long enough to receive training and work experience which would enable them to move to better jobs than they held before their entry into the JOBS program. The difficulty of quantifying this aspect of the program's accomplishments does not justify the auditor's failure to take it into account. If this factor is considered, the CAO statement that accomplishments have been "overstated" appears to be based on incomplete analysis.

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- 5 "Disadvantaged" criteria The GAO indicates that some percentage -- usually a fairly small percentage -- of those enrolled under both contract and non-contract phases of the program have not met the income or other qualifications for "disadvantaged" and that in other cases the GAO was unable to determine whether or not every trainee qualified

Particularly in the non-contract program, we believe it should be less a matter of complaint that procedures have not always been perfectly followed than of satisfaction that the majority of employers have gone out of their way to extend employment and training opportunities to so many unskilled and unemployed workers. Furthermore -- to take only one specific omission -- the GAO report also fails to note that over 25 percent of all non-contract jobs, which require no certification at all, have actually been certified by CEP and the ES at the initiative of the employer.

- 6 Cost-reimbursement contracts The relative merits of cost-reimbursement or fixed price contracts were considered at length by the NAB and DOL at the time the JOBS '70 contracts were being negotiated.

At this time, the NAB originally requested that the JOBS '70 contract be a cost-reimbursement contract. However, after discussion with the Department of Labor, both NAB and the Department realized that this would be impractical and unworkable from an administrative standpoint because of the immense burden of paperwork on both employers and the government.

Through negotiation, agreement was reached on what we believed were reasonable levels of reimbursement for the different components of the fixed price JOBS '70 contract. It was recognized that there would be some cases in which the employer's cost would be less than anticipated under the fixed price contract and the employer would therefore benefit, and other cases where the employer would find it necessary to provide more training and services than he would be reimbursed for under the contract and therefore suffer a loss.

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Cost-reimbursement contracts, despite their greater complexity, would probably be acceptable to large employers familiar with other government procurement contracts. Such contracts would assure employers that all extraordinary costs of on-the-job training and support services would be covered by the government. Nonetheless, we believe that cost-reimbursement contracts would result in an impossible burden on smaller employers which do not have the sophisticated accounting systems required to segregate costs and to establish the overhead rates or pools of indirect costs required in implementing a government cost-reimbursement contract.

In screening many smaller employers out of the JOBS program, we believe that cost-reimbursement contracts would work against our objective of finding employment and training for disadvantaged Americans.


- 7 Business commitment and support We regret that the GAO report also fails to recognize the commitment of businesses in providing office space and other logistical support in many cities at its own expense and in loaning thousands of executives to work full time for the program while continuing to pay their salaries.
- 8 Changes in hiring practices The assertions made in several places that employers under the program are hiring essentially the same people as in the past are clearly incorrect for the program as a whole. In Detroit, for example, the automotive employers in late 1967 made drastic changes in their criteria for choosing entry-level employees and in their efforts to search out and provide jobs for the disadvantaged. The Detroit experience was largely the model for the NAB program. Since 1968, evidence abounds from all parts of the nation that thousands of employers, from major corporations to small enterprises, have begun to screen in disadvantaged workers who would in the past have been screened out by traditional personnel practices.

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The responses of some employers to GAO investigators that they find no difference between JOBS employees and those they have hired in the past appear to be based on inadequate procedures which did not protect against distorted responses. Most notably, it should be obvious that an employer subject to EEOC or OFCC review would hesitate to tell a government investigator (or even an investigator from an outside firm under contract to the government) that he had in the past been excluding disadvantaged workers. Second, comparisons between workers based on physical appearance or on-the-job performance do not go to the heart of the changes in hiring practices which have been made by NAB employers, indeed, one of the principal accomplishments of the program has been to demonstrate to employers that the men and women they had screened out in the past can become satisfactory and productive employees.

We appreciate the opportunity to comment on the draft of the GAO report and hope our comments will be of use in making a correct and adequate evaluation of the JOBS program.

Sincerely,

  
Robert J. Wilson  
Executive Vice President,  
Secretary-Treasurer

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PRINCIPAL OFFICIALS OF  
THE DEPARTMENT OF LABOR  
RESPONSIBLE FOR THE ADMINISTRATION OF  
THE JOBS PROGRAM

	<u>Tenure of office</u>	
	<u>From</u>	<u>To</u>
SECRETARY OF LABOR:		
James D. Hodgson	July 1970	Present
George P. Shultz	Jan. 1969	June 1970
W. Willard Wirtz	Sept. 1962	Jan. 1970
ASSISTANT SECRETARY FOR MAN- POWER:		
Malcolm R. Lovell	July 1970	Present
Arnold R. Weber	Feb. 1969	July 1970
Stanley H. Ruttenberg	June 1966	Jan. 1969
MANPOWER ADMINISTRATOR:		
Paul J. Fasser, Jr.	Oct. 1970	Present
Malcolm R. Lovell	June 1969	Oct. 1970
J. Nicholas Peet	Feb. 1969	June 1969
William Kolberg (acting)	Jan. 1969	Feb. 1969
Stanley H. Ruttenberg	Jan. 1965	Jan. 1969
John C. Donovan	April 1964	Jan. 1965