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BY THE U.S. GENERAL ACCOUNTING OFFICE
**Report To The Honorable Edward M. Kennedy
Ranking Minority Member, Committee On
Labor And Human Resources
United States Senate**

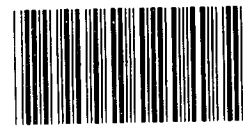


Does AFDC Workfare Work? Information Is Not Yet Available From HHS's Demonstration Projects

Workfare programs under AFDC require participants to work at unpaid jobs in order to receive their welfare benefits. HHS has established Community Work Experience Program (CWEP) demonstrations as a way of identifying effective workfare approaches. The Social Security Act, however, does not require HHS to evaluate them or to report to the Congress on their implementation.

GAO believes--and HHS agrees--that workfare's effectiveness cannot be determined without evaluations. Nonetheless, HHS's approach to evaluation in fiscal 1982 has yielded almost no information on workfare's success in moving people into unsubsidized jobs, reducing welfare costs, or meeting other program goals.

HHS has awarded CWEP demonstration status to seven States for fiscal 1983, and most have included adequate evaluation plans in their proposals. If HHS strengthens its oversight procedures, more data may become available. Until then, policy decisions will have to be made without knowing whether workfare has "worked" in these demonstrations.



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**GAO/IPE-83-3
JANUARY 24, 1983**

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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

INSTITUTE FOR PROGRAM
EVALUATION

B-208385

The Honorable Edward M. Kennedy
Ranking Minority Member
Committee on Labor and Human
Resources
United States Senate

Dear Senator Kennedy:

Subject: Does AFDC Workfare Work? Information Is Not Yet
Available From HHS's Demonstration Projects
(GAO/IPE-33-3)

On September 1, 1982, you requested that we answer some questions about efforts of the U.S. Department of Health and Human Services (HHS) in evaluating the Community Work Experience Program (CWEP) demonstrations. CWEP demonstrations are intended to test innovative approaches for requiring recipients of Aid to Families with Dependent Children (AFDC) to earn their welfare benefits in jobs in the public or the private nonprofit sector. The specific questions you asked were:

- What are the legislative requirements for evaluating CWEP demonstrations?
- How has HHS provided for and overseen evaluations of CWEP demonstrations?
- What are the implications of the HHS evaluation program for future policy decisions?

To answer your questions, we interviewed officials in HHS's Office of the Assistant Secretary for Planning and Evaluation and in the Office of Policy and the Office of Family Assistance of the Social Security Administration (SSA). ^{1/} We also visited the five States that had CWEP demonstrations as of September 1, 1982--Michigan, New York, North Carolina, Ohio, and Oklahoma--

^{1/}SSA's Office of Family Assistance has general responsibility for the CWEP's. The CWEP demonstrations, however, are jointly approved by SSA's Office of Policy and Office of Family Assistance. According to a spokesperson from HHS's Office of the Assistant Secretary for Planning and Evaluation, HHS's CWEP evaluation activities are to be conducted not by that office but by SSA.

and interviewed State and county program officials. We examined the legislation and its history as well as documents provided by SSA and by the States. (The documents consisted of each State's application for demonstration status, including its evaluation plan; correspondence between SSA and the States; and other descriptions of project plans and operations.) The information we provide in this letter is part of a larger study in which we are examining plans for the new CWEP's as well as evaluations of past workfare programs for AFDC, Food Stamps, and General Assistance recipients. The present review was made in accordance with generally accepted government auditing standards.

In the following sections, we provide background information on CWEP and 11 CWEP demonstrations. Then we address each of your questions, summarizing our answers in the last section. In the enclosures, we describe the CWEP demonstrations by State in detail and the waivers the States have received.

THE COMMUNITY WORK EXPERIENCE PROGRAMS

The Omnibus Budget Reconciliation Act of 1981 authorized CWEP in an amendment to section 409 of the Social Security Act. In a CWEP, States may require certain AFDC recipients to work at unpaid jobs in order to continue receiving their welfare benefits. CWEP is an example of "workfare," an idea for which there are many claims and counterclaims. ^{2/} Workfare's proponents believe workfare is desirable for AFDC recipients because it is expected to

- enhance their employability and increase the number who enter private sector employment,
- reduce the cost of the total AFDC program by producing savings from case closings and grant reductions that are greater than the cost of operating the workfare program,
- remove from the welfare rolls people who are already able to get jobs on their own,
- provide a service of value to local communities, and
- increase public support for welfare by giving citizens cause to believe that all who can work are doing so.

Workfare's opponents assert that

- the work experiences do not enhance employability because the jobs are often "make work" and do not

^{2/}See, for example, P. G. Germanis, Workfare: Breaking the Poverty Cycle (Washington, D.C.: The Heritage Foundation, July 1982), and K. K. Carter, "Workfare," Point-Counterpoint (Washington, D.C.: National Urban League, June 1982).

provide training that can help recipients find and keep jobs outside the welfare system,

- paid employees lose their jobs and new employees are not hired because this free labor source is used instead,
- the administrative cost prevents the program from providing a net savings for the AFDC program, and
- the program's punitive nature lowers recipients' self-esteem.

Several States have had workfare programs for recipients of their State-funded General Assistance programs, and the Food Stamp Act of 1977 authorized workfare demonstration projects for Food Stamp recipients. Until recently, however, States have been prohibited from requiring AFDC recipients to participate in workfare programs. The Administration proposed in the winter of 1981 and again in 1982 that States be required to operate AFDC workfare programs. Instead, the Omnibus Budget Reconciliation Act of 1981 gave States the option of setting up CWEP's. SSA reported that 11 States had established CWEP's under that Act's authority by October 1, 1982. Additionally, 11 CWEP demonstration projects were established by October 1, 1982. In contrast to the CWEP's established under the Act, the 11 CWEP demonstrations have an evaluative purpose: to investigate the "best practices" for implementing CWEP's.

THE COMMUNITY WORK EXPERIENCE PROGRAM DEMONSTRATIONS

The CWEP demonstrations are made possible by section 1115(a) of the Social Security Act. Section 1115(a) allows the Secretary of HHS to establish demonstration projects related to improving programs operated under the Social Security Act. Since AFDC is one such program, and since a CWEP is a component of a State's AFDC program, the section 1115(a) provisions are used as the authority for establishing CWEP demonstrations.

Under the authority of section 1115(a), the Secretary of HHS may agree to do one or more of the following for demonstration projects:

- waive a demonstration's compliance with the requirements of certain sections of the Social Security Act,
- use Federal funds for the costs of a demonstration that would not ordinarily be covered in the AFDC Federal matching formula, 3/

3/The Federal Government reimburses 50 percent of approved expenditures for State CWEP's and CWEP demonstrations. For example, the Federal Government will pay for half the work-related

--provide up to \$4 million in any fiscal year for demonstration projects.

To assist States in testing new ideas for CWEP, SSA has solicited and approved two groups of section 1115(a) demonstrations in the past year and a half. The 5 demonstrations in the first group were active in fiscal year 1982, having been solicited in June 1981 but not approved until January 1982. A second group of 7 demonstrations was approved for implementation in fiscal 1983. Since one State, New York, is included in both groups (it reapplied in order to receive funds to evaluate its existing CWEP demonstration), 11 different States have demonstrations already active or recently approved for fiscal 1983.

In soliciting the first group of demonstrations, SSA announced the availability of grants for demonstration projects "to initiate CWEP at the earliest possible time and to assess the various approaches for CWEP." 4/ No 1115(a) project funds were available under these grants, but receiving demonstration approval did allow Federal matching for approved CWEP demonstration costs that would not otherwise be reimbursed, and it permitted waivers of State plan requirements and implementing regulations. 5/ The five States that were approved in January 1982 are Michigan, New York, North Carolina, Ohio, and South Dakota. (South Dakota later withdrew from demonstration status.)

The second group of demonstrations was solicited in May 1982 to encourage States

"to develop and test innovative program designs, techniques, and procedures for administering Community Work Experience Programs (CWEP) in order to assist needy persons to move into regular employment." 6/

expense-reimbursement to program participants but only up to a maximum of \$25 a month. For demonstrations, the Secretary can approve Federal reimbursement to States even if they pay recipients more than \$25.

4/U.S. Department of Health and Human Services, Social Security Administration, "Income Maintenance Research and Demonstrations; Community Work Experience Projects; Availability of Grants," 40 Fed. Reg. 30895 (1981). This announcement anticipated that the Congress would approve CWEP's for fiscal year 1982 either as an option or as a requirement for States.

5/In enclosure I, we describe the waivers that have been granted.

6/U.S. Department of Health and Human Services, Social Security Administration, "Availability of Section 1115 Grants for Community Work Experience Program (CWEP) Demonstration Projects," Aid to Families with Dependent Children Action Transmittal SSA-AT-82-9, May 21, 1982, p. 1.

For these projects, the Secretary made available up to \$1.022 million in special 1115(a) project funds and regular Federal matching funds. States are required to pay at least 5 percent of project costs, the balance to be paid with a combination of special 1115(a) project funds and regular Federal matching funds. Federal funds may be used for any of a project's costs, including but not limited to project evaluation. The States that were approved on October 1, 1982, are California, New Mexico, New York, Pennsylvania, South Carolina, Virginia, and Washington.

SSA has also approved unsolicited demonstrations. Michigan and Oklahoma submitted unsolicited proposals that were approved and implemented in fiscal year 1982. The demonstration approved for Michigan in January 1982 was not implemented. Instead, Michigan reapplied in March to operate CWEP as a component of its Work Incentive Program (WIN) demonstration. Oklahoma's CWEP is also a component of its WIN demonstration.

In approving the CWEP demonstrations, the Secretary of HHS has exercised through SSA each of the three options for section 1115(a) demonstrations. Six States received waivers of AFDC State plan requirements and implementing regulations. For one State, the Federal Government will pay part of the cost of items not ordinarily covered by Federal matching funds. Seven States received special 1115(a) funds for project costs.

The 11 CWEP demonstrations differ in regard to such things as Federal funds allocated, geographic scope, target population, and number of clients served. For example, it is expected that approximately 2,500 individuals will participate in one project in a large urban area in the first year, with priority being given to two-parent families (that is, recipients of Aid to Families with Dependent Children-Unemployed Parent, or AFDC-UP). The plan is that CWEP will operate in coordination with an existing employment program that has intensive job search and placement components. Another project in one location will involve only 42 recipients, chiefly women who have received AFDC benefits longer than 5 years and who will soon be ineligible for assistance because of their youngest child's reaching age 18. Another demonstration is operating in 14 districts, but some of its features, such as the penalty for refusing to participate and the types of service provided in conjunction with the work requirement, will differ from district to district. Table 1 on the next page summarizes the demonstrations as of October 1, 1982. State-by-State descriptions are in enclosure II.

WHAT ARE THE LEGISLATIVE
REQUIREMENTS FOR EVALUATING
CWEP DEMONSTRATIONS?

To answer your first question, we examined both the legislative language and the intent as expressed in the committee reports that accompanied the bills creating and amending section

Table 1

The Characteristics of Community Work Experience Program
Demonstrations by State on October 1, 1982

	<u>Federal funds approved a/</u>			<u>Proposed no. of clients</u>	<u>Location</u>	<u>Target group b/</u>
	<u>Special 1115 project funds</u>	<u>Regular AFDC matching funds</u>	<u>Total</u>			
Active in FY 1982						
Michigan	\$ 0	\$ --	\$ --	c/	State	AFDC,GA
New York	0	--	--	c/	14 districts	AFDC
North Carolina	0	104,186	104,186	1,600	6 counties	AFDC
Ohio	0	150,250	150,250	500	1 county	AFDC
Oklahoma	0	--	--	1,000	State	AFDC
Approved for FY 1983						
California	108,000	132,702	240,702	2,450	1 county	AFDC-UP
New Mexico	52,850	74,997	127,847	42	1 county	AFDC
New York d/	68,834	82,105	150,939	c/	14 districts	AFDC
Pennsylvania	68,000	75,517	143,517	c/	State	AFDC,GA
South Carolina	73,786	81,516	155,302	2,000	2 counties	AFDC
Virginia e/	75,000	--	--	640	6 jurisdic- tions	AFDC
Washington	64,530	71,699	136,229	750	2 counties	AFDC
Total funds	\$511,000	--	--			

a/FY 1983 = October 1, 1982-September 30, 1983; North Carolina and Ohio = January 1, 1982-December 31, 1982; projected CWEP costs not available by November 16, 1982, for Michigan, New York, Oklahoma, and Virginia.

b/AFDC = Aid to Families with Dependent Children; AFDC-UP = AFDC-Unemployed Parent; AFDC,GA = either AFDC or State-funded General Assistance. We did not examine States' procedures to insure that Federal funds are not used for State-funded program recipients; that issue may be addressed in a future review.

c/Number not specified.

d/Replaces the previous New York demonstration.

e/In its comments on this letter, HHS indicated that some changes have been made in the scope of this project.

comparison is planned with similar participants of programs other than CWEP.

Special Federal 1115(a) project funds amount to \$68,000, and no waivers have been granted.

SOUTH CAROLINA

Approved for fiscal year 1983, South Carolina's CWEP is expected to serve 2,000 recipients in two counties. In addition to providing work experience, it will offer an 18-module course in how to find, obtain, and keep a job. The program will involve all unassigned WIN registrants in one county and all employable recipients in the other county, which does not have a WIN program.

Three research and evaluation questions were posed in the application. The first is whether the project is successful in meeting its goal of being cost-efficient. The definition of "cost-efficient" was that savings in governmental payments to participants because of CWEP are greater than the cost of CWEP. Savings are to be determined by comparing CWEP recipients with people who applied for welfare in the 3 months preceding CWEP. The difference over 12 months in AFDC, Medicaid, Title XX, and Food Stamps costs is to be attributed to CWEP participation.

The two other questions are "What are the reasons the project succeeded or failed?" and "How could the project have been more successful?" ^{2/} The answers to these questions are expected to come from questionnaires given to caseworkers and clients and from an analysis of data on the characteristics, participation, and job placements of the program's recipients.

Special Federal 1115(a) project funds amount to \$73,786, and no waivers have been granted.

VIRGINIA

Virginia's CWEP demonstration, approved for fiscal year 1983, is intended to demonstrate that a program of unpaid work experience coupled with self-directed job search will increase the number of people with jobs, can be operated cost-effectively and result in substantial welfare savings by reducing grants and closing cases, and can be successful in urban and rural areas and with diverse populations.

Because the State plan was not amended to include CWEP, waivers were granted to allow the imposition of a work requirement in part of the State on mothers with children between the ages of 3 and 6 years old.

^{2/}Grant application in response to SSA's AFDC Action Transmittal SSA-AT-82-9, July 15, 1982, pp. 18-19.

The evaluation plan calls for the random assignment of participants to experimental or control groups at each site. Evaluation hypotheses will be tested at each project site and for the whole program.

SSA's application approval set three conditions related to the evaluation. First, the evaluation plan proposed that employable recipients be assigned randomly to treatment groups (CWEP for 12 weeks, then self-directed job search) or control groups (self-directed job search only) in each of six welfare jurisdictions; SSA's approval required that the job search activity precede CWEP. Second, SSA required that the evaluation plan be modified "to ensure that there are sufficient size samples for the research design." ^{3/} Third, SSA required that the demonstration maintain the sample size and research budget for the project.

Special Federal 1115(a) project fund amount to \$75,000.

WASHINGTON

The target population for Washington's project is unassigned WIN registrants in two counties. It was approved for fiscal 1983. Its objectives are to assist recipients with little or no work skills to gain skills, determine the extent to which participants secure unsubsidized jobs, compare the participants' rate of employment with the rate for participants in other employment programs, and assess costs and benefits.

The evaluation methodology emphasizes both the process of implementation (including problems that may be encountered) and the outcomes. Outcomes will be assessed by an experimental design in which eligible participants are assigned randomly to CWEP, to another employment program, or to a no-treatment control group. SSA's approval letter requested that their assignments come after, rather than before, the job search. Data collection will include a 6-month post-program study of all clients (by a telephone or a mail survey) and repeated interviews for in-depth case studies of 40 to 50 cases.

Special Federal 1115(a) project funds amount to \$64,530, and no waivers were granted.

^{3/}Grant award letter from SSA to Virginia Department of Social Services, October 5, 1982, p. 1.

OUR RESPONSE TO HHS COMMENTS

We submitted a draft of this letter to the Department of Health and Human Services for review and comment. HHS's response described the letter as a reasonable assessment of its efforts to evaluate CWEP demonstrations. It also provided some supplemental and clarifying information, which is reflected in the text as appropriate. HHS's more general comments are attached as enclosure IV. Two of the five general comments refer to HHS's oversight on the demonstrations. The comments acknowledge that the initial group of demonstrations was not closely monitored but point out that HHS plans to insure that adequate evaluations are carried out for the second group. Another comment defends the lack of funding for the first demonstration States to evaluate their CWEP programs. In our letter, we have pointed out that because HHS failed to take any other action after declining to fund a multi-State evaluation, no information is available on these CWEP demonstrations. Another of HHS's comments concerns the status of demonstrations in Michigan and Oklahoma, reiterating information already provided in our letter.

The remaining comment questions our description of the purpose of the demonstrations. HHS describes our analysis as erroneously implying that the primary purpose of the demonstrations was "to measure the costs and benefits of operating CWEP" rather than "to develop model administrative techniques for operating CWEP." In fact, our understanding of the purpose of the demonstrations comes from the wording of HHS's solicitations for the demonstrations. Both announcements indicate that determining which administrative techniques should be adopted by other States would require assessing at least the benefits of the innovation and--depending on individual projects' goals--perhaps also the costs. The first announcement, for example, indicated that the evaluation would attempt to determine different implementation models' "relative effectiveness in accomplishing the purposes of the CWEP program." (These purposes had previously been identified as providing work experience and training that would help recipients find regular employment.) The second announcement was even more specific in requiring an evaluation of the innovative technique's success at achieving the project's goals. Each demonstration was required to define goals for that particular project, and the goals they defined usually addressed both benefits and costs of the program.

ENCLOSURE IV

ENCLOSURE IV



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Washington, D.C. 20201

JAN - 4 1983

Mr. Philip A. Bernstein
Director, Human Resources
Division
United States General
Accounting Office
Washington, D.C. 20548

Dear Mr. Bernstein:

The Secretary asked that I respond to your request for our comments on your draft of a proposed report "Evaluation of the Community Work Experience Program Demonstrations by the U.S. Department of Health and Human Services." The enclosed comments represent the tentative position of the Department and are subject to reevaluation when the final version of this report is received.

We appreciate the opportunity to comment on this draft report before its publication.

Sincerely yours,

A handwritten signature in black ink, appearing to read "R. Kusserow".

Richard P. Kusserow
Inspector General

Enclosure

COMMENTS OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES ON THE
GAO DRAFT REPORT ON EVALUATION OF THE COMMUNITY WORK EXPERIENCE
PROGRAM DEMONSTRATIONS

General

Overall, we believe that this is a reasonable assessment of our efforts to evaluate Community Work Experience Program (CWEP) demonstrations. However, we would like to take issue on several points.

First, the report suggests that when the third-party evaluation for the first set of demonstrations was cancelled, money should have been given directly to the five demonstration States to evaluate their CWEP programs. Because the availability of Special Federal Project Funds was not included in the grant announcement for the first set of demonstrations, had we then given the money directly to the original States, other States would have been denied the opportunity to apply for these funds, which would have been inconsistent with the competitive process.

Second, the report questions whether the second set of demonstrations will be implemented as proposed, because HHS did not closely monitor the initial set of demonstrations. In fact, as we explained to the GAO auditors, a decision was made to shift resources away from the initial set of demonstrations, which only involved waivers, and focus instead on the second set of demonstrations which involved Special Federal Project Funds. We have been carefully monitoring the second set of CWEP demonstrations and will ensure adequate evaluations are carried out. Site visits have been scheduled to every demonstration State in FY 83, and one has already been conducted. In addition, several States have been required to upgrade their evaluation plans.

Third, the report gives the impression that the primary purpose of the demonstrations is to measure the costs and benefits of operating CWEP and that the demonstrations are only partially fulfilling that purpose. In fact, the primary purpose is to develop model administrative techniques for operating CWEP, which can be adopted by other States.

Fourth, although Michigan and Oklahoma efforts may be loosely classed as "CWEP Demonstrations," what is being tested is not CWEP itself, but rather either certain aspects of CWEP, or broader work requirement rules. In Michigan, the State is testing the effect of several variations on the work incentive (WIN) and CWEP programs including raising the cap on work related expenses, requiring participation of single parents with children under six, and applying a different sanction. In Oklahoma, only one variable has been changed: the mandatory group for WIN and CWEP has been expanded to include single parents with children under six. Accordingly, the States' evaluations are focusing on the particular aspects of their programs that are being tested, not CWEP in general.

Fifth, the report suggests that oversight procedures could be strengthened by clearly delineating roles for the offices sharing responsibility for the CWEP and CWEP demonstrations, and by assuring that project monitoring procedures are systematic. We want to point out that:

- a. There exists presently a good working relationship on responsibilities for monitoring the CWEP grants between the two Social Security Administration (SSA) units most directly involved--its Office of Family Assistance (OFA) and Office of Policy's (OP) research arm, the Office of Research and Statistics (ORS).
- b. A standardized quarterly data reporting format is now under consideration by SSA for all CWEP sites, as part of the monitoring process.
- c. The primary tool of monitoring is the well-timed site visit. At least one site visit has been planned for each site and coordinated between SSA/OFA and SSA/ORS. Some sites may require multiple site visits but it is not clear at this time that funds can be made available for this purpose.

[GAO note: Answers to additional specific comments by HHS are reflected in the text of our letter as appropriate.]

become available is contingent, in part, on whether and in what way the proposed evaluations are implemented. For example, there has been some concern, according to SSA's Office of Family Assistance, that at least one project might not implement the evaluation as proposed because the funds that were awarded were less than those requested. Further, implementation must be done carefully if the evaluation designs are to provide conclusive answers to the effectiveness questions. Evaluations that do not, for example, use an experimental design with recipients randomly assigned to control groups are vulnerable to the criticism that something other than the CWEP experience may account for whatever benefits are observed. Nonexperimental comparisons will have to be made carefully in order to rule out alternative explanations as far as possible.

Table 3 contains our estimate of which demonstrations have evaluation plans that may provide information on policy-relevant questions. The most striking characteristic is the absence of information likely to come from the demonstrations that were active in fiscal year 1982. Four of the five States will provide no evaluation information that compares CWEP's effectiveness with having no CWEP or another CWEP model or some other AFDC work or welfare program (such as the Work Incentive Program). The projects may be able to describe how many CWEP participants obtained jobs, but they will have no way of knowing whether the same number would have obtained jobs without the CWEP.

In our opinion, this part of table 3 reflects SSA's decision not to award the third-party grant for a multi-State evaluation and, in its absence, not to require or provide funds for the States to expand their own evaluation efforts. SSA's Office of Family Assistance reported that the multi-State evaluation project was not funded because SSA decided instead to give money to the States to conduct their own evaluations. SSA did not, however, make special funds available in fiscal year 1982 to the States that were approved in response to the first solicitation for demonstrations. Instead, funds became available in fiscal 1983 and were awarded to States in response to the second solicitation for demonstrations. One CWEP active in fiscal year 1982 received section 1115(a) funds for fiscal 1983.

The recently approved demonstrations that will be active in fiscal year 1983 have not yet begun their evaluations. Our analysis of their evaluation plans, however, indicates that these CWEP's may provide information on a number of issues related to effectiveness. Given their evaluation designs, five of the six demonstrations with evaluation plans could provide information about the extent to which participation in a CWEP leads to recipients' obtaining jobs and about the cost-effectiveness of CWEP. Two other questions will be adequately addressed by two projects, and one demonstration is examining the question of improved public support for welfare. Although only two projects may provide information on differences by setting, five may provide information about differences by client group.

In summary, our analysis indicates that the HHS evaluation program has not yet produced information that can show whether workfare "works." From the first set of demonstrations, no data are yet available--and we expect little to become available--to demonstrate whether CWEP's can move recipients to unsubsidized jobs, reduce AFDC costs, remove from the welfare rolls those who are already able to find jobs, increase public support for welfare, or provide a valuable service to the community. However, if the new evaluations are implemented as planned, data may be available in the future that will provide information on these questions.

One consequence of this lack of information is that future policy discussion--whether in the legislative or the executive branch--will not be informed by the demonstrations. For example, the Congress may be asked to consider again this year (as in the past two sessions) the idea of requiring States to implement Community Work Experience Programs. Unfortunately, the fiscal year 1982 demonstrations have not provided evidence to support or refute the expectation that expanded workfare programs will affect Federal welfare costs and AFDC caseloads.

CONCLUSIONS

In order to answer your questions about evaluation of the Community Work Experience Program demonstrations by the Department of Health and Human Services, we examined the relevant legislation (section 1115(a) of the Social Security Act) and the Department's activities. We found that there is no legislative requirement that HHS evaluate or report to the Congress on CWEP demonstrations. Committee reports on the legislation do, however, imply the necessity that evaluation be used to determine which innovative programs have demonstrated success.

We also found that HHS has used different approaches in providing for the evaluation of the 11 demonstrations active in fiscal year 1982 and approved for fiscal 1983. A multi-State evaluation project was proposed initially, but it was not funded. In its absence, the States were not required to undertake, or given funds to expand, their own evaluation efforts in fiscal 1982. More recently, the Social Security Administration has approved demonstrations for fiscal 1983 that are required to have an evaluation component, and it has awarded section 1115(a) funds that may be used for any administrative purpose, including evaluation.

Oversight of the demonstrations has been accomplished through quarterly progress reports from the States and monitoring by Federal project officers. SSA told us that it is considering strengthening these procedures in fiscal 1983. Strengthened oversight procedures could make it more likely that the evaluations of these demonstrations will be successfully implemented and, thus, that sound information concerning CWEP's effectiveness can be developed from them. The characteristics of stronger oversight activities would include

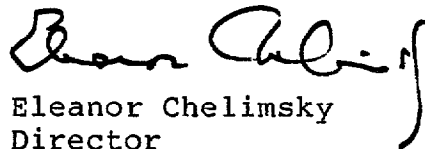
- clearly delineated roles for the offices sharing responsibility for CWEP and CWEP demonstrations,
- uniformity of data collection in quarterly progress reports and assurance that they will be submitted, and
- systematic and intensive project-monitoring procedures that will insure HHS's becoming aware of problems in implementing evaluations, so that it can provide assistance, where possible, in overcoming them.

Finally, HHS's evaluation program has not provided information on whether workfare was successful in moving recipients to unsubsidized jobs, reducing welfare costs, or meeting other program goals. Only one of the five demonstrations active in fiscal year 1982 can provide information regarding CWEP's effectiveness. As a result, future policy discussion on workfare will not be adequately informed.

Information on whether workfare "works" may be available in the future from the fiscal year 1983 demonstrations. In order for them to provide this information, however, the proposed evaluations must be implemented and the methodological integrity of their designs must be maintained.

We hope that the information we have provided in this letter will help in your oversight of workfare programs for AFDC recipients. HHS's comments and our response to them are included as enclosures III and IV. As requested by your office, distribution of this report is restricted for four days. After that time, we will send copies to the Secretary of Health and Human Services and other interested parties. Copies will also be made available to others who request them.

Sincerely yours,


Eleanor Chelimsky
Director

Enclosures - 4

CWEP DEMONSTRATION WAIVERS

States have received waivers related to three issues: requiring work as a condition of eligibility for benefits, imposing sanctions when a recipient refuses to participate in the work program, and exempting individuals from the work requirement because of the age of their children.

- Work requirement. States without an approved State plan that includes CWEP (as provided by section 409) may not make participation in a work program a condition of eligibility for AFDC in all or part of the State. New York, North Carolina, Ohio, and Virginia received waivers of this constraint. New Mexico and Pennsylvania were told they must either file amended State plans or apply for these waivers.
- Sanctions. States must remove adults refusing to participate in CWEP from the grant for 90 days for the first offense and 180 days for the second offense. For example, a grant that had been calculated for a four-person household would be recalculated as a grant for a three-person household. (This sanction is the same as that used in WIN.) Two States received waivers related to sanctions. Michigan can close an entire case under certain conditions, and New York can remove individuals from the grant calculation for a different number of days.
- Age of child. States may require the parent of a child 3 years old or older to participate in CWEP if child care is available. Michigan and Oklahoma obtained waivers to require participation by parents of children younger than 3.

CWEP DEMONSTRATIONS BY STATECALIFORNIA

The San Diego County Experimental Work Project (EWEP) was approved for fiscal year 1983. It will be operated in coordination with an existing demonstration project that has intensive job search and placement assistance components and is called the Private Sector Alternative to Welfare Dependency program, or PSA. After 3 weeks in the job search program, participants may be assigned to EWEP for up to 32 hours a week for 3 months. The program will be targeted primarily toward recipients of AFDC-UP benefits. EWEP will be tested both separately and as a component of the broader employment strategy.

The program has four objectives: to reduce AFDC caseload size and cost for the category of recipients who are required to participate, improve the public perception of welfare recipients, increase the recipients' self-reliance and self-esteem, and determine the costs and benefits of this approach.

Final decisions about the evaluation design will be made with the assistance of an independent contractor. At this point, specific criteria for judging success on each objective have been tentatively defined. It is also anticipated that participants will be assigned randomly to experimental and control groups in order to determine EWEP's effect.

Special Federal 1115(a) project funds amount to \$108,000, and no waivers have been granted.

MICHIGAN

Michigan's demonstration is a component of its WIN demonstration. The combined program is called the Employment and Training Program (ETP) and was approved in March 1982. The CWEP component of ETP replaces a previous CWEP demonstration that was approved in January 1982 but never implemented. All employable AFDC and General Assistance recipients in the State must register for ETP unless exempted by the regulations. Caseworkers assign registrants for up to 40 hours a week to one or more of three activities-- "looking" (as in participation in a job club), "working" (as in employment under CWEP), and "learning" (as in enrollment in an adult education program).

According to SSA's Office of Family Assistance, all waivers for ETP apply to CWEP participants. Waivers that have been granted allow the State to require an adult with a child as young as 6 months to participate in CWEP and to remove an entire family from the AFDC rolls for one month the second time the responsible adult refuses to participate in CWEP. The one waiver that applies only to CWEP participants is an agreement in which the Federal Government will pay 50 percent of work-expense reimbursements greater than \$25 a month.

Michigan did not propose and SSA did not request that the CWEP component of WIN be evaluated separately or that the effect of all the waivers on CWEP participants be evaluated. SSA did, however, set conditions for the approval of the increase in the \$25 work-expense allowance. One is that the cost of work expenses may average no more than \$45 a month for an average monthly total of 5,000 clients 16 to 21 years old. Another is that the evaluation methodology must contain one control group and two treatment groups. These conditions and the details of an acceptable evaluation plan are being negotiated.

There are no special Federal 1115(a) project funds.

NEW MEXICO

The objective of the Las Cruces Work Experience Project is to design, implement, and test a CWEP for 42 AFDC recipients in Las Cruces and its vicinity that will prepare them for regular employment. Approved for fiscal 1983, its emphasis will be on training, job development, and job search. Four target groups were identified, but the selection of participants will be mainly from women who have been receiving AFDC benefits for longer than 5 years and whose youngest child's age will make them ineligible within a year. Participants will be at a work site for 13 weeks. Their placement there will be evaluated at the end of 4 weeks.

No specific criteria for the program's success have been defined and its results have not been anticipated. The job developer is expected to interview each participant and obtain an oral status report from the job supervisor every 2 weeks. No evaluation plan has been presented, but one condition of the demonstration's approval for fiscal 1983 was that an acceptable evaluation plan be developed.

Special Federal 1115(a) project funds amount to \$52,850, and no waivers have been granted.

NEW YORK

New York has the only demonstration that was approved in the first group of solicitations for 1982 and then funded in the second group for fiscal 1983. The second demonstration differs from the first only in that it includes an evaluation plan that compares the CWEP results with statistics from similar districts that have no CWEP and from another employment program. The first demonstration did not include an evaluation plan because New York expected to develop one in cooperation with another evaluation project that SSA never funded.

CWEP's have been approved for 14 local districts that volunteered to participate in the demonstration. The districts are expected to differ in the way they administer CWEP and in the support services they provide. This difference is considered to be an important feature of the State's program. The program's

objectives are to offer work and training that will ease the recipients' transition to regular employment, to test the relative effectiveness of various models of CWEP in the several districts, and to test the extent to which CWEP removes from the welfare rolls employable recipients who have chosen not to participate.

Because New York did not have an amended State plan for implementing CWEP when it first applied, the demonstration's approval required waivers for making participation in a work program a condition of AFDC eligibility in some counties. The waivers also allow some counties to use sanctions other than those usually allowed in CWEP's. One sanction removes the individual from the grant calculation for 60 days for each instance of noncompliance, except that the shelter allowance is not affected. Another removes from the grant for 30, 60, and 90 days (for the first, second, and third offenses) people who refuse to participate.

Special Federal 1115(a) project funds amount to \$68,834.

NORTH CAROLINA

Approved in January 1982, North Carolina's program consists of six projects administered by counties. Its goal is to design and test an approach to help AFDC recipients enter the work force that would be feasible and cost-effective if it were used statewide.

The State received waivers that allow it to operate a CWEP without an approved State plan. The program differs from those established under the basic CWEP legislation in that all participants can be required to work the same fixed number of hours. It differs also in that an agreement to participate is a condition of eligibility not only for recipients but also for applicants, although they cannot be required to participate unless they become recipients.

The State's application for the program indicated that the demonstration would be related to four research efforts. The first is a public opinion survey on the effect workfare has on public attitudes toward welfare and welfare recipients. The second is a study of families who have lost their grants by not participating. (North Carolina applied for a waiver that would have allowed it to apply sanctions against entire families for noncompliance, but it was not granted.) The third research activity is to develop a Markov model for describing participants' progress through the various program stages. The fourth research activity is to assess the project's deterrence of welfare participation. Little information on how these efforts are to be carried out was provided in either the application or our visit to the State. It is also unclear whether all or any of the efforts will be attempted, except that the study of sanctioned families has definitely been abandoned because of the waiver's denial.

No special Federal 1115(a) project funds have been granted.

OHIO

Ohio's demonstration, approved in January 1982, is being operated by Bowling Green State University in Wood County. The Wood County Welfare Department refers all employable AFDC recipients to the project. Those who are referred are tested for job skills, placed in a 120-hour orientation program, and assigned to CWEP job sites. Ohio needed waivers because the project does not operate under an amended State plan.

The demonstration's evaluation plan was designed to describe the accomplishment of the following five activities:

- the establishment of a community work experience program for AFDC recipients in Wood County,
- the provision of a 120-hour program orientation to approximately 500 AFDC recipients,
- the placement of at least 75 percent of the program's participants in public service jobs,
- the employment of at least 30 percent of the program's participants in unsubsidized jobs within 6 to 12 months after they entered CWEP, and
- the reduction of the number of AFDC recipients in Wood County.

There are no plans for comparing these statistics on CWEP's participants with outcomes for recipients not in CWEP.

The demonstration has no special Federal 1115(a) project funds.

OKLAHOMA

Oklahoma's Work Experience Program is one component of its WIN demonstration, which is called the Employment and Training Program, and it was approved in December 1981. Caseworkers assign AFDC and General Assistance recipients to CWEP only if they believe that these people need this particular kind of work experience.

The State received a waiver for both WIN and CWEP with which it can require the parent of a child younger than 6 years old to participate in CWEP. Its waiver request included a plan to evaluate the effectiveness of requiring the participation of mothers whose children are younger than 6 years old. The intention was to demonstrate that those mothers are more employable than AFDC mothers whose children are older than 6 and also that it is more cost-effective to register all AFDC applicants (except those who meet other exemption criteria) than to omit those with young children.

No separate evaluation of the overall effectiveness of the CWEP component of the WIN demonstration is planned. Program officials expect that any data-collection focused solely on CWEP will be quite limited.

There are no special Federal 1115(a) project funds for this demonstration.

PENNSYLVANIA

The CWEP in Pennsylvania is called the Pennsylvania Community Work Experience Program: Incentives for Employment. It will be instituted in fiscal 1983 in the context of a new State-administered welfare reform program for the AFDC and General Assistance populations. In addition to the services provided by Pennsylvania's Department of Public Welfare, three other departments will have a role in CWEP. The Department of Community Affairs will develop CWEP job slots, the Department of Labor and Industry will provide work registration and employment search services, and the Department of Revenue will administer a program through which employers receive tax credits for employing CWEP participants or for providing or paying for day-care services. The demonstration was proposed as a way of answering the following questions:

"What are the advantages and disadvantages of an inter-agency approach for administration of a work registration and work experience program?

"Following participation in CWEP, are there differences in the rate of placement in gainful employment among the categorical assistance groups?

"Are CWEP participants who receive incentive payment vouchers and/or supplemental employment services and training more likely to obtain gainful employment than CWEP participants who do not receive incentive payment vouchers and supplemental services?" 1/

SSA's approval was conditional on the State's deleting from the evaluation plan all activities not related to CWEP. According to SSA's Office of Family Assistance, the meaning of that condition was to be negotiated after approval.

The evaluation plan calls for structured interviews with executives, program staff, job sponsors, and participants to address the first question. The second question will be answered by examining outcomes for different groups of CWEP recipients, but no

1/"Demonstration and Evaluation of the Pennsylvania Community Work Experience Program: Incentives for Employment," grant application in response to SSA's AFDC Action Transmittal SSA-AT-82-9, July 16, 1982, p. IV-8.

1115(a) of the Social Security Act. ^{7/} The language of section 1115(a) does not require that CWEP demonstrations be evaluated or reported on to the Congress. No other legislation applicable to CWEP requires evaluating or reporting on the demonstrations.

The committee reports indicate that the demonstrations should have the potential for increasing knowledge about how to administer programs for public welfare recipients and assist them in other ways. One report describes the legislative purpose as being to allow for "experimental projects designed to test out new ideas and ways of dealing with the problems of public welfare recipients." ^{8/} We believe, therefore, that evaluations are necessary for determining whether the 1115(a) demonstrations are successful.

HOW HAS HHS PROVIDED FOR
AND OVERSEEN THE EVALUATION
OF CWEP DEMONSTRATIONS?

SSA agrees that the legislative intent of section 1115(a) requires evaluation of the CWEP demonstrations, but it has no formal internal policy statement regarding evaluations. Instead, there is an informal expectation that some evaluation will be done for each demonstration project. HHS has used different approaches for evaluating the two groups of solicited demonstrations. We discuss each approach below.

Demonstrations active
in fiscal year 1982

SSA planned initially to award a grant for a third-party evaluation of all the demonstrations, providing within-State and between-State comparisons of different workfare models. The availability of funds for this evaluation project was announced in the solicitation for CWEP demonstrations for fiscal year 1982. The final evaluation product was to be an assessment of the "best practices" for CWEP in various settings. The specific activities of the evaluation project were

- designing models of CWEP strategies and implementation procedures for which the relative effectiveness could be tested by selected States;

^{7/}U.S. Congress, House of Representatives, Committee on Ways and Means, Public Welfare Amendments of 1962, H.R. Rep. No. 1414, 87th Cong., 2nd Sess. 24 (1962), and Social Security Amendments of 1967, H.R. Rep. No. 544, 90th Cong., 1st Sess. 112 (1967); U.S. Congress, Senate, Committee on Finance, Public Welfare Amendments of 1962, S. Rep. No. 1589, 87th Cong., 2nd Sess. 19 (1962).

^{8/}S. Rep. No. 1589, 87th Cong., 2nd Sess., 19 (1962).

- working with the States in establishing these models;
- designing, establishing, and administering data collection for
"a within-State and between-State assessment of the legal, regulatory, organizational, administrative, and socioeconomic issues and other problems encountered in attempting to implement CWEP approaches" 9/
and for a determination of what models worked best in which types of setting;
- analyzing and reporting data; and
- consulting with State and local agencies on the evaluation results as they seemed to bear on their CWEP plans.

This grant was never awarded, and funds were not made available for States to conduct their own evaluations in the absence of the multi-State project.

With respect to the two unsolicited demonstrations, SSA accepted one evaluation plan as submitted and required the second to establish an experimental design to test the proposed innovation. Each of these evaluations is limited to assessing the effect of a specific waiver. They do not test the CWEP model.

For overseeing the five States with demonstrations in fiscal year 1982, SSA has relied on quarterly progress reports from the States and on the monitoring activities of the Federal project officer. Three of these States submitted reports by the end of the year. SSA gave no instructions as to what should be in the reports, which differ in size, from one page to fifty, and in contents, some containing short tables of numbers and others including detailed narratives about progress on work plans.

A Federal project officer in the Office of Research and Statistics within SSA's Office of Policy has been responsible for monitoring each demonstration by examining the quarterly reports, calling project officials, and visiting project sites. According to this SSA office, no specific criteria have been stated for determining how often, in what way, or for what purpose the project officer should make contact with State officials. The intensity of project monitoring has differed from case to case.

Demonstrations approved
for fiscal year 1983

The 7 States awarded demonstration status for fiscal year 1983 are required to evaluate their own demonstrations. SSA

9/HHS, "Income Maintenance," pp. 30895-96.

awarded the States funds for administrative costs, including evaluation. As with the proposed evaluation project for the first group of demonstrations, the primary objective is to determine the "best practices" for operating CWEP.

Applicants for demonstration grants were required to submit innovative program designs, a description of the project's goals, and procedures for achieving these goals. They also had to submit an evaluation plan outlining the method by which they will determine the effectiveness of the techniques being demonstrated. The requirements for each State's evaluation activities are virtually identical to the evaluation activities that had been proposed for the multi-State evaluation. The major difference is that the separate State evaluations will not include any between-State comparisons of CWEP models.

For the most part, SSA approved the States' evaluation plans as submitted. Four plans were accepted with no qualifications, and minor conditions were placed on two. One State that had not submitted an evaluation plan was required to develop one before receiving final approval for the demonstration.

SSA informed us that monitoring activities for the new CWEP demonstrations may be better than those for the projects that were active in fiscal 1982. The quarterly reports may be more structured, and project-monitoring may become a joint effort of the two SSA offices now involved with the CWEP demonstrations.

WHAT ARE THE IMPLICATIONS
OF HHS'S EVALUATION PROGRAM
FOR FUTURE POLICY DECISIONS?

Workfare programs for AFDC recipients are controversial, partly because of the lack of solid information about their effectiveness. Claims and counterclaims about workfare's effectiveness continue to be made without constraint. Congressional consideration of proposals that would require States to establish CWEP's would benefit from good information on how effective the HHS demonstrations are.

Policy-relevant questions
about CWEP can be identified

SSA has stated that an objective of the CWEP demonstrations is to test the effectiveness of CWEP models by setting and, for the most recent demonstrations, by client group. ^{10/} Although SSA has not defined its criteria for determining CWEP effectiveness, we believe that the legislative language and the Administration's stated goals for CWEP are clear. Table 2 lists the goals as questions along with our estimates of the number of HHS demonstrations likely to provide information about these questions.

^{10/}HHS, "Income Maintenance," p. 30895, and "Availability," p. 2.

Table 2

The Number of Community Work Experience Program
(CWEP) Demonstrations in Fiscal Years 1982-83
That May Answer Policy-Relevant Questions a/

	<u>FY 1982</u>	<u>FY 1983</u>
1. How effective is each CWEP model compared with having no CWEP, another CWEP model, or another work or welfare program (such as the Work Incentive program)?		
a. Does participation in CWEP lead to unsubsidized jobs for AFDC recipients?	1	5
b. Does CWEP reduce the cost of AFDC?	1	5
c. Does CWEP remove people from the rolls who are already able to find jobs or deter them from applying?	0	2
d. Does CWEP increase public support for welfare?	0	1
e. Do CWEP participants give valuable service to the community that would otherwise not be provided?	0	2
2. How does the effectiveness of CWEP's differ?		
a. By setting?	0	2
b. By client group?	0	5

a/Total demonstrations in FY 1982 = 5, in FY 1983 = 7. Totals are the number of demonstrations that address the question with a research design adequate to provide conclusive information.

CWEP is described in the Omnibus Budget Reconciliation Act as a program intended to "provide work experience and training for individuals not otherwise able to obtain employment, in order to assist them to move into regular employment." ^{11/} CWEP's are intended to increase the number of AFDC recipients who obtain unsubsidized jobs after participating in CWEP (addressed in question 1(a) in table 2).

The Administration proposed in 1981 and 1982 that all States be required to implement CWEP, estimating that this would save \$135 million in fiscal year 1983. ^{12/} Thus, reducing the

^{11/}Pub. L. No. 97-35, sec. 2307(a) (to be codified at 42 U.S.C. 609).

^{12/}U.S. Congress, House of Representatives, Committee on Ways and Means, Description of the Administration's Legislative Recommendations Under the Jurisdiction of the Committee on Ways and Means (Washington, D.C.: U.S. Government Printing Office, 1982), p. 30.

cost of the AFDC program is one measure of CWEP's effectiveness (question 1(b)). CWEP has also been described as providing an incentive for AFDC recipients to find work rather than receive welfare. Requiring AFDC recipients to participate in CWEP has been proposed because "the American public is not willing to bear the burden of supporting people who can work" and CWEP may help remove them from the AFDC program (question 1(c)). 13/

Another question is whether, as the Administration has stated, CWEP leads to increased support for the welfare program by assuring the public that all who can work are doing so. Another goal for CWEP is that of providing a service of value to the community in return for welfare benefits (question 1(e)). This goal is reflected in the Administration's proposal to require States to have CWEP's in order

"to encourage AFDC recipients to find work in the private sector, to develop and maintain work skills, and to assure that they perform useful public services when no private job is available." 14/

Past demonstrations provide little information; new ones may provide more

We developed our estimates of what information CWEP's may make available in three steps. First, we identified whether each State's evaluation plan proposed to answer a specific question. Second, we analyzed the proposed research design to see if it can provide conclusive answers to that question. For inadequate designs, we defined the project as not likely to provide such information. Third, if information was available to indicate that a State no longer plans to implement that part of the evaluation, we also defined the project as unlikely to provide the information. Table 3 on the next page shows which State projects will address each of the questions in table 2 and which projects have research designs that can provide conclusive information.

It is important to stress that these estimates reflect the potential that the demonstrations have for providing conclusive information on CWEP's effectiveness. Whether information will

13/U.S. Congress, House of Representatives, Administration's Proposed Savings in Unemployment Compensation, Public Assistance, and Social Service Programs. Hearings Before the Subcommittee on Public Assistance and Unemployment Compensation of the Committee on Ways and Means, 97th Cong., 1st Sess., March 11, 12, 1981 (Washington, D.C.: U.S. Government Printing Office, 1981), p. 11.

14/Office of Management and Budget, Major Themes and Additional Budget Details, Fiscal Year 1983 (Washington, D.C.: U.S. Government Printing Office, 1982), p. 41.

Table 3

Community Work Experience Program Demonstrations by State
in Fiscal Years 1982-83 That May Address and Provide Conclusive
Information on Effectiveness Issues a/

	Effectiveness type					Effectiveness difference	
	<u>Jobs</u> 1(a)	<u>Cost</u> 1(b)	<u>Deterrence</u> 1(c)	<u>Public support</u> 1(d)	<u>Value of service</u> 1(e)	<u>By setting</u> 2(a)	<u>By client group</u> 2(b)
FY 1982							
Michigan	ia	ia					
New York	i	i	i		i		
North Carolina	i	i	i	i			
Ohio	i				i		
Oklahoma	i	i					i
FY 1983							
California b/	ia	ia		ia	ia		
New Mexico c/							
New York	ia	ia	ia		ia		ia
Pennsylvania b/	i				i	ia	ia
South Carolina	ia	ia	ia				ia
Virginia b/	ia	ia			i	ia	ia
Washington	ia	ia					ia

a/Column headings refer to the questions in table 2. Here, i = evaluation plan addresses the issue in this question and ia = evaluation plan addresses the issue and the research design is adequate to provide conclusive information.

b/In its comments on this letter, HHS indicated that these States have modified their evaluation plans. Since we have not reviewed those plans, any changes are not reflected here.

c/Evaluation plan not submitted by October 1, 1982.

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