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ABSTRACT

This hearing reviews testimony concerning H.R. 2246, the Jobs for Employable Dependent Individuals Act (JEDI). JEDI is a voluntary program whereby states receive additional funds to fight the problem of chronic welfare dependency and poverty. The bill would require the existing Job Training Partnership Act (JTPA) to target job training efforts at long-term and potentially long-term welfare recipients. States that participate would get bonuses from the federal welfare savings for placing long-term welfare recipients in unsubsidized jobs and helping them stay employed for either one, two, or three years. Testimony was presented by three expert witnesses, including representatives of the Private Industry Councils (PIC) of Philadelphia (Pennsylvania) and Toledo (Ohio), and the deputy secretary of human resources of the State of Virginia. Overall support for JEDI was expressed, but concerns included the following: (1) eligibility requirements; (2) incentive formulas; (3) health care benefits; (4) development of employment and training systems by the human services system that would compete with PIC and JTPA; (5) development of data collection systems; (6) funding for administrative costs; (7) availability of accurate cost information; (8) assurance that local organizations, PICs, and Service Delivery Areas would receive direct financial benefits; (9) sources of start-up funding; and (10) performance standards. (FMW)

HEARING ON H.R. 2246, JOBS FOR EMPLOYABLE DEPENDENT INDIVIDUALS "JEDI"

HEARING

BEFORE THE

SUBCOMMITTEE ON EMPLOYMENT OPPORTUNITIES

OF THE

COMMITTEE ON EDUCATION AND LABOR
HOUSE OF REPRESENTATIVES

ONE HUNDREDTH CONGRESS

SECOND SESSION

HEARING HELD IN WASHINGTON, DC, APRIL 20, 1988

Serial No. 100-69

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HEARING ON H.R. 2246, JOBS FOR EMPLOYABLE DEPENDENT INDIVIDUALS "JEDI"

WEDNESDAY, APRIL 20, 1988

HOUSE OF REPRESENTATIVES,
COMMITTEE ON EDUCATION AND LABOR,
SUBCOMMITTEE ON EMPLOYMENT OPPORTUNITIES,
Washington, DC.

The subcommittee met, pursuant to notice, at 1:10 p.m., in room 2257, Rayburn House Office Building, Hon. Matthew G. Martinez (chairman of the subcommittee) presiding.

Members present: Representatives Martinez, Hayes, Jontz, and Gunderson.

Staff present: Eric Jensen, staff director; David Vaughn, counsel; Mary Gardner, minority legislative associate; and Beth Buehlmann, minority education staff director.

Mr. MARTINEZ. The subcommittee will come to order.

I will ask that the witnesses come forward, and I will read my statement while the other members are arriving, and then we will start the meeting and take testimony. So, let us have Mr. Lacey, Mr. Jacks, and Ms. Silletti come forward to the table.

Let me start off by saying that today's hearing of the Subcommittee on Employment Opportunities is being held to receive testimony on H.R. 2246, the Jobs for Employable Dependent Individuals Act, which is also called "JEDI."

This bill creates a program whereby States receive additional funds to fight the problem of chronic welfare dependency and poverty. This new voluntary program would harness the existing Job Training Partnership Act to target job training efforts at long-term and potentially long-term welfare recipients. States that participate will get bonuses from the Federal welfare savings for placing long-term welfare recipients in unsubsidized jobs and helping them stay employed for either 1, 2, or 3 years.

The purpose of the bill is to rid the welfare rolls of the long-term dependents, to create an incentive toward permanent work attainment, and to create a savings to government and society through welfare reduction and newly generated revenues.

This is a concept that I and others believe can work. The companion Senate JEDI bill, S. 514, passed the Senate 99 to 0 last year. I am confident that the House will similarly see the virtues of this bold new idea, and I look forward to hearing the testimony of the witnesses today.

With that the first of the distinguished witnesses with us today is Maston J. Jacks, Deputy Secretary of Human Resources of the

Commonwealth of Virginia. We also have David Lacey, President of the Philadelphia Private Industry Council and Jean Silletti, Assistant to the President of the Toledo Private Industry Council.

We are pleased to be joined by the Honorable Charles Hayes, the great Representative from Illinois from the City of Chicago.

Mr. HAYES. The honor, Mr. Chairman, is mine.

Mr. MARTINEZ. Thank you, Charlie. We appreciate your coming in.

Let me just read one statement before we start. I would like to announce that all of your prepared statements will be entered into the record in their entirety and that if you would like to summarize, please do so.

With that I am going to begin with Ms. Silletti.

STATEMENT OF REGINA SILLETTI, ASSISTANT TO THE PRESIDENT, TOLEDO PRIVATE INDUSTRY COUNCIL

Ms. SILLETTI. Thank you, Representative Martinez.

First of all, my thanks for being given the opportunity to speak to you here today on behalf of the City of Toledo, the Lucas County Human Services Department, and Lucas County.

Welfare reform and employment and training are very much at the top of the national agenda, and, believe me, they are very much on our agenda in Toledo, Ohio. To give you a perspective as to our local situation, I would like to review very briefly the number of persons who are welfare dependent in our community.

Lucas County includes the City of Toledo, a city with a population of about 350,000 persons and about 500,000 persons in the metropolitan area. The November 1987 Lucas County Department of Human Services' caseload of ADC, Aid to Dependent Children; ADCU, Aid to Dependent Children of Unemployed Adults; and general relief cases involved 21,269 persons. The non-cash assistance food stamp caseload had an additional 17,181 persons on their rolls.

A significant fact and one troubling to us in Toledo is that in total, these statistics have not changed markedly over the past four years when our unemployment rates have changed dramatically from 8.7 percent in 1984 to 5.9 percent in 1987. Those are the November statistics from the Ohio Bureau of Employment Services.

Rather, there has been a steady increase in the ADC caseload and only modest declines in the other areas. In other words, the economic recovery that we have seen in our community has not significantly benefitted the welfare population, and that concerns us.

On the employment and training side, the Toledo Area Private Industry Council is a non-profit organization which administers the Job Training Partnership Act. Last year, PIC served over 4000 economically disadvantaged youth and adults. In 1987, the council was the recipient of the first annual State of Ohio award for the best private industry council in the State, and we are very proud of that record, as you can imagine.

We are pleased with our services and especially our services to welfare dependent individuals. Yet, we see there is much progress still to be made, and we are challenged by that.

We have worked very closely with the Human Services Departments in Wood and Lucas Counties. During 1987, 633 persons or 40 percent of our adult clients were welfare recipients. Of those, we placed 330, 52 percent, in unsubsidized jobs and the others in training related activities.

I believe this performance is a direct result from the efforts that the Private Industry Council in Toledo has made in terms of coordination with the local Human Services Department and with our board that encourages this effort, and I think you will be particularly pleased to know that in the client follow-up study—and this is an individual effort made by our Private Industry Council that goes beyond performance standards—one year after placement in a job, we follow up to see if those clients are still there, and we have found that there is an average job retention rate of 72 percent and an average wage increase of 11 percent.

I am here today to discuss four aspects of the Jobs for Employable Dependent Individuals, the JEDI bill. From our experience, these four elements are those that are most critical.

First, to truly achieve long-term success in dealing with public assistance recipients, the legislation needs to carefully target the program to those most in need. We are all aware that there are certain numbers of individuals who are on the welfare rolls, public assistance rolls, but only temporarily due to cyclical employment changes, but there are many others who are part of the chronic unemployed. My understanding is that those are the individuals we want to address in this bill.

Second, beyond strict eligibility, is the incentive formula itself. If you are serious about encouraging local employment and training programs and welfare systems to work to serve those who are the most difficult and to achieve long-term results, then reward them, please, by placing the incentive formula on a longer-term basis with most of the reward at the end of the program. Our suggestion is to provide 75 percent of the bonus in the first year, 75 percent of the bonus in the second year, and 90 percent in the third year.

A critical key in the incentive bonus will be to have the receipt of that bonus at the local level. Our job development unit is on the front line out there trying to secure job commitments. We would like them to be part of the receipt of these funds. They are the ones who are out there working to make this bill happen, to make the programs work.

Third—and I realize that it is not part of this particular bill, but I believe it is key to the long-term success of welfare reform—is to provide some health care benefits for individuals. Our suggestion is that we would support medical coverage for up to 18 months for an individual after they are placed in unsubsidized employment. This recommendation includes a needs-tested program for delivering medical support.

We know that to take an individual off of welfare rolls and for them not to have some capacity to secure health care benefits either on their own or through some Federal assistance, it will be difficult to sustain them in employment.

Last and most importantly, I believe it is essential to retain in this bill language which encourages the human services system not to develop their own employment and training system. In our opinion, the Private Industry Council and the Job Training Partnership Act around this country constitutes the ideal employment and training system for not only JEDI but for all of welfare reform.

The Private Industry Council is unique in that it is built on the collaboration of labor, business, government, and community education, and most importantly, it is performance oriented. PIC's have already demonstrated their success in employment and training programs, and they have also made an enormous investment in job training services.

In Toledo, Ohio, we have an investment of $600,000 to operate a job development unit to have five job developers and a supervisor out their daily securing job commitments. We don't want that to be lost. That is a resource as you design this legislation.

Other areas have invested substantially more than that, but this PIC is bottom-line effective, and that is what we ask you to consider in your analysis.

I believe it is in the best interest of welfare clients and for PIC's and Human Services to work to create an effective partnership, avoiding needless duplication of employment services across the country. Coordinating the human and financial resources of these organizations makes good economic sense, and it makes good management sense.

Mr. Chairman, I believe the design of the Jobs for Employable Dependent Individuals offers a unique opportunity to break the long-term welfare cycle. We want to be a part of that in Toledo, Ohio.

We recognize that the jobs projections toward the year 2000 indicate that we will have far more employment opportunities and far fewer trained individuals unless we take some serious steps now.

This concludes my comments. Again, I am appreciative of this opportunity to present the work and interests of the Toledo Private Industry Council.

[The prepared statement of Regina E. Silletti follows:]

STATEMENT BY MS. REGINA E. SILLETTI
RESEARCH/PLANNER

TOLEDO AREA PRIVATE INDUSTRY COUNCIL

On behalf of the Toledo Area Private Industry Council, Lucas County Commissioners, and Lucas County Human Services Department before

Education and Labor Committee

Subcommittee on Employment Opportunities

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TESTIMONY

Represantative Martinez and members of the subcommittee, I am Regina Silletti, Research/Planner for the Toledo Area Private Industry Council in Toledo, Ohio. I am here today representing the Private Industry Council, the Lucas County Commissioners, and the Lucas County Department of Human Services. I am pleased to be given this opportunity to appear before you, and commend you for holding hearings on the very important issues of welfare reform and employment and training. Welfare reform and employment and training are very much at the top of the national agenda. These two issues are also at the top of our local agenda in Toledo, Ohio.

To give you a perspective as to our local situation, please allow me to review the number of persons who are welfare dependent in Lucas County which includes the City of Toledo. The November, 1987 Lucas County Department of Human Services' caseload of regular aid to dependent children, ADC, aid to dependent children of unemployment adults, ADCU, and general relief cases involves 21,269 unemployed adult welfare recipients. The noncash assistance foodstamp caseload has an additional 17,181 persons listed on their rolls. A troubling fact is that in total, these statistics have not changed marketably over the last four (4) years, as would be expected with the decline in unemployment rates in Lucas County from 8.7% in 1984 to 5.9% in 1987. Rather, there has been a steady increase in the ADC category, and only modest declines in the other categories. In other words, the economic recovery in the area has not significantly benefitted welfare recipients. In our opinion, a focused employment and training program of intervention with appropriate resources is necessary to reduce this caseload.

On the employment and training side, the Toledo Area Private Industry Council is a nonprofit organization which administers the Job Training Partnership Act funds in Lucas and Wood counties and the City of Toledo. Last year PIC served over 4,000 economically disadvantaged youth and adults. In 1987, the Council was a recipient of the First Annual State of Ohio Award for the best Private Industry Council in the State. We are pleased with our employment and training efforts in the Toledo area, especially in our service to welfare clients, and yet challenged to continue to improve our performance. We have worked closely with the Human Services Departments in Wood and Lucas counties. During 1987, 633 persons or 40% of our adult clients were welfare recipients. Of those, we placed 330 (52%) in unsubsidized jobs, and the others in training related activities. I believe this performance is a direct result of the strong PIC linkages with the Human Services Departments and our diverse Board representing business, labor, education, and community agencies. I am sure you will also be pleased to know that a client follow-up study conducted by PIC one year after client job placement reveals an average job retention rate of 72% and an average wage increase of 11%.

I am here today to discuss four aspects of the Jobs for Employable Dependent Individuals (JEDI) bill. From my employment and training experience, I believe these four elements are vital to the successful transition of individuals from welfare to unsubsidized employment.

First, to truly achieve long term success in dealing with public assistance recipients, the legislation needs to carefully target the program to those most in need. Oftentimes, Human Service programs end up being short term safety nets for persons who suffer cyclical unemployment. The JEDI bill offers the opportunity to target those who are on the welfare rolls the longest and are the chronic unemployed. In that regard, it is essential to retain language in the legislation which carefully identifies eligible recipients as those persons who have been on long term welfare assistance and those who have no marketable or significant work experience. These are the hardest persons to work with since they have strong ties to the welfare system which must be broken. Many also need a total restructuring of their education and work experience before they can become productive workers in America. To accomplish this change will necessitate the delivery of intensive job preparation and occupational skills to enable the individual to become job ready, as well as an initial subsidy to employers to provide practical on the job work experience.

The second aspect of the JEDI bill which must complement strict eligibility to those most in need, is the incentive formula itself. If you are serious about encouraging local employment and training programs and welfare systems to work with the hardest to serve, and to achieve long term results, then reward them by placing the incentive formula on a longer term basis with most of the reward at the end of the program. By providing 75% of the bonus in the first year, 75%

in the second year, and 90% in the third year, the legislation begins to encourage local areas to be certain that they develop programs which have a long term effect. To simply load up the incentive bonus with most of the payment at the beginning does not encourage innovative programs aimed at long term results.

A critical key to the success of strong local programs will be the actual receipt of the incentive bonus at the local level. Understandably, the current welfare system moves from the Federal government through the State government to the local area. However, it is important that these incentive bonuses go to those program operators actually train and place the individual on unsubsidized employment. Just as America's success in the private sector has been based on rewards and innovation, it is important to provide those same rewards and innovative challenges to local service providers. I firmly believe that the best chance of addressing the employability of welfare recipients is at the local level, where providers are in touch with community needs and solutions.

Thirdly, a vital component of welfare reform which is not a part of Jobs for Employable Dependent Individuals, is the client need for longer medical coverage. If welfare reform is to be successful, it is important to protect the investment made in the employment of hard to serve individuals. This means that an individual who is placed needs the protection of longer medical coverage than is currently afforded within the Human Services system. From our perspective, it is important to provide medical coverage until the individual either earns the coverage with their employer, or until the individual earns enough money to acquire the coverage on their own. We would support medical coverage for up to 18 months for an individual after they are placed in unsubsidized employment. This recommendation includes a needs tested program for delivering the medical support.

Lastly and most importantly, I believe it is essential to retain in this bill language which encourages the Human Services system not develop their own employment and training system, but to coordinate with the employment and training programs which are already in place. In my opinion, the Private Industry Councils and JTPA around this country constitute the ideal employment and training system, for not only JEDI, but for all of Welfare Reform. The Private Industry Councils are built upon a collaboration of labor, business, government, community agencies, and education and are performance oriented.

They have already demonstrated success in employment and training programs and have made a substantial investment in job development services. In Toledo, it requires an annual budget of $600,000 to maintain the PIC Job Development Unit. Other PICs in urban areas have invested even greater amounts to design, staff, and implement job development units. These units under JTPA have over five years experience in working with the private sector. They have established their credibility in the local communities by working closely with small and large employers. The end result is that PICs are effective and efficient in securing job commitments in the private sector.

I belive that it is in the best interest of welfare clients for PICs and Human Services to create a working partnership and avoid a needless duplication of employment services across this country. Coordinating the human and financial resources of these two organizations not only makes good economic sense, but also good management sense. In my opinion, it will result in optimal services for both clients and employers.

Mr. Chairman, I believe the design of Jobs for Employable Dependent Individuals offers a unique opportunity to break the long term welfare cycle. It is an opportunity which cannot be missed. It is an opportunity for America as we look [illegible] the year 2000 and the projection of more skilled jobs, than we have skilled [illegible]rkers, to translate welfare reform into productive employment for those most in need. This concludes my remarks. I would be pleased to respond to any questions you or your Committee may have. In addition, I have provided a copy of my testimony and further background information for your use. Thank you.

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Mr. MARTINEZ. Thank you, Ms. Silletti.

When all the panelists have given their testimony, we will come back and ask questions.

Mr. Jacks?

STATEMENT OF MASTON T. JACKS, DEPUTY SECRETARY OF HUMAN RESOURCES, COMMONWEALTH OF VIRGINIA

Mr. JACKS. Thank you, Mr. Chairman.

Mr. Chairman, Congressman Hayes, ladies and gentlemen, my name is Maston T. Jacks. I am Deputy Secretary of Human Resources for the Commonwealth of Virginia.

I am very pleased to be able to represent Governor Baliles of Virginia here today and to have the opportunity to come before the subcommittee to address an issue with which both the Congress and the various states are grappling.

Virginia recognizes the importance of developing effective interventions to promote the ability of welfare recipients to become self-sufficient. We recognize the serious social and economic implications of welfare dependency.

Before addressing the specifics of the most recent substitute version of H.R. 2246, I would like to share some information with you about the welfare dependency problem in Virginia.

From 1980 to 1986, Virginia's Aid to Families with Dependent Children program, AFDC, provided direct cash assistance to 55,000 families a month. During this time, the monthly cost of the income maintenance program surpassed $13 million.

Recent data from the Virginia Department of Social Services indicate that the AFDC program currently supports approximately 58,000 families at a cost of $14.6 million per month.

It is widely acknowledged that a substantial number of these welfare recipients will leave the rolls in the coming months, and some will never return. Evidence from a national study suggests that as many as 50 percent of those receiving welfare can be expected to leave the system within two years.

However, there is a legitimate concern among public officials in Virginia that the AFDC program has become a permanent means of support for a significant number of welfare clients. As of June 1987 in Virginia, there were 17,700 welfare recipients receiving AFDC benefits who had been on assistance for at least two years.

These longer term recipients comprised 31 percent of the total welfare caseload. The majority of these recipients are minorities, have never married, and have two or more children.

Data on the education and labor market status of this population were not available. However, a recent study by the Virginia Department of Social Services Employment Services Program, ESP, which is Virginia's Title IV-C program, showed that almost 60 percent of all the welfare clients in the sample did not have a high school diploma, and only 36 percent held a job at any time during the year prior to registering for ESP.

This combination of an inadequate education, minimal work history, and dependent children represents a formidable barrier to economic mobility. Jobs which offer the wage and benefit package necessary to replace the cash and in-kind support of the welfare system are beyond the reach of many of these poorly educated, unskilled welfare recipients. Unless these clients marry (or remarry), obtain child support payments, or better prepare themselves for gainful employment, their prospects for escaping poverty and welfare are quite dim.

Another disturbing phenomenon in Virginia is the large number of teenagers who are having children. While the incidence of teenage childbearing in the state has begun to rise among all income groups, the rate is much higher and its impact substantially more damaging to the well-being of teenagers of low socioeconomic standing.

Without the support of a middle income family, the young mother must turn to the welfare system for her child's basic sustenance. Often, the burden of child rearing cause many of these teenage parents to drop out of school and forego opportunities to work.

Their participation in training programs designed to address their resulting educational and job skill deficiencies suffer because of the lack of affordable day-care services. With a limited education and no credible employment history, these young parents are at risk for developing a long-term dependency on public assistance.

Job training and other employment-related services are provided to welfare clients through the Virginia Department of Social Services' Employment Services Program and the Job Training Partnership Act, JTPA. ESP is primarily a job search program targeted solely to welfare recipients who are required to register for the program. JTPA offers a variety of employment and training activities to persons who live in poverty, including those receiving public assistance.

In both programs, funding retrenchments, broad targeting mandates, and restrictive program regulations have limited the extent to which resources can be focused on the most dependent welfare recipients, including teenage paren s. Conditions such as these have prompted us to monitor the progress of Federal initiatives to address job training and placement of long-term welfare recipients very closely.

Staff of the Governor's Employment and Training Department which is the JTPA state agency in Virginia have been in regular communication with Eric Jensen, your staff director to the subcommittee, in regard to the progress of H.R. 2246. Initially, we had several concerns which were:

First, the Virginia JTPA administrative systems, such as its management information system, follow-up, evaluation, and fiscal cost reporting system, would have to have been substantially modified to accommodate the original provisions of H.R. 2246.

Second, the proposed funding sources to mount these additional administrative responsibilities were an uncertainty. Regarding the first proposed funding source, our concern was that there would not be enough excess carry-over funds to meet the increase in administrative demands on a consistent basis or that the availability of such funds would not be early enough to allow the service delivery areas time to adequately plan for programs for the hard-to-serve for the next program year.

Although the second funding source proposed allowed States to set aside 15 percent of bonus money for administrative purposes, our forecasts indicated that it might conceivably be up to three years after program implementation before a State became eligible for the incentive bonus.

Third, we also felt that it was important to carefully consider the source of cost data which would be used as the basis for establishing performance standards for long-term welfare recipients. We felt that consideration should be given to using cost estimates from prior national evaluation studies of job training programs that have been targeted to higher-risk participants.

We were concerned that the JTPA performance standards would be unrealistic, because very few of the programs currently serve large numbers of long-term welfare recipients or provide comprehensive services for those whom they do serve. This diminishes the availability of statistically reliable information on what it costs to train and place long-term welfare recipients.

In November of 1987, staff of the Governor's Employment and Training Department received a copy of a substitute version of H.R. 2246. This version of the JEDI bill did address some of the concerns which Virginia had previously raised. The new version also raised additional concerns, however. Those concerns were, first:

The new provision which allowed states to reserve 5 to 10 percent of total bonus money to pay for additional data collections costs would provide some relief for states in their efforts to conduct the necessary evaluations to determine welfare savings. It also provides a more reliable funding base than the previously suggested de-obligation policy.

However, by restricting the Federal support for data collection and evaluation for JEDI to 5 to 10 percent of total bonus money, the bill may not have a substantial impact on smaller states like Virginia whose 5 to 10 percent of total bonus money will be small because of their smaller base. Also, those states like Virginia that use JTPA dollars only to meet the Federal reporting requirements would find the cost of mounting the necessary JEDI evaluation system to exceed the 5 to 10 percent of allowable expenditure.

Our second concern was that the new provision which allowed states to use JEDI money as a reimbursement for State money paid out during JEDI implementation would directly impact the ability of the states to implement JEDI. By allowing states to spend bonus money in advance of actual receipt of such funds, this provision would allow the legislatures to advance the necessary start-up implementation and evaluation fund.

The risk is, of course, that states will appropriate a certain amount of dollars in anticipation of a reimbursement but never receive one because of their unsuccessful programs. State legislators may, therefore, be reluctant to provide the crucial start-up dollars. We felt at the time that a Federal lump sum appropriation based on the size of a State's bonus base would be the most desirable route to follow.

Our third concern was that this version was also silent on the question of how welfare savings would be determined. There are, as you well know, several approaches for calculating welfare savings, each varying in terms of the validity and cost. Those which are the most valid are also the most costly.

We felt that final legislation or regulations should be careful to provide the necessary guidelines as to which method we should use.

In February of this year, 1988, we received a revised substitute version of H.R. 2246. This most recent version addresses the concerns that we have raised about the previous versions. We are particularly pleased with the following revisions to H.R. 2246:

First, the provision which allows states to apply for start-up costs;

Second, the relaxation of specific demands on state information and data collection systems;

Third, the option to calculate welfare savings in a way which does not place burdensome demands on existing information system configurations or evaluation efforts;

Fourth, the delay in implementing performance standards until after program activity justifies the establishment of such standards for this population.

The current version of H.R. 2246 would also provide additional attitude and funding leverage for a similar initiative soon to begin in Virginia. In his 1988–90 budget submission to the Virginia General Assembly, our Governor Baliles requested funds for an employment training demonstration program for long-term welfare recipients and teenage parents.

This demonstration program would be jointly operated by the Virginia Governor's Employment and Training Department and the Virginia Department of Social Services. Our General Assembly has approved the request, and this initiative represents the first time state funds have been appropriated for long-term employment and training interventions for this target group in Virginia.

The goal of the demonstration programs will be to provide coordinated training and services to assist long-term recipients and teenage mothers in overcoming the significant barriers to employment. Services available will include assessment and career planning; basic literacy, adult education, and GED preparation; vocational skills and customized training; and job development and placement.

An employment plan will be established for enrollees detailing the services to be provided. The program will provide or arrange for the provision of employment, training and support services, that is, transportation, day care work related expenses, which are necessary for the enrollee to achieve the goal.

After assessment and remediation, local operators will provide occupational skills training for at least 9 months in length that must prepare participants for specific jobs in high demand occupations. This activity must also be developed according to the specifications of local employers.

Local operators will provide the following work readiness activities to teen mothers who are too young to work: instruction in employer expectations and work habits, and career exploration and job search instruction.

It is expected that cash assistance will terminate for 50 percent of the welfare clients who successfully locate employment. Other support assistance may continue for a period of time, depending upon individual situations and circumstances.

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Additionally, this initiative requires that no funds may be spent at the state level for administration and very little at the local level. The idea is to tie together the expertise of the two systems, use their local infrastructures, and promote coordination between and among systems.

Hopefully, this will demonstrate the ability of both systems to come together to provide effective programming and support services for those individuals with substantial barriers to employment.

I would also like to add that even though this bill relaxes specific demands on state information and data collection systems, the need for developing an integrated reporting system is still present. As a result of our initiatives in Virginia, we will still have to examine the cost implications of an expanded data base and information sharing between or among different information systems if we expect to move beyond the demonstration stage in the future.

Some states may not be in a position at this time to accommodate these demands.

We in Virginia view JTPA as a catalyst for reexamination of various human resources delivery systems that relate to employment and training. JTPA's emphasis on a partnership between the public and private sector clearly recognizes the relationship between economic and social policy. Job training can serve to combat poverty and inequities among individuals by decreasing the demand on State services for health care, mental health services, welfare and unemployment compensation, while also increasing the tax base.

Job training can also play a role in more effectively managing state human resource positions and policies.

The JEDI bill, therefore, represents another instance where the Federal Government, in partnership with the states, is providing the opportunity for the States to exercise leadership in providing effective job training interventions for hard to serve target populations. We are acutely aware of the relationship between independence and social and economic vitality.

We also applaud the subcommittee for its leadership in this area. I appreciate the opportunity to share Virginia's thoughts with you, and we look forward to a continued dialogue as this bill reaches closure.

Thank you, Mr. Chairman.

[The prepared statement of Maston T. Jacks follows:]

TESTIMONY
Before
The House Subcommittee on Employment Opportunities
April 20, 1988
~~March 30, 1988~~

on

THE SUBSTITUTE VERSION OF H.R. 2246 (2-10-88)

"THE JOBS FOR EMPLOYABLE DEPENDENT INDIVIDUALS ACT"

By

Maston T. Jacks
Deputy Secretary of Human Resources
Commonwealth of Virginia

Good morning, Mr. Chairman, Subcommittee members, ladies and gentlemen. My name is Maston T. Jacks and I am Deputy Secretary of Human Resources for the Commonwealth of Virginia. I am very pleased to have the opportunity to come before the Subcommittee to address an issue that both the Congress and the States are grappling with. Virginia recognizes the importance of developing effective interventions to promote the ability of welfare recipients to become self-sufficient, i.e., we recognize the serious social and economic implications of welfare dependency.

Before addressing the specifics of the most recent substitute version of H.R. 2246, I would like to share some information with you about the welfare dependency problems in Virginia. From 1980 to 1986, Virginia's Aid to Families with Dependent Children Program (AFDC) provided direct cash assistance to 55,000 families a month. During this time the monthly cost of this income maintenance program surpassed $13 million. Recent data from the Virginia Department of Social Services indicate that the AFDC program currently supports approximately 58,000 families at a cost of $14.6 million per month. It is widely acknowledged that a substantial number of these welfare recipients will leave the rolls in the coming months and some will never return. Evidence from a national study suggest that as many as 50 percent of those receiving welfare can be expected to leave the system within two years.

However, there is a legitimate concern among public officials in Virginia, that the AFDC program has become a permanent means of support for a significant number of welfare clients. As of June, 1987, there were 17,700 welfare recipients receiving AFDC benefits who had been on assistance for at least two years. These longer term recipients comprised 31 percent of the total welfare caseload. The majority of these recipients are minorities, have never married, and have two or more children. Data on the education and labor market status of this population were not available. However, a recent study of the Virginia Department of Social Services Employment Services Program (ESP) which is Virginia's Title IV-C Program, showed that almost 60 percent of all the welfare clients in the sample did not have a high school diploma and only 36 percent held a job at any time during the year prior to registering for ESP.

This combination of an inadequate education, minimal work history, and dependent children represent a formidable barrier to economic mobility. Jobs which offer the wage and benefit package necessary to replace the cash and in-kind support of the welfare system are beyond the reach of many of these poorly educated, unskilled welfare recipients. Unless these clients marry (or remarry), obtain child support payments, or better prepare themselves for gainful employment, their prospects for escaping poverty and welfare are dim.

Another disturbing phenomenon in Virginia is the large number of teenagers who are having children. While the incidence of teenage childbearing in the State has begun to rise among all income groups, the rate is much higher and its impact substantially more damaging to the well-being of teenagers of low socio-economic standing. Without the support of a middle income family, the young mother must turn to the welfare system for her child's basic sustenance. Often the burden of child rearing causes many of these teenage parents to drop out of school and forego opportunities to work. Their participation in training programs designed to address their resulting educational and job skill deficiencies suffer because of the lack of affordable day-care services. With a limited education and no credible employment history these young parents are at risk for developing a long-term dependency on public assistance.

Job Training and other employment-related services are provided to welfare clients through the Virginia Department of Social Services' Employment Services Program and the Job Training Partnership Act (JTPA). ESP is primarily a job search program targeted solely to welfare recipients who are required to register for the program. JTPA offers a variety of employment and training activities to persons who live in poverty, including those receiving public assistance. In both programs, funding retrenchments, broad targeting mandates and restrictive program regulations have limited the extent to which resources can be focused on the most dependent welfare recipients, including teenage parents. Conditions such as these, have prompted us to monitor the progress of federal initiatives to address job training/placement of long-term welfare recipients, very closely.

Staff of the Governors Employment and Training Department, which is the JTPA State Agency in Virginia, have been in regular communication with Eric Jensen, Staff Director to the Subcommittee, in regard to the progress of H.R. 2246. Initially, our concerns were:

(1) The Virginia JTPA administrative systems, such as management information systems, follow-up, evaluation, and fiscal/cost reporting, would have to be substantially modified to accommodate the provisions of H.R. 2246 and

(2) The proposed funding sources to mount these additional administrative responsibilities were an uncertainty. Regarding the first proposed funding source, our concern was that there would not be enough excess carryover funds to meet the increase in administrative demands on a consistent basis or that the availability of such funds would not be early enough to allow the service delivery areas time to adequately plan for programs for the hard-to-serve for the next program year. Although the second funding source proposed allowed states to set aside 15% of bonus money for administrative purposes, our forecasts indicated that it might conceivably be three years after program implementation before a state is eligible for the incentive bonus.

(3) We also felt that it was important to carefully consider the source of cost data which would be used as the basis for establishing performance standards for long-term welfare recipients. We felt that consideration should be given to using cost estimates from prior national evaluation studies of job training programs that have been targeted to higher risk participants. We were concerned that the JTPA performance standards would be unrealistic because very few of the programs serve large numbers of long-term welfare recipients, or provide comprehensive services for those they do serve. This diminishes the availability of statistically reliable information on what it costs to train and place long-term welfare recipients.

In November, 1987, staff of the Governor's Employment and Training Department received a copy of a substitute version of HR 2246. This version of the JEDI Bill did address some of the concerns which Virginia had previously raised. The new version also raised additional concerns. Those concerns were:

(1) The new provision, which allowed states to reserve 5 to 10 percent of total bonus money to pay for additional data collection costs, would provide some

relief for states in their efforts to conduct the necessary evaluations to determine welfare savings. It also provides a more reliable funding base than the previous suggested deobligation policy. However, by restricting the federal support for data collection and evaluation for JEDI to 5 to 10 percent of total bonus money, the bill may not have a substantive impact on smaller states like Virginia whose 5 to 10 percent or total bonus money will be small, because of their smaller base. Also, those states like Virginia that use JTPA dollars only to meet the federal reporting requirements would find the cost of mounting the necessary JEDI evaluation system to exceed the 5 to 10 percent allowable expenditures.

(2) The new provision, which allowed states to use JEDI money as a reimbursement for state money paid out during JEDI implementation, would directly impact the ability of the states to implement JEDI. By allowing states to spend bonus money in advance of actual receipt of such funds, this provision would allow the legislatures to advance the necessary start-up implementation and evaluation funds. The risk is, of course, that states will appropriate a certain amount of dollars in anticipation of a reimbursement but never receive one because of unsuccessful programs. State legislators may, therefore, be reluctant to provide the crucial start-up dollars. We felt that a federal lump sum appropriation based on the size of a state's "bonus base" would be much more desirable.

(3) This version was also silent on the question of how welfare savings should be determined. There are several approaches for calculating welfare savings, each varying in terms of the validity and cost. Those which are most valid are also the most costly. We felt that final legislation or regulations should be careful to provide the necessary guidance in this area.

In February of this year, we received a revised substitute version of H.R. 2246. This most recent version addresses the concerns that we have raised about H.R. 2246. We are particularly pleased with the following revisions to H.R. 2246:

(1) The provision which allows states to apply for start-up costs.

(2) The relaxation of specific demands on state information and data collection systems.

(3) The option to calculate welfare savings in a way which does not place burdensome demands on existing information system configurations or evaluation efforts.

(4) The delay in implementing performance standards, until after program activity justifies the establishment of such standards for this population.

The current version of H.R. 2246 would also provide additional latitude and funding leverage for a similar initiative soon to begin in Virginia. In his 1988-90 budget submission to the General Assembly, Governor Baliles requested funds for an employment/training demonstration program for long-term welfaro recipients and teenage parents. This demonstration program would be jointly operated by the Governor's Employment and Training Department and the Virginia Department of Social Services. The General Assembly has approved the request and this initiative represents the first time state funds have been appropriated for long-term employment and training interventions for this target group in Virginia.

The goal of the demonstration programs will be to provide coordinated training and services to assist long-term recipients and teenage mothers in overcoming the significant barriers to employment. Services available will include: assessment and career planning; basic literacy, adult education, and GED preparation; vocational skills and customized training; and job development and placement. An employment plan will be established for enrollees detailing the services to be provided. The program will provide or arrange for the provision of employment, training and support services (i.e., transportation, daycare, work related expenses) necessary for the enrollee to achieve the goal.

After assessment and remediation, local operators will provide occupational skills training at least 9 months in length that must prepare participants for specific jobs in high demand occupations. This activity must also be developed according to the specifications of local employers. Local operators will provide the following work readiness activities to teen mothers who are too young to work: instruction in employer expectations and work habits, career exploration and job search instruction. It is expected that cash assistance will terminate for 50 percent of the welfare clients who successfully locate employment. Other support assistance may continue for a period of time depending upon individual situations and circumstances.

Additionally, this initiative requires that no funds may be spent at the state level for Administration and very little at the local level. The idea is to tie together the expertise of two systems, use their local infrastructures, promote coordination between and among systems. Hopefully this will demonstrate the ability of both systems to come together to provide effective programming and support services for those individuals with substantial barriers to employment.

I would like to add that even though this bill relaxes specific demands on state information/data collection systems, the need for developing an integrated reporting system is still present. As a result of our initiatives, we in Virginia will still have to examine the cost implications of an expanded data bases and information sharing between/among different information systems, if we expect to move beyond the demonstration stage in the future. Some states may not be in a position at this time to accommodate these demands.

We in Virginia view JTPA as a catalyst for re-examination of various human resources delivery systems that relate to employment and training. JTPA's emphasis on a partnership between the public and private sector clearly recognizes the relationship between economic and social policy. Job training can serve to combat poverty and inequities among individuals, by decreasing the demand on state services for health care, mental health services, welfare and unemployment compensation, while also increasing the tax base. Job training can also play a role in more effectively managing state level human resources policies.

The JEDI bill therefore represents another instance where the federal government, in partnership with the states, is providing the opportunity for the states to exercise leadership in providing effective job training interventions for hard-to-serve target populations. We are acutely aware of the relationship between independency and social and economic vitality. We also applaud the Subcommittee for its leadership in this area. I appreciate the opportunity to share my thoughts with you and we look forward to continued dialogue as this bill reaches closure.

Thank you.

Mr. MARTINEZ. Thank you very much, Mr. Jacks.
With that, we will go to Mr. Lacey.

STATEMENT OF DAVID LACEY, PRESIDENT, PHILADELPHIA PRIVATE INDUSTRY COUNCIL

Mr. LACEY. Chairman Martinez and members of the House subcommittee, I am pleased to testify this afternoon on the House version of H.R. 2246 entitled "Jobs for Employable Dependent Individuals." In my testimony, I would like to present examples from our work at the Philadelphia Private Industry Council as well as a perspective of that work which has a bearing on the purposes of this JEDI bill.

First, a bit of background on the Philadelphia Private Industry Council.

We view ourselves as an employment and training organization which has two major customers, the trainees and our employers. We set ourselves up in a position to be a training base bridge which connects motivated interested people with employers who are interested in productive, effective people for their businesses.

In the current year, 1987–88, we are in the process of distributing $26.5 million for the purposes of employment and training work in Philadelphia. Of 28 SDA's in Pennsylvania, we have met or exceeded all seven performance standards and, last year, ranked number one in the state on four of the seven.

This past year, we placed almost 5,300 people in permanent, full-time employment at an average hourly wage of $6.30 per hour with a placement rate of 84 percent. Of that number in terms of total placements, approximately 70 percent were adult welfare recipients.

Given our successful placement rate, particularly with welfare recipients, as well as a customer group of 250,000 adult welfare recipients in Philadelphia, the PIC is very interested in the proposed JEDI bill. If passed, JEDI will recognize and reward successful efforts to prepare welfare recipients for permanent employment.

In short, we favor JEDI because it will provide us with an additional financial capacity as well as an operational capacity to work effectively with long-term adult welfare recipients. We have estimated that the JEDI bill will provide the Philadelphia PIC with a projected increase of $3.1 million in funding.

There are four issues, we believe, which affect the overall effectiveness of the JEDI legislation, and I would like to address those now:

First, a structure which ensures that local organizations, PIC's and SDA's, benefit directly from the legislation.

Today, we face an operational dilemma, that is, we are asked to do more for our clients with fewer dollars. In 1975, Philadelphia received $250 million for employment and training work. In 1980, it was $125 million, and in 1985, it was $20 million.

Over that decade, the actual reduction in Federal monies for employment and training work decreased by 93 percent. However, even with that decrease, we now face a situation where we are asked to do more with the available Federal dollars.

We favor the JEDI legislation, because it will represent a capacity to effectively distribute bonus dollars directly to local organizations to do employment and training work on behalf of long-term welfare recipients. We also support capping the state's administrative fee at 5 percent, the same standard under which we currently have the JTPA monies.

A second issue is the initial funding commitment of $5 million. I believe that this initial pool of funds will create an incentive among PIC's and SDA's to participate in this effort. JEDI's ongoing funding, I believe, must come from the presumed savings in welfare payments and not be carved out of the already limited resources under JTPA.

The third issue is that the House version of JEDI contains a very important element, voluntary participation. That provision must be retained when the final bill is written and then voted on.

Voluntary participation will encourage cities or areas of this country with large welfare populations to invest more funds in programs for individuals with severe and long-standing barriers to employment. It will not penalize PIC's or SDA's which are not interested.

If participation is mandatory, more funds will be expended simply to do the administrative paperwork and get organized to do it. In short, voluntary means here more cost effective delivery of services and programs.

Finally, performance standards specific to the bonus fund must be established for the targeted welfare recipient. These performance standards must take into account the cost, the types of comprehensive programming, and the length of time to prepare welfare recipients with long-standing and severe skill deficits for permanent employment

For Philadelphia, our costs will increase from approximately $4700 per participant to between $10,000 to $13,000 per placement. The length of time would increase from our normal 16 weeks to 14 to 24 months.

Finally, with longer programs, we are likely to experience a higher drop-out rate.

We at the Philadelphia PIC want to serve more people and prepare them for work and, over the longer term, ensure that they will be equipped to take care of themselves and their families. However, we must have a separate funding stream for these people, because they have unique needs as our customers.

With JEDI, we can and will serve more people, but it needs its own funding source. Bonuses will provide sufficient incentives for PIC's and SDA's with large welfare populations to do the work.

As a final comment, JEDI has the advantage of looking at welfare recipients with long-standing and severe skill deficits as an important group of customers with unique needs. This kind of customer orientation makes it possible to differentiate the kinds of programs and services needed by JEDI's target group from those required, for example, by laid-off workers at a manufacturing plant.

In conclusion, I thank Chairman Martinez and members of the committee for this opportunity to testify, and I am prepared to answer any questions.

[The prepared statement of David W. Lacey follows:]

STATEMENT OF DAVID W. LACEY
— PRESIDENT AND CHIEF EXECUTIVE OFFICER
OF THE PRIVATE INDUSTRY COUNCIL OF PHILADELPHIA, INC.
BEFORE THE HOUSE EDUCATION AND LABOR SUBCOMMITTEE
ON EMPLOYMENT OPPORTUNITIES

Good morning Mr. Chairman and Members of the Subcommittee:

I am David W. Lacey, President and CEO of the Private Industry Council of Philadelphia, Inc. The Private Industry Council of Philadelphia is the administrative entity for the Philadelphia service delivery area.

I am pleased to be here today to testify before you on the Substitute Amendment to H.R. 2246, "The Jobs for Employable Dependent Individuals Act" and our efforts in Philadelphia to provide a comprehensive approach to training and employment for welfare recipients.

I will begin my testimony by commending the Chairman, Representative Martinez, and other Committee members for addressing the significant employment problems of welfare recipients and compliment you on the proposed JEDI bill which recognizes and rewards successful efforts in training and placing welfare recipients. Further, the House version of the JEDI bill is much improved over the Senate's both in its language and concept.

We at the Philadelphia PIC favor this legislation, because it has the potential of providing us with additional financial resources and more operational capacity to train and place welfare recipients in permanent, unsubsidized jobs. Today the Philadelphia PIC delivers training and employment programs/services to a large welfare population requiring comprehensive job training programs and support services. For example, 35% of the Philadelphia population is economically disadvantaged; and over 70% of the Private Industry Council's trainees are welfare recipients, compared to a national JTPA average of 40% (cited in the study by the National Commission on Employment Policy).

We are very proud of our accomplishments in providing permanent, unsubsidized employment for welfare recipients. In fiscal year 1987 alone, we placed 80% of the welfare recipients enrolled in our programs in permanent, unsubsidized jobs. Further, our entered employment rate is 84%, well above the national average. Therefore, we have established a delivery system through which more than 8 of every 10 people enrolled are trained well and successfully placed. In short, our welfare clients can now count on the payoff of a job with an average hourly wage of $6.30.

Given our sustained record of success with welfare recipients, we will gain more income from the JEDI bill. According to our estimates, we could generate an additional $2.9 million in funding from placing AFDC recipients in permanent jobs; and approximately $200,000 more from placing SSI recipients. This funding increase of $3.1 million (see Attachment A) represents an increase of 11.6% over our 1987-88 operating budget of $26.2 million.

My testimony today will address four issues which I think are crucial to the JEDI bill's ultimate effectiveness:

1. A Structure which assures that the local delivery organizations (PICs and SDAs) benefit directly;
2. An upfront funding commitment of $5 million;

3. Voluntary participation by local PICs and SDAs; and
4. Independent performance standards for JEDI bonus dollars, which are different from our normal JTPA performance requirements.

I will now highlight the reasons why these four issues are so important in the JEDI legislation and to us at the local operating level.

First, a structure which directly benefits local PICs and SDAs. The timing on this legislation is particularly opportune. Philadelphia's over-all unemployment rate continues to decline; and, given its importance and weight in the federal allocation formula, Philadelphia will receive less JTPA funds this year. We are facing an operational dilemma: How do we continue to provide the comprehensive programs and support services required by the large welfare population the Philadelphia PIC serves with less funds?

Given our success in training and placing welfare recipients in permanent, unsubsidized jobs, we are well positioned to benefit from this bill. We particularly favor the structure recommended in the House bill, because it insures that the local service delivery areas (PICs and SDAs) will benefit directly from their hard work on behalf of the target clients. It is important, in my opinion, that the local delivery organizations which do the actual work of recruiting, training, employing and tracking (with the associated administrative paperwork) be the beneficiaries of the bonus dollars. This incentive will cause more future initiatives to help welfare recipients, while rewarding successful past efforts in this area. Also, I agree that the states should be limited to the standard 5% administrative fee, now available through JTPA, for distribution of JEDI bonus funds.

Second, I have some concerns about the funding for this program. I favor the set aside of $5 million, because it will encourage participation among PICs and SDAs.

However, the proposed JEDI legislation needs to insure that on-going funding be distributed from the pool of money where the welfare savings have occurred. Under no circumstances should the JEDI program be funded through JTPA, which has an already limited pool of resources.

Third, a significant change in the House version is its voluntary participation. Although the information and data collection requirements have been simplified, the JEDI program will demand substantial administrative paperwork. Therefore, voluntary participation at the local operating level is extremely important, because it will encourage those cities or areas with a large welfare population to participate and save those geographical areas which do not have a large welfare population the additional administrative time and expenditures.

Fourth, we recommend that performance standards specific to this bonus fund be established for the targeted welfare recipient population. We concur that the bonus dollars should be spent on welfare recipients. However, it should be noted that the costs of serving this targeted population are higher because of the comprehensive programming required to prepare welfare recipients (with significant skill deficits) for permanent employment. Also, the costs of preparing people for work will continue to increase because employers today require a minimum competency at 8th grade level; and by the mid-nineties that entry level hiring requirement will be at 12th grade and even higher for professional services.

For the Philadelphia PIC, the average cost of training and placing an individual in a permanent, unsubsidized job is $4,743 per person employed. The typical skills training program is 12 to 16 weeks in length and includes a minimum of 100 hours of basic skills. To meet employers hiring requirements, our trainees must have an 8th grade reading level, 7th grade math level, and a similar level of oral and written communication skills at the end of their training.

However, from our experience in training and placing welfare recipients, we know that basic education and work preparation components must be added to most training programs for longer-term welfare recipients. In Philadelphia, over one-third of our total population or 500,000 people are functionally illiterate. That means that 39.4% of our City's residents cannot complete a job application or read a story to their children.

Adding additional components, such as those cited above, to our typical training and placement programs would increase the cost-per-participant from $4,743 per placement to $10,000 to $13,000 per placement. The length of training time for welfare recipients would increase from 16 weeks to 14 months to 2 years.

In summary, the multiple effects of doubling our cost-per-trainee, a three to five-fold increase in training time, a higher drop-out rate, a 50% reduction in service level and a lower entered employment rate on our Title IIA funding, make changes in our mix of trainees a very problematic issue. We want to extend our reach and serve more people. However, in my opinion, a welfare population with severe skill deficits requires more targeted funding and cannot be served adequately at the expense of our current performance and funding levels.

As a final comment, the JEDI bill must include evaluation criteria to judge the effectiveness and ultimate success of this publicly-funded program. I have been a visible proponent of performance-oriented goals and accountability in publicly-funded programs such as JTPA since taking over the leadership of the Private Industry Council of Philadelphia over three years ago. The performance standards set for JEDI must take into account the realistic needs of a welfare population with severe skill deficits in determining goals and objectives for bonus funds such as JEDI. Once the performance standards are agreed to and incorporated into the proposed legislation, Congress can, then, evaluate the bill's effectiveness on a predictable schedule - annually or otherwise.

In conclusion, I would like to take this opportunity to thank you, Mr. Chairman and the Committee, for proposing JEDI, and urge you to continue working for its passage.

Attachment A

FINANCIAL ANALYSIS/EFFECTS OF JEDI ON THE PHILADELPHIA PRIVATE INDUSTRY COUNCIL

In fiscal year 1987, the Private Industry Council placed:

1,213	AFDC placements (Federal gov't provides 57% of AFDC funds)
48	SSI placements (Federal gov't provides 100% of SSI funds)

Calculation of Proposed Benefits Under Jedi

A. AFDC

1,213	(number of AFDC recipients placed by the Philadelphia PIC)
x 5,688	(average AFDC yearly income for family of four)
$6,899,544	
x .57	(federal contribution to AFDC)
$3,932,740	
x .75	(bonus base for PICs/SDAs)
$2,949,555	PIC's bonus for placement of AFDC recipients

B. SSI

5,688	(average SSI yearly income for family of four)
x 48	(number of SSI recipients placed by the Philadelphia PIC)
$273,024	
x .75	(bonus base for PICs/SDAs)
$204,768	PIC's bonus for placement of SSI recipients

C. TOTAL

$2,949,555	AFDC bonus
+ 204,768	SSI bonus
$3,154,323	Total PIC bonus under proposed JEDI legislation

Mr. MARTINEZ. Thank you very much, Mr. Lacey.

Let me take this opportunity to introduce two of the members who have joined us, Jim Jontz and the ranking minority member of the committee, Steve Gunderson.

Let me begin by saying that many of the points raised in the testimony have been addressed in the final version of the bill. This inclusion is a result of the early and constant communication between the staff director and the State of Virginia.

We are grateful for that help with the difficult task of trying to serve a group that is very difficult to serve.

One of the things we have done in the process is meet with some of the PIC's. We went out to Los Angeles and met with a private industry council which did not initially support the concept or the bill. But we met with them and as we discussed it, that council did some figuring and were quite surprised at the money which would come back to them.

The Supervisors of the County of Los Angeles decided early on that they would use all of their money from the JTPA program to take all of the welfare recipients off the welfare rolls. Los Angeles realized what a drain the welfare recipient was on the total economy and made efforts to serve welfare recipients.

The trouble is that not enough States and not enough cities have recognized it. Those that have done it, as in your case, Mr. Lacey, are to be commended, because you have realized that these people can provide for themselves that self-sufficiency and self-dependency that they really need to keep themselves off of welfare.

In my area, we have known for a long time that there are families that become welfare recipients for two, three, and four generations because of all the situations that you have all described in your testimonies. It becomes a point of hopelessness. It becomes a way of life to which they can't see any out.

Most welfare recipients with whom I have spoken have told me that if there was an alternative—if there was a way out where for a transition period they would not lose all the non-cash benefits that they receive while they are on welfare—they would leave welfare. Many of them are not there because they want to be there but because they have no other choice.

In that regard, let me ask you how the program that the Governor is implementing differs from JEDI, or does it?

Mr. JACKS. We think it is very complimentary with JEDI. We have developed it to try to be as complimentary as possible. We intend to follow mainly the same kind of principles that are now incorporated in H.R. 2246, I would think the most relevant of which is that we are trying to minimize any money for administrative funding at the state and local level. We want to see as much of the money go to serving the hard-core population.

I think we, as many states, have been guilty of—not by intention but by necessity—sometimes dealing with the easiest person to place. This particular program has been designed to force our PIC's and to enable them to deal with the hard-core group.

So, in response to your question, Mr. Chairman, I would say the two greatest similarities are that it is intended to target the same population and it is intended to minimize the amount of funding that would go to administrative activity.

Mr. MARTINEZ. Since JEDI is a voluntary program, what would you say to other States that would wonder whether they should participate.

Mr. JACKS. We have seen and convinced our General Assembly that this is not simply a Federal program but that this should also be a State program, and the JTPA, while it got our state into a new area of activity, it is one that the State should now pick up the ball and run with. We are thus putting state funds into the program for the first time rather than simply using JTPA funds for this employment and training activity.

I would very much encourage other States to develop their own programs that are complimentary to JTPA, that take it a step further, and that put a particular spin on it that serves the State's unique needs. We have found that we can build on JTPA from Virginia's own perspective going in the same direction JTPA has gone.

We are quite pleased that this is not simply going to be perceived as a Federal program operating at the state and local level, but we have also put our own money into it. So, I would encourage any other state to go in the same direction.

Mr. MARTINEZ. Thank you, Mr. Jacks.

Ms. Silletti, you made a point in your testimony that I think some people tend to not understand: that even though the unemployment rate has dropped, there are still more people living below the poverty level and, as a result, there are more people on welfare. Your statistics from your area give us a very good indication of that.

This really leads to the conclusion that there is a great need for something like this.

Ms. SILLETTI. That some sort of intervention policy that is focusing on this population is, I believe, the only direct way we are going to have some real positive long-term effects. As Mr. Jacks and Mr. Lacey indicated, this is a population with special needs, and we have to address those to indicate from the customer perspective that if we are not aware of what it is going to take to alter that lifestyle, then we are not going to make the difference.

So, I think a bottom-line awareness of what the needs are and then trying to design programs that try to identify those and secure changes is the only direction to go.

Mr. MARTINEZ. One of the four points that you made concerned medical coverage. We don't cover that in our bill. But it is covered in the Welfare Reform bill.

Ms. SILLETTI. I understand.

Mr. MARTINEZ. But I do recognize that medical coverage, along with day care for children, is an important element of allowing these people to participate in this program.

Ms. SILLETTI. I appreciate your consideration of that element, because I think once you make the investment—and we have found already in placing some welfare dependent individuals in jobs, we cannot retain them in those positions because of the absence of medical benefits. As soon as they get in trouble and have that need, they are going to go back to a welfare status.

Mr. MARTINEZ. Your particular PIC is to be commended for targeting those kinds of people already and really going about an aggressive program to try to change the lives of some of these people.

However, we have heard from some people that urging long-term placement would be rather hard on PIC's.

What is your response to that?

Ms. SILLETTI. I think the question is in terms of the performance standards. If you have an aggregate of individuals that you are serving, if you have one category of individuals that you are serving that have special needs and special difficulties, they could impact your performance standards.

I certainly would concur that we don't want to have PIC's who are working hard to accomplish the task have some difficulty and feel that they are less than successful in terms of performance standards when, indeed, they are making a difference in the lives of these individuals.

So, I don't believe they should be penalized, and perhaps a separate standard that would identify and recognize the difficulty in serving welfare recipients, that more services, more comprehensive services, and larger amounts of dollars perhaps are going to have to be extended should recognize that in performance standards.

Mr. MARTINEZ. That is one thing that the Los Angeles PIC also brought up. It does cost more to serve these people. It actually costs more to recruit and pull them into the system, and a greater effort has to be made. And because many of these people have no job skills at all, there are other considerations that have to go into preparing them for that long-term employment.

They gave some estimates of that portion of the target population they are serving and how much more it costs than the national average, but they did not address changing the performance standards.

Now I am wondering whether that was an additional, but unstated if in the backs of their minds that wasn't concern of theirs, because it has been brought up several times since then.

Mr. Lacey, why don't you just touch lightly on the performance standards and the changes you would like to see in it?

Mr. LACEY. Well, I think in terms of the performance standards, I think those standards need to recognize the fact that this group of individuals will take longer to be prepared to go to work and that separate performance standards need to be developed which would address that.

I think, in addition, as long as PIC's can look at the customers they are trying to serve from a composite standpoint, that is, when we serve people who are laid off from plant closings to the homeless to welfare recipients to drop-out youth, and each one of those groups has different standards and different expectations in terms of entering employment.

However, when we total up all the efforts we have underway, our composite placement index varies between 75 and 80 percent, but the performance standard for a group of homeless people which now numbers about 200 in our programs would have a placement expectation there of about 20 percent compared to some other groups where the placement standard is up in the low or mid-80's.

So, I think that the placement standard needs to take into account really the starting point for the individual we are trying to serve. As an example, about a year and a half ago, we looked at how long it would take and at what cost to prepare somebody who had a third grade level of functional skills, that is, what a person could do in terms of reading, writing, and English language skills as well a math.

We estimated that it would take somewhere between 22 and 27 months and a cost of $30,000 per person to adequately prepare them for the types of jobs in the Philadelphia labor market.

Now, we have a somewhat unique situation in that 8 out of every 10 jobs in our labor market falls in the category of services. I am not talking about hamburger flippers. I am talking about communications, data operations, administrative support services, and the employers are asking that their new hires have basic skills at an eighth grade level.

So, in order to meet the hiring requirements, we need to be in a position to prepare people and take that amount of time to develop skills that match the hiring standards.

Mr. MARTINEZ. Thank you.

Mr. Gunderson?

Mr. GUNDERSON. Thank you, Mr. Chairman.

I thank all of you for your testimony, and those that I didn't hear in person I have had a chance to read, and I have some particular comments.

All of you, I guess, indicate your strong support for the PIC and for the Job Training Partnership Act in general. In particular, Ms. Silletti, I agree with you that we should use this as the training program; let's not set up a new program in our Health and Human Services areas.

I want to direct a particular question to Mr. Lacey, but before I do so, I would like each of you to comment on a key question that we all struggle with in the JEDI program, that is, whether or not there will be an adequate tracking system in place to determine whether or not placement does occur and is sustained for three years.

Do you people believe that you either have or would be able to develop the system that would allow you to effectively use the JEDI rewards and bonuses? If you do, you will notice that in the language in the re-write, we are focused pretty much on just telling the Secretary to develop that kind of a tracking system. Do you have any input that you think we ought to consider in the legislation?

Ms. SILLETTI. I would just indicate that in the client follow-up study which I referenced in the testimony, that is one year after placement. That is a challenge for us to do, but we did it, and we had about an 85 percent response rate. So, we are going to miss 15 percent perhaps that is out there.

We did that by primarily working with the client, finding out— we had very aggressive pursuit strategies. If you know survey research, you have to accomplish that to find out where these people are, if they are still employed, and you keep going to friends and neighbors and use a variety of strategies.

However, you can find out if you don't have high mobility patterns in your particular community. That would be the one issue if you have to track people beyond a city or beyond a state. That would become very difficult.

We were successful one year out, but I think you need some interim measures so that you are working with that individual throughout the year. You can't wait for a one-year period or a two-year period and then try to find out if they are still employed and subsequent materials.

So, it will take a lot of effort, but I think it is achievable.

Mr. MARTINEZ. Would the gentleman yield for a minute?

Mr. GUNDERSON. Yes.

Mr. MARTINEZ. We have the same problem in Job Corps that many of the recipients of Job Corps don't go back to the area from which they originated but instead go to where the labor market is located. Still we have been able to track them.

You are right. It does take an effort, but it can be done.

Mr. LACEY. Representative Gunderson, we have had some promising discussions with our local job service using a person's social security number and getting a release from a participant in a program to do extensive tracking over a one-year period so that we can followup on the employment of individuals once they leave the programs.

I would also say that our experience has been that we can develop appropriate tracking systems at a local level rather than utilizing larger scale systems. I think if it is an option which a local PIC or SDA can create for itself, I think you get a far better outcome both in terms of the scope of the follow up as well as the cost effectiveness of putting it in place.

Mr. GUNDERSON. Let me just interrupt at this point because I think two of you indicated some of the potential problems I see. I am Mr. Local Control, and I will give you as many local options as I can, but I am not sure how we can determine and carry out a Federal reward bonus system based on every local entity determining their own tracking system. I think that presents some problems.

I also wanted to comment at this point on something that you brought up that in the one year where there were 15 percent of the people you couldn't find—what would you do? Would we count them as working or count them as unworking?

Ms. SILLETTI. Definitely working.

Mr. GUNDERSON. Yes, but you can begin to see the problem.

I am pursuing this because we need help if we are going to develop this legislation in a way that is implementable in a reasonable fashion.

Mr. Jacks?

Mr. JACKS. Mr. Gunderson, I would say that from Virginia's perspective, we are comfortable with the evaluation mechanism for success of the program, that is, applied in the way that H.R. 2246 is currently structured. It appears, however, that it is certainly not the most technically accurate method of evaluating to what extent JEDI will have a real successful impact on the lives of the individuals that we are trying to assist.

We realize that the method that the bill would imply that we use is the gross effect test where the State would look at its pre-and post-cash welfare payments and make a determination of what its bonus payment would be based simply on what its savings are in terms of cash welfare payments. Of course, what that doesn't take into account is the natural turnover on the welfare rolls that occurs, because during the period of time that the law is in effect, many of the people on the welfare rolls, naturally, would tend to come off it.

To really have an accurate method of determining what real effect it has had and what real success the States are having and local PIC's are having in intervening in these individuals' lives, you are going to need a net effect test where you have a control group that has no participation or access to JEDI activities and another group that is able to participate in JEDI, and then you compare what the real savings over periods of time for those two groups are.

That is, however, the most technically complex and administratively expensive mechanism. We aren't anxious to employ that kind of mechanism or to put more of the money for JEDI into the administration of the program. We really want to see it go into the services to the individuals.

So, I would say, in answer to your question, that I think the system that is in the bill at the present time is adequate. It is not the best system, but we think it is the appropriate one to ensure that the vast majority of the funding that you make available to States and local PIC's will go to the services to the individuals and not to administration.

Mr. GUNDERSON. Let me ask one final question, and both you and Mr. Lacey have prompted this one with your comments regarding the funding issue. A track that we have chosen in a couple of other human service and education areas is that before a new provision goes into effect, you have to fully fund the old one, and then any new appropriations above and beyond that are allowed.

I guess I would ask if that same criteria should apply with regard to JTPA. Should we say that first we must fully fund JTPA before funding the JEDI program, or should we take money out of the basic program to implement JEDI?

Mr. MARTINEZ. Let me interrupt you right there, because——

Mr. GUNDERSON. That is not that he doesn't want to hear your answer.

Mr. MARTINEZ. No, we will listen to their answer, but we should qualify your question.

Mr. GUNDERSON. I didn't qualify yours.

Mr. MARTINEZ. The program doesn't operate in the way your question suggest. The program is funded by welfare money saved by the Federal Government, not an appropriation. There is no new money in the program except for up-front seed money which was suggested by many of the witnesses we have heard.

Mr. GUNDERSON. Thank you.

Mr. MARTINEZ. Go ahead.

Mr. GUNDERSON. Go ahead.

Mr. LACEY. I think that, Representative Gunderson, if we are going to have to take a vote on this, my vote would be that JEDI would have its own independent source of funding above and beyond what the current JTPA funding is, because I think that, as a practical matter, the individuals who would be affected by JEDI have a unique set of needs and represent a different group of customers.

I think we need to step up realistically to the fact that it will cost more to prepare these individuals to go to work on a permanent basis, and to the extent that JTPA would be carved up either for this purpose or for other purposes, then I think over a period of time, you would end up with a series of single-focus groups carving up the JTPA appropriations.

Mr. JACKS. Mr. Gunderson, I agree. I am not anxious to see JTPA cannibalized for JEDI, but I don't think that the bill requires that to happen at the present time. We are very pleased that the current structure of the legislation allows for States to receive up to $5 million in start-up implementation costs which the subcommittee has provided in its current version of the bill and really does take care of that problem for us and, I think, for most states, in that we will have up-front money, and we aren't going to be required to rob Peter to pay Paul.

So, I think it is a method in the current structure of the bill we can live with very well.

Ms. SILLETTI. Let me just indicate that in our Toledo PIC, we believe we are maximizing the dollars that are under JTPA for the best service we can provide at this point in time to human services clients. We served 633 over the past year, 40 percent of our adult population.

Yet, we know there are still 21,000 people on the welfare rolls in our community. So, with a real directed, intentional, coordinated effort, we still don't have the dollars for the OJT contracts for the intensive training. It is just not there, and we have other critical elements in our community as well that need services under JTPA.

So, again, it is a matter of structuring, and you want an organization as lean as possible, and we agree with that, but we recognize the special needs of this population, and additional dollars do need to be forthcoming.

Mr. GUNDERSON. Thank you.

Thank you, Mr. Chairman.

Mr. MARTINEZ. Thank you, Mr. Gunderson.

Let me reemphasize that the $5 million is available for those states that would participate, not for every state. Not every state is going to participate. If every state did, it would be $100,000 per State.

My point is that there will be an appropriation for the start-up money, period, but no money is going to come out of current JTPA programs.

Mr. Hayes?

Mr. HAYES. What is the approximate ratio of unemployment in your respective areas? You mentioned 17,000 on welfare rolls. What is that in terms of the percentage of the people who are out of work?

Ms. SILLETTI. We have a 6.2 percent unemployment rate. We have been at 7, 8, 9, or 10 over the past number of years. We have never seen some of the 3 and 4 percent unemployment rates of other communities.

The welfare rate percentage is figured on right now about 17,000 persons, but, again, that rate, since there are some inequities in that percentage, it is only those who are actively seeking employment to be counted. So, the undercount is enormous.

Mr. LACEY. In Philadelphia, the overall unemployment rate is 5.2 percent, and the minority unemployment rate, depending on how you count, ranges from the high 20's to the mid 30's.

Mr. HAYES. To the mid 30's?

Mr. LACEY. Yes. There are sections of the city which have a much larger percentage of adult welfare recipients, and those individuals have either intermittent work histories or no work histories at all and have lost interest in even applying so that they don't even get counted, but they are clearly not working.

Mr. JACKS. In Virginia, the average is approximately 5 percent, but overall state-wide averages are not particularly useful, because we are dealing in the JEDI bill with the hard-core unemployed population that in, for example, the center cities like Ms. Silletti and Mr. Lacey represent, are on welfare rolls for long periods of time, and the rates of unemployment are far higher than our state-wide average.

One of the reasons this bill is so useful is because it allows us to target monies to that particular population that has been unemployed for long periods of time and that we tend to overlook when we give you a state-wide figure. So, targeting this money to the long-term welfare recipient is going to be able to assist us in dealing with those particular portions of our population that don't seem to be affected by JTPA as it is currently structured.

Mr. HAYES. Is there opportunity for placement upon completion of training programs, do you think? There are jobs available?

Mr. LACEY. In Philadelphia over the past three years, we have not had a demand problem. That is, there are lots of jobs. Our problem has been a supply problem, getting enough people qualified to take advantage of the opportunities.

I believe it is likely that that perspective is likely to continue. Any retail complex you go into and any office, especially suburban corporate office parks, have a continuing demand for people, and it has been quite strong over the last 2½ years.

So, if we prepare people effectively, there are jobs for those individuals to take and to take in large numbers.

It is really a fundamental paradox in the labor market right now. At the same time that there are large numbers of people unemployed, employers also have labor shortages, and both things are happening at the same time.

Mr. HAYES. I have just one more question. I am trying to understand clearly all three of your positions.

Are you saying, in effect, you are for H.R. 2246 with certain modifications? Is that what you are saying? Are you in favor of it?

Ms. SILLETTI. Am I in favor of the JEDI bill?

Mr. HAYES. Yes.

Ms. SILLETTI. Yes. Yes, with the four elements that we talked about in terms of addressing those most in need, the incentives to come locally so we can reward those on the front line, health care as a needed benefit in all of welfare reform, and non-duplication of an employment and training system that is already in place.

Mr. HAYES. But if you weren't able to get those included, would that mean you would be opposed to it?

Ms. SILLETTI. I think if there were to be a separate employment and training system established under this, I think it would be a very inefficient one.

Mr. HAYES. I must say in concluding, Mr. Chairman, that we have pretty much an unfortunate situation in many areas. I have scrutinized and done quite a bit of traveling and studying of this whole unemployment picture in many sectors of the United States.

I have found that in many areas, even upon retraining, placement has been a problem, particularly in industrial areas that produced textiles or shoes. These jobs are gone. There is nothing for people to do.

Thank you.

Mr. MARTINEZ. Thank you, Mr. Hayes.

What Mr. Hayes says is probably true in some parts of the country. Yet, in other parts of the country, it is just the opposite. All you have to do is drive out into Virginia and do some shopping in some of the local stores and, while you are shopping, you hear announcements offering people jobs. So, there is a labor shortage in some areas.

Some of the jobs in those stores require some training for the computers that are now used at the cash register and different things like that. But we must train people to be available for those jobs. We must help them develop the work ethic and work habits, so that when they go onto the job, they are not quickly discouraged because the employer is too hard on them or because they have no skills. If that process of adjustment isn't long enough for them to really sustain themselves on the job for any length of time, then they end up unemployed again.

The people this bill targets is just the opposite of dislocated workers—it is not for people who have been dislocated but for those who have never been located. We need that, and it has to be a part, Ms. Silletti, of the Job Training and Partnership Act. It is the only way that it would work. That is the way we have envisioned it, and that is the way we want to pursue it.

On the subject of unemployment rates and how misleading those rates can be, you may be interested to know what I learned from the Department of Labor in the Virgin Islands. Since the population of the entire Virgin Islands is 110,000—and because there are such close knit communities there—the Labor Department is able to provide an accurate statistic of every individual who is available for employment.

So, they know by their own counting the actual unemployment rate, but they are not allowed to use it. Instead they have to use the Department of Labor's unemployment figures.

By the Department of Labor's counting, there is only a 3 percent unemployment rate in the Virgin Islands. However, even if that 3 percentage were accurate, unemployment alone doesn't tell the whole story, because the poverty rate is extremely high.

First, like someone said here, there are those who are not looking for work, so they are not counted. They may have become of legitimate age to work and eligible for employment, but they may also be on welfare and not looking for a job. Those who have never received any employment are not counted as part of the unemployed work force. But they should be counted because they are eligible to work and they need to work, but the employment isn't there.

So, those statistics can be very misleading if you watch just the employment rate itself. In this country today, I think it is very understated for what it actually is in many areas.

However, back to the point that Charlie makes about jobs being available, I think in most parts of the country even where you have had those devastating lay-offs from large industries closing, there are other types of employment taking place. It is just that the people aren't trained for those jobs.

What we have to do in this country is train the people for the jobs that are available. That is one of the things that I think is so important about the private industry councils, because members of that private industry council are from industry. They can tell you the kinds of training that needs to take place for them to have the opportunity to employ people.

In our travels around the country we have heard nothing but great success stories about the Job Training Partnership Act. I think the one ingredient that makes it so successful is that it does include people from private industry.

Would any of the panel like to make any final comments?

Mr. JACKS. Thank you for the opportunity to speak with you today, Mr. Chairman.

Mr. MARTINEZ. Well, thank you for coming forward with your excellent testimony. It will be very helpful to us. Thank you.

The subcommittee stands adjourned.

[Whereupon, at 2:20 p.m., the subcommittee adjourned, to reconvene subject to the call of the Chair.]

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