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ABSTRACT

A study examined the role of the U.S. Department of Labor in implementing the Job Training Partnership Act (JTPA). Staff from the General Accounting Office (GAO) interviewed officials from the Employment and Training Administration (ETA) and Office of Inspector General (OIG); ETA regional officials in four cities; state JTPA officials in five States; and officials from the National Alliance of Business, the National Association of Counties, the National Conference of State Legislatures, and the National Governors' Association. Those interviewed expressed concern that the May 1984 reduction-in-force (RIF) at ETA has resulted in low staff morale, lost program expertise among ETA staff, and lost program efficiency and program delays. Concern was also expressed over the fact that the States have received only limited policy guidance from ETA while, at the same time, having been subject to close scrutiny through audits and evaluations by OIG, ETA, and the GAO. (Attachments to this report include four tables and seven figures detailing the effects of the May 1984 RIF and resulting reorganization at ETA.) (MN)

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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

April 22, 1985

HUMAN RESOURCES
DIVISION

B-215744

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

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Dear Senator Kennedy:

Subject: Concerns Within the Job Training Community
Over Labor's Ability to Implement the Job
Training Partnership Act (GAO/HRD-85-61)

As your office requested, we are providing you with information on the Department of Labor's role in implementing the Job Training Partnership Act (JTPA) and the potential impact a reduction-in-force (RIF) and reorganization had on its ability to carry out that role. Because of the relative newness of the JTPA program and the evolving nature of Labor's and the states' roles in administering it, we concentrated our efforts on obtaining the views of members of the job training community¹ as to the potential impact of these actions. These views were their perception of Labor's ability to implement the act, and as a consequence, could not be independently verified by our staff.

We identified some concerns within that community over Labor's ability to adequately implement JTPA. Specifically, these concerns relate to (1) the potentially adverse impact of a May 1984 RIF and reorganization within the Employment and Training Administration (ETA) on staff morale, program expertise, and efficiency of program implementation and (2) the lack of JTPA program guidance to the states.

¹This term is used throughout this report to collectively describe representatives of employment and training organizations, including Labor's Employment and Training Administration, Office of Inspector General, and regional offices; the states; and public interest groups.

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The results of our work are summarized below, and enclosures I through VI provide information on ETA staffing levels for selected periods between fiscal years 1980 and 1986; a summary of ETA personnel actions associated with the May 25, 1984, RIF; and organizational charts of each ETA administrative office before and after the reorganization.

BACKGROUND

On October 1, 1983, JTPA (Public Law 97-300) replaced the Comprehensive Employment and Training Act of 1978 (CETA) as the nation's primary federally funded employment and training program. Similar to its predecessor, JTPA provides remedial education, training, and employment assistance to unskilled and economically disadvantaged individuals primarily through a locally based program delivery system. Unlike CETA, however, JTPA reduces the Department of Labor's involvement in the program by shifting many administrative and oversight functions to the states. ETA, which is responsible for administering JTPA at the federal level, has interpreted its role to be one of providing broad policy guidance and oversight and has implemented federal regulations that give the states broad authority to interpret most provisions of the law. Consistent with these reduced responsibilities, in February 1984 ETA notified its employees of plans to reduce the number of its personnel. It also decided to reorganize its national office concurrent with the staff reduction.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of our audit efforts were to develop information concerning how ETA was carrying out its responsibility for the JTPA program and to assess the potential impact a RIF and reorganization may have had on ETA's ability to carry out those responsibilities. In addition, we obtained the views of members of the job training community as to the potential problems associated with these actions.

Our work was conducted at Labor's headquarters in Washington, D.C., where we spoke with officials from ETA and the Office of Inspector General (OIG) and reviewed available documents. We also reviewed the JTPA legislation, including the legislative history and Labor regulations and field memorandums, to obtain a better understanding of Labor's responsibilities under the act. In addition, we developed detailed information on ETA staffing levels before and after the May 1984 RIF. We also spoke with ETA regional officials in Atlanta, Dallas, Denver, and Philadelphia and with state JTPA officials in Colorado, Georgia, Pennsylvania, Texas, and Virginia. The four ETA regional locations

and four of the five states were selected because each of the Labor regional offices and the state JTPA offices were conveniently located within or near the same cities. The fifth state, Virginia, was selected because of its proximity to Washington, D.C.

We also met with officials from four national organizations--the National Alliance of Business, the National Association of Counties, the National Conference of State Legislatures, and the National Governors' Association--and obtained their views on the impact of ETA's RIF and reorganization.

Our work was conducted initially during the period April through October 1984 and later updated, for the most part, during February and March 1985. It was performed in accordance with generally accepted government audit standards.

ETA RIF AND REORGANIZATION

Labor has been in a posture of reducing its staffing levels within ETA since the end of fiscal year 1981, at which time the staff level was 3,326--1,302 in the national office and 2,024 in the regional offices. For the most part, these reductions can be attributed to the administration's 1981 push to reduce the size of federal operations, the phasing down of the former CETA program, and the reduced federal role under JTPA. In March 1983, the Assistant Secretary for ETA testified before the Subcommittee on Labor, Health and Human Services, and Education, House Committee on Appropriations, that an internal management study had shown that about 2,000 individuals were needed to carry out the agency's responsibilities. ETA requested 2,009 positions for fiscal year 1984. During fiscal year 1984, however, ETA proposed further staff reductions, through a RIF, to a level of 1,824 positions. ETA budget submissions for fiscal years 1985 and 1986 included further staff reductions. For fiscal year 1985, ETA requested \$111.1 million to support 1,764 positions and for fiscal year 1986, \$105.3 million to support 1,416 positions--848 for the national office and 568 for the regional offices. (See encs. I, II, and III.)

ETA's RIF, effective May 25, 1984, was aimed at reducing its congressionally established staffing level from an authorized staffing level of 2,009 to 1,824, a reduction of 185 positions. ETA also reorganized its national office concurrent with the RIF in order to minimize disruption of operations and attain stability as soon as possible. The national office reorganization was based on informal discussions and negotiations between the Assistant Secretary and heads of ETA's administrative offices. ETA had previously reorganized its regional offices on

October 23, 1983, based on the recommendations of a formal task force consisting of five ETA staff members. The primary purpose of this reorganization was to reflect the change in regional responsibilities from grants management to program monitoring.

RIF

Although ETA's May 1984 staff reduction was to reduce staff to a level of 1,824 positions, other personnel actions associated with the RIF reduced ETA's staffing level to 1,720 as of June 23, 1984. This represented a reduction of 104 positions below its proposed level and 289 positions below the level of 2,009 authorized by the Congress. In total, 727 personnel actions (485 at headquarters and 242 at regional offices), including retirements, separations, downgrades, and transfers, were associated with the RIF. (See enc. IV.)

Of the 121 retirements associated with the May 1984 RIF, 61 were early retirements authorized by the Office of Personnel Management. These retirements helped to lessen the adverse impact of the RIF; for example, 51 employees facing potential separation were retained, 44 facing demotion were not demoted, and 3 facing geographical transfers were not transferred. Nonetheless, 100 employees ultimately were separated, and 218 were demoted. Of those separated, 52 were offered downgraded positions but declined. Of those downgraded, 63 positions were downgraded by three or more grade levels. The following table provides additional details on the results of staff downgrades.

Table 1Number of Staff Affected by Downgrades
on May 25, 1984--ETA National and Regional Offices

<u>GS level before RIF</u>	<u>Number of staff reduced by:</u>				<u>Total</u>
	<u>1-2 grade levels</u>	<u>3 grade levels</u>	<u>4-5 grade levels</u>	<u>over 5 grade levels</u>	
15	10	1	3	1	15
14	21	3	1	1	26
13	47	-	11	7	65
12	13	6	7	6	32
11	5	-	9	2	16
9	2	-	2	-	4
8	2	2	-	-	4
7	14	-	-	-	14
6	28	1	-	-	29
5	4	-	-	-	4
4	<u>3</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3</u>
	<u>149</u>	<u>13</u>	<u>33</u>	<u>17</u>	<u>212^a</u>

^aTotal does not agree with the 218 downgrades referred to above and shown in enclosure IV because six employees ultimately declined to accept downgraded positions. ETA did not have information on how to best reclassify these personnel actions.

ETA national and regional
office reorganization

ETA reorganized its national administrative offices by consolidating its former 71-unit structure into 52 formal organizational units. Reflecting an emphasis on program accountability, the change included the creation of a new administrative office--the Office of Program and Fiscal Integrity--by combining the previous Special Counselor Staff with the audit and closeout functions transferred from the Office of Financial Control and

Management Systems. As a result, ETA now has six (formerly five) administrative offices all reporting to the Assistant Secretary through the Deputy Assistant Secretary. (See enc. V.) The Office of Associate Assistant Secretary for Employment and Training was eliminated with the creation of the Deputy Assistant Secretary position.

In addition, the Office of Strategic Planning and Policy Development, which has responsibilities for research, evaluation, and pilot and demonstration activities on employment-related issues, was reduced from four offices and six divisions to three divisions. This change reflects reduced funding for pilot and demonstration activities, reduced policy formulation responsibilities, and increased state responsibilities under JTPA. The office's research activities are generally directed toward developing new measures and methodologies, such as performance standards and measures for use in future employment-related evaluations; its evaluation efforts are primarily directed toward assessing the operations, results, and effectiveness of the JTPA program. On the other hand, pilot and demonstration projects are directed toward serving special groups, such as the handicapped, displaced homemakers, minority youth, and individuals with limited English-speaking ability.

The shift in emphasis is demonstrated by the reduction in the amount of funds going for pilot and demonstration projects. In fiscal year 1983 over \$50 million went for such projects. In contrast, for program year 1985 ETA plans to fund pilot and demonstration projects at about \$4.8 million. For program year 1986, ETA requested no funds for pilot and demonstration projects and will use most of the research and evaluation funds for evaluation. The following table shows the funding available for research, evaluation, and pilot and demonstration projects for 1983 through 1986.

Table 2

	<u>Funds Available for and Research and FY 19</u>	<u>ilot and Demonstration (P&D) uation (R&E) Programs lough PY 1986</u>	
	<u>P&D</u>	<u>R&E</u>	<u>Total</u>
FY 1983	\$50,656,000	\$14,288,000	\$64,944,000
TY ^a 1984	15,973,000	9,142,000	25,115,000
PY ^b 1984	21,180,000	12,190,000	33,370,000
PY 1985	20,698,000 ^c	12,190,000	32,888,000
PY 1986 ^d	-	15,190,000	15,190,000

Note: Above information is based on budget authority for years indicated.

^aThe transition year (TY) refers to the first 9 months of the JTPA program--October 1, 1983, to June 30, 1984.

^bJTPA operates on a program year (PY) cycle starting on July 1 and ending on June 30 of the following year.

^cP&D funds for PY 1985 could be reduced to \$4,823,000 contingent on congressional action on a proposed Labor rescission of \$8,569,000 and a reduction of \$7,306,000. These reductions represent Labor's response to a congressional requirement for limitations on consulting services.

^dBudget Request for PY 1986.

In addition, several other ETA programs and functions, including the National Occupational Information Coordinating Committee, the Bureau of Labor Statistics, and the Disabled Veterans Outreach Program, were transferred elsewhere in Labor.

ETA's October 1983 regional office reorganization resulted in four administrative units reporting directly to the regional administrator; previously five units reported to the regional administrator. (See enc. VI.) The new structure includes the office of

--Administrative and Management Services,

- Job Training Programs (formerly the Office of Comprehensive Employment and Training Act Operations and CETA Support),
- The United States Employment Service (formerly the Office of Job Service), and
- Unemployment Insurance.

As part of the reorganization, the mission and function statements for the first three organizations above were revised to reflect their reduced role under JTPA and the shift of many administrative and oversight functions to the states. Unemployment Insurance was not affected by JTPA, and its responsibilities remained the same. Regional offices for the Job Corps and the Bureau of Apprenticeship and Training were not included in the reorganization because they have separate regional ETA operations.

JOB TRAINING COMMUNITY
CONCERNS WITH ETA RIF

Representatives of the job training community have expressed concern that certain problems may surface as a result of the May 1984 RIF. Their comments reflect the opinion that the staff reductions have created a situation where ETA now faces a number of potential problems in carrying out its JTPA responsibilities, including

- low staff morale,
- lost program expertise among ETA staff, and
- lost program efficiency and program delays.

Low morale

Concerns about low morale among the ETA staff were expressed by both the officials of public interest groups and by senior ETA officials at headquarters and in the regions. One ETA official said that employees think ETA has no long-term commitment to them, so they have no commitment to ETA. Staff fears of another RIF were noted by three ETA officials.

In later interviews with various officials, we were told that morale in ETA has been shattered because of the continuing fear of RIFs and downgrades. Two officials in national organizations stated that ETA employees appeared to be more worried about keeping their jobs than they were about doing them. The

head of one ETA office stated that the fear of another RIF has been increased by a recent proposal in Labor's fiscal year 1986 budget request to eliminate the Job Corps and to reduce staff in 3 of the 10 regional offices.

Lost expertise

Concerns about reduced levels of expertise among the ETA staff were expressed by officials of three national organizations and three states we visited as well as the heads of two ETA administrative offices. An official of one national organization said that ETA no longer has staff capable of giving technical assistance or information on such issues as what constitutes a valid cost under the act and how such costs should be allocated. The official said that ETA may not have expertise or staff necessary to develop the technical and complex performance standards required by the act. A state official said that while the ETA staff remaining after the RIF are well-meaning, they are not yet knowledgeable in their new roles.

The head of one ETA administrative office said that many staff remaining after the RIF did not have the technical backgrounds needed to meet the requirements of their new positions, a number of young staff members with strong technical backgrounds left ETA, and the reduction eliminated some of ETA's best employees. Many of those remaining are nearing retirement age and may not have the desire to learn new skills.

In order to gain some perspective on the effect of the RIF on staffing size and makeup, we compared the staffing records available for two points in time--December 31, 1983, and September 30, 1984--for the two ETA offices responsible for review, evaluation, and research and development activities and for job training programs. The size of the professional staff at the evaluation office had been significantly reduced--from 70 to 46 persons--during this period, and 19 of the 46 staff members remaining after the RIF were new to that office, while 27 had previously worked there. Fourteen of the 46 remaining professional staff members were eligible for retirement within 5 years, including 7 of the 27 staff members previously employed in that office.

At the job training programs office, the professional staff size had been reduced from 156 to 126. Of these, 27 were new to that office, and 99 were previously with that office. Of the 126 professional staff members remaining after the RIF, 56 were eligible for retirement within 5 years, including 44 of the 99 previously with that office.

The following table summarizes this information:

Table 3

	<u>Staff as of Dec. 31, 1983</u>	<u>Staff as of Sept. 30, 1984</u>		<u>Total</u>
		<u>New office employees</u>	<u>Former office employees</u>	
Office of Strategic Planning and Policy Development	70	19	27	46
Eligible to retire within 5 years		7	7	14
Office of Job Training Programs	156	27	99	126
Eligible to retire within 5 years		12	44	56

Program inefficiency and delay

Concerns about program efficiency and timeliness were expressed by officials of the four national organizations, one ETA administrative office, and three regional offices. The head of one ETA administrative office said that the reorganization and later reassignment of staff members had affected staff performance. However, while he pointed out that immediately after the RIF about 80 percent of the staff in one office were in positions for which they had no training or experience, the long-term impact was not as severe as anticipated. We were recently informed by this official that after providing the staff with internal and external training and expanding staff expertise by hiring additional personnel, the staff was now functioning at a satisfactory level. In recent follow-ups with officials from four national organizations, we were told that they are still encountering difficulties and delays in obtaining reports, information, and answers from ETA.

The effects of the RIF on regional operations were largely unknown from the perspective of regional officials because they were unclear about their future role. One regional official believed his reduced staff would be sufficient if ETA's oversight role is limited, as currently designed, to determining

whether states have appropriate JTPA systems and processes in place.

CONCERNS WITH ETA'S LIMITED
POLICY GUIDANCE

Representatives of the job training community have expressed concern that although the states have been given primary responsibility for program administration, they have received only limited policy guidance from ETA. At the same time, state programs are subject to close scrutiny through audits and evaluations by Labor's OIG, ETA, and our Office.

In addition to the act and the regulations implementing JTPA, ETA has provided some limited guidance to the states through policy letters published in the Federal Register. For example, in March 1984, ETA provided the states guidance on implementing summer youth programs. ETA has also issued monitoring guides which it developed to assist its field staff in overseeing how the states are carrying out their responsibilities. These guides address specific areas, including eligibility, allocation of costs between training and administration, cash and financial management, performance standards, and due process. ETA had planned to develop an audit monitoring guide but decided that such a guide could lead to a back door approach to regulating how the states operate the program. Instead, Labor is relying on the OIG, which must determine the adequacy of each state's audit coverage. In this regard, we noted that the OIG plans to use the Office of Management and Budget's January 11, 1985, revision to Circular A-102, Attachment P, Compliance Supplement, which includes the major compliance features for JTPA. The Supplement generally follows the requirement specified in the act.

The job training officials we contacted indicated that a major concern among state JTPA officials is with audits and the liability associated with any questioned costs. They are concerned that the program policies they established may be later questioned or challenged during the audit and evaluation process. They felt that this could result in policies being formulated or revised based on the results of audits and evaluations. This situation could result in program costs being questioned or disallowed, with the states being held accountable for the costs incurred. They also pointed to the lack of ETA guidance and direction to the states in these areas and the need for such assistance.

Furthermore, job training officials have indicated that some states' concerns over the lack of guidance and potential

liabilities have made them very cautious about trying innovative or creative job training techniques as envisioned in the act; these concerns may inhibit the coordination of services between employment, training, and educational programs which JTPA encourages. For example, ETA has not provided guidance for recording and documenting the sharing of funds or in-kind services between JTPA programs and state and local social service programs providing similar or related activities. In the absence of such guidance, there is concern among state and local job training officials that the propriety of such transactions, or the associated documentation, may be questioned during the audit process.

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As requested by your office, we did not obtain written comments from the Department of Labor. However, a draft of the report was submitted to Labor officials for review and oral comment and we have incorporated their views where appropriate.

We are sending copies of this report to the House Committee on Education and Labor, the House and Senate Committees on Appropriations, and other interested parties, including Congressman Frank R. Wolf.

Sincerely yours,



Richard L. Fogel
Director

Enclosures - 6

EMPLOYMENT AND TRAINING ADMINISTRATIONSTAFF POSITIONS AT END OF YEAR

	<u>National office</u>	<u>Regional offices</u>	<u>Total</u>
End of fiscal year 1980	1,206	2,146	3,352
End of fiscal year 1981	1,302	2,024	3,326
End of fiscal year 1982	1,015	1,424	2,439
End of fiscal year 1983	955	1,274	2,229
End of fiscal year 1984	1,105	888	1,993
End of fiscal year 1985 (estimated)	994	801	1,795
Budget request for fiscal year 1986	848	568 ^a	1,416

^aThe staff level reduction in fiscal year 1986 is, for the most part, due to the administration's proposals to eliminate the Job Corps, not seek funding for the Work Incentive Program, and consolidate regional operations.

ETA NATIONAL OFFICE STAFF LEVELS

	<u>Actual</u> <u>9/30/83</u>	<u>Actual</u> <u>9/1/84</u>	<u>Actual</u> <u>2/28/85</u>
Assistant Secretary for Employment and Training	17	13	15
Office of Financial Control and Management Systems	306	202	206
Office of Program and Fiscal Integrity	—	92	84
Office of Job Training Programs	203	153	153
Office of Strategic Planning and Policy Development	100	58	62
Office of Regional Management	22	20	21
Office of Employment Security	<u>307</u>	<u>213</u>	<u>222</u>
Total	<u>955</u>	<u>751</u>	<u>763</u>

EMPLOYMENT AND TRAINING ADMINISTRATIONSTAFF LEVELS - REGIONAL OFFICESOCTOBER 31, 1983, TO FEBRUARY 28, 1985

<u>Region</u>	<u>Actual 10/31/83</u>	<u>Actual 7/27/84</u>	<u>Actual 9/1/84</u>	<u>Actual 2/28/85</u>
I	88	77	80	70
II	143	95	97	96
III	143	113	118	116
IV	178	141	143	141
V	221	146	132	151
VI	118	93	93	100
VII	79	65	64	65
VIII	68	68	62	71
IX	131	92	83	102
X	<u>76</u>	<u>57</u>	<u>58</u>	<u>60</u>
Total	<u>1,245</u>	<u>947</u>	<u>930</u>	<u>972</u>

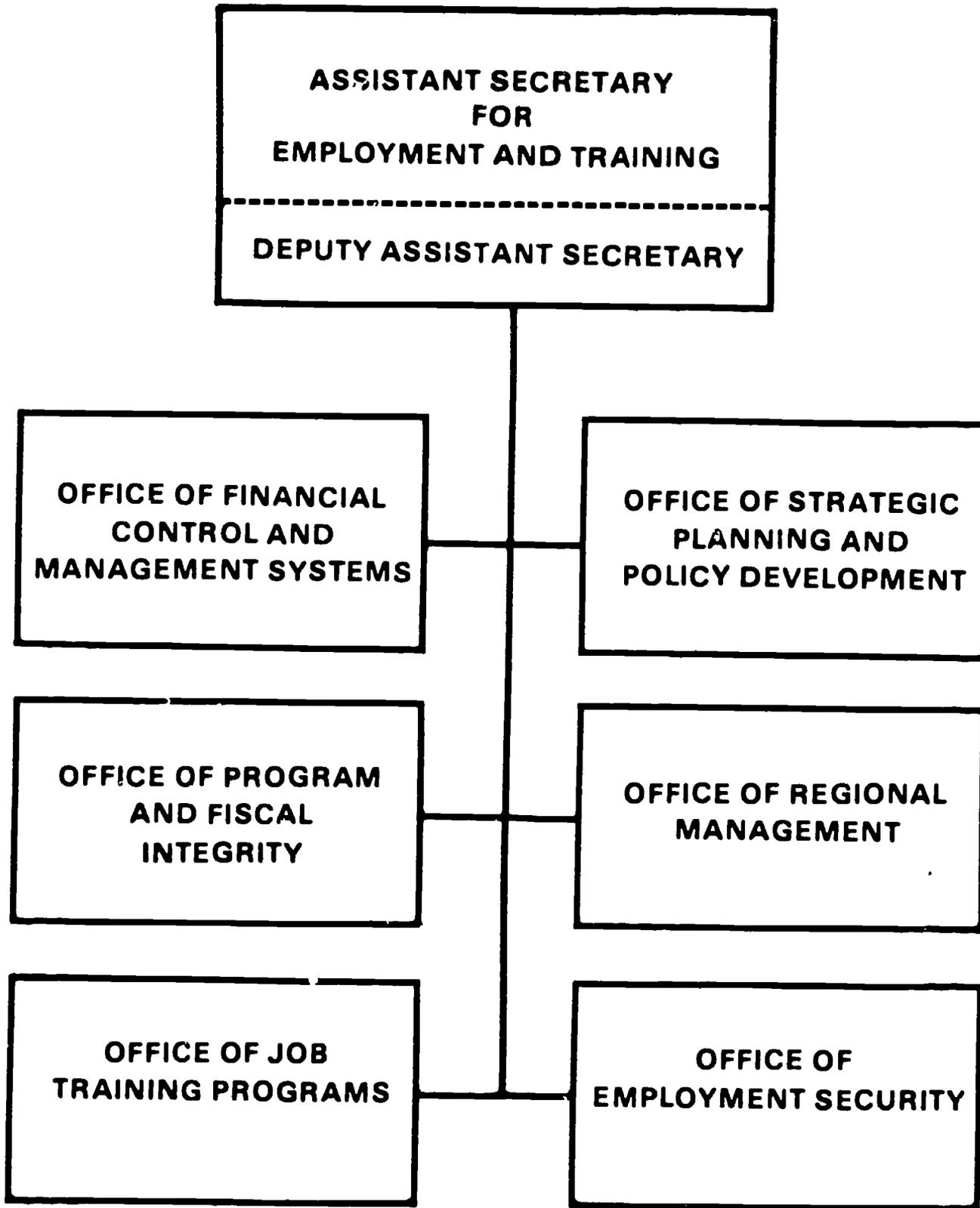
EMPLOYMENT AND TRAINING ADMINISTRATIONSUMMARY OF RIF ACTIONSMAY 25, 1984

<u>Servicing component</u>	<u>Retirements</u>	<u>RIF separations</u>	<u>Separations due to declinations^a</u>	<u>Downgrades</u>	<u>Reassignments^b</u>
National Office	53	0	21	182	229
Region I	4	0	0	0	0
Region II	16	15	4	3	16
Region III	6	1	0	1	14
Region IV	1	2	7	4	8
Region V	25	21	11	1	6
Region VI	2	0	2	5	5
Region VII	4	2	1	4	3
Region VIII	0	0	0	0	0
Region IX	9	3	2	11	1
Region X	<u>1</u>	<u>4</u>	<u>4</u>	<u>7</u>	<u>6</u>
Total	<u>121</u>	<u>48</u>	<u>52</u>	<u>218</u>	<u>288</u>

^aIndividuals who left ETA after being offered downgrades.

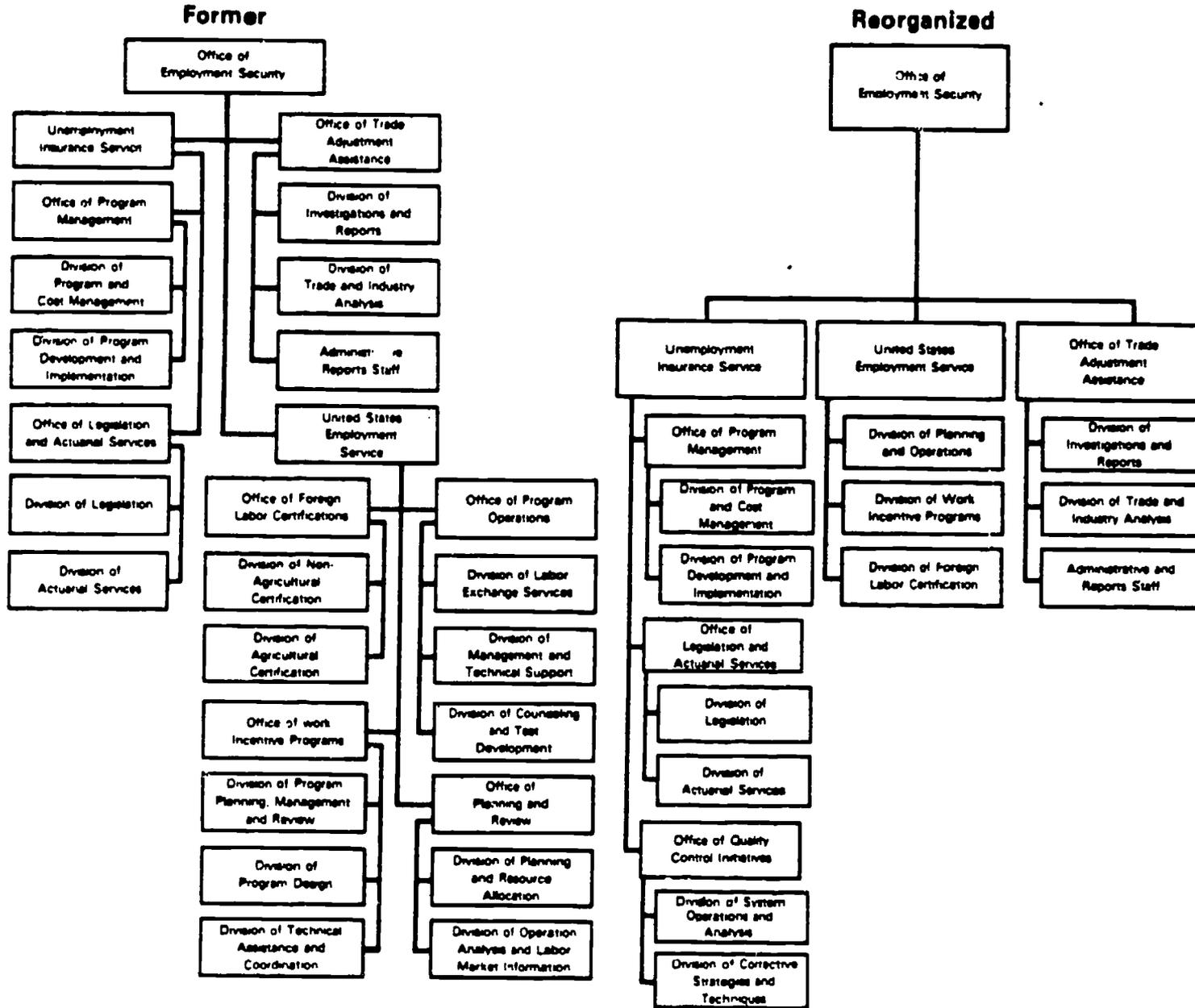
^bIndividuals who were reassigned to other organizations.

**U.S. DEPARTMENT OF LABOR
EMPLOYMENT AND TRAINING ADMINISTRATION**



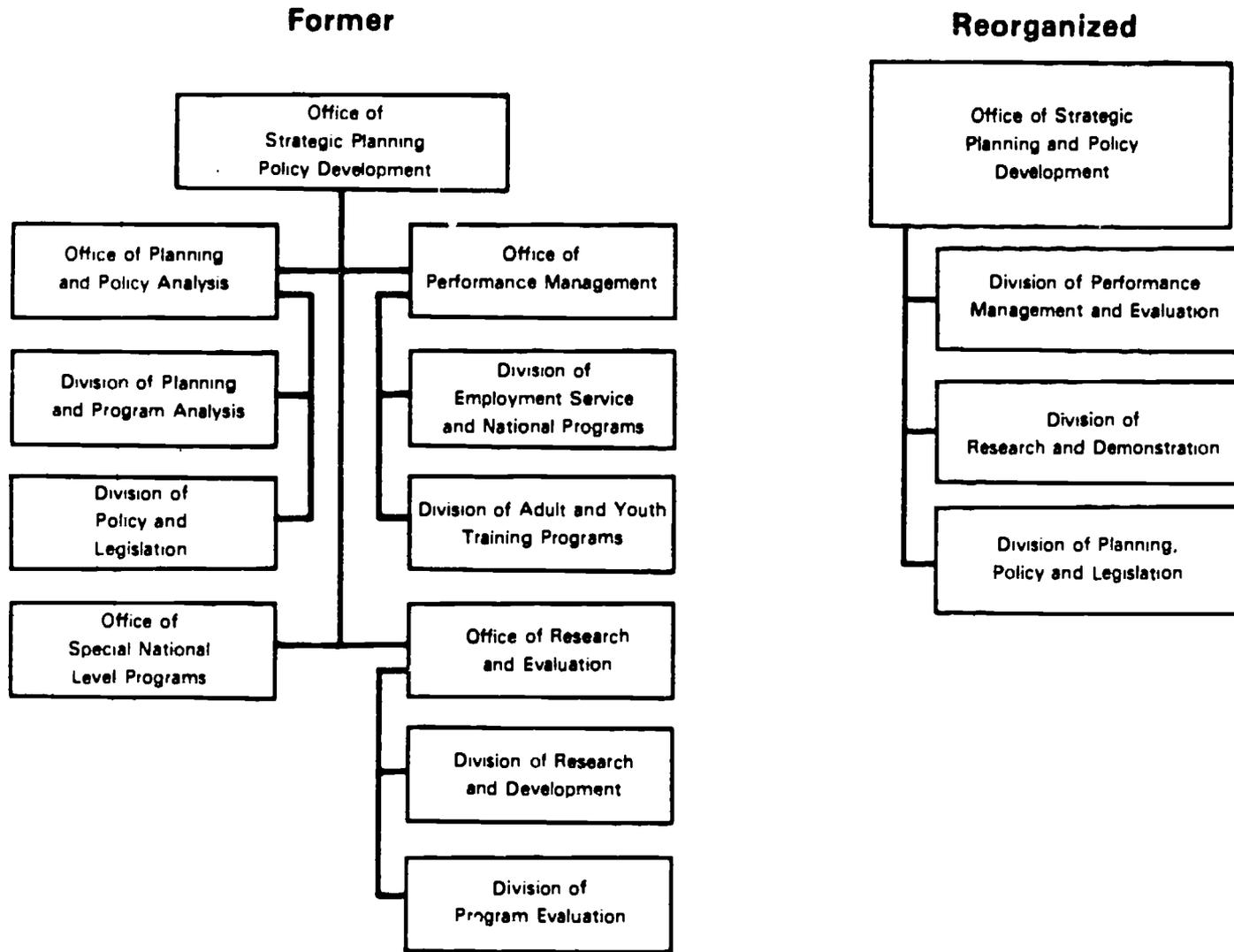
SOURCE: Employment and Training Administration.

**Employment and Training Administration
May 25, 1984 Reorganization
Office of Employment Security**



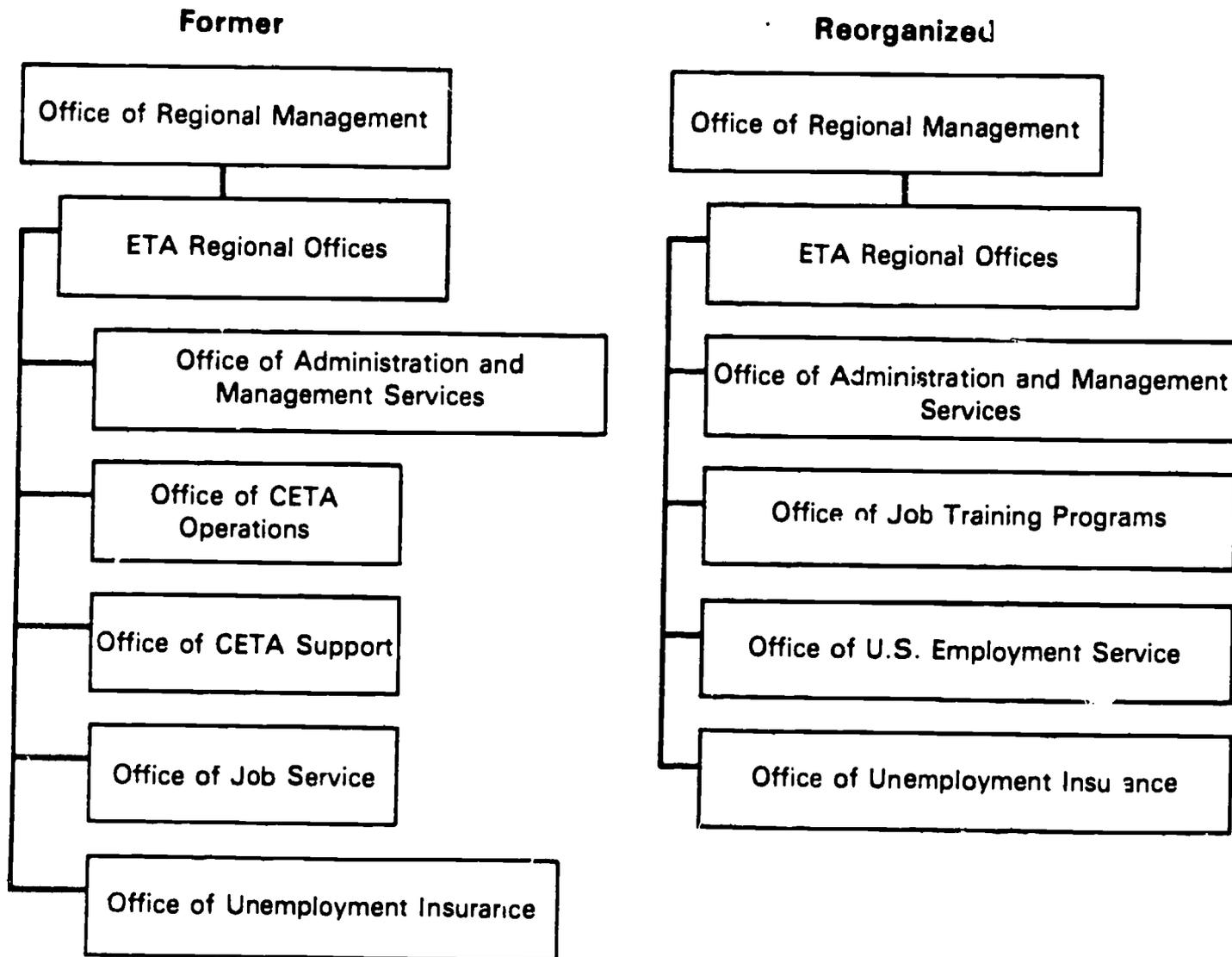
SOURCE: Employment and Training Administration.

**Employment and Training Administration
May 25, 1984 Reorganization
Office of Strategic Planning and Policy Development**



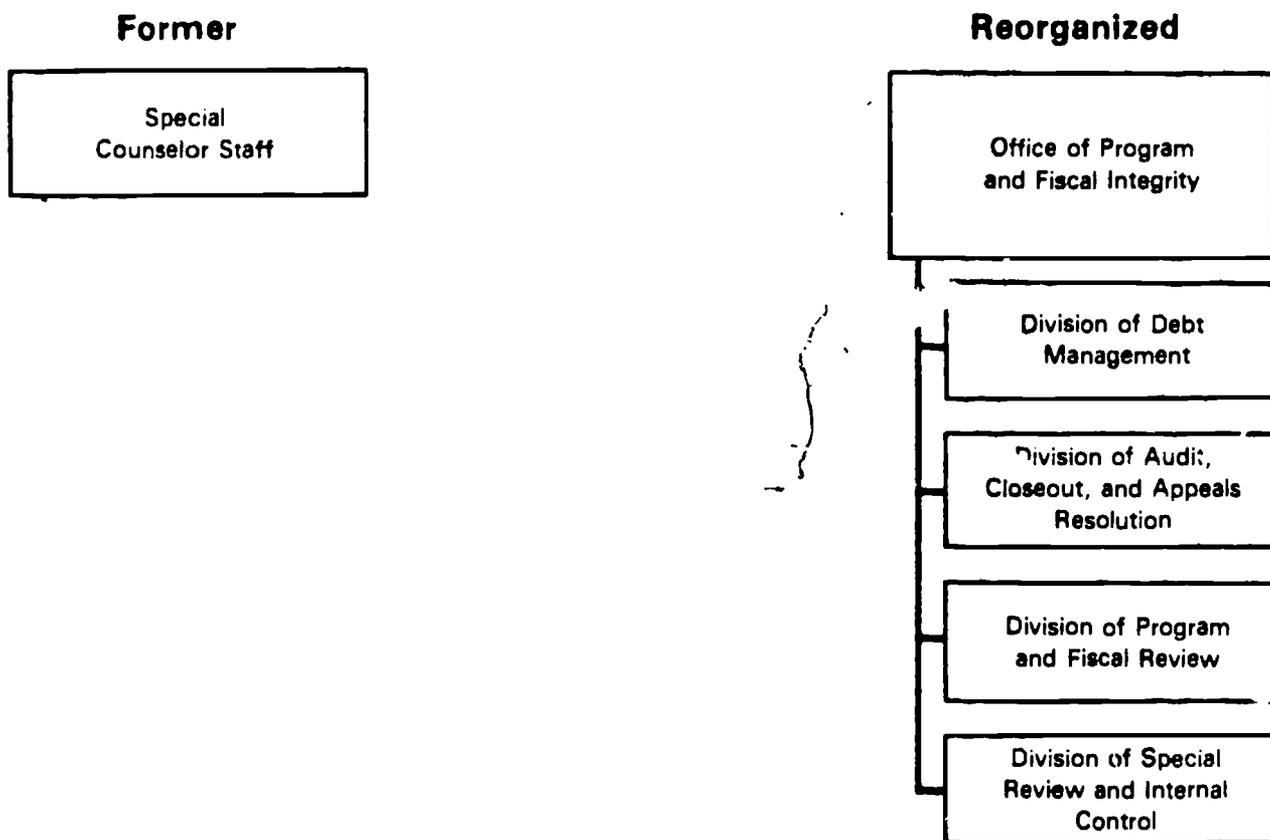
SOURCE: Employment and Training Administration.

**Employment and Training Administration
October 23, 1983 Reorganization
Office of Regional Management**



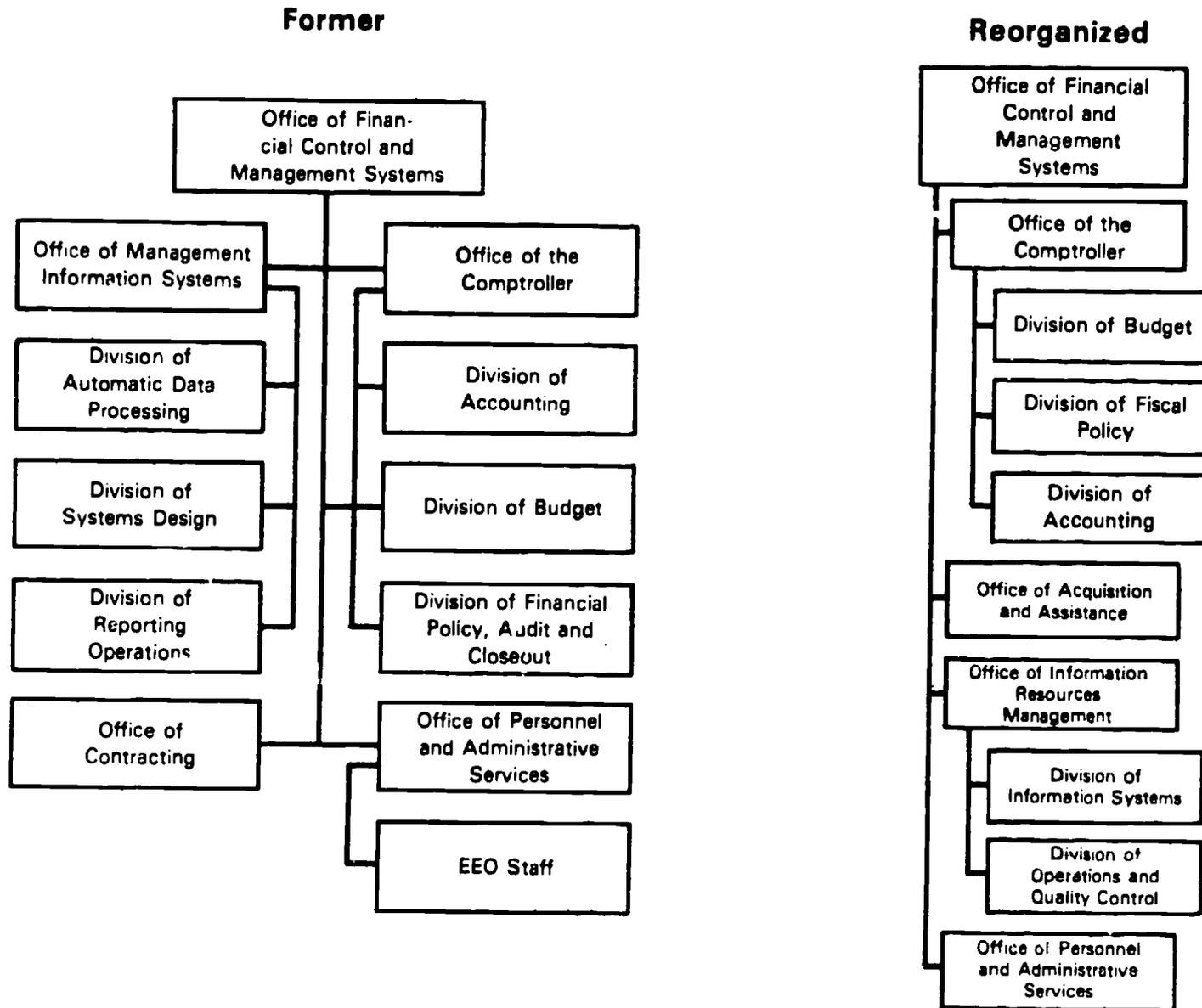
SOURCE: Employment and Training Administration.

**Employment and Training Administration
May 25, 1984 Reorganization
Office of Program and Fiscal Integrity**



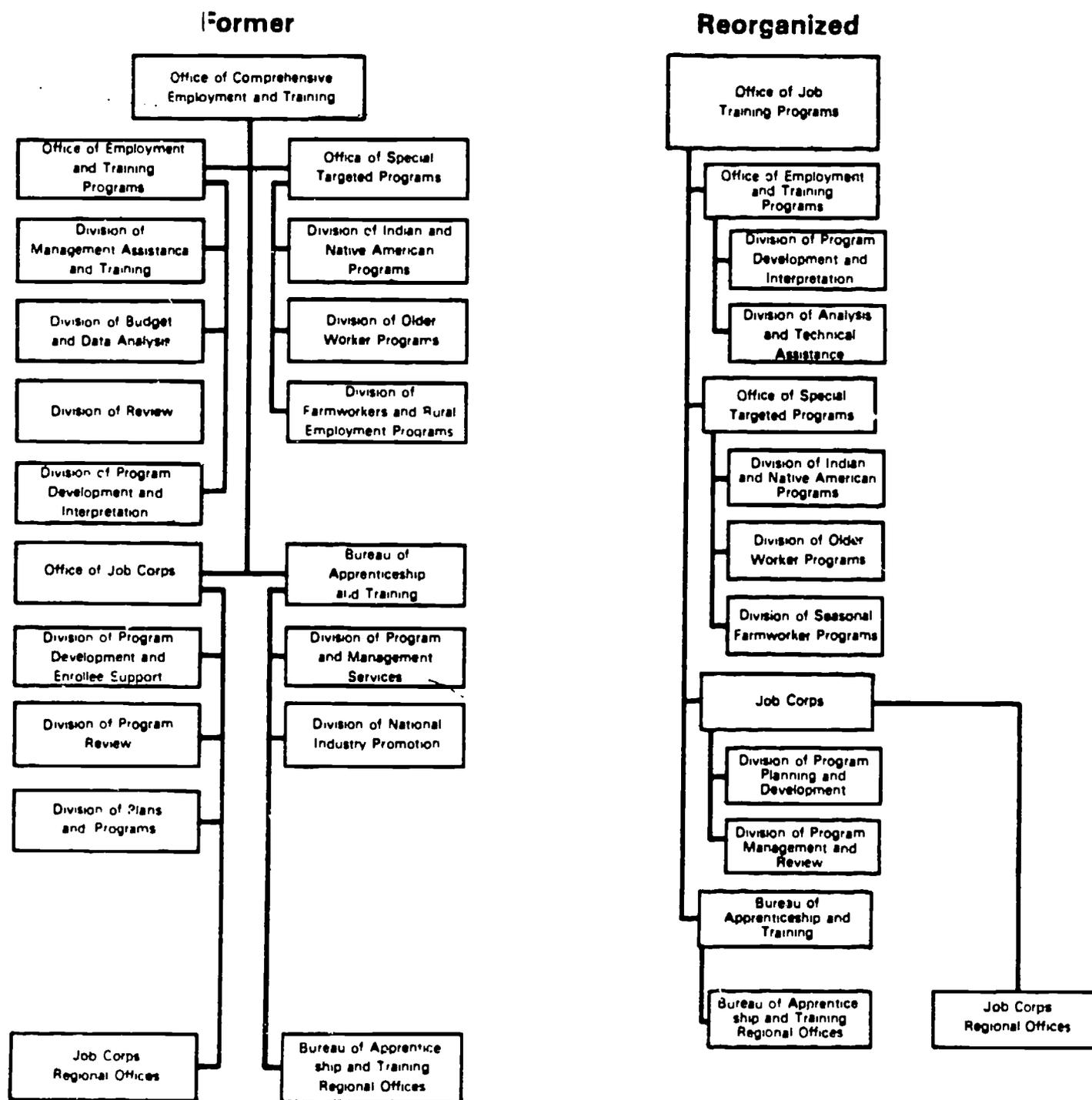
SOURCE: Employment and Training Administration.

**Employment and Training Administration
May 25, 1984 Reorganization
Office of Financial Control and Management Systems**



SOURCE: Employment and Training Administration.

**Employment and Training Administration
May 25, 1984 Reorganization
Office of Job Training Programs**



SOURCE: Employment and Training Administration.