CETA DEMONSTRATION PROVIDES LESSONS ON IMPLEMENTING YOUTH PROGR--ETC(U)
DEC 80
UNCLASSIFIED GAO/HRD-81-1
CETA Demonstration Provides Lessons On Implementing Youth Programs.

The Youth Incentive Entitlement Pilot Projects was designed to test whether guaranteed part-time jobs during the school year and full-time jobs in the summer would induce economically disadvantaged youths to remain in or return to school. GAO found that most worksites provided adequate experiences. Others, however, had problems in development of good work habits, in supervision, and in monitoring and counseling. Also many sponsors experienced operational problems.

The Department of Labor and its contractor had to intervene frequently in program operations. This raised the questions of whether the demonstration was a fair test of the guaranteed job concept and whether sponsors are capable of implementing complex programs.

GAO recommends that, if the Congress decides to expand the Pilot Projects or undertake a similar program, it do so gradually to allow sponsors time to develop the capacity to properly implement the program.
To the President of the Senate and the Speaker of the House of Representatives

This report describes youths' work experiences in one of the largest demonstration programs the Federal Government has ever attempted in the field of youth employment. In addition, it describes serious operational problems encountered in implementing the demonstration and questions whether the demonstration was conducted in a real-world environment. We made this review to give the Congress information to help it develop a sound long-range strategy for dealing with youth unemployment.

We are sending copies of this report to the Director, Office of Management and Budget, and to the Secretary of Labor.

[Signature]
Comptroller General of the United States
The Department of Labor's Youth Incentive Entitlement Pilot Projects (Entitlement) is a $222 million demonstration designed to test whether a guaranteed jobs program would induce economically disadvantaged youths to remain in or return to school and provide jobs to reduce the high unemployment rate among these youths.

Labor, while retaining overall responsibility for the program, contracted with the Manpower Demonstration Research Corporation for the research design, management, and evaluation of the demonstration. (See pp. 2 to 4.)

GAO found that:

1. Most worksites provided adequate work experiences, but others had problems in job quality, supervision, job development, counseling, and worksite monitoring. (See pp. 10 to 24.)

2. Many sponsors experienced serious operational problems implementing or complying with program requirements. (See pp. 25 to 38.)

Labor and the Corporation frequently intervened in sponsor operations, thus raising the questions of whether the demonstration was a fair test of the guaranteed job concept and whether sponsors are capable of implementing complex programs such as Entitlement. (See pp. 47 to 51.)
RECOMMENDATION TO THE CONGRESS

If Entitlement is to be extended or used as the basis for future youth initiatives, the Congress should recognize the conditions under which the demonstration was implemented. Certain competitively selected sponsors receiving intensive oversight had significant operational problems. If the Entitlement concept is to be extended, or expanded to other sponsors or a similar program adopted, GAO recommends that the Congress make sure it is implemented gradually to allow sponsors time to develop management capacity. (See p. 53.)

MOST WORKSITES PROVIDED ADEQUATE WORK EXPERIENCES

In evaluating the quality of the work experiences, GAO considered whether participants exhibited good work habits, received enough useful work, and were adequately supervised. GAO estimates that 81 percent of the worksites fostered good work habit development, 73 percent provided enough useful work, and 74 percent provided adequate supervision. However, collectively, about 2,100 (40 percent) of the 5,200 worksites lacked one or more of the elements above. (See pp. 10 to 19.)

Most of the problems at worksites are correctable. Sites evaluated as inadequate generally

--had too many youths assigned for the amount of work;

--did not adhere to time and attendance procedures;

--had work of marginal value to the employer, the participant, or the community;

--did not enforce work-hour rules and allowed youths to be paid for absences; or
--had unqualified supervisors. (See pp. 10 to 19.)

Some sponsors had difficulty developing and sustaining a sufficient number of jobs in the right locations, particularly during the school year. Transportation, school scheduling, and administrative problems contributed to this situation. (See pp. 19 to 21.)

Sponsors placed a low priority on counseling. Most counselors spent more time picking up time cards and delivering paychecks than counseling youths. (See pp. 21 and 22.)

Most sponsors did little worksite monitoring during the first year of the demonstration. Monitoring increased during the second year, but some problems that should have been obvious were not always identified. Others, although identified, were not always corrected. (See pp. 22 to 24.)

**OPERATIONAL PROBLEMS HAMPERED PROGRAM PERFORMANCE**

Many sponsors had persistent operational problems. Some legislative and program requirements were largely ignored; others were too difficult to accomplish. Some sponsors rapidly expanded small core staffs with inexperienced personnel. Staff turnover was high. Ineffective job assignment, payroll, and management information systems contributed to major reorganization at some sponsors. (See pp. 25 to 28.)

Through September 1979, Entitlement cost about $4,600 a year per participant. Program management costs represent about 37 percent of this amount. Rapid program startup combined with unrealistic enrollment projections and larger than needed
staffs initially caused high program management/participant cost ratios. Less than anticipated enrollment was a major cause of the problem. (See pp. 28 to 31.)

One of Entitlement's major features was that a youth's job guarantee was conditional on satisfactory school attendance and performance. This feature never received a fair test often due to administrative problems and a desire not to reduce already low enrollments. As of December 1979, only 4 percent of 34,000 youths terminated were released for unsatisfactory school performance. GAO's review showed that far more youths were not meeting academic or attendance standards. (See pp. 31 to 33.)

Sponsors were required to establish relationships with other groups which could help them serve youths. These included school systems, community-based organizations, and other organizations serving youths. The results were mixed. Some sound relationships were developed; others deteriorated badly over time. (See pp. 33 to 35.)

One of Entitlement's innovative features was the authorization of subsidies up to 100 percent for salaries paid to participants as an inducement to private employers for providing youths with jobs and for testing various subsidy levels. Many private sector jobs were with employers that normally hire young workers. GAO recognizes some substitution is inevitable in a job creation program as large as Entitlement; however, where substitution occurs, the job creation impact is minimized. (See pp. 35 to 38.)

**INTENSIVE OVERSIGHT REQUIRED**

To respond to questions raised by the Congress, Labor engaged the Corporation which designed a three-part research program to analyze
Entitlement's impact, implementation, and cost. (See pp. 39 to 42.)

Despite intensive efforts by the Corporation and its consultants, data problems persisted from the onset of the demonstration. The Corporation is confident, however, that its cleanup efforts have resulted in reliable research data. (See pp. 43 to 47.)

The Corporation had to intercede in program operations at many locations. Significant improvements were made at some locations which might not have occurred in a normal program environment. GAO believes that Labor and the Corporation, by providing intensive oversight and technical assistance at a level not normally accorded these types of programs, were in a unique position to influence program results. At several locations, this assistance greatly improved program operations; at others, this special attention salvaged marginal operations. These actions are indicative of the degree of oversight necessary to maintain quality youth programs, but one can only speculate as to the fate of the Entitlement demonstration without the oversight it received. (See pp. 47 to 51.)

RECOMMENDATIONS TO THE SECRETARY OF LABOR

If Entitlement is extended or expanded, or a similar program is adopted, GAO recommends that the Secretary

--require sponsors to strictly enforce reasonable attendance and academic standards thereby enhancing the program's credibility and effectiveness for both participants and the general public;

--increase efforts to promote cooperative relationships between sponsors, schools, and other organizations serving youths:
—help sponsors upgrade worksite supervision, job development, participant counseling, and monitoring;

—create, implement, and enforce adequate controls to prevent substitution; and

—establish and enforce requirements that limit program management costs. (See p. 54.)

CORPORATION AND SPONSOR COMMENTS

GAO requested comments from Labor, the Corporation, and the 11 sponsors included in the review. The Corporation and five sponsors submitted comments. (See pp. 66 to 80.) The Corporation and the Baltimore sponsor disagreed with GAO's approach to this study. GAO's detailed analysis of Corporation and sponsor concerns starts on page 54. After the 30-day comment period provided by Public Law 96-226 expired, Labor submitted comments which concurred with all of GAO's recommendations to the Secretary. Labor's comments, which are included as appendix X, have not been analyzed in this report.
Contents

DIGEST

CHAPTER

1 YOUTH UNEMPLOYMENT--A PERSISTENT PROBLEM THAT HAS RESISTED SOLUTION
   Congressional concern about youth unemployment leads to new initiatives 1
   Program responsibility 4
   Competitive selection process used to select best prime sponsors 5
   Objectives, scope, and methodology 7

2 MOST WORKSITES PROVIDED YOUTHS WITH ADEQUATE WORK EXPERIENCES WHILE OTHERS NEED IMPROVEMENT
   Results of worksite assessments 10
   The quality of youths' job experiences can be improved 11

3 OPERATIONAL PROBLEMS HAMPERED PROGRAM PERFORMANCE
   Administrative problems and staff turnover led to many reorganizations and program instability 25
   Program management costs are higher than expected 26
   Difficulties in assuring that participants meet academic and attendance standards 28
   Coordination between prime sponsors and other organizations serving youths needs improvement 31
   Achieving a net increase in private sector jobs for youths is difficult 33

4 INTENSIVE OVERSIGHT REQUIRED TO IMPLEMENT ENTITLEMENT AS A DEMONSTRATION
   The Congress requires detailed information on Entitlement 39
   Major efforts required to correct data problems 43
<table>
<thead>
<tr>
<th>CHAPTER</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entitlement was not a real world demonstration</td>
<td>47</td>
</tr>
<tr>
<td>CONCLUSIONS AND RECOMMENDATIONS</td>
<td>52</td>
</tr>
<tr>
<td>Conclusions</td>
<td>52</td>
</tr>
<tr>
<td>Recommendation to the Congress</td>
<td>53</td>
</tr>
<tr>
<td>Recommendations to the Secretary of Labor</td>
<td>54</td>
</tr>
<tr>
<td>MDRC and sponsor comments and our evaluation</td>
<td>54</td>
</tr>
<tr>
<td>APPENDIX</td>
<td></td>
</tr>
<tr>
<td>I Recent GAO reports on youth employment and training programs</td>
<td>62</td>
</tr>
<tr>
<td>II Prime sponsors selected for participation in Entitlement demonstration</td>
<td>63</td>
</tr>
<tr>
<td>III School academic and attendance standards for 1979</td>
<td>64</td>
</tr>
<tr>
<td>IV Letter dated September 25, 1980, from the President, Manpower Demonstration Research Corporation, New York, New York</td>
<td>66</td>
</tr>
<tr>
<td>V Letter dated September 26, 1980, from the Director, City of Albuquerque - Bernalillo County Office of Comprehensive Employment and Training Administration, Albuquerque, New Mexico</td>
<td>72</td>
</tr>
<tr>
<td>VI Letter dated September 22, 1980, from the Director, Mayor's Office of Manpower Resources, Baltimore, Maryland</td>
<td>73</td>
</tr>
<tr>
<td>VIII Letter dated September 24, 1980, from the Deputy Director of Operations, Office of Employment and Training, Philadelphia, Pennsylvania</td>
<td>77</td>
</tr>
</tbody>
</table>
## APPENDIX

<table>
<thead>
<tr>
<th>Page</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>IX</td>
<td>Letter dated September 26, 1980, from the Executive Director, Job Development and Training, State of Mississippi</td>
</tr>
<tr>
<td>79</td>
<td></td>
</tr>
<tr>
<td>X</td>
<td>Letter dated October 9, 1980, from the Acting Inspector General, U.S. Department of Labor</td>
</tr>
<tr>
<td>81</td>
<td></td>
</tr>
</tbody>
</table>

## ABBREVIATIONS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>CBO</td>
<td>community-based organization</td>
</tr>
<tr>
<td>CETA</td>
<td>Comprehensive Employment and Training Act</td>
</tr>
<tr>
<td>GAO</td>
<td>General Accounting Office</td>
</tr>
<tr>
<td>MDRC</td>
<td>Manpower Demonstration Research Corporation</td>
</tr>
<tr>
<td>YCCIP</td>
<td>Youth Community Conservation and Improvement Projects</td>
</tr>
<tr>
<td>YEDPA</td>
<td>Youth Employment and Demonstration Projects Act</td>
</tr>
<tr>
<td>YETP</td>
<td>Youth Employment and Training Programs</td>
</tr>
</tbody>
</table>
CHAPTER 1

YOUTH UNEMPLOYMENT--A PERSISTENT

PROBLEM THAT HAS RESISTED SOLUTION

Youth unemployment has been a persistent national problem. In 1954 the unemployment rate for 16- to 24-year-olds was 10.6 percent while the overall rate was 5.6 percent. Nearly 25 years later, at the end of 1978, the rate for 16- to 24-year-olds was at 12.2 percent compared to a 6-percent overall rate.

Such youth unemployment statistics, however, do not begin to illustrate the magnitude of the problem. Teenagers, for example, have much higher unemployment rates than older youths. High school dropouts, low-income and minority (particularly black) youths also have higher unemployment rates than other youths. While the official teenage unemployment rate in the ghettos is 40 percent, the Urban League suggests that the real rate is 60 percent. Also, as pointed out in congressional testimony before the House Committee on Education and Labor, unemployment statistics do not convey the reduced sense of self-worth or the dashed hopes and dreams caused by unemployment. They do not convey the pervasive alienation that can occur among unemployed youths who feel they cannot make a useful contribution to society.

The seriousness of the youth unemployment problem is a matter of controversy. One contention is that it is not serious because youths have few financial responsibilities and, therefore, are not greatly hurt when unemployed. Another argument is that many unemployed youths are students looking for part-time jobs, which causes unemployment statistics to overstate the true extent of the problem. On the other hand, some contend that youth unemployment is a serious problem which translates into lower earnings later in life due to lost job experience. Also, youth unemployment may result in increased crime and alienation which may have long-term effects.

CONGRESSIONAL CONCERN ABOUT YOUTH
UNEMPLOYMENT LEADS TO NEW INITIATIVES

In the early 1960s, the Congress determined that youth unemployment was a serious problem needing attention. As a first step, the Congress provided funds for youth development
and training under the Manpower Development and Training Act of 1962. In 1964, the Economic Opportunity Act established two major programs for youths—the Neighborhood Youth Corps and the Job Corps. With the passage of the Comprehensive Employment and Training Act (CETA) in 1973, youths continued to participate in the Job Corps and an offshoot of the Neighborhood Youth Corps, which was known as the Summer Program for Economically Disadvantaged Youth. In addition, youths participated to a significant extent in other CETA program activities, such as work experience which generally operates on a year-round basis.

Based on a concern about continued high unemployment rates for youths, the President in early 1977 requested funds for new youth employment programs as part of the job creation component of his economic recovery package. The resulting legislation, the Youth Employment and Demonstration Projects Act of 1977 (YEDPA), which amended CETA, authorized four additional youth programs.

YEDPA was an admission that, despite years of experience and the expenditure of billions of dollars for youth employment and training programs, no one knew how to solve the chronic youth unemployment problem. YEDPA is an attempt to test various approaches to determine what works best so that effective youth programs can be developed. The following programs are YEDPA components:

1. The Young Adult Conservation Corps—operated jointly by the Departments of Labor, Agriculture, and Interior—provides employment for out-of-school youths 16 through 23 years of age on conservation projects on public lands.

2. The Youth Community Conservation and Improvement Projects (YCCIP)—designed to employ 16- to 19-year-old out-of-school youths in well-supervised projects with tangible outputs benefiting the community.

3. The Youth Employment and Training Program (YETP)—designed to provide a full range of activities and services, including job experience, training, occupational information, and supportive services for in-school and out-of-school 16- to 21-year-olds. The program also serves 14- and 15-year-olds.
in-school youths. YEDPA authorizes some YETP funds to be used for innovative and experimental projects.

4. The Youth Incentive Entitlement Pilot Projects (Entitlement)—designed to provide jobs and test the efficacy and impact of guaranteeing jobs for all 16- to 19-year-old disadvantaged youths residing in a designated geographic area and attending school or who are willing to return to school.

More than $3 billion has been provided for YEDPA programs for fiscal years 1978-80. Most of these funds have been distributed by formula to all 460 CETA prime sponsors, usually State and local governments, to operate YETP and YCCIP. The Congress has provided $222 million for the Entitlement experiment which is limited to 17 prime sponsors. For these prime sponsors, Entitlement funds represent the vast majority of their financial resources for youth programs.

Entitlement, one of the largest demonstration programs the Federal Government has ever attempted in the field of youth employment, is unique in several respects. Any youth who meets the eligibility requirements is guaranteed a job. It is the Nation's first job guarantee experiment.

Entitlement is also unique because it requires a commitment to an educational program as a condition of employment. Program participants must remain in or return to school and meet established job and academic performance standards. Youths work part-time during the school year and full-time during the summer. To successfully complete Entitlement, a youth should obtain either a high-school diploma or its equivalent. Youths who perform unsatisfactorily in school or at work should be terminated from Entitlement. Youths should also be terminated when they become 20 years old or are no longer eligible because of family income or the location of their residence.

A third unique aspect of Entitlement is that it gives wage subsidies to private employers that provide jobs for youths. The legislation allowed Labor to experiment with a variety of wage subsidies up to 100 percent to encourage private employers to participate. In addition to being a demonstration, it is a large-scale operating program.

Entitlement is typical in that many job experiences are identical to those in other CETA programs. Other than
private sector worksites (which account for roughly 20 percent of participant work hours), work locations and the type of work performed by program participants were often indistinguishable from other CETA youth program worksites.

We reviewed Entitlement because it is the most radical departure from traditional youth employment programs. Entitlement started in March 1978 and was originally scheduled to terminate in June 1979. The program was later extended through September 1980. The President has submitted a youth legislative proposal to the Congress which would incorporate the concepts of YETP, YCCIP, and Entitlement in a new youth initiative.

Recent GAO reports on youth employment and training programs are listed in appendix I.

PROGRAM RESPONSIBILITY

The Department of Labor's Office of Youth Programs within the Employment and Training Administration has overall responsibility for supervising, managing, and directing Entitlement. However, due to Labor's strained staff capacity, the desire to limit Federal workforce expansion, Entitlement's short-term nature, and the need for special expertise in evaluation, research, and demonstration, Labor awarded a contract of about $15 million to the Manpower Demonstration Research Corporation (MDRC) of New York City to manage and evaluate Entitlement.

MDRC is a nonprofit, publicly supported, private organization which designs, manages, and evaluates social programs. It was established in 1974 with support from public and private agencies interested in pursuing innovative ways to treat some of society's most difficult and longstanding problems. MDRC is governed by a board of directors and has a staff of more than 100 persons.

Under Labor's overall direction, MDRC's Entitlement responsibilities include (1) helping Labor negotiate work plans and budgets for selected prime sponsors, (2) developing and supervising demonstration procedures, (3) implementing and supervising the research design, (4) implementing an Entitlement information system, (5) analyzing the consistency of operations with demonstration and research requirements, and (6) identifying training and technical assistance needs. In addition, MDRC helped select Entitlement prime sponsors.
COMPETITIVE SELECTION PROCESS USED
TO SELECT BEST PRIME SPONSORS

Because of the expected high cost of a guaranteed job program, Labor limited Entitlement to a few prime sponsors. Labor developed a national competitive selection process consisting of a preapplication and a final application phase to guarantee the selection of prime sponsors best able to meet administrative and research needs. This two-step process included site visits before final selection so that the decision would be based on more than grantsmanship capabilities. The competitive process was designed to yield a wide economic and geographic range of sponsors, including large and small cities, high-density urban areas, and sparsely populated rural regions, and areas of varying unemployment rates, school dropout rates, and racial and ethnic composition.

Due to cost, Labor limited Entitlement to a few large-scale tests and additional smaller tests. Since YEDPA suggested several secondary experiments and innovations, Labor designed a two-tier approach. Large-scale, or Tier I, projects would test the feasibility of implementing a full-scale job guarantee program. Each Tier I sponsor was expected to provide between 3,500 and 10,000 jobs. Because the Tier I demonstrations were expected to be burdened by administrative demands, Labor allowed smaller, Tier II, projects to test various innovative approaches. Tier II demonstrations were expected to provide between 200 and 1,000 jobs.

All CETA prime sponsors were allowed to submit a preapplication for planning funds to develop a final application. Labor requested that each applicant provide specific information concerning: demographic characteristics of the prime sponsor area and the proposed Entitlement area, secondary school systems and CETA youth programs, proposals for organizational and administrative arrangements, and a project budget and estimates of job demand among eligible youths.

Criteria used to assess preapplications included the

-- overall quality and thoroughness of the preapplication;

-- managerial, administrative, operating, and fiscal capability of the prime sponsor;

-- level of commitment of other resources to the Entitlement project;
commitment of cooperation and participation from local school systems, labor organizations, and other local groups;

degree to which Entitlement would be integrated with local education, career development, and employment and training programs;

previous experience in administering related programs;

proposed cost structure; and

commitment and ability to provide data necessary for research and analysis.

Labor established an Entitlement selection and review panel composed of 10 individuals from academic, labor, community-based organization (CBO), youth population, and manpower and social program backgrounds. All panel members except one, a college student, serve on the MDRC board of directors.

Labor received 153 preapplications, 51 for Tier I and 102 for Tier II projects. Based on the above criteria, Labor assessments, and the geographical and socioeconomic distribution mandated by YEDPA, the panel made unanimous recommendations to Labor. Labor awarded planning grants to support development of final applications to 18 and 16 prime sponsors for Tier I and Tier II projects, respectively.

Labor and MDRC review teams visited each prime sponsor while it prepared the final application. The visits were designed, among other things, to substantiate preapplication information, to explain program requirements, and to assess the capabilities and commitment of key operating agencies.

Labor ranked each final application according to four criteria: (1) program management capability, feasibility, and commitment, (2) operational feasibility, (3) management information and fiscal systems, and (4) budget analysis and local resource commitments. A fifth criterion, innovative features, was used to rate Tier II proposals. The review panel considered all available materials (preapplications, final applications, Labor assessments, field visit reports, and ratings) and made its recommendations to Labor, which selected 17 prime sponsors to operate the Entitlement demonstration. Labor awarded grants to 7 Tier I and 10 Tier II prime sponsors. (See app. II.)
OBJECTIVES, SCOPE, AND METHODOLOGY

We examined the following eight areas:

--Administration.
--Management costs.
--Recruitment, enrollment, and assignment to jobs.
--Maintenance of effort and substitution.
--Cooperation and coordination with CBOs, local education agencies, the private sector, and other agencies serving youths.
--Work experience.
--Academic and attendance standards.
--Monitoring and evaluation.

Our review generally covered fiscal years 1978, 1979, and part of 1980.

We made our review at Labor headquarters in Washington, D.C., and in 7 of Labor's 10 regions: Atlanta, Boston, Chicago, Dallas, Denver, Philadelphia, and Seattle. We visited the headquarters of MDRC in New York City and Abt Associates, Inc., an MDRC subcontractor in Cambridge, Massachusetts.

We visited the 7 Tier I prime sponsors and 4 of the 10 Tier II sponsors: Albuquerque, New Mexico; Hillsborough County, New Hampshire; 1/ Dayton, Ohio; and Philadelphia, Pennsylvania. We also visited selected prime sponsor grantees and contractors, including local education agencies and CBOs.

Using standardized questionnaires, we interviewed 848 participants and 460 supervisors at 350 Tier I worksites. We also visited 37 worksites at the four Tier II locations and interviewed 76 participants and 59 supervisors. In most cases, 1/

1/Entitlement project location was Nashua, New Hampshire.
these visits were unannounced. Interviews at Tier I and II locations took place in two phases, a summer phase when the participants were working full time and a school year phase when the participants were working part time. Summer interviews took place during July and August 1979; school year interviews, between September and December 1979.

**Sampling methodology**

We used statistical sampling techniques to evaluate youths' Entitlement program work experiences. On the basis of a statistical sample of worksites at each Tier I location, we obtained information from participants as well as their supervisors and evaluated the worksites. This approach allowed us to draw conclusions about Tier I Entitlement locations as a whole. Because Tier II sites were not statistically selected, the results at these sites are not projectable. Tier I sites accounted for 90 percent of the program participants through November 1979 and 92 percent of reported Entitlement expenditures.

Statistical sampling enabled us to draw conclusions about the universe of interest (worksites) on the basis of information on a sample of that universe. The results from a statistical sample are always subject to some uncertainty (i.e., sampling error) because only a portion of the universe has been selected for analysis. Our sample size was large enough to keep the sampling error small. The sampling error consists of two parts: confidence level and range. The confidence level indicates the degree of confidence that can be placed in estimates derived from the sample. The range is the upper and lower limits between which the actual universe value may be found.

For example, a random sample of worksites showed that 33 percent were in the private, for-profit sector. Using the sampling error formula, we are 95-percent confident that the true percentage of private worksites in the universe would be within plus or minus 5 percentage points of the sample results. Thus, if all worksites in the universe were checked, the chances would be 95 in 100 that the actual percentage of private, for-profit worksites would be between 28 and 38 percent.

Using a worksite as our sampling unit, we devised a two-stage stratified sampling plan. From about 4,700 Tier I worksites in existence in June 1979, we selected 350 for
evaluation--50 at each Tier I location. This sample size was
determined so that the expected sampling error on a program-
wide finding would not exceed plus or minus 5 percentage
points at the 95-percent confidence level. The sampling
error on a finding at any particular Tier I location was ex-
pected to be about 8 percentage points at the 95-percent
confidence level.

To select the sites, we stratified all worksites at
each Tier I location by the number of Entitlement partici-
pants assigned to the site. Based on this stratification,
we randomly selected 50 sites at each Tier I location using
random number tables. At each site selected, we interviewed
all participants if five or fewer were present. At worksites
with more than five participants, we used random numbers to
select five from those present. In addition, we interviewed
the supervisors of all selected participants. To solicit
responses from both participants and supervisors, we used a
structured interview form which was uniform for all locations.
We used the supervisors' and participants' responses, our
observations, and a review of records as our basis for asses-
sing each sampled worksite.

We then projected the results of these worksite assess-
ments to what we estimate to be 5,200 worksite locations.
This worksite estimate rose from 4,700 due to the fact that
some worksites had subsites. We computed these projections
using weights based on (1) the number of sites sampled in
each stratum at each location and (2) the number of sites in
each stratum at each location. The estimates derived from
the sample of participants and projected to the universe were
calculated using weights based on the number of (1) partici-
pants interviewed at each site, (2) participants present at
each site, (3) sites sampled in each stratum at each location,
and (4) sites in each stratum at each location.

We estimate that the participant responses can be pro-
jected to a universe of about 14,800 Tier I participants.
The actual number of participants assigned is probably more
since our projections are based on participants present on
the days of our site visits. In fact, we estimate that
there were about 20,000 participants assigned to the 5,200
sites.
CHAPTER 2

MOST WORKSITES PROVIDED YOUTHS WITH ADEQUATE
WORK EXPERIENCES WHILE OTHERS NEED IMPROVEMENT

The Congress specifically mandated that YEDPA programs, including Entitlement, offer participants meaningful opportunities to earn and learn. To carry out this mandate, Labor, in its Planning Charter for YEDPA, emphasized the goal of a quality youth work experience.

Based on worksite visits, we estimate that of all Tier I worksites in the program

-- 81 percent provided environments where youths were encouraged to develop and demonstrate good work habits,
-- 73 percent provided youths with enough useful work, and
-- 74 percent provided youths with adequate supervision.

Although not statistically projectable, the work experience characteristics of the Tier II sites we visited were about the same as the Tier I sites.

Most worksites provided all three elements crucial to an adequate work experience; however, many others did not. We estimate that about 3,000 (58 percent) of the 5,200 worksites met our criteria for all three elements, while the remaining 2,200 (42 percent) lacked one or more of these elements: 1,100 (21 percent) had serious problems—failing to meet our criteria for two or more elements—and another 1,100 (21 percent) had moderate problems—failing to meet our criteria for one element. We estimate that 50 percent of all Tier I participants were assigned to those worksites (42 percent) which had one or more problems.

To evaluate worksite adequacy in any of the three categories, we considered supervisor and participant responses and our observations of activities at the site. We also analyzed data from our site visits to identify factors that were characteristic of adequate and inadequate worksites.

Although most worksites provided adequate work experiences, others need improvement. In varying degrees, sponsors did not:
---Assure that youths received adequate supervision.

---Develop and sustain a sufficient quantity of jobs in the right locations.

---Adequately counsel youths.

---Provide effective monitoring of worksites. Problems of poor supervision, marginal work experiences, and time and attendance or payroll violations that should have been obvious often went undetected or, if detected, uncorrected.

RESULTS OF WORKSITE ASSESSMENTS

Labor's Entitlement regulations stress that worksites were to have capable supervision and provide structured, productive work settings. The jobs were to introduce youths to the habits of successful work life and entry level or preparatory skills. Additional requirements included developing enough jobs to minimize the time between enrollment and assignment to a worksite and providing monitorable attendance and productivity standards.

Work habits

Good work habit development is a critical element in any youth employment program. For many participants an Entitlement job is their first work experience. Based on our interviews with participants, we estimate that 81 percent of the Entitlement participants never had a prior job. Consequently, it is extremely important that these youths be exposed to and guided in the development of good work habits.

On the basis of worksite interviews with participants and their supervisors as well as our recorded observations, we evaluated whether the worksite provided an environment where good work habits were encouraged. In making our evaluation, we considered factors, such as:

---Whether youths came to work regularly.

---Whether youths came to work on time.

---How adequately work and progress of participants was evaluated.
--How adequately services, other than job training, were given to participants.

We estimate that 81 percent of all worksites provided environments where good work habits were encouraged. Seventy-three percent of the program participants were at these sites.

We also examined our data to identify factors that were characteristic of sites that provided good work habit development. According to our analysis, the adequacy of supervision and the quantity of work were the two key factors. We determined that youths at sites with adequate supervision and a sufficient quantity of work are more likely to exhibit good work habits. Conversely, youths at sites with inadequate supervision or not enough work to keep them busy are not likely to exhibit good work habits. Other factors were considered but did not prove to be important in distinguishing between sites that provided or did not provide good work habit development. These factors included the number of youths assigned to the worksite, the number of youths present on the day of our visit, whether the site provided full-time jobs in the summer or part-time jobs during the school year, and whether the site was private, for-profit or not.

As discussed above most Entitlement worksites provided environments where youths were exposed to real work situations and encouraged to develop good work habits. Some examples follow:

--A Federal agency in Cincinnati employed three youths as general office workers whose duties included filing, typing, and running office machines. The supervisor encourages good work habits by treating the participants as regular employees. The participants are supervised at all times, have enough work, and receive training in general office procedures.

--A supervisor at a Boston shoe manufacturer provides constant direction to two participants in the accounting department. The participants perform the same activities as regular employees and are assigned additional work as they complete their tasks.

--A supervisor in a Cincinnati retail store encourages good work habits by assuring that the one participant is gainfully employed and adheres to work-hour standards. The participant's main duties include stocking shelves, unpacking new stock, and cleaning
the sales area. In addition, the supervisor is providing the participant with sales training.

Other sites, however, did little to encourage good work habits. For example:

--A large Detroit high school employed 23 students in custodial work. The supervisor routinely allowed students to leave after they finished 2 hours of work, although they were paid for 4 hours. The site did not have enough work for the youths assigned.

--At a Boston youth activities center, four participants did no work during the 3 hours we were there. One participant read a magazine. Another was sent out to get lunch for the other employees. In addition, two participants who reported over an hour late for work were signed in by their supervisor at their normal starting times and paid for the hours not worked.

--In Seattle, one youth was assigned to an Armed Forces recruiting office as a receptionist and clerk typist. In violation of the rules, the supervisor allowed the youth to call in sick on several occasions and authorized payment for these absences. The supervisor permitted the youth to use a telephone answering machine, so she could go shopping and take extended lunch hours. After our visit, the sponsor removed the youth from the site and will not use the site until a quality supervisor is assigned there.

Work content

In evaluating worksites for the usefulness/meaningfulness of jobs provided youths, we assessed whether the jobs: (1) were useful to the community or employer and (2) provided youths an opportunity to learn a new skill or improve existing skills. We classified worksites as providing youths with useful/meaningful work if at least 60 percent of youths' daily activities at the sites met either of these two criteria.

Overall, we estimate that about 73 percent of the worksites provided youths with useful/meaningful work. Further, we estimate that 60 percent of all Tier I participants were at these sites. Worksites were more successful in providing youths with useful jobs than they were in providing youths with jobs where they could develop new or use existing skills as shown below:
Estimated Percentage of youths at sites

<table>
<thead>
<tr>
<th></th>
<th>Percentage of youths at sites</th>
</tr>
</thead>
<tbody>
<tr>
<td>Useful to employer</td>
<td>74</td>
</tr>
<tr>
<td>or community</td>
<td>62</td>
</tr>
<tr>
<td>Useful to participant</td>
<td>66</td>
</tr>
<tr>
<td></td>
<td>56</td>
</tr>
</tbody>
</table>

We also examined our data to identify factors that were characteristic of sites that provided a useful/meaningful work experience. According to our analysis, there were four key factors, of which quantity of work was most important. Supervision, minimizing idle time, and the number of youths assigned to a site were also important. Other factors considered which did not prove to be important included the number of youths present at the worksite, whether the site provided full-time jobs in the summer or part-time jobs during the school year, and whether the site was private, for-profit or not.

Our analysis indicates that a useful/meaningful work experience is not likely to exist at worksites where too many participants are assigned, where there is an insufficient quantity of work, and where supervision is inadequate. Following are some representative examples of worksites we evaluated as adequate.

--A Detroit hospital gave 29 students an excellent job experience and an opportunity to develop occupational skills and good work habits. Twenty-six of the students worked as nurses aides in various departments and three performed clerical duties. The site supervisor emphasized good work habits, enforced work-hour rules, and motivated the youths to accept responsibility. In return, the youths were providing a valuable service.

--Again in Detroit, a cultural center used six participants as program aides. They assisted in planning activities, aided students in various workshops, and gave tours of the site. The participants were actively involved in the operations of the site and had daily contact with the public and professionals in the areas of art, music, and crafts. In addition to providing a useful service, some of the participants were interested in continuing to work in these areas and were receiving good training.
Other sites did not provide a sufficient quantity of useful/meaningful work. For example:

--In Baltimore, five recreation sites employed 45 youths as recreation aides. Idleness was a problem at these sites, and the youths, when not obviously idle, participated in sports activities or watched other youths engaged in recreational activities. The lack of enough work and adequate supervision prevented youths at most recreation sites from even receiving training in rudimentary work habits.

--The City of Detroit transportation department employed 22 youths to fill requisitions and take inventory. Some youths worked during the day when they were supervised by regular employees and were given a sufficient quantity of work to do. Several youths, however, worked in the evening when there was an insufficient quantity of work and not enough supervision. These youths sat around, and some left work early—with pay. The supervisor believed he could only supervise and keep busy a maximum of 12 participants.

In substance, most Entitlement jobs were similar to those in other youth programs, with clerical, custodial, and recreational jobs predominating. They tend not to be skill oriented in the sense that classroom or on-the-job training are prerequisites for performing the job tasks. We estimate, however, that about 50 percent of the participants received on-the-job training, even though few youths entered the program with training as an objective. In contrast, only about 6 percent received any formal classroom training.

THE QUALITY OF YOUTHS' JOB EXPERIENCES CAN BE IMPROVED

Although the majority of Entitlement worksites provided an adequate work experience, improvements in several program elements are needed to enhance the quality of the youths' job experience. Supervision, job development, counseling, and worksite monitoring are all important elements in providing quality job experiences, with supervision the most important element.
Supervision of youths

In analyzing the factors contributing to the quality of the work experience, supervision was a significant factor in work habit development and meaningful work content.

In evaluating supervision, we assessed how adequately supervisors

--understood program objectives;

--enforced work-hour standards;

--controlled participant behavior;

--minimized idle time;

--impressed upon participants the need for good work habits;

--assigned, trained, and/or guided participants in their job tasks; and

--evaluated participant work and progress.

We obtained information on these issues by interviewing worksite supervisors and participants, observing worksite conditions, and examining records.

We estimate that 74 percent of the worksites provided youths with adequate supervision. These sites had 67 percent of all Tier I participants.

We also examined our data to identify factors that were characteristic of sites that had adequate supervision. We analyzed the following factors:

--Number of youths assigned to the worksite.

--Number of youths present on the day of our visit.

--Whether enough work was available.

--Whether the site provided full-time jobs in the summer or part-time jobs during the school year.

--Whether the site was private, for-profit or not.
--Whether the site was in an urban or rural area.
--Whether attendance was recorded.
--Whether attendance was taken in a timely manner.
--Whether attendance records were complete.

According to our analysis, only three of these factors were significant in separating sites with adequate supervision from those without. In order of importance, these factors were: whether enough work was available to keep the participants busy, whether attendance records were complete, and whether attendance was recorded at all. Once the effect of these factors was considered, none of the others was significant. Examples of sites exhibiting significant characteristics of adequate supervision included the following:

--Six participants at a Boston high school worked on a general maintenance crew. They worked side-by-side with the regular staff preparing the school for occupancy in the fall. Their job tasks included washing the windows and floors, landscaping, and painting. The supervisor had a schedule of projects to be completed before school began. The supervisor enforced work-hour standards, minimized idle time, and encouraged good work habit development.

--At a Nashua recreation facility, four participants were engaged in different jobs. Two youths assisted their supervisor in preparing and serving food. The supervisor scheduled their activities allowing for little idle time. Another participant worked in a clerical position answering the phone, typing, preparing the payroll, and enrolling new club members. The fourth participant was a recreation aide and distributed equipment and monitored various youth activities.

--At a Cincinnati special education center, one participant was learning to type, operate office machines, and prepare educational material. The supervisor maintained constant supervision over the participant and assured that she was kept busy.
Where too many participants were assigned for the amount of work available and work-hour standards were not enforced, supervision was generally inadequate. For example:

--A Mississippi high school worksite had over 100 participants assigned primarily to custodial functions. Some worked as teachers aides. The Vice Principal readily admitted that the crew was too large; however, he tolerated the situation because the participants needed the money. We observed a great deal of milling around, little useful work, and no intervention on the part of the supervisors to at least minimize the chaotic conditions at this site. For example, we observed one youth vacuuming a few square feet of floor for about 30 minutes while talking to his friends.

--A large Cincinnati worksite employing over 100 participants divided the youths into groups to clean vacant lots throughout the city. The supervisor of one group told us that participants are frequently absent, and she never knows how many youths will appear each day. Further, no action was taken to discipline youths who do not work or to encourage better attendance.

--Fifty-two participants at a Baltimore recreation center were doing no work. They either were playing games or were simply idle. Five participants took a trip to an out-of-State amusement park. One youth skipped a day's work because he was to attend a professional baseball game the next night as a paid activity. According to the worksite agreement, the youths were supposed to be working in maintenance, clerical, and recreational positions. Further, youths were paid for lunch periods and there were numerous time and attendance discrepancies. These activities occurred with the supervisor's approval and no attempt was made to put the youths to work. One supervisor was fired and three others were suspended after we brought this situation to the attention of program officials and they had confirmed our findings.

We estimate that supervisors did not properly prepare or complete attendance records at 32 percent of the worksites. We also estimate that at least one youth was absent at about 22 percent of the worksites on the day of our visits, and at 26 percent of these sites at least one youth was paid for the absence. This tended to be a problem at the larger sites.
In some cases, improper payments were caused by inadequate time and attendance and payroll controls. In other cases, supervisors allowed participants to presign timesheets or fill them in at the end of a pay period instead of at the end of each day. Others authorized payment because they viewed Entitlement as simply an income transfer program. Some examples of time and attendance problems follow:

-- In Boston, we reviewed the timecards of the 17 participants absent on the day of our visit. A sponsor official told us that absenteeism was a problem and estimated that, on any given day, 20 percent of all participants failed to report to work. Of more significance, however, was the fact that 7 of the 17 participants (41 percent) were paid for the day they were absent.

-- Baltimore had similar problems. At seven sites we visited, 15 (47 percent) of 32 youths absent on the day of our visit were paid. Baltimore worksites also had significant time and attendance record-keeping problems. (See p. 18.)

The worksite supervisor clearly has prime responsibility for enforcing time and attendance requirements. We believe that improvements in this area would lead directly to better participant work habits.

Job development

To fulfill the Entitlement job guarantee, Labor regulations required sponsors to develop jobs which were easily accessible to participants and reasonably close to their homes. Further, there had to be enough jobs so that the waiting time between enrollment and job assignment was minimized. Generally, sponsors relied on the traditional providers of jobs from the summer youth program; e.g., city and State agencies, CBOs, and schools. Initially, they appeared to have developed a sufficient quantity of jobs. However, most Tier I sponsors had difficulty creating or maintaining an adequate number of part-time jobs during the school year. In addition to problems in developing jobs, some sponsors had administrative problems in the timely assignment of youths to available jobs.
Mississippi found it particularly difficult to maintain enough jobs. Ironically, it had done a fairly good job in assigning youths at the start of the program. However, when its program shifted from full-time summer jobs to part-time school year jobs in both 1978 and 1979, a severe deficit in the quantity of accessible jobs occurred. As late as December 1979, about 18 percent of the enrollees were in a hold status pending assignment or reassignment to a job. The lack of transportation, school/work scheduling problems, and coordination difficulties, mainly between the sponsor and its major subcontractor, have contributed to the problem.

Other sponsors also had difficulties in developing accessible part-time jobs that met Entitlement's 10-hour per week minimum work requirement during the school year. The location of available jobs, school scheduling problems, and transportation difficulties affected the sponsors' ability to fulfill Entitlement's job guarantee.

To resolve some of these problems, Detroit made liberal use of fast food establishments because they provide flexible hours. School sites were also a major source for placements; however, many were overloaded. The sponsor's program manager told us that he considers school sites as a last resort because they provide low quality work experiences. In February 1980, the sponsor placed a moratorium on further assignments to them due to the overloading.

In response to a critical job shortage, Cincinnati curtailed its active outreach efforts in February 1980. A sponsor official stated that by 1980 the public sector was saturated, but they were attempting to place additional youths at existing public and private worksites.

At the inception of the program, the many participants who claimed their guaranteed job overwhelmed the assignment capabilities of most Tier I sponsors. Some participants waited months for jobs as sponsors' assignment processes faltered. Most Tier II sponsors found it easier to assign participants to jobs because of their smaller numbers of participants. As the program progressed, most sponsors reduced the time between enrollment and assignment. In a March 1980 report, MDRC attributed much of the improvement in assignment processing times to better administrative procedures, particularly in Boston and Detroit. Of some significance, however, is the fact that sponsors had far fewer youths entering the program than they did at the beginning of the program.
Further, many youths were on hold and not working pending initial assignment, reassignment, or termination. MDRC reported that as of December 1979, about 2,200 youths were on hold pending a first assignment, 59 percent of whom had waited more than 30 days. Another 1,800 youths were on hold pending reassignment or termination. Eighty-seven percent of these youths had been in this status longer than 30 days.

Counseling

According to their grant applications, all Tier I sponsors planned to provide varying degrees of counseling to participants on such matters as education, health, career or job placement, and work habits. Some sponsors planned to furnish these services directly, while others planned to contract with other agencies for some services.

Although all participants might not have required a full range of counseling services, many needed school performance and work habit counseling. In general, many Tier I sponsors placed a low priority on counseling compared to other program components. However, more youths were terminated from Entitlement for negative reasons than positive ones. We believe this high percentage of negative terminations may indicate a need for more substantive counseling efforts.

Through December 1979, an MDRC breakdown of the 34,000 terminations shows the following:

<table>
<thead>
<tr>
<th>Category</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Positive:</td>
<td></td>
</tr>
<tr>
<td>High school graduates</td>
<td>26.7</td>
</tr>
<tr>
<td>Negative:</td>
<td></td>
</tr>
<tr>
<td>Dropped out of school</td>
<td>5.8</td>
</tr>
<tr>
<td>Unsatisfactory school performance</td>
<td>3.9</td>
</tr>
<tr>
<td>Unsatisfactory job performance</td>
<td>18.2</td>
</tr>
<tr>
<td>Lost contact</td>
<td>6.2</td>
</tr>
<tr>
<td>Neutral:</td>
<td></td>
</tr>
<tr>
<td>No longer eligible</td>
<td>10.0</td>
</tr>
<tr>
<td>Left for other program or job</td>
<td>11.7</td>
</tr>
<tr>
<td>Other</td>
<td>17.5</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

21
At most Tier I locations, "counselors" spent little time counseling youths. They were primarily involved in the payroll process—picking up timesheets and delivering checks. Further, many files of participants we interviewed in the summer lacked adequate documentation on counseling activities. About 45 percent of these files had no evidence of any counseling activity. Thus, in many cases it is impossible to determine whether active or terminated participants were ever counseled.

Of the files containing evidence of counseling, about 80 percent indicated that participants received some counseling on work habits. Only about 40 percent contained documentation on school performance counseling. In our interviews with participants, less than half stated that they had discussed their future after graduation with their counselor.

Some sponsors did not develop a plan to help participants graduating from high school obtain unsubsidized employment. In this regard, Baltimore and Boston, when faced with a large number of terminating seniors, maintained the participants in their Entitlement jobs by funding them under another CETA program, such as public service employment.

Participants at some of the Tier II sponsors we visited, particularly Albuquerque and Nashua, received more frequent and in-depth counseling. We believe that the smaller size of these programs aided these efforts.

Monitoring

Labor's evaluations of other youth programs showed that participants benefit most from structured and demanding worksite activities. Labor also found that effective monitoring dramatically improved worksite quality, particularly when sponsors measured whether participants were actively employed, productive, and supervised and met attendance and performance standards. Consequently, Entitlement guidelines emphasized that sponsors not only provide supervised and disciplined work experiences but also monitor worksite quality.

---

1/We did not review counseling files in the fall.
Initially, most sponsors did not implement effective monitoring systems. Although Entitlement started in the spring of 1978, sponsors did not begin to seriously monitor worksites until the spring and summer of 1979. Cincinnati and Detroit did no worksite monitoring during the first year of the program. Cincinnati monitored many of its worksites over a period of about 1 month in 1979 in preparation for our review.

Some sponsors lacked effective monitoring instruments and used untrained personnel as monitors. This resulted in some Tier I sponsors performing little more than limited compliance reviews of worksite time and attendance data and payroll problems. Baltimore, Boston, Cincinnati, and Mississippi 1/ used checkoff lists to record supervisor and participant responses, but monitors commented infrequently or superficially on the quality of worksites. Baltimore and Denver used inexperienced CETA public service employees as monitors without giving them any specific training.

Increased sponsor monitoring during and after the summer of 1979 did not necessarily lead to the resolution of some serious problems. Problems of inadequate supervision, insufficient quantity of work, and time and attendance infractions that should have been obvious went undetected, or, if detected, uncorrected until our review. For example, as previously discussed, Baltimore and Boston had numerous time and attendance and payroll infractions. Nearly all of the 50 sites we visited in Baltimore had one or more of the following timekeeping or payroll deficiencies:

-- Paid absences, latenesses, and meal breaks.
-- Participants maintaining or possessing their own timecards.
-- Timecards signed in advance or at the end of a time period instead of daily.
-- Signatures without hours shown or vice-versa.
-- Different signatures for the same name.

1/ After the completion of our fieldwork, Mississippi told us that, in addition to the checklists used by its program monitors, an independent monitoring unit prepares narrative reports on worksite conditions.
--Timecards not showing actual days or hours worked.

--Incorrect totals on timecards.

--Unapproved changes on timecards.

--No sign-in sheet, unsupervised sign-ins, or sign-in sheets not showing actual hours worked.

--Sign-in sheets inconsistent with timecards.

Boston had many of the same problems. Both sponsors took corrective action when we brought these problems to their attention, and in late 1979, both revised their monitoring procedures. The changes in their monitoring procedures occurred in the latter stages of our review; consequently, we are unable to comment on their effectiveness.

In some cases, problems at worksites may have gone undetected simply because of the infrequency of sponsors' monitoring visits. Because of program management cost ceilings discussed in chapter 3, Cincinnati, Denver, and Seattle did not adequately staff monitoring units. Of the 50 worksites we visited, Detroit monitors had never visited 18 and had visited 13 others just once. Monitoring reports are superficial, and for some of the same sites we visited, the monitors either did not detect problems that should have been obvious or failed to record them in their reports. In Boston, 26 of the 50 worksites we visited failed to meet at least one of the three elements crucial to an adequate work experience. Sponsor monitors had visited 11 of these 26 sites but identified problems at only 4. The sponsor had taken no action to correct even the problems raised by its own monitors.

While we recognize that these sponsors had other problems, we believe effective and timely monitoring is essential in maintaining quality youth programs.
CHAPTER 3

OPERATIONAL PROBLEMS HAMPERED PROGRAM PERFORMANCE

Sponsors had many serious operational problems in implementing Entitlement. They often found it difficult to comply with Labor regulations and MDRC directives and achieve established program goals. Some problems were caused by the rapid program startup and were resolved early. Other problems were more persistent, and some new problems surfaced during the second year.

The operational problems were so severe at some locations that it is difficult to tell how the program would have been implemented had effective management been employed. Some of the more difficult problems faced by sponsors in implementing Entitlement were:

-- Entitlement was difficult to implement because of its dual role as a demonstration and an operating program. As the program progressed, administrative systems often failed to meet program needs. These problems and high staff turnover led to major reorganizations and program instability at most Tier I locations.

-- Program management costs were higher than originally planned and averaged about 37 percent of total costs. The major cause was underenrollment of youths coupled with sponsor reluctance to reduce administrative staffs.

-- Sponsors had difficulty in enforcing the academic and school attendance requirements of Entitlement. In some cases, the standards were so liberal as to be of limited value. In other cases, sponsors did not establish the necessary processes to enforce them consistently.

-- Sponsors had mixed results in establishing links and improving coordination with other groups which could assist them in better serving youths. They often found it difficult to establish and/or maintain cooperative relationships with schools, CBOs, and other agencies serving youths.
Entitlement is the first youth employment program which makes extensive use of subsidized private sector jobs. However, almost half of the jobs are the type that youths are normally hired for. The problem of potential substitution is compounded by the fact that most sponsors initially provided 100-percent subsidies to all employers, including those in the private sector. Sponsors did little to assure that the Entitlement participants were not simply a substitute for youths who would have been hired without a subsidy.

ADMINISTRATIVE PROBLEMS AND STAFF TURNOVER LED TO MANY REORGANIZATIONS AND PROGRAM INSTABILITY

Entitlement, because of its dual role as a demonstration and an operational program, was difficult to implement. Initially, many sponsors could not cope with these multiple responsibilities. Delays in job assignments and problems in payroll and management information systems were caused by the large influx of applicants.

As the demonstration progressed, administrative systems failed to meet program needs. For some sponsors, program suspensions and major reorganizations were required. Staff turnover became a problem. Although some problems were resolved, some continued into 1980.

Baltimore used the Summer Youth Employment Program as a management model for Entitlement. Due to serious management control problems, however, this model proved to be inadequate for Entitlement. As a result, Baltimore reorganized twice during the first year. The sponsor could not cope with the paperwork requirements during the summer of 1978. CETA public service employees used for administration and worksite monitoring were unqualified for the tasks and further complicated the problem.

Paperwork logjams prevented tracking participant assignments. Transfers of job assignments were not documented, and the computer rejected timesheets which did not match recorded worksites. Thus, hundreds of participants were not paid on time. The sponsor suspended program operations on two occasions and used the time to correct these problems.
In mid-1979, a third reorganization established two new units. The first was designed to monitor worksites and troubleshoot operational problems; the second, to monitor participants' academic and attendance performance. At the time of our fieldwork, Baltimore still did not have an effective system for monitoring worksites and school attendance and academic performance.

Boston had numerous problems implementing Entitlement. Its large centralized administrative structure proved inadequate in coping with program requirements. The job assignment system faltered from the program's inception. Hundreds of youths failed to receive assignments for months. In April 1979, the placement unit was reorganized and the backlog of job assignments was decreased. However, in early 1980, it still took about 6 weeks for a youth to receive a job assignment after enrollment. Staff turnover disrupted the performance of some units. The caseworkers, who are the main link between the worksite, the participant, and the program's administration, were the most transient.

Detroit experienced enrollment, payroll, and information system problems so severe that the program was suspended for 2 months. The program was completely reorganized in January 1979. MDRC officials told us this program has turned around. However, as of December 1979, some of the original problems still existed. Our review showed that participants' files contained inaccurate information, paychecks were late or inaccurate, and intake centers were not submitting timely status changes on participants.

Cincinnati's high turnover of program managers contributed to not implementing a uniform program among contractors. At the time of our fieldwork, three individuals had served as program manager. The first did not exert a strong influence and spent minimal time with the contractors. The second failed to gain needed cooperation, complained of a lack of authority, and resigned after 5 months. The third appeared to be taking a more active leadership role.

Denver has been unable to implement Entitlement despite repeated intervention by Labor and MDRC. (See pp. 49 and 50.) The program has been essentially put on a "life support system" for the duration of the demonstration. In its first 16 months, the program had four directors and one acting director. According to MDRC, with each change Denver's
Entitlement structure also changed, so the program never stabilized long enough to create confidence or allow any participating agency or individual, including MDRC, to clearly understand program operations in Denver.

Although MDRC's March 1980 report concludes that Entitlement is on the whole feasible, it cautions against rapid implementation of future programs as demanding as Entitlement. The report further states that:

"* * * [although] substantial improvements in administration are noted, * * * the program model continues to pose a challenge and the effects of the rapid start-up are still apparent at some sites."

We agree that improvements have been made. We question, however, whether recurring problems 2 years into the program can be attributed to startup difficulties.

PROGRAM MANAGEMENT COSTS ARE HIGHER THAN EXPECTED

Most other CETA programs limit the percentage of funds which sponsors can use for program administration. For Entitlement, on the other hand, MDRC combined program administration with other categories, such as client services and worksite supervision, called them program management costs, and placed no limit on them. The original grant agreements did, however, contain approved participant/management cost ratios. As shown below, program management costs as a percentage of total costs were originally projected to average 28 percent at Tier I locations. From the program's inception through September 30, 1979, management costs had averaged 37 percent, or about one-third higher than originally projected.

1/Program management costs include all costs except participant wages and fringe benefits.
<table>
<thead>
<tr>
<th>Sponsor</th>
<th>Estimated in original grant</th>
<th>Percent estimated in grant extension</th>
<th>Actual through September 30, 1979</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baltimore</td>
<td>28.5</td>
<td>39.5</td>
<td>35.4</td>
</tr>
<tr>
<td>Boston</td>
<td>38.5</td>
<td>41.2</td>
<td>45.0</td>
</tr>
<tr>
<td>Cincinnati</td>
<td>29.8</td>
<td>37.5</td>
<td>39.0</td>
</tr>
<tr>
<td>Denver</td>
<td>28.3</td>
<td>(a)</td>
<td>42.1</td>
</tr>
<tr>
<td>Detroit</td>
<td>22.3</td>
<td>39.6</td>
<td>37.9</td>
</tr>
<tr>
<td>Seattle</td>
<td>30.9</td>
<td>36.2</td>
<td>42.5</td>
</tr>
<tr>
<td>Mississippi</td>
<td>23.1</td>
<td>32.6</td>
<td>25.6</td>
</tr>
<tr>
<td>Average</td>
<td>28.1</td>
<td>38.1</td>
<td>37.2</td>
</tr>
</tbody>
</table>

*a/Denver did not have an approved grant extension during our fieldwork.

As shown in the above table, higher program management costs were allowed for grant extensions. In an April 1979 operations memorandum to Entitlement directors, MDRC was obviously concerned that disproportionate ratios might endanger the acceptability of Entitlement once the demonstration was over. In this regard MDRC stated:

"We should all understand that we are not trying to penalize anyone, but only trying to maintain a demonstration in which the costs and management accountability are such that it has a reasonable chance of being accepted as an on-going policy vehicle."

MDRC reported that through August 1979, Tier II sites devoted an even higher percentage of funds to management costs (41 percent) than Tier I sites (37 percent).

The variance in program management costs among the sponsors together with a variance in the average number of hours youths actually worked is reflected in the following full year cost estimates for participants through September 1979. Our estimates are based on the assumption that a participant remains in Entitlement for a full year.
<table>
<thead>
<tr>
<th>Sponsor</th>
<th>Total annualized cost per participant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baltimore</td>
<td>$3,706</td>
</tr>
<tr>
<td>Boston</td>
<td>5,797</td>
</tr>
<tr>
<td>Cincinnati</td>
<td>4,621</td>
</tr>
<tr>
<td>Denver</td>
<td>5,294</td>
</tr>
<tr>
<td>Detroit</td>
<td>5,129</td>
</tr>
<tr>
<td>Mississippi</td>
<td>4,395</td>
</tr>
<tr>
<td>Seattle</td>
<td>5,164</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>4,619</strong></td>
</tr>
</tbody>
</table>

a/Baltimore's costs are lower principally because it limited participants' work to 15 hours during the school year and 30 hours during the summer, compared to other sponsors, which allowed 20 and 40 hours, respectively.

A major cause of high program management cost rates was underenrollment of participants. Sponsors hired management and administrative staffs in anticipation of enrollment levels that never materialized. MDRC estimates that sponsors were successful in enrolling 40 percent of the eligible youths in the first year of the program. According to MDRC, most sponsors in their initial applications overestimated the eligible population in order to receive enough funds if all eligible youths claimed a job.

In addition to the overestimates of eligible population, sponsors may have overestimated the attractiveness of the program and underestimated the impact of competition from other youth programs which do not require a commitment to remain in or return to school. Strong local economies in Seattle, Denver, and Nashua which allowed youths to obtain unsubsidized employment also contributed to underenrollment.

All sponsors faced problems in recruiting and retaining out-of-school participants. About 10 percent of Entitlement participants were not in school when they enrolled in the program. Out-of-school youths may not be attracted to a program paying the minimum wage, with work-hour limitations of 20 hours per week or less and requiring a school commitment. Initially, Boston and Mississippi had insufficient alternative education facilities to accommodate those dropouts who enrolled in the program. This deficiency was
overcome through the establishment of additional alternative education programs.

Retaining former dropouts, even in an alternative school setting, has proven difficult. For example, Boston enrolled 1,200 dropouts. As of December 1979, 500 were attending an alternative education program or a regular school. Of the 700 youths terminated, only 44 (6 percent) received a high school diploma or its equivalent. About 90 percent of all terminations were due to attendance problems or lack of interest. Attendance problems and lack of interest in alternative education programs are not unique to Boston—several other sponsors experienced the same problems.

In addition to enrollment levels, the comprehensiveness of services also affects the management cost rates. As discussed in other sections of this report, plans to counsel youths, monitor worksites, and enforce academic and attendance standards were not fully implemented. To the extent that these services are upgraded or expanded, management cost rates may increase.

DIFFICULTIES IN ASSURING THAT PARTICIPANTS MEET ACADEMIC AND ATTENDANCE STANDARDS

A unique feature of Entitlement is that the job guarantee is designed to be an inducement for economically disadvantaged youths to stay in or return to school to obtain a high school diploma or its equivalent. Therefore, as a condition of an Entitlement job, participants must meet the minimum academic and attendance requirements of the secondary school or high school equivalency program in which they are enrolled or be terminated from the program. To assure that participants attend school, academic and attendance performance is to be monitored monthly.

Initially, some school systems had no school standards for sponsors to monitor and enforce. Therefore, Labor required that sponsors establish standards for Entitlement participants. Some sponsors established standards which were more stringent than existing school standards. In some cases, students had to pass only one course. In other cases, they had to maintain a "C" or higher average. Attendance standards also varied considerably. See appendix III for a complete list of academic and attendance standards.
Enforcement of standards was inconsistent and often negligible. In March 1980 MDRC reported that sponsors were reluctant to terminate youths and were slow to enforce standards. It cited several factors affecting Entitlement sponsors' termination policies.

-- In addition to operational problems in establishing and enforcing standards, sponsors gave low priority to this area because of other systems' problems.

-- Sponsors were inclined to maintain enrollment levels to enhance their reputations.

-- Because of their desire to help poorly performing youths, sponsor personnel were reluctant to terminate them.

Further, MDRC reported that sponsors were struggling to maintain participant/management cost ratios. Participant terminations could adversely affect their ratios and result in cuts in management funds.

We reviewed available school records for participants interviewed, but included only those who had been in the program prior to the summer of 1979. Data on 22 percent were either unavailable or unusable. For the remainder, our review showed that about 30 percent of active participants were not meeting school performance standards. MDRC's Entitlement information system shows that only 4 percent of 34,000 program terminees left the program because of unsatisfactory school performance through December 1979.

Sponsors had fairly elaborate systems involving warnings, appeals, and hearings for participants not meeting school standards. Baltimore and Boston also placed their own staff as liaisons in the schools to facilitate the collection of school performance data. Although these sponsors terminated youths more frequently than other sponsors, their systems were often ineffective.

Boston liaisons recommended terminating 466 youths for inadequate school performance; however, only 64 were terminated. These 466 youths had received two warning notices and a notification of pending termination. Our sample of Boston participants included one participant who, although enrolled, did not attend school the entire 1978-79 school year but worked in an Entitlement-sponsored job. Four other
participants missed from 111 to 167 days (62 to 93 percent) of the 180-day school year, but none were terminated. These absence rates far exceeded the 45 days per academic year Boston allowed for unexcused absences. In addition, these participants did not meet the minimum academic requirements.

Although Baltimore had terminated a higher percentage of youths for not meeting school standards than other sponsors, its system needed improvement. The sponsor’s academic compliance unit was extremely disorganized. Personnel did not understand their function or the system. We reviewed the files for 164 Baltimore participants and found that many lacked the data necessary for evaluating a participant’s school status. Other sponsors did even less in enforcing school performance standards. Detroit and Seattle were the lowest of Tier I sponsors with less than 1 percent of their terminations for this reason.

COORDINATION BETWEEN PRIME SPONSORS AND OTHER ORGANIZATIONS SERVING YOUTHS NEEDS IMPROVEMENT

YEDPA required that sponsors establish links with schools, CBOs, and other agencies serving youths. All sponsors we visited made some progress in obtaining commitments from local institutions and organizations. However, a number of important relationships were not always lasting or without conflict. At some locations, this inability to work cooperatively caused significant problems.

Sponsors' relationships with schools

By design, Entitlement required a special relationship between sponsors and schools. Schools provided easy access to potential participants, were essential to providing sponsors with academic and attendance data on participants, and could assist sponsors' job development efforts by arranging flexible school schedules for participants. At some locations, schools played an important role in managing the program.

Detroit initially contracted with the school system to implement the program. As discussed further on page 50, this relationship deteriorated to the point where Labor and MDRC required a suspension of program operations for 2 months. Later, the sponsor assumed responsibility for managing the program.
In Denver, the sponsor and the school system discontinued their relationship during contract renegotiations. The school department terminated the relationship because school officials did not believe their funding level was commensurate with their responsibilities. This was one issue contributing to the Labor and MDRC decision to suspend new enrollments in Denver from June 1979 to at least June 1980. (See p. 49.)

As previously stated, most Tier I sponsors had major problems in obtaining complete and timely data on the academic performance and attendance of participants. Also, the sponsors were not very successful in securing early releases from school for Entitlement participants. This affected job development efforts in Cincinnati, Baltimore, Detroit, Seattle, and Mississippi. Some of these sponsors were able to secure early releases for participants on a case-by-case basis, but generally not on a large scale.

**Sponsors' relationships with CBOs and other agencies**

All Tier I sponsors established relationships with CBOs, but some important ones were strained to the point of termination. In some cases, CBOs were dissatisfied with their roles, while in others, sponsors were unhappy with CBOs' performance. These problems had significant impacts on implementing Entitlement at some locations.

Boston and a major CBO never resolved serious differences between them. According to CBO officials, the sponsor had led them to believe the CBO would play a major role in operating the program. In its grant proposal, the sponsor stated that the CBO would participate in intake, job development, and counselor training for the duration of the program. In January 1979, the sponsor reduced the CBO's responsibilities to the outreach and intake of out-of-school youths. The sponsor and the CBO constantly disagreed and exchanged accusations during the 19-month contract period. The sponsor claimed the CBO was not meeting its recruiting goals, while the CBO claimed that the sponsor took too long getting jobs for youths it referred. The situation also deteriorated because the CBO failed to fulfill its commitment of providing jobs under another program to Entitlement eligible youths and graduates for the summers of 1978 and 1979, respectively.

Mississippi and two of its major contractors, the University of Southern Mississippi and the State Employment
Security Commission, had serious problems of cooperation and coordination. Under its contract with the sponsor, the university was to provide services, such as transportation, alternative education, and the supervision of counselors. It was also to coordinate these activities with the school districts. In addition, the university was responsible for establishing a management information system. The university did not perform satisfactorily, and the contract was not renewed when it expired in June 1979. Mississippi then negotiated contracts with four CBOs and individual school districts to perform these functions.

Mississippi and the State Employment Security Commission, which was responsible for job development, were often at odds. The sponsor stated that the agency was not diligent in developing jobs. The agency stated that inadequate transportation and inflexible school schedules were the real causes for the lack of jobs.

Denver's relationship with two nationally recognized CBOs ended in failure. Under their contracts with the sponsor, the CBOs were to recruit 1,100 out-of-school youths and enforce alternative education attendance standards. The CBOs fell far short of their recruitment goals, and class attendance standards were not enforced. Dissatisfied with this performance, Denver did not renew their contracts when they expired in June 1979. Denver did not have a contract with anyone to handle out-of-school youths until February 1980, when it negotiated a contract with a State university.

**ACHIEVING A NET INCREASE IN PRIVATE SECTOR JOBS FOR YOUTHS IS DIFFICULT**

YEDPA requires that Entitlement jobs not result in substituting currently employed workers by program youths. As the program progressed, total private sector hours worked increased from 14 percent in September 1978 to 23 percent in January 1980. While private sector jobs are generally perceived as better work experiences for youths, there is potential for substitution because of the subsidy used to induce employers to participate.

The act allowed sponsors to pay various subsidies up to 100 percent of the wages for youths employed in the private sector, without limiting how long the subsidy was to be paid. This provision permitted Labor to test what subsidy levels are necessary to encourage private employer
participation in the program. With the exception of Mississippi at 75 percent, all Tier I sponsors initially developed private sector jobs providing for 100-percent subsidy.

Although we did not conduct an indepth review of the extent that Entitlement participants displaced currently employed workers, we found evidence indicating that Labor and the sponsors need to more closely monitor the payment of wage subsidies. Of approximately 4,000 private sector jobs held by youths during our fieldwork, we estimate that about 45 percent were with employers who normally employ youths for these jobs. This estimate is based on our review of sponsor job lists, interviews with supervisors and participants, and observations at worksites. The following examples indicate the problems with wage subsidies.

Detroit used many fast food restaurants as worksites. Several fast food managers told us that they treat Entitlement participants as regular employees and use them interchangeably with employees they pay. Although the sponsor monitored for substitution, we found evidence of substitution at 10 of 26 private sector worksites. During our fieldwork, Detroit was expanding the use of fast food restaurants, thus increasing the possibility of additional substitution.

In Boston, we found substitution at two of five private employers who normally hire youths. Both employers told us that their previous employees were about the same age as the Entitlement participants. Although one employer had hired an Entitlement participant before the departure of his regular youth employee, he replaced the regular employee with another Entitlement participant. The other employer not only replaced his regular youth employee with an Entitlement participant, but hired three other Entitlement participants to do the same work that one regular employee did. Both employers stated that they would hire unsubsidized employees if the Entitlement participants were not available.

In Mississippi, 14 of 20 employers who normally hire youths stated they would hire an unsubsidized employee if the Entitlement program was not available. Three employers had Entitlement eligible youths working for them when they became Entitlement job sponsors. The youths enrolled in the Entitlement program and continued working at the same jobs. One youth stated that his employer required him to enroll in Entitlement or be fired. Thus, Entitlement is paying the
salaries of youths which were previously paid by their employers.

In addition to private sector substitution, the issue of achieving variation in the subsidy level was not easily resolved. As early as the first grant awards in 1978, Labor and MDRC required sponsors to submit subsidy reduction plans. This requirement was embodied in Entitlement regulations issued in October 1979. Subsidy reduction plans were time-phased reductions from the 100-percent subsidy levels most sponsors were using. Thus, after a youth was assigned to a worksite for a particular length of time, 6 or 12 months, the private employer was to reimburse the sponsor for part of the wages or lose the participants.

Generally sponsors resisted these attempts, particularly Baltimore and Boston. They argued that (1) the 100-percent subsidy was necessary to obtain private sector participation and (2) they had negotiated private sector jobs in good faith at the 100-percent level and believed it unfair to renegotiate these agreements after the fact. Baltimore finally implemented a subsidy reduction plan in the fall of 1979. In February 1980, MDRC reported that "the plan continues to be implemented but without much success." Boston did not implement its wage subsidy reduction plan until March 1980.

Detroit was more successful in implementing subsidy reduction. It began implementing its plan in August 1979 and required employers who had employed Entitlement participants for a 6-month period since January 1979 to agree to a 25-percent subsidy reduction or lose the participant and the slot. As of January 1980, this subsidy reduction plan affected 118 employers with 249 participants. Only 23 employers with 29 participants rejected this plan.

After much discussion and negotiation, most sponsors have not required very many private employers to absorb any costs of their Entitlement participants. In this regard, MDRC stated in its May 1980 monthly report that subsidy reduction plans are having a minimal impact in terms of actual dollars collected from private employers. Further, it reported that many sponsors are transferring youths to other worksites rather than keeping them at their original ones at reduced subsidy levels, thus allowing for the continuation of 100-percent subsidies.
Entitlement was the first large-scale test of the use of wage subsidies in the private sector. It is probably inevitable that some substitution or displacement would occur in a job creation program of this size, particularly one providing a 100-percent subsidy. If, however, subsidies to the private sector are to be incorporated in future youth initiatives, much more thought must go into the methodology for implementing and monitoring their use.
CHAPTER 4

INTENSIVE OVERSIGHT REQUIRED
TO IMPLEMENT ENTITLEMENT AS A DEMONSTRATION

In chapters 2 and 3, we discussed Entitlement's operational aspects and its program impact. This chapter discusses Entitlement as a demonstration. Since Entitlement's results might have a major influence on the approach this Nation will take in dealing with a problem that has resisted solution, it is important that any conclusions regarding the program be based on objective information derived from a valid demonstration.

Labor has undertaken a major research effort to answer questions raised by the Congress about Entitlement's impact, implementation, and cost. From the beginning of Entitlement, poor recordkeeping at the sponsor level caused problems in providing complete, accurate, and timely data needed for research. As a result, MDRC made major remedial efforts so that the data needed for research can be used. MDRC is confident that these efforts have resulted in reliable research data.

Labor and MDRC did not allow the demonstration to succeed or fail in a normal environment. MDRC had to intercede in program operations at most Tier I locations and at one of the Tier II sites we reviewed. By providing intensive oversight, monitoring, technical assistance, and in some cases direct intervention at a level not normally accorded CETA programs, Labor and MDRC were in a unique position to have a positive influence on program results. At some sponsors, this special attention greatly improved program operations; at others, it salvaged marginal operations.

THE CONGRESS REQUIRES DETAILED INFORMATION ON ENTITLEMENT

The Congress recognized the need for detailed information on Entitlement to aid it in making policy decisions regarding future youth employment programs. In this regard, YEDPA specifically required that Labor report on the following:
1. The number of enrolled youths.
2. The cost of providing jobs.
3. The degree to which jobs caused out-of-school youths to return to school or others to remain in school.
4. The number of youths provided jobs in relation to the total which might have been eligible.
5. The kinds of jobs provided and a description of employers.
6. The degree to which on-the-job or apprenticeship training was provided as part of employment.
7. The estimated cost of such a program if it were to be extended to all areas.
8. The effect jobs had on reducing youth unemployment in the areas served by the Entitlement program.
9. The impact of Entitlement jobs on other job opportunities in the area.

Labor inferred two additional research issues from the language of YEDPA: first, the degree to which youths receive a quality work experience; and second, the efficacy of different administrative mechanisms in implementing Entitlement.

To answer these issues, Labor engaged MDRC to manage a large-scale research effort. This effort seeks to determine how well Entitlement accomplishes what it is designed to achieve and whether the program should be extended and expanded nationally. MDRC designed a three-part research program to analyze Entitlement's impact, implementation, and costs. MDRC subcontracted with Abt Associates, Inc., to perform much of the impact analysis.

MDRC designed the impact analysis to measure participation rates of eligible youths and to assess Entitlement's impact on labor force participation, employment and earnings, and school attendance and completion. Abt is obtaining data for this analysis from four waves of interviews with a random household sample of eligible youths and their parents in the Baltimore, Cincinnati, Denver, and part of Mississippi's rural Entitlement areas. Abt is also obtaining data from
four matched non-Entitlement locations that will serve as control locations. Respectively, the locations are Cleveland, Louisville, Phoenix, and part of Mississippi's non-Entitlement area. These control locations match the four Entitlement locations in geographic and economic characteristics and are being statistically sampled in the same way as the Entitlement locations. Abt plans to use the data from the control locations to assess the extent to which any changes in youths' educational and employment behavior can be attributed to Entitlement.

Using data from the first wave of interviews conducted in the spring and early summer of 1978, Abt completed an analysis of the characteristics of youths eligible for Entitlement. To respond to Labor's request for early results regarding program impact on school enrollment, Abt and MDRC prepared an interim report which provides a preliminary estimate of Entitlement's early impact on school retention and the return to school by dropouts. The report did not provide definitive results because it was based on limited data, which Abt considered seriously flawed. MDRC expects later analyses to provide more definitive results and plans to issue the final impact analysis report in 1982.

MDRC designed the cost analysis to measure program costs and estimate the cost of a nationwide Entitlement program. MDRC has pointed out to Labor that getting beyond gross cost measurements may be impossible due to the nature of the CETA funding system and the difficulty in getting detailed timely and accurate cost breakdowns from Entitlement locations. For the cost analysis, MDRC is relying on data from Entitlement's fiscal reporting and information systems. MDRC will use data from these systems to determine total program costs, costs per participant, and costs per participant year for different subgroups of youths.

In testifying before the Subcommittee on Employment Opportunities of the House Education and Labor Committee in March 1980, an MDRC official provided the following cost projections for Entitlement if it is continued through fiscal year 1981. Using existing eligibility criteria, MDRC estimated

--$85 million to continue at the existing sites,

--$200 million to expand to 20 additional sites (1 Tier I and 1 Tier II in each Labor region),
--$485 million to expand to all designated poverty areas, or

--$1.173 billion to expand to all eligible youths.

MDRC designed the third part of the research program, the implementation analysis, to describe and assess the Entitlement demonstration's operational development at various locations. It will attempt to assess the feasibility of providing guaranteed jobs and to identify factors that affected program operations. The general research on Entitlement's implementation covers certain key areas, including

--a description of program content and operations,

--implementation factors affecting enrollment and content and continued participation,

--relationships between prime sponsors and schools,

--the private sector's role in the demonstration,

--implementing the program in rural areas,

--Tier II innovations, and

--the quality of worksites.

Data for the implementation research come from three primary sources: (1) the Entitlement information system, (2) MDRC field operations staff, including onsite monitors at Tier I locations, and (3) interviews with program officials and others knowledgeable of program operations. As of March 1980, MDRC had issued two interim reports on program implementation and costs.

In addition to the three-part research program, MDRC has undertaken special studies which will address worksite quality, program implementation in rural areas, private sector participation, and labor market effects. In addition to a series of reports on specific issues and additional interim reports, MDRC expects to issue a final summary report on Entitlement in 1982.
MAJOR EFFORTS REQUIRED
TO CORRECT DATA PROBLEMS

The importance of valid and meaningful data regarding the Entitlement demonstration cannot be overemphasized. To fulfill their research responsibilities, Labor and MDRC need complete, accurate, and timely data on each participant as well as information on their Entitlement job. MDRC relies on sponsors to provide these data.

We have not made a detailed review of the data problems encountered on the Entitlement demonstration nor are we in a position to say whether or not these problems could affect the research results. However, information gathered during our review shows that most sponsors experienced problems in providing complete, accurate, and timely Entitlement data needed for MDRC's research, especially for the cost and implementation analyses. MDRC is confident that its cleanup efforts have resulted in reliable research data.

In setting up its research design, MDRC concluded that the CETA information system used by sponsors was not sufficient for the needs of Entitlement. Although the CETA system has standardized reporting requirements, it does not have standardized forms to collect data. CETA allows sponsors to develop their own forms tailored to their individual needs. MDRC needed data on Entitlement participants' school and employment history, and the CETA system was not designed to obtain this. Therefore, MDRC designed an Entitlement information system to collect standardized data among sponsors, to minimize additional data collection burdens, and to provide compatibility with the CETA system.

As discussed in chapter 1 (see p. 6), the capability of a sponsor to meet Entitlement information needs was a major criterion in the selection process. Labor's grant agreement with the chosen sponsors included a copy of the Entitlement information system specifications. MDRC prepared a detailed instruction manual, distributed it to each participating sponsor, and provided a training course on the information system. MDRC continued onsite training activities as needed. Although it had originally envisioned having onsite MDRC information system staff at each Tier I location, MDRC abandoned this plan for cost and efficiency reasons.
MDRC has reported that the effectiveness of data collection efforts is generally dependent on the following factors:

"1. the experience, skill, and degree of turnover of the local intake, fiscal, and MIS [management information system] staff;

2. the intensity of youth enrollment and the level of staffing provided to handle the flow;

3. the level of quality control established locally to examine documents before their submission to MDRC;

4. the general preparedness of the prime sponsor to handle the data collection function smoothly and completely from the onset of the demonstration; and

5. the overall commitment of participating prime sponsors to provide high-quality, timely data."

Poor recordkeeping

MDRC requires participating sponsors to submit data for each participant and job. Supporting files must include copies of eligibility records, status change records, and various other records which are the supporting documentation for the Entitlement information system. After interviewing participants, we reviewed their files to determine whether they contained the required documentation. Generally they did.

For example, 99 percent of the files contained the required enrollment records which document demographic and background information about each participant. Also, 99 percent of the participants' files contained documentation showing that the participant was economically disadvantaged, 98 percent had the documentation indicating that the participant had been certified as eligible, and 88 percent contained the required documentation showing that the participant was in school.
We also checked the files to determine whether they accurately showed the status of the participants we interviewed. MDRC requires sponsors to prepare status change forms to document three types of status: job assignment, hold, and terminations. However, only 68 percent of the files accurately recorded a participant’s program status. In its April 1979 interim implementation report, MDRC reported problems with participant status records and recognized that its Entitlement information system data were incomplete, inaccurate, and untimely in this regard.

Certain Tier I sponsors experienced major management information and payroll problems requiring the temporary suspension of some programs. MDRC, recognizing the lack of valid program data, intervened to help resolve the problems. More intensive intervention, however, was required at some sponsors. (See pp. 49 to 51.) In spite of these efforts, the problems persisted at some locations. For example:

--In August 1978, MDRC found that Baltimore had management information problems which included missing forms and participant files, duplicate enrollments, the failure to forward status change forms to MDRC, a 98-percent error rate 1/ for forms that were forwarded, and poor worksite records. MDRC also found in August 1978 that Baltimore had conducted little management information training for its staff and questioned the qualifications of some. Baltimore had an information system which MDRC described in November 1978 as being "quite slow and error ridden" and, therefore, it could not be used for its report to Labor and the Congress. In October 1979, MDRC criticized the sponsor for slow error correction and late submission of performance and fiscal reports. In addition, we found that the sponsor often lacked participant academic and attendance information.

--According to MDRC, Boston had resolved early information system problems to the extent that MDRC found very little, if anything, to criticize and concluded that the system seemed to be in excellent shape in September 1979. Later, after reviewing payroll

1/In commenting on our draft report, Baltimore asserted that the 98-percent error rate was for 1 week and was not a normal condition.
records and other information system data, we were unable to trace the program history of 19 of 78 participants. We reported to the sponsor that during our worksite visits we had interviewed two participants whose records showed that they had been terminated. As a result, Boston initiated a review of 4,900 records which revealed that over 1,500 youths continued to work after they had been terminated from Entitlement. For the period these participants worked after termination, terminations were overstated. MDRC requested a certified public accounting firm to review the sponsor's internal controls and systems flow. At MDRC's insistence, in March 1980 the sponsor froze the processing of applications and transfers to allow staff to concentrate on a massive cleanup of the information system. No new applications were accepted for 10 weeks during this process.

--Cincinnati was consistently delinquent in submitting required data. At one point, it was 10 months behind schedule in submitting monthly performance reports, and MDRC described the one participant roster that had been submitted as so incomplete that it was useless. The sponsor had to revise its monthly operating reports for April 1978 to March 1979 due to expenditure discrepancies. However, even with the revisions, we had difficulty reconciling the data from one report to the next.

While each of these examples related to a particular Tier I sponsor, management information problems were widespread. For example, each Tier I and some Tier II sponsors had problems in obtaining and submitting data on school attendance. Also, as of November 1979, MDRC's Entitlement information data showed that youths assigned to a job and not working ranged from 10 to 47 percent, averaging 23 percent for the seven Tier I prime sponsors. We recognize that there may be legitimate reasons why assigned youths would not be working, such as work absences, but if they are not working for extended periods, the sponsor should place them in a hold or terminated status.

After the completion of our fieldwork, MDRC officials stated that, in spite of the recordkeeping problems at the sponsor level, they were confident the data were sufficiently reliable for research purposes. MDRC told us that, in summary, it has three distinct levels of quality control: first,
it checks each document and report before entering it into the computer; second, it identifies errors of logic; and third, it reconciles Entitlement information system data with fiscal reports and telephone call-in data. In addition, MDRC also conducts periodic reviews and requires corrective action.

**ENTITLEMENT WAS NOT A REAL WORLD DEMONSTRATION**

Labor regulations state that the basic purpose of Entitlement Tier I projects is to test the experimental idea of a guaranteed job by determining whether sponsors can feasibly implement substantial programs. Tier II projects are to test specific Entitlement innovations. To be a valid demonstration, we believe sponsors should conduct the program in a normal environment, that is, one similar to that in which they operate other CETA programs. Labor and MDRC did not permit a real world test of Entitlement's success or failure. Due to widespread problems, they interceded to salvage some marginal operations by providing intensive oversight, monitoring, and technical assistance. Only rarely, however, are sponsors accorded the degree of oversight, monitoring, and technical assistance received by the Entitlement sponsors.

Normally, Labor regional representatives assigned to each sponsor are the focal point through which the sponsors' effectiveness is evaluated. Their monitoring activities for all CETA programs operated by that sponsor consist of (1) routine contacts with sponsor officials either by telephone or occasional site visits, (2) desk reviews and evaluations of quarterly reports, (3) an annual assessment of sponsor performance, and (4) reviews to determine whether sponsors are complying with CETA's requirements. Time and workload constraints do not permit Labor regional representatives to continuously monitor programs in the manner that MDRC monitored Entitlement.

MDRC has given Entitlement sponsors more centralized direction and closer monitoring than Labor normally provides for other CETA programs. As Labor's guiding agency for Entitlement, MDRC has certain operational responsibilities in addition to its research duties. To guide and assess the performance of sponsors from both operational and research standpoints, Labor required that MDRC establish continuous communication with the local Entitlement projects.
Through its field operations staff and onsite monitors at each Tier I location, MDRC monitors the Entitlement projects to see that they fulfill their programmatic, fiscal, and legal responsibilities. MDRC also monitors to see that the projects operate consistently with the overall objectives of YEDPA and the program design. MDRC field and onsite staff prepare periodic reports on operations at each project. Additional responsibilities include the identification and assessment of prime sponsor training and technical assistance needs. In this regard, MDRC is responsible for identifying and recommending consultants when needed and channeling useful operational information to the Entitlement sponsors.

Program reviews

During the summer of 1978, MDRC became aware of the problems in managing a large-scale demonstration. The summer months gave Entitlement sponsors their first real operational test because, in addition to their Entitlement responsibilities, they were also responsible for implementing the Summer Youth Employment Program. In some locations, sponsors operated the programs in an integrated fashion.

MDRC records indicate that problems erupted at almost all Tier I and some of the larger Tier II locations. MDRC responded by sending teams to the sponsors to make firsthand program reviews. Typically, the teams consisted of Labor representatives and MDRC senior level, field operations, information system, and onsite staff.

The scope of the review was a comprehensive walk-through of the program, component by component, to help the team understand the program's operations. The program reviews caused some sponsors, who were unaccustomed to such close examination, to assess and redirect operations. The sponsors, Labor, and MDRC agreed that such reviews were an effective management tool. As a result, program reviews became a regular occurrence with a specified format. Each Tier I sponsor has had at least two reviews and over half of the Tier II sponsors have had reviews.

MDRC designed the program reviews as a means to assess management and operational capability and performance, to identify specific problem areas, and to recommend any necessary corrective measures. In addition, the reviews include an assessment of the management and operation of the information and fiscal systems. Tier II program reviews also
include an assessment of the program's innovative feature. The reviews are comprehensive and include sponsor presentations on recruitment, intake, worksite development and monitoring; monitoring and enforcement of academic and attendance standards; and payroll, fiscal, budget, and information system management. Team members review participants' files, performance reports, enrollment forms, and other information system records. They interview program staff and visit worksites, intake centers, and alternative education programs or schools. The team concludes the program review by providing the sponsor with feedback on findings and recommended corrective actions. Often followup visits are made to see what progress a sponsor has made as a result of the review.

We agree that these comprehensive and intensive program reviews are an effective and needed management tool and they are indicative of the degree of oversight necessary to maintain quality youth programs. Without the intense oversight provided by these reviews, it is difficult to state what the fate of Entitlement would have been at some locations. The following examples illustrate positive impacts of reviews which may not have resulted in a normal program environment.

Shortly after program operations began, Denver encountered problems which persisted. Early in the program, the use of incorrect income guidelines resulted in enrolling many ineligible youths. Many errors on enrollment forms were not corrected because it would have required reinterviewing 2,000 youths. The program received negative media attention due to enrolling the ineligible youths, alleged payroll fraud, and the few participants placed in jobs. In April 1978, only 200 of 1,200 enrolled youths were assigned to jobs. Original projected average enrollment was 3,550. Staff turnover was high, including the program director position. A poor relationship between the sponsor and city agencies affected program operations, particularly payroll. Relationships between the sponsor and most contractors who were responsible for significant areas of program operation deteriorated.

MDRC, with Labor's concurrence, became directly involved in managing the Denver Entitlement program. Because the sponsor encountered difficulty in hiring needed employees, MDRC agreed to pay the wages for some staff to perform monitoring, management information, and other functions. MDRC allowed its onsite
monitor to work closely with sponsor staff in all areas of program activity and report frequently to MDRC in New York. MDRC prepared and conducted a training session for Denver administrative staff. To establish a good solid program on a smaller scale, Denver, at the insistence of MDRC and Labor, stopped enrolling new participants on June 30, 1979. As of June 1980, new enrollments were still prohibited.

On the basis of a January 1980 review, MDRC made major program and administrative recommendations which Denver adopted. The sponsor obtained new contractors to perform Entitlement functions and established control mechanisms for monitoring contractor performance. A public accounting firm assessed the payroll system and recommended improvements. Although some improvements were apparently made, MDRC saw a potential danger in the sponsor's continuing inability to maintain control over payroll operations and management information. MDRC recognized the need to continue watching the situation carefully because of the research need for accurate data and controls on data collection. In spite of these concerns, MDRC believes that operations have stabilized and the program is moving forward, although at a much smaller level than planned (about 400 paid participants).

--Detroit also encountered problems soon after operations began. During the early months of the program, about 30 percent of the participants waited 8 weeks or longer to get paid. Many of these youths had been assigned to worksites before the data necessary to put them in a pay status were prepared. As a result, the payroll system rejected their timesheets. By May 1978, less than half of the 2,200 enrolled youths had been assigned jobs. Administrative staff circumvented basic program systems to increase job assignments. Therefore, many participants' files and records were lost or left incomplete; Entitlement information system problems arose; and relations between the prime sponsor and its major contractor--the school system--deteriorated. Labor and MDRC pressed for resolution of these problems and ordered a shutdown from September to November 1978 to allow time for their resolution. During this period the participants were laid off. The sponsor terminated its relationship
with the school system as the managing agent and assumed the role itself.

A public accounting firm audit of the payroll system in June 1979 resulted in many recommendations, but problems continued with missing, incomplete, or erroneous payroll data. In addition, Detroit continued to have management information problems. Its data showed a significant discrepancy between the number of participants enrolled and actually working, primarily because the sponsor continued to list many youths as enrolled when they were no longer active in the program. At one time, the discrepancy exceeded 3,000 youths. In December 1979, only 50 percent of the youths that the sponsor listed as enrolled received a paycheck. After reviewing 700 files, the sponsor found that 400 of these youths should have been terminated; others had been terminated but not removed from the payroll; and still others needed a job reassignment. Despite these problems, the continued involvement of MDRC and the assignment of more qualified staff resulted in significant program improvements.

—Almost since program inception, Entitlement in Dayton suffered from three interrelated problems: low enrollment, an unsuccessful on-the-job training component (which was the program's innovative feature), and high management costs. MDRC provided technical assistance by offering suggestions and recommendations on how Dayton should overcome its problems. In fact, MDRC gave the sponsor and its major contractor responsibility for taking specific corrective actions with deadlines. MDRC suggested new recruitment strategies and told the sponsor to explain how a contract change would result in increased on-the-job training participation. MDRC also required a plan to improve the participant/program management cost ratio from 40/60 to the approved 67/33. MDRC allowed Dayton to expand its recruitment territory. The sponsor believed this was the only way to resolve its cost ratio problem. Enrollment has now increased from less than 50 to over 200 after expansion.
CONCLUSIONS

After over 2 years of operating Entitlement, serious questions exist as to whether CETA prime sponsors have the capacity to effectively implement a program of this magnitude in a short time. Intensive monitoring and oversight efforts were implemented by Labor and MDRC to deal with a litany of serious operational problems. These efforts met with mixed results. Some problems were caused by rapid program startup and were resolved during the second year, other problems were more persistent and their solution more evasive, and some new problems surfaced during the second year. Therefore, a gradual approach to dealing with the youth unemployment problem will be advantageous in the long run because sponsors would have the opportunity to develop the management capacity needed to implement large-scale programs.

Operational problems were so severe at some locations that it is difficult to tell how the program would have been implemented had effective management been employed by the sponsors. Although Labor and MDRC established goals and regulations to implement the legislation, sponsors had difficulty complying with the regulations and meeting the goals.

The question of Labor and MDRC intervention and its impact on the Entitlement demonstration represents a dilemma in implementing programs of this type. If the demonstration had been allowed to proceed in the normal CETA environment without intensive oversight, the program might have failed because of its severe operational difficulties. On the other hand, the degree of monitoring and direct intervention that took place shows what is needed to operate a complex youth employment program but may not be practical to implement from a financial or management standpoint.

If Entitlement is to be extended, expanded, or a similar program undertaken, certain areas need intensive management attention.
--First, it appears that tying jobs to meeting school academic and attendance standards is a valid concept. However, sponsors and schools should agree on meaningful standards, and administrative processes need to be established to enforce them fairly.

--Second, relationships among sponsors and other organizations that help youths need to be upgraded. Problems among these organizations now often adversely affect youths.

--Third, most worksites provided an adequate work experience but more effort is needed to improve supervision, participant counseling, job development, and worksite monitoring.

--Fourth, Entitlement is the first youth employment program which made extensive use of subsidized private sector jobs. To the extent possible, attention must now be directed to assuring that jobs subsidized by the Federal Government, particularly at or near 100 percent, are in addition to jobs that normally would be made available to youths by these employers.

--Fifth, the Entitlement concept provides for a guaranteed job; therefore, if it is expanded the availability of funds to pay participants' wages might depend on controlling program management costs.

RECOMMENDATION TO THE CONGRESS

New programs, particularly a complex demonstration such as Entitlement, inevitably face implementation problems. If Entitlement is to be extended or used as the basis for future youth initiatives, we believe that the Congress should recognize the conditions under which the demonstration was implemented. Some competitively selected sponsors receiving intensive oversight had significant operational problems. If the Entitlement concept is to be expanded to other sponsors or a similar program adopted, we recommend that the Congress assure that it be implemented gradually to allow sponsors time to develop the necessary management capacity.
RECOMMENDATIONS TO THE
SECRETARY OF LABOR

If Entitlement is extended or expanded, or a similar program is adopted, we recommend that the Secretary

--require sponsors to strictly enforce reasonable attendance and academic standards thereby enhancing the program's credibility and effectiveness for both participants and the general public;

--increase efforts to promote cooperative relationships between sponsors, schools, and other organizations serving youths;

--help sponsors upgrade worksite supervision, job development, participant counseling, and sponsor monitoring;

--create, implement, and enforce adequate controls to prevent substitution; and

--establish and enforce requirements that limit program management costs.

MDRC AND SPONSOR COMMENTS
AND OUR EVALUATION

We requested comments from Labor, MDRC, and the 11 sponsors included in our review. MDRC's response and responses from the Albuquerque, New Mexico; Baltimore, Maryland; Hillsborough County, New Hampshire; Philadelphia, Pennsylvania; and Mississippi sponsors are included in appendixes IV through IX. After the 30-day comment period provided by Public Law 96-226 expired, Labor submitted comments which concurred with all of our recommendations. Labor's comments, which are included as appendix X, have not been analyzed in this report.

MDRC and Baltimore disagreed with our approach to this study.

MDRC

MDRC commented that our specific findings do not substantially vary from many of theirs. MDRC did, however, express some concern with our draft report. It did not believe that the report sufficiently distinguished between
the structure of a demonstration and an operating program. MDRC believed we failed to convey that the primary mission of the demonstration was to inform policymakers about the feasibility and implications of the Entitlement concept and its component parts. MDRC pointed out that the demonstration was to yield information on whether the program should be continued, expanded, reworked, or dropped as well as to help in the design of other youth programs.

We recognize that Entitlement is a demonstration and refer to it as such throughout the report. Furthermore, we discuss Entitlement as a demonstration extensively in chapters 1 and 4. We agree that Entitlement was intended to provide information to aid in the design of other youth-related efforts, and it is on the basis of information gathered during our review that we have made our recommendations to the Congress.

By placing too much emphasis on the demonstration aspect of Entitlement, however, MDRC seems to lose sight of the importance of the program's operational aspect. Much of the evaluation of Entitlement as a demonstration is dependent on its operational successes and failures. For example, MDRC stated that it is not appropriate to say that the sponsors failed to adequately enforce educational standards. Instead MDRC said the focus should be on what could be achieved given the vagaries of local educational standards. The enforcement of educational standards, however, was not a matter of choice. It was specifically provided for in YEDPA. It is clear that sponsors had great difficulty, or were unable, to comply with the requirement to enforce educational standards. Thus, in any future programs, more emphasis must be placed on solving the enforcement problem if the educational requirements are retained.

MDRC also stated that difficulties in the rapid startup should be looked upon as a learning process and that sponsors which changed their management structures should be credited rather than criticized for their willingness and ability to make changes. We did not criticize sponsors for their willingness or ability to change management structures. Rather, we reported the conditions which led to the changes. The key lesson learned from the rapid startup forms the basis for our recommendation to the Congress.
MDRC did not believe we recognized sufficiently that a basic purpose of the demonstration was to assess its long-term employment and educational impact. It pointed out that, depending on the results of the impact research, the problems described in the report may not be significant. MDRC also stated that the level of supervision and control it provided was necessary to assure that the demonstration yielded the needed information regarding longer term impacts.

We recognize the importance of Entitlement's research of the impact on youths, which is described in chapter 4. Obviously, since data were not yet available, we could not consider the results of that research. However, we believe that, regardless of the outcome of the impact analysis, improved operations will translate into improved results. We agree that MDRC's high level of supervision and control was necessary to obtain the needed information from Entitlement. However, it is not likely to be replicated by Labor in an operational rather than demonstration setting.

MDRC questioned our evaluation because it lacks standards of performance. MDRC stated that the report is slanted toward the negative, thereby leaving the reader with the impression of failure. First, we would like to point out that both positive and negative examples were included. Second, we discussed the subject of standards, particularly for worksites, with MDRC officials at great length during our exit conference. They agreed that specific standards of this nature do not exist. In the absence of standards, the criteria that we used are spelled out in the report.

MDRC mentioned the issue of job development and sponsor links with other organizations as examples of unbalanced presentations. We disagree. Regarding job development, we state that the sponsors initially appeared to have developed enough jobs. Most Tier I sponsors, however, had difficulty creating or maintaining an adequate number of part-time jobs during the school year. We also point out the administrative difficulties some sponsors had in assigning youths to jobs in a timely manner. We support these statements with examples from three sponsors. Furthermore, MDRC stated that Entitlement found jobs for 80,000 youths in a relatively short time. The number of youths assigned to jobs at any one time, however, never exceeded 30,000.
Regarding the linkage issue, we credit all sponsors we visited with making some progress. On the other hand, we state that a number of important relationships were not always lasting or without conflict. We then describe some of the problems, their causes, and where appropriate, the action taken to resolve them.

MDRC pointed out several instances where it claims the report deals less than adequately with certain issues.

First, it stated that intensive, individual counseling was not a demonstration objective, and it is unfair to imply a failure to achieve this as a program goal. We have not stated that intensive, individual counseling was an objective of the demonstration. We did point out, however, that according to their grant applications, which became part of the grant agreements, all Tier I sponsors planned to provide at least some counseling. We believe that their plans to provide counseling and the high negative termination rate indicate that additional counseling would have been advantageous to many youths.

Second, MDRC stated that our use of the term "program management costs" is misleading. MDRC, in its reply to our draft report, separated program management costs from client service costs and stated that program management costs averaged less than 20 percent. We used the Entitlement program definition of program management costs contained in official MDRC instructions to the sponsors which combined program administration with other categories, such as client services and worksite supervision. Regardless of how the costs are classified, they are higher than anticipated.

MDRC further stated that our discussion of underenrollment implies underachievement. We do not believe that underenrollment necessarily implies underachievement. We simply point out that enrollment was less than the sponsors had estimated. Our discussion of the underenrollment issue is not a criticism of MDRC or sponsor operations. Instead, underenrollment is identified as a major cause of the high management cost rates.

Third, MDRC stated that the section of the report on displacement is weak. MDRC pointed out that the report stated that an indepth review of this issue was not conducted, and that we concluded that substitution occurred in 45 percent
of the private sector jobs. We did not say that substitution or displacement occurred in 45 percent of the private sector jobs. We state that Labor and the sponsors need to monitor the payment of wage subsidies because about 45 percent of the private sector jobs were with employers who normally employ youths.

MDRC also pointed out that a major study of the displacement issue is being conducted at the behest of Labor and the Office of Management and Budget. After receipt of MDRC's comments, however, we learned that the study, which was being conducted by two MDRC contractors, was suspended because its complexity resulted in considerable cost overruns.

Fourth, MDRC stated that we confused short-term data problems of the sponsors with the ultimate reliability of the data for research and reporting purposes. MDRC also stated that we misinterpreted the quality control requirements, giving them a negative implication. MDRC included an attachment to its comments more fully describing its Entitlement Information System. In our discussion of recordkeeping, we did not confuse the sponsors' data problems with the ultimate reliability of the data after they have gone through MDRC's quality control procedures. We specifically state that, in spite of recordkeeping problems at the sites, MDRC officials were confident that the data were sufficiently reliable for research purposes. Although we believe that we have sufficiently summarized MDRC's Entitlement Information System and quality control procedures, we have included MDRC's description in appendix IV.

Sponsors

Baltimore stated that we did not give clear recognition to some valuable lessons learned from the demonstration. First, Baltimore stated that the demonstration was, in part, designed to determine whether large numbers of youths would be willing to work if given the opportunity. Baltimore concluded that the demonstration proved that they would.

While we do not disagree, we do believe that it is significant to point out that MDRC estimated that enrollment levels in the first year were approximately 40 percent of the total eligible population, and in comments to us, MDRC estimated 50 percent participation in 1980. This indicates that a large number of youths did not take advantage of the Entitlement opportunity.
Second, Baltimore stated that the demonstration was successful in involving the private sector in providing jobs for youths. We agree that the demonstration did attract substantial private sector involvement. However, for much of the program, private sector jobs were 100 percent federally subsidized, and a significant percentage were the type that youths would normally obtain.

Third, Baltimore stated that the demonstration shows that sponsors could develop the management capacity to operate large-scale employment programs. While we agree that some sponsors may have eventually developed the management capacity to operate large programs, others have not. Chapter 3 discusses the operational problems at length. Further, our recommendation to the Congress recognizes that sponsors need time and assistance to develop the management capacity necessary to operate large-scale, quality employment programs.

In addition to its general comments, Baltimore raised a number of specific points. Baltimore stated that the report is quite unbalanced and takes issue with the technique of stating a general conclusion and using anecdotal instances from one or two sites rather than specific data. Second, it maintained that all sites had both positive and negative experiences, and that we did not maintain balance in selecting our examples. To do so, Baltimore suggested, invites unwarranted generalizations and unfavorable conclusions.

We do not agree. Chapter 2 clearly credits sponsors with providing adequate work experiences at most worksites. Chapter 1 clearly describes the statistical sampling techniques used to select worksites. Examples of worksites at specific locations were chosen as representative of positive and negative aspects of the demonstration as a whole. We did not compare the quality of worksites among sponsors because our sampling plan only allowed us to project to the universe of Tier I worksites.

We have provided a proper balance among the sponsors, where warranted, in describing the operational problems in chapter 3 and the data problems in chapter 4. We do not believe we have singled out any particular sponsor as the Baltimore comments appear to assert.
Baltimore asserted that we failed to recognize the value of change. Again, we disagree. We believe that we recognize the value of change where it led to improvements. For example, we report that Baltimore took corrective action to remedy some worksite and paperwork problems.

Baltimore also stated that we made a number of factual or interpretational errors. Citing our discussion of terminations, Baltimore stated that we failed to recognize job placements as positive terminations. In our analysis, we used MDRC termination statistics which classify job placements as a neutral outcome for Entitlement participants. We agree with MDRC's position since the immediate goal of Entitlement was not to help youths move to jobs outside the program but to help them obtain a high school diploma or its equivalent.

Baltimore stated that we attributed the fact that it had the lowest cost per participant to the lower number of hours worked per participant. Baltimore claimed that, if adjustment is made for the lower hours, attendance rates and breaks, it still had the lowest cost per participant. While other factors may affect the cost per participant, we believe the number of hours is the major factor in Baltimore's cost being lowest. Furthermore, Baltimore provided no support for its statement that it had the lowest cost per participant after these factors were considered.

Baltimore stated that we have taken data from several MDRC sources, misquoted the data, and rearranged them in a manner that changed the original MDRC intent. We have reviewed the source documents relative to the example Baltimore's comments cited regarding its information system. The basic facts remain unchanged; however, we have made several minor changes to give the reader a better perspective of the problem. While the 98-percent error rate mentioned by Baltimore may be an extreme situation, the fact still remains that the accuracy and timeliness of its information system data remained a problem as late as October 1979.

Philadelphia stated it was in general agreement with the major findings in the areas of operational problems, worksite experiences, and the test of Entitlement as a guaranteed job program. Philadelphia mentioned that three specific components of its Entitlement program deserved replication: private sector worksite development, clerical skills enrichment, and concentration of services in a targeted area.
Although we did not specifically review these aspects in Philadelphia, we agree that successful programs should be continued and expanded.

Philadelphia, in commenting on MDRC's role in the demonstration, stated that many operational and administrative constraints that have occurred can be attributed to MDRC and do not occur between the sponsor and the Labor regional office. Philadelphia urged us to include a section in the report on MDRC's role as the program manager. We have described MDRC's role in chapters 1 and 4. We understand why the sponsor would have a different relationship with the Labor regional office than it had with MDRC since MDRC provided Entitlement sponsors with more centralized direction and closer monitoring than Labor normally provides for other CETA programs.

Mississippi concurred with our major findings and supported our recommendations to the Congress and the Secretary of Labor. Mississippi did note a few areas needing further clarification. First, Mississippi stated that its monitoring efforts were much more thorough than indicated in our report. We have expanded our discussion of Mississippi's monitoring to recognize this effort.

Mississippi also said that MDRC's concern in March 1980 that sponsors were reluctant to terminate youths and were slow to enforce standards did not apply to its current program. Mississippi said that clearly defined academic and attendance were established about 6 months ago and have been enforced since that time. In our view, this should enhance Mississippi's program.

In reference to our statement on the low priority sponsors placed on counseling, Mississippi stated that counselors were restricted on the amount of time that could be spent with participants, because the participants were either in class or at work. It stated, however, that more counseling is needed and should be considered in the design of any related program. We agree and have recommended that efforts be made to upgrade counseling.

Albuquerque stated that the report was a fair representation of Entitlement. Hillsborough County had no specific comments on the report.
APPENDIX I

RECENT GAO REPORTS ON

YOUTH EMPLOYMENT AND TRAINING PROGRAMS

"Payment Problems in the Summer Youth Employment Program in New York City" (HRD-77-18, Feb. 2, 1977).

"Information on the Summer Youth Employment Program" (HRD-77-121, June 27, 1977).

"Poor Administration of the 1977 Summer Program for Economically Disadvantaged Youth in New York City" (HRD-78-123, July 26, 1978).

"More Effective Management Is Needed to Improve the Quality of the Summer Youth Employment Program" (HRD-79-45, Feb. 20, 1979).

"Job Corps Should Strengthen Eligibility Requirements and Fully Disclose Performance" (HRD-79-60, July 9, 1979).

"Department of Labor's Efforts to Improve the Quality of the 1979 Summer Youth Employment Program" (HRD-80-39, Feb. 5, 1980).
APPENDIX II

PRIME SPONSORS SELECTED FOR PARTICIPATION IN ENTITLEMENT DEMONSTRATION

Tier I

a/1. Baltimore Metropolitan Manpower Consortium, Baltimore, Md.
a/2. City of Boston, Boston, Mass.
a/3. City of Cincinnati, Cincinnati, Ohio.
a/4. City and County of Denver, Denver, Colo.
a/5. City of Detroit, Detroit, Mich.
a/7. Balance of State Mississippi, Jackson, Miss.

Tier II

1. Alachua County, Gainesville, Fla.
a/2. City of Albuquerque, Albuquerque, N.Mex.
3. City of Berkeley, Berkeley, Calif.
a/4. Hillsborough County, Manchester, N.H.
a/5. Miami Valley Manpower Consortium, Dayton, Ohio.
6. County of Monterey, Salinas, Calif.
7. New York City, New York, N.Y.
9. Steuben County, Bath, N.Y.
10. City of Syracuse, Syracuse, N.Y.

a/Included in GAO review.
## APPENDIX III

### SCHOOL ACADEMIC AND ATTENDANCE STANDARDS FOR 1979

<table>
<thead>
<tr>
<th>Sponsor</th>
<th>Academic</th>
<th>Attendance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tier I</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Baltimore</strong></td>
<td>H.S.: 60 average</td>
<td>H.S.: no more than 4 unexcused absences per month</td>
</tr>
<tr>
<td></td>
<td>GED: satisfactory progress</td>
<td>GED: (none)</td>
</tr>
<tr>
<td><strong>Boston</strong></td>
<td>H.S.: passing grades</td>
<td>H.S.: no more than 25 percent unexcused absences</td>
</tr>
<tr>
<td></td>
<td>GED: satisfactory progress</td>
<td>GED: (none)</td>
</tr>
<tr>
<td><strong>Cincinnati</strong></td>
<td>H.S.: &quot;D&quot; average</td>
<td>H.S.: no more than 25 percent unexcused absences</td>
</tr>
<tr>
<td></td>
<td>GED: satisfactory progress</td>
<td>GED: (none)</td>
</tr>
<tr>
<td><strong>Denver</strong></td>
<td>H.S.: satisfactory performance in at least 2 out of 3 subjects</td>
<td>H.S.: no more than 5 unexcused absences per semester</td>
</tr>
<tr>
<td></td>
<td>GED: satisfactory progress</td>
<td>GED: (none)</td>
</tr>
<tr>
<td><strong>Detroit</strong></td>
<td>H.S.: passing grades in 3 subjects</td>
<td>H.S.: no more than 5 unexcused absences per semester</td>
</tr>
<tr>
<td></td>
<td>GED: satisfactory progress</td>
<td>GED: (none)</td>
</tr>
<tr>
<td><strong>King-Snohomish</strong></td>
<td>H.S.: passing grades in one subject (&quot;D&quot; average)</td>
<td>H.S.: varies with each district</td>
</tr>
<tr>
<td></td>
<td>GED: passing grades in 2 subjects</td>
<td>GED: (none)</td>
</tr>
<tr>
<td><strong>Mississippi</strong></td>
<td>H.S.: passing at least 2 subjects (committee review of individual cases)</td>
<td>H.S.: varies with each district</td>
</tr>
<tr>
<td></td>
<td>GED: satisfactory progress</td>
<td>GED: no more than 5 hours of unexcused absence from class per month</td>
</tr>
</tbody>
</table>

64
## APPENDIX III

### TIFR II

<table>
<thead>
<tr>
<th>Sponsor</th>
<th>Academic</th>
<th>Attendance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alachua County H.S.</td>
<td>&quot;D&quot; in at least 4 subjects</td>
<td>H.S.: Hawthorne: no more than 15 unexcused absences per semester. Eastside: no more than 5 unexcused absences per grading period</td>
</tr>
<tr>
<td></td>
<td>GED: satisfactory progress</td>
<td>GED: (none)</td>
</tr>
<tr>
<td>Albuquerque H.S.</td>
<td>passing grades in 3 subjects</td>
<td>H.S.: no more than 5 unexcused absences per quarter</td>
</tr>
<tr>
<td></td>
<td>GED: satisfactory progress</td>
<td>GED: (none)</td>
</tr>
<tr>
<td>Berkeley H.S.</td>
<td>&quot;C&quot; average</td>
<td>H.S.: more than 3 unexcused absences in a 6-week period results in a conference with counselor</td>
</tr>
<tr>
<td></td>
<td>GED: satisfactory progress</td>
<td>GED: (none)</td>
</tr>
<tr>
<td>Dayton H.S.</td>
<td>passing grades in 4 or 5 subjects</td>
<td>H.S.: no more than 15 percent unexcused absences</td>
</tr>
<tr>
<td></td>
<td>GED: satisfactory</td>
<td>GED: 75 percent attendance</td>
</tr>
<tr>
<td>Hillsborough H.S.</td>
<td>(none recorded)</td>
<td>H.S.: no more than 7 absences per semester</td>
</tr>
<tr>
<td></td>
<td>GED: satisfactory progress</td>
<td>GED: (none)</td>
</tr>
<tr>
<td>Monterey H.S.</td>
<td>passing grades in 4 subjects</td>
<td>H.S.: no more than 2 unexcused absences per semester</td>
</tr>
<tr>
<td></td>
<td>GED: satisfactory progress</td>
<td>GED: must attend at least 4 hours per week</td>
</tr>
<tr>
<td>New York H.S.</td>
<td>65 average in at least 2 subjects</td>
<td>H.S.: no more than 5 consecutive unexcused absences--no more than 3 discrepancies between school and work attendance</td>
</tr>
<tr>
<td></td>
<td>GED: satisfactory progress</td>
<td>GED: (none)</td>
</tr>
<tr>
<td>Philadelphia H.S.</td>
<td>&quot;D&quot; average</td>
<td>H.S.: no more than 8 absences for report period</td>
</tr>
<tr>
<td></td>
<td>GED: satisfactory progress</td>
<td>GED: (none)</td>
</tr>
<tr>
<td>Steuben County H.S.</td>
<td>65 average</td>
<td>H.S.: absence from school means not allowed to work that day</td>
</tr>
<tr>
<td></td>
<td>GED: satisfactory progress</td>
<td>GED: must attend at least 4 hours per week</td>
</tr>
<tr>
<td>Syracuse H.S.</td>
<td>passing grades in 80 percent of courses</td>
<td>H.S.: 80 percent attendance</td>
</tr>
<tr>
<td></td>
<td>GED: satisfactory progress</td>
<td>GED: (none)</td>
</tr>
</tbody>
</table>

**Notes:** The standards shown are for the 1978-79 school year, and represent levels of performance and attendance required of youths in the Entitlement Demonstration. They do not necessarily correspond to the standards for satisfactory performance applicable to all school youths.

**Sources:** MDRC, March 1980, Second Interim Report on Program Implementation.
September 25, 1980

Dear Mr. Ahart:

This is in reply to your letter dated August 27, 1980 in which you offered us an opportunity to respond formally to the GAO draft report on the Youth Entitlement Pilot Projects. I would initially note that members of the Board and staff of MDRC have, on several occasions, had the benefit of discussing with GAO officials the scope, general nature and findings of this report. As we have stated previously, there are certain areas in which we disagree with the approach taken by GAO in this study.

These break down into four primary issues of concern. First, we believe that the report does not sufficiently distinguish between the structure of a demonstration and an operating program. Second, we are concerned that the report does not effectively recognize the long term goals of the research. Third, we believe that the report fails to come to grips with the issue of how standards should be applied in making judgments about program effectiveness. Last, we feel there are several substantive areas raised in the report that are not dealt with adequately. I will briefly treat each of these issues in turn.

1. We believe one significant problem is the failure of the report to convey the fact that this was a demonstration whose primary mission was to inform policymakers on the feasibility and implications of the overall Entitlement concept and its various component parts. Perhaps the most cogent statement of the purposes of Entitlement appears in the Report of the House Education and Labor Committee on the Youth Act of 1980 (H.R.6712), recently approved by the House. In making its recommendations on Entitlement, the Committee stated:
Unlike many other Federal programs, the Committee did not harbor any preconceived notions or heightened expectations. All the Committee desired was enough information to determine whether the program should be continued, expanded, reworked, or dropped all together. The Committee hoped that the research would help in the design in other related youth efforts.

GAO's work in distinction to the above purpose generally treats Entitlement as an operating program rather than a demonstration, designed to be a learning experience. For example, GAO is critical of the general problems incurred by the sites in establishing and enforcing educational standards. This was, indeed, a problem for individual sites because within local education systems such standards were either non-existent or so vague and varied as to be useless as enforcement tools. The matter of educational standards is, in addition, traditionally one of local responsibility rather than Federal authority. It is therefore not appropriate, in our view, to say that the prime sponsors "failed" to perform adequately on this facet of the demonstration. Rather the focus should be on what realistically could be achieved, given the vagaries of local educational standards so that policymakers could adjust their aspirations and expectations accordingly.

As another example, GAO's discussion of the prime sponsors' difficulties in the rapid start-up of the program should be looked upon as a learning process in how to structure the initial implementation of a large-scale program, not as a criticism of the prime sponsors per se. In fact, the willingness and ability of several prime sponsors, such as Baltimore and Detroit, to readjust their management structures in the face of extreme initial difficulties could be looked upon as a virtue of the system rather than a criticism of it.

2. GAO's approach is further troubled by its failure to recognize sufficiently that a basic purpose of the demonstration was to assess the impact of a school-conditioned job guarantee on the longer-term employment and educational experience of its participants. It is important to understand this facet of the demonstration's research for two reasons. Perceived problems with specific aspects of the program (i.e., limited counseling, lower-than-expected reenrollment of drop-outs, difficulties with educational standards) might not be of sufficient weight to require changes in the program's structure if the overall impact on the youths is significantly positive. In addition, to ensure a reasonable test of longer-term impacts, it was necessary to provide a sufficient level of supervision and control over a demonstration to assure that it had a fair chance of yielding the necessary information. While it is therefore true that a limited short-term demonstration can never be "real world" in the sense that I think GAO
is using the term, it still is surely one of the best techniques we possess to inform policy as to what works and what doesn't under reasonably realistic conditions.

3. Another basic disagreement with the GAO evaluation is the way standards of performance are applied by GAO in its analysis. This issue becomes important because the report implies standards of quality against which the various facets of the program's operation are judged: GAO proceeds to find fault by citing negative examples when its implicit standards are not met. Therefore, because the tone of the report and the examples or illustrations used are heavily slanted toward the negative, the reader is left with a distinct impression of failure.

The question should be asked: A failure compared to what? In a complex demonstration which found jobs for over 80,000 youths in a relatively short period of time, one can, no doubt, find examples to justify any statement. A balanced analytic approach, however, would call for selecting examples not only in the context of overall program accomplishments, but would also ask what could reasonably be expected from an employment program geared to this population. For example, the report cites an ongoing problem that Tier I sites had in developing sufficient jobs for their participants. While we agree that there were occasional difficulties with job development, on the whole the ability of prime sponsors to create rapidly large numbers of reasonably high quality jobs seems to have been a program strength rather than a program weakness. Or, as another example, the report appears to find fault with the prime sponsors' ability to work with the other community agencies and institutions and again provides examples to justify its findings. We would suggest that, on balance, the prime sponsors were generally able to work out fairly effective relationships with numerous local agencies and, in fact, many of the examples cited by the report as apparent prime sponsor failures were actually due to inadequate performances by the delegate agencies. These necessitated that prime sponsors take action to terminate or alter relationships in the interests of sound management.

4. As our last major area of concern, we would point out several instances where the report deals less than adequately with issues that it raises. These include the following:

   a) Counseling - Intensive, individual counseling was not a demonstration objective. While some may argue that such counseling is needed, it is unfair to imply a failure to achieve this as a program goal when it was not part of the design.

   b) Program Management Costs and Under-Enrollment - Both of these terms as used in the report are misleading. Program management costs, as distinct from client services costs (as that term is normally used in
the CETA system), were not particularly high in this program, averaging less than 20% of total costs. We believe it is, therefore, not accurate to cite such costs as being high. Furthermore, to characterize participant levels as "under-enrollment" also implies under-achievement. In fact, participation levels (now approximately 50% of eligibles), while lower than site estimates, are higher than the researchers' predictions. Again, going back to the purposes of the demonstration, the fact is that no one knew what participant levels would be, and a basic purpose of the demonstration was to find this out. Once participant levels and management and service needs became clearer, it was logical to make adjustments based on experience and within the cost parameters generally acceptable in the CETA system.

c) Displacement - This section of the report is particularly weak; it deals superficially with a very complex issue. First, the report states that an in-depth review of the issues was not conducted, and then, citing a few negative examples, concludes that displacement or substitution occurred in 45% of the private sector jobs, based solely on the age of normal hires. While it is altogether possible that the report's figures will eventually prove accurate, it is clear that the level of analysis carried out in this study is not sufficient to justify such sweeping conclusions. A major study of this issue, being carried out at the behest of the Department of Labor and the Office of Management and Budget, is currently underway, and we are hopeful that it will better inform this subject.

d) Adequacy of Data in the Information System - The report continues to confuse short-term data problems, uncovered by GAO investigators at the sites, with the ultimate reliability of the data in the Information System used for research and reporting purposes. It also misinterprets quality control requirements, generally giving them negative implications rather than realizing that they are a means for assuring data completeness, accuracy and timeliness. Rather than go into this issue in detail in this letter, I am attaching a fuller exposition of it.

As a final comment, I would note that the specific findings of GAO on the experiences of the Entitlement Demonstration are not substantially at variance with many of our own findings, which we have issued publicly in reports on the quality of work and the general implementation experience of the demonstration. Our view is that, as a learning experience which has and will continue to inform policymakers on what accomplishments are possible in this complex arena, the demonstration has been a positive achievement.

Sincerely

William J. Grinker
President
APPENDIX IV

THE ENTITLEMENT INFORMATION SYSTEM

With respect to GAO's reports on the Entitlement Information System (EIS) and site data collection and reporting activities, there are three areas requiring clarification: the relationship of the Entitlement Information System to the various research analyses, the relationship of local data systems to the MDRC Information System, and the interpretation and presentation of fact.

It is important to make the distinction between what GAO describes as data problems resulting from sponsor record keeping and reporting, and the accuracy and reliability of the data finally used in impact, cost and implementation research analyses. First, data provided by the sponsors have absolutely no connection with data collected independently by the research subcontractor from the field survey efforts in experimental and comparison sites. The impact analysis is primarily dependent on the field survey data collection activity, and it is supplemented by program EIS data only after intensive data verification and cleaning efforts. The Entitlement Information System is used extensively in the cost and implementation analyses, and continuous counter-checks and reconciliations have been employed to assure that the data used for analysis are of sufficiently high quality for research and reporting purposes.

Program data submissions originate from various local sponsor units and are subject to three levels of quality control by MDRC staff. First, each individual report is reviewed independently for completeness and validity of content. This first level of quality control ensures the accuracy of the documents into the computerized information system. Second, during computer processing, errors relating to a form's logic in sequence of content with respect to other documents of a similar type are resolved. This is done by careful review of the source document, by telephone, or byasiofation of computer-generated error reports to the source. Third, an internal reconciliation process takes place, involving not only the MIS documents but also local forms and telephone calls-in-data. This process consists of the verification of data - origin, status, name and house-coded - are logically correct, both for an individual participant and in the aggregate, regardless of which program unit prepared the data and which form of document contained the information. Discrepancies found through the quality control procedures are resolved by repeated contacts with local sponsors and, if needed, on-site visits. All EIS data presented in MDRC research reports will have gone through these levels of quality control and will have been fully reconciled.

It is also important to understand the difference between the centralized Information System and 18 possibly unique local systems. Prior to Entitlement, each prime sponsor had an existing information system, with local forms, systems and procedures. Entitlement imposed a second set of forms and procedures. Although prime sponsors were encouraged to assimilate these two systems and to integrate procedures as much as possible, many sites decided to retain both
systems or separate entities. When this did occur, greater priority was usually placed on maintaining the accuracy of the local system, forms and files. NERC continuously reviewed and reconciled past data but the prime sponsors were generally more concerned with keeping their current files accurate. Furthermore, although all modifications resulting from data reconciliations were provided to local sites, they may or may not have been applied to the local data systems, depending upon whether the specific NERC forms were utilized locally and whether the data related to current or historical activity. This situation could easily have resulted in significant variance between the quality of NERC's data and that of the prime sponsors.
September 26, 1980

Mr. James Walsh, Group Director
United States General Accounting Office
Human Resources Division
Washington D.C. 20548

Dear Mr. Walsh:

As requested we have reviewed the proposed report to Congress on the Youth Incentive Entitlement Pilot Project.

The report is a fair representation of Y.I.E.P.P. The favorable comments about the Albuquerque project are appreciated and we do not have any other comments regarding the report.

Sincerely,

Shirley J. Harris
CD/LC

CC: Central File
Originator
September 22, 1980

Gregory J. Ahart, Director
United States General Accounting Office
Washington, D.C. 20548

Dear Mr. Ahart:

I have read with interest the draft of your report on the Youth Entitlement Demonstration Project. There are a number of specific comments that I wish to make on the context of the report itself, however, first I wish to note several of the major purposes of the Demonstration which it is important to keep in mind as we analyze the implementation and impact of Entitlement.

1. The Demonstration was, in part, designed to determine whether there were indeed large numbers of unemployed youth who would be willing to work if they had the opportunity.
2. The Demonstration also sought to determine whether a significant involvement of the private sector could be enlisted in a jobs program for youth.
3. It also sought to determine whether Prime Sponsors could develop the management capacity to operate such large scale employment programs.

Perhaps the most significant fact about the Entitlement Demonstration is that the answer to all three of these questions is an unequivocal "yes". This valuable lesson, unfortunately, does not come through clearly in your report.

Another factor which must be kept in mind when reviewing program implementation is that, when a large city receives a sizeable grant to provide jobs for youth, this becomes widely publicized. The general public doesn't always understand the complexity involved, or the need for slow, careful planning. Public and political pressure to "get started" is enormous. Seldom in such a case do we have the luxury of taking the time really needed for optimum program implementation.

Prior to the visit from the General Accounting Office, I was told by several sources that we could never win with GAO. However, I refused to believe that. We are proud of our Entitlement program here in Baltimore, and I was determined to be open and fully cooperative. Staff were instructed to be candid and to
provide whatever was requested. Some mistakes have been made, and we were willing to face up to those mistakes, knowing that we had already recognized most of them and had already moved to effect change. I fear, however, that this policy of openness may have boomeranged. Let me be more specific.

1. The report is quite unbalanced. First, your technique of stating a general conclusion and supporting it through the use of anecdotal instances from one or two sites rather than specific data invites unwarranted generalizations. Secondly, all sites had both positive and negative experiences. Care should be taken that balance is maintained in your selection of examples, and that no site is picked out for only negative examples. This also invites unfavorable conclusions.

2. The report does not recognize the value of change. A Research and Demonstration Project, in a review such as GAO conducted, must be viewed differently from an ongoing, operational program. Change should not be considered a negative thing. Program operators in a Demonstrative Project have a responsibility to make changes and adjustments in operational systems in order to develop the best possible administrative structure for future replication. We, therefore, suggest that creative response to the need for change ought to be viewed as praiseworthy rather than be subject to criticism. Similarly, while criticism of poorly functioning systems is certainly valid, when those systems have been replaced or modified making a significant improvement in management operations, such should at least be recognized in the report.

3. A number of factual or interpretational errors exist which should be corrected. For example, you state on page 21 that negative terminations exceed positive ones. Yet the only positive termination you recognize is "high school graduate". In every other CETA Program, placement in an unsubsidized job is considered a positive outcome. If you add the 11.7% of job placements to the 26.7% of high school graduates, the total positive outcome rate is 38.4%, which exceeds the 34.1% negative terminations. Presumably there are other terminations classed as "neutral" which are in reality positive as well.

Another example is on page 30. While noting that Baltimore has the lowest cost per participant, you attribute that to a lower number of hours worked by participants in the Baltimore program. However, if adjustment is made for the lower hours, taking into account attendance rates and breaks, Baltimore still has the lowest cost per participant.

4. A governmental agency preparing a report for Congress should be extremely cautious of how it handles quotes and materials taken out of context. On page 45, in quoting MDRC sources regarding the Baltimore program, material

**GAO note: Page references have been changed to agree with the final report.**
is taken from several reports issued at different times, is removed from several different contexts, misquoted and rearranged so as to convey a totally different impression from that which MDRC intended in any of the reports. (For example, the "98% error rate for forms" noted in this section refers to one week in July, during a peak payroll period, and was not, as one could imply, a normal condition.) We suggest that all such quotations and paraphrases be examined and adjusted to more clearly and objectively transmit the author's intent.

In conclusion, we are pleased that the vast majority of Entitlement work sites fostered good work habits, provided sufficient quality of useful work, and provided adequate supervision for program participants. With such results in mind, it cannot be doubted that the majority of program participants received valuable and meaningful experiences during their tenure in the program. We understand how very difficult it must have been for your field staff to seek to rapidly assimilate and digest the vast amounts of information collected regarding this very complex program. We attempted to give you every cooperation in this effort, and we hope that our comments upon your first draft of the report will be beneficial to you in further refining your analysis. We sincerely hope that this effort was not simply a warm-up for your next presentation on "60 minutes."

Sincerely,

[Signature]

Marion W. Dines
Director

WNPisk

APPENDIX VI
Southern New Hampshire Services, Inc.
EMPLOYMENT AND TRAINING PROGRAM
P O Box 5040
Manchester, New Hampshire 03108
Telephone 603-669-0701

JAMES A. MACHAKOS
CETA Administrator

September 15, 1980

Mr. Gregory J. Ahart
Director, Human Resources Division
United States General Accounting Office
Washington, D.C. 20548

Dear Mr. Ahart,

Thank you very much for the opportunity to review the proposed report to the Congress on the Department of Labor's Youth Incentive Entitlement Pilot Projects and to comment on the material in the report before it is issued in final form.

At this time the Hillsborough County Prime Sponsor will not be commenting on the proposed report and is returning both drafts to your office.

Sincerely yours,

James A. Machakos
CETA Administrator

JAM/II
Enclosures
September 24, 1980

Mr. Gregory Aharg
Director of Human Resources
Division
U.S. General Accounting Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Aharg:

Thank you very much for the opportunity to comment on the draft of GAO's report on the Youth Incentive Entitlement Pilot Project. Philadelphia's experience, generally, has been complex and variable but specific components of our Entitlement have shown considerable merit and deserve replication. Among them are:

1. Private sector worksite development;
2. Clerical Skills Enrichment; and
3. Concentration of services in a targeted area.

Although these components may not be duplicated exactly, variations are planned for future programs.

Unfortunately, there was no mention of these in the draft report. We were in general agreement with the major findings in the areas of operational problems, worksite experiences, and the test of YIEPP as a guaranteed job program.

Regarding the issue of the frequent intervention of Labor and its contractor in program operations, we are of the opinion that the causes are worthy of further study.
Existing CETA delivery systems operate without intermediaries such as Manpower Demonstration Research Corporation. Many operational and administrative constraints that have occurred in the Philadelphia Entitlement Program can be directly attributed to this relationship and they do not occur in our relationship with the Regional DOL office.

We urge you to seriously re-evaluate the content of the draft report with intent to include a section on MDRC's role as the program manager.

Thank you very much for your consideration.

Sincerely,

James Rowley
Deputy Director of Operations

JR:AH:ar
Mr. Gregory J. Ahart, Director  
Human Resources Division  
United States Accounting Office  
Washington, D.C. 20548  

Dear Mr. Ahart:

Thank you for providing us the opportunity to comment on the draft report to the Congress on the Department of Labor's Youth Incentive Entitlement Pilot Project. This office operates one of the largest YIEPP programs in the nation and we certainly feel that it has been the most successful.

Staff has carefully reviewed and analyzed this draft and concurs with the major findings. In addition, we fully support the recommendations detailed on pages 53 and 54 for the same ones have been made at one time or another by our monitoring and program staff. However, a few discrepancies or areas needing further clarification were noted. These are listed below:

- The report revealed a need for additional monitoring as cited on page 22 and included Mississippi in the list of sites using a monitoring checklist. Perhaps the GAO team did not review our monitoring reports for they are very detailed in nature and are not based on single checklists. Monitoring as conducted by the Governor's Office of Job Development and Training was and remains thorough and complies with regulatory requirements.

- The statement on page 31, "... sponsors were reluctant to terminate youth and were slow to enforce standards," is misleading in regard to our program. Clearly defined academic standards for In-School or Alternative Education students and class attendance standards for Alternative Education students were not established until the last six months of entitlement. However, at that point, the standards were enforced and participants who did not meet such standards were terminated.
- The report states that, "Sponsors placed a low priority on counseling." In reality, the In-School Entitlement Counselors were extremely restricted on the amount of time which could be spent with participants for the participants were either in class or working. More counseling is, indeed, needed and these difficulties should be considered in designing any related program.

Again, we appreciate this opportunity and your consideration of our comments. If you have any questions, please contact Mr. Herman Wells at 601-354-6155.

Sincerely,

Robert L. Robinson
Executive Director

RLR/JD/mg

GAO note: Page references have been changed to agree with the final report.
OCT 9 1980

Mr. Gregory J. Ahart
Director
Human Resources Division
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Ahart:

This is in reply to your letter to Secretary Ray Marshall requesting comments on the draft GAO report entitled, "A Major Department of Labor Demonstration Program Provides a Number of Lessons on Implementing Youth Programs." The Department's response is enclosed.

The Department appreciates the opportunity to comment on this report.

Sincerely,

RONALD GOLDSTOCK
Acting Inspector General

Enclosure
U.S. DEPARTMENT OF LABOR'S RESPONSE TO
THE DRAFT GENERAL ACCOUNTING OFFICE REPORT
ENTITLED --

"A Major Department of Labor
Demonstration Program Provides
a Number of Lessons on Implementing
Youth Programs"

Recommendation:
The Secretary should require sponsors to strictly enforce reasonable attendance and academic standards thereby enhancing the program's credibility and effectiveness for both participants and the general public.

Response:
The Department concurs.

Comments:
This requirement has been demanding in terms of time and effort during the demonstration. There has been a disjuncture between the monthly report requirements called for in the demonstration and the reporting patterns that exist in the various school systems, as well as the problems of insufficient personnel to deal with both data and student needs on a timely basis. Although lengthy negotiations between the school and prime sponsors were required to establish the standards in the first place, all parties have come to believe that standards and attention to enforcement could serve the youth and the program better. However, time and increasing cooperation between schools and prime sponsors suggest that the enforcement of standards is feasible.

Recommendation:
The Secretary should increase efforts to promote cooperative relationships between sponsors, schools and other organizations serving youth.

Response:
The Department concurs.
APPENDIX X

Comments:

These cooperative relationships should revolve around the appropriate functions of the organizations. The Entitlement Demonstration has shown that the various agencies did best what they had done well before. In addition, the cooperative relationships can best be maintained through a strong monitoring effort on the part of the Prime Sponsor to ensure that the guidelines are enforced and coordination occurs.

Recommendation:

The Secretary of Labor should assist Prime Sponsors in upgrading worksite supervision, job development, participant counseling, and monitoring.

Response:

The Department concurs.

Comments:

Should the Demonstration be continued, Prime Sponsors will establish expectations for the workplace including the supervision, standards, job content, clarity of the assignment, and value. The supervisor will be required to be available to answer task related questions, provide continuing on-the-job training, communicate performance expectations, and provide positive reinforcement for exemplary work. The supervisor will establish worksite standards and communicate to the participants that adherence to standards is a condition of continuing participation. Although there are inherent limits to the skill requirements which can be placed on youth who have not yet completed high school and who may have need of remedial education, job tasks and the standards for those tasks should meet the capabilities of the participants. When the tasks to be completed and the productivity expected are clearly defined, it is easier for participants to know when they are working well, when they are meeting the expectations of their supervisors, and when they have accomplished their tasks. In addition, the participants are more likely to perform better if they believe that the work makes a contribution to the agency's goals and objectives. Counseling activities will be upgraded as the demonstration phase of Entitlement comes to an end because as similar programs are adopted in the future, they will not have the size or magnitude of the demonstration. The GAO report implies that participants received more frequent and in-depth counseling at smaller sized programs.
Recommendation:
The Secretary of Labor should create, implement, and enforce adequate controls to prevent substitution in the workplace.

Response:
The Department concurs.

Comments:
Although the true displacement effect will not be known until the report is completed in April 1981, steps can be taken now to assure that minimal substitution patterns develop when using private sector businesses as worksites. The first method to curtail substitution will be to limit the number of private sector worksites that normally hire youth without the subsidy such as fast food establishments. With the requirements of the proposed legislation automatically limiting the size of Entitlement programs in the future it will be easier to develop an adequate number of private sector jobs that are not generally reserved for the youth population. In addition, the establishment of and adherence to a reduced subsidy level plan as a condition for continuing participation in Entitlement will minimize the substitution problem.

Recommendation:
The Secretary of Labor should establish and enforce requirements that limit program management costs.

Response:
The Department concurs.

Comments:
In an ongoing operational mode, it would be easier to establish acceptable management cost levels because there is now some data from which to draw information. Originally, the major cause of the high management cost rates was the underenrollment of participants. Experience from the demonstration will permit a more appropriate estimate of the take up rate for participation and sponsors will better judge the impact of competition from other youth programs.