

Governmentwide Implementation of the President's Welfare-to-Work Initiative for Federal Grant Programs

OFFICE OF MANAGEMENT AND BUDGET

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AGENCY: Office of Management and Budget

ACTION: Notice.

SUMMARY: This Notice provides information, in the form of nonbinding questions and answers, to assist the Federal grantmaking agencies, grantees, and subrecipients in responding to the President's Welfare-to-Work Initiative. The Office of Management and Budget worked with the major Federal grantmaking agencies in developing this governmentwide non-regulatory guidance.

FOR FURTHER INFORMATION CONTACT: Barbara F. Kahlow, Office of Federal Financial Management, Office of Management and Budget (telephone 202-395-3053). The text of this Notice is available electronically on the OMB home page at /OMB.

SUPPLEMENTARY INFORMATION: On March 8, 1997, the President issued a memorandum to the heads of the executive departments and agencies entitled "Government Employment for Welfare Recipients." This memorandum directed all Federal agencies to "hire people off the welfare rolls into available job positions in the Government" and to submit proposed plans for "on-the-job training and/or mentoring programs."

To supplement this initiative, Federal agencies were asked to encourage their grantees and their subrecipients to hire welfare recipients and to provide additional needed training and/or mentoring. This Notice, which the Office of Management and Budget (OMB) developed with the major Federal grantmaking agencies, provides nonbinding questions and answers to assist the Federal grantmaking agencies, grantees, and subrecipients in responding to the President's Welfare-to-Work Initiative. The Federal Government recognizes and appreciates that many grantees and subrecipients have been hiring welfare recipients in meaningful jobs for some time.

The Federal procurement community has a "Welfare to Work Procurement Information" link on its Acquisition Reform Network home page (<http://www.arnet.gov>). Its welfare to work information page links to the White House welfare reform information page (</WH/Welfare>), the Department of Labor's welfare to work page (<http://www.doleta.gov/ohrw2w>) (which contains welfare recipient recruiting and hiring information), the Social Security Administration's welfare reform information page, the Health Care Financing Administration's welfare reform and Medicaid page, and the Department of Agriculture's food assistance program page.

Additionally, the National Performance Review will be assembling a data base with examples of employer success stories, innovative approaches, and problems encountered by employers which need to be addressed (<http://w2w.fed.gov>). Employers are requested to provide such examples which can be shared with other employers. Please send such examples to the National Performance Review, 750-17th Street - Suite 200, Washington, DC 20006 or e-mail them to stephen.butterfield@npr.gsa.gov.

As part of this welfare-to-work initiative, OMB does not expect to propose amendments to any Federal laws, governmentwide common rules, or its grants management circulars.

1. Question -- Is the provision of training for hired welfare recipients an allowable cost under Federal assistance programs?

Answer -- Yes. The cost of training provided for employee development is allowable under OMB's cost principles circulars.

2. Question -- Are supportive services, such as transportation and day care services, for hired welfare recipients allowable costs under Federal assistance programs?

Answer -- Yes, to the extent that an organization's internal and established policy permits charging of such costs in a consistent manner. These costs are usually classified as fringe benefit costs and, like salaries and wages, are distributed to all of the organization's activities. In any case, fringe benefits in the form of transit benefits are an allowable cost under Federal grants. Section 132 of the Internal Revenue Code of 1986 allows up to \$65 per month to be provided to employees tax free in the form of a "transit pass," or cash if a "transit pass" is not readily available, for distribution to employees. This benefit cannot be used in lieu of compensation, but must be paid in addition to any compensation otherwise payable to the employee.

3. Question -- Are there any available Federal tax credits to employers for hiring welfare recipients?

Answer -- Yes. The Work Opportunity Tax Credit (WOTC), authorized by the Small Business Job Protection Act of 1996, is a Federal tax credit that encourages employers to hire certain job seekers and can reduce employer Federal tax liability by as much as \$2100 for each qualified new worker. Welfare recipients who have received Aid to Families with Dependent Children (AFDC) or Temporary Assistance for Needy Families (TANF) assistance for at least a 9-month period, ending during the 9-month period which ends on the hiring date, are eligible for the credit. The existing WOTC expires September 30, 1997, but the Administration has proposed to extend it for one year. The Administration has also proposed an enhancement to the WOTC for long-term welfare recipients that would increase the maximum annual credit to \$5000 (claimable for two years) and allow the costs of employer-provided training, health care, and child care to count as wages for purposes of the credit. The Administration has proposed to authorize the enhanced credit for three years ending September 30, 2000. For more information on claiming the present WOTC credit, employers should call or visit the State employment service office, or call the nearest U.S. Department of Labor Regional WOTC Coordinator.

4. Question -- What are examples of successful private sector initiatives to hire welfare recipients?

Answer -- Eight successful private sector initiatives are described below.

Since 1984, a private for-profit placement and support organization in New York, Indianapolis, Albany and Baltimore has helped more than 12,000 welfare recipients find full-time private sector jobs. Recipients are hired permanently at an average wage of \$16,000 per year, including benefits. This organization works under contract with State and local governments and is reimbursed only for successful outcomes, typically defined as a job retained at least six months. The state of New York found that 81 percent of those placed by this organization are still off welfare after one year.

Since 1985, a private non-profit organization in Chicago has followed an incremental ladders-of-work approach, encouraging its participants to begin with work at their level of ability, including, if necessary, volunteer or part-time work. Clients move one step up the ladder of work at a time, with the ultimate goal being full-time, unsubsidized work. The program also provides retention, replacement and advancement services. Since inception, over 850 clients have participated in the program. While 54 percent lose their first job within six months and 75 percent lose their first job within a year, at the end of a 5-year period, 54 percent have worked at least all 12 months of the year either full-time or part-time.

Since 1986, a private non-profit organization in Cleveland, funded by public grants, foundations, and private money, has placed more than 3000 welfare recipients in full-time jobs, enabling 7000 men, women, and children to no longer receive welfare benefits. Over 80 percent of the families have not returned to the welfare rolls and have stayed in the workforce, a remarkable result considering that the typical family had been on and off welfare for ten years. The organization provides its clients with 8-10 weeks of general job readiness training and in some cases with basic education and occupation-specific courses. It then matches clients with jobs offered by some 650 local employers, including employer-paid health benefits. Once hired, clients receive transitional services and support from corporate counselors to ensure that they stay employed.

Since 1987, a private non-profit organization in Sarasota, Florida and Lafayette, Louisiana has offered job placement and support services to chronically unemployed members of the surrounding community. In 1996, the organization placed and kept over 500 people in unsubsidized private sector employment; since the program's inception, it has placed a total of more than 1500 people in jobs. The organization works hard to build relationships with local employers and, after providing its clients with basic job readiness and on-the-job work skills, places people permanently into unsubsidized jobs and offers follow-up support to make sure they stay in jobs.

In 1988, a small private non-profit organization in the Nation's capital was organized for the purposes of preparing and distributing meals to local homeless shelters and transitional homes from surplus food from hotels, restaurants, and catered events. Since 1990, the kitchen has provided a training center for jobless individuals to learn food preparation for employment in the food service industry, while they help prepare over 3000 meals a day. Its 12-weeks training program for 12 participants at a time has graduated 150 participants, with a 60 percent 180-day job retention rate overall and a 75 percent job retention rate in the last year.

In 1990, a major for-profit organization began a pre-employment training program which provides six weeks of training (180 total hours, composed of 60 classroom hours and 120 occupational skills hours, including job shadowing and hands-on practice) for 12-18 participants at a time for employment in the hospitality industry. Over the last six years, the program has had 600 graduates, with a 90 percent graduation rate, a 90 percent retention rate after 90 days, and a 77 percent retention rate after 360 days. After graduates are placed into full-

time jobs, the program provides six months of follow-up services to promote job retention. The training program not only teaches skills necessary to obtain a job but also addresses life management factors associated with being able to retain a job, such as maintaining a positive attitude, being dependable and reliable, building confidence and self-esteem, communicating effectively, completing job applications and resumes, grooming and hygiene, and personal issues, such as transportation and day care. A keystone of the program is that trainees do not displace current employees of the organization or cause a reduction in their work hours.

Since mid 1994, a private non-profit organization in Milwaukee has stressed job placement. Clients go through eight weeks of job search. Those who do not find private sector jobs are offered minimum wage community service positions at non-profit organizations for a maximum of one year. When necessary, the organization subsidizes its clients' wages to bring them up to at least the poverty line. It also provides health and child care benefits based on income and helps clients receive the Earned Income Tax Credit (EITC). Preliminary results are very encouraging; 57 percent are currently employed in private or public sector jobs.

In early 1995, a private non-profit organization in Columbus began providing intensive human capital development. Its per person job placement costs are about \$2300. Services include six weeks of full-time daily job readiness and skills, academic skills including GED preparation, job development, placement, and follow-up, a \$6-\$8 per day transportation allowance, and in-house legal counsel. To date, 193 participants have completed the program. Also, to date, 91 recipients were placed in full-time jobs that currently average wages of \$6.84 an hour and a 90-day retention rate around 60 percent.

5. Question -- What are examples of appropriate jobs, requiring minimum on-the-job training, for which welfare recipients could be hired?

Answer -- A welfare recipient's job placement should be commensurate with his or her education, skills, and abilities. Thus, a person with the required education, experience or skills for a specific position may be placed in such a position; however, persons without such needed education, experience or skills may be placed in an entry-level position. Several Federal departments have identified appropriate entry-level job positions, including: file clerk, mail and file clerk, office automation clerk, office automation trainee, computer clerk/assistant, claims processing clerk, custodial worker, printing plant worker, laborer, and motor vehicle operator. Generally, employees hired into these positions will be expected to perform such duties as the following: photocopy, receive and deliver mail, file, answer telephones, operate fax machines, maintain and distribute supplies, and clean laboratory equipment in research facilities.

G. Edward DeSeve

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