


Northeastern Workforce Development Board (NWDB) General Policies and Procedures STIPENDS AND INCETIVES	
Policy 020	EFFECTIVE DATE: 5/13/2022
Approved by: NWDB - Executive Director	 <small>Joanna Russell (May 16, 2022 11:39 EDT)</small>

REFERENCES

WIOA Section 129 Use of funds for youth workforce investment activities.
WIOA - TEN 22-19 https://wdr.doleta.gov/directives/attach/TEN/TEN_22-19_Attachment.pdf
WIOA TEGL 21-16
2 CFR Part 200; 2 CFR 200.43820; 2 CFR 681.640; 2 CFR 200.403

PURPOSE

WIOA Federal regulations require that the Northeastern Workforce Development Board (NWDB) provide policy guidance prior to use of WIOA funding for stipends or incentives.

BACKGROUND

The Workforce Innovation and Opportunity Act (WIOA) youth program allows for several types of payments for participants engaged in activities such as work experience, occupational skills training, classroom activities and more. The two main types of compensation are wages and **stipends**. A third, but distinct, type of payment is an **incentive**, which may be given to youth to reward positive behavior towards achieving goals.

DEFINITIONS

WAGES: A wage is a form of compensation that an employer provides to an employee for personal services rendered under Federal award as defined by the Internal Revenue Service (IRS). If an employer-employee relationship exists, then wages must be paid, and labor standards outlined in the Fair Labor Standards Act (FLSA) apply. Provisions for wages under the FLSA apply to all youth participants employed under WIOA. Additionally, the FLSA requires that all covered nonexempt employees receive not less than the federal minimum wage of \$7.25 per hour for all hours worked and overtime pay of at least one and one-half times their regular rate of pay for all hours worked over 40 in a work week.

STIPEND: When an employer-employee relationship (see below) does not exist, a stipend may be used as an allowable payment for participation in activities such as occupational skills training or classroom activities, including high school equivalency preparation, work readiness, or employability skills training. States and local areas have flexibility in determining when and how to pay stipends, however they must have a policy in place that guides the payment of those stipends. Having clear written policies and procedures in alignment with Federal regulations

allows frontline staff to understand when and how they might offer stipends in order to help youth achieve their goals.

INCENTIVE: An incentive is a type of compensation for youth participants permitted for recognition and achievement directly tied to training activities and work experience. WIOA Youth funds can be used for incentives for completion of a training course (such as completing a high school equivalency course) and/or of an achievement (such as perfect attendance at the course). The purpose of offering an incentive is to induce behavior toward achievement of a specific goal. In order for an incentive to be effective, participants must be aware of the existence of such incentive and understand the terms and standards of its award to improve the likelihood of success and lead to a successful outcome or achievement of grant performance measures

As outlined in 20 CFR 681.640, the local program must have written policies and procedures in place governing the award of incentives and must ensure that such incentives payments are: (a) tied to the goals of the specific program; (b) outlined in writing before the commencement of the programs that may provide incentive payments; (c) align with the local program's organizational policies; and (d) are in accordance with the requirements contained in 2 CFR part 200.

NOTES ON INCENTIVES: Payments for incentives should not be confused with compensation of wages or stipends. When considering types of incentive payments, keep in mind that Federal funds may not be spent on entertainment costs as outlined in 2 CFR 200.438. Therefore, incentives may not include entertainment, such as movie or sporting event tickets or gift cards to movie theaters or other venues whose sole purpose is entertainment. When reasonable and prudent, and when clear policies, internal controls and safeguards are in place, non-entertainment related gift cards may be an option. These are considered a cash equivalent and should be treated as if they were cash. Just like cash management, the expectation is that grant recipients will have internal controls over the management of the gift cards (by keeping an inventory log, identifying and training appropriate personnel when it's appropriate to distribute gift cards, etc.) Gift cards should be used as an incentive (with an established incentive policy in place) and not as a substitute to wages and stipends. Finally, there must be measures in place if there is excessive purchasing of gift cards as these funds (not the gift cards) must be returned to ETA during the closeout of the grant. We encourage local programs to exercise restraints in purchasing gift cards as incentives to avoid Closeout issues.

Incentive payment (each incentive payment not to exceed \$200.00) with (total incentives not to exceed \$500.00) may be awarded for the following goal accomplishments or activities:

- **For Out-Of-School Youth-Attainment of High School Equivalency/Diploma**
- **Completion of a Work Readiness Training (curriculum to be developed by service provider resulting in certificates – not to exceed four certificates)**
- **Completion Work Experience (Successful Final Evaluation)**
- **Completion of Pre-Apprenticeship to include transcripts and/or records from training provider**

CHARACTERISTICS

An employment relationship under the Fair Labor Standards Act (FLSA) must be distinguished from a strictly contractual one. Such a relationship must exist for any provision of the FLSA to apply to any person engaged in work which may otherwise be subject to the Act. In the application of the FLSA an employee, as distinguished from a person who is engaged in a business of his or her own, is one who, as a matter of economic reality, follows the usual path of an employee and is dependent on the business which he or she serves. The employer-employee relationship under the FLSA is tested by "economic reality" rather than "technical concepts." It is not determined by the common law standards relating to master and servant.

The U.S. Supreme Court has on several occasions indicated that there is no single rule or test for determining whether an individual is an independent contractor or an employee for purposes of the FLSA. The Court has held that it is the total activity or situation which controls. Among the factors which the Court has considered significant are:

1. The extent to which the services rendered are an integral part of the principal's business.
2. The permanency of the relationship.
3. The amount of the alleged contractor's investment in facilities and equipment.
4. The nature and degree of control by the principal.
5. The alleged contractor's opportunities for profit and loss.
6. The amount of initiative, judgment, or foresight in open market competition with others required for the success of the claimed independent contractor.
7. The degree of independent business organization and operation.

POLICY

It is the policy of the Northeastern Workforce Development Board (NWDB) that no stipend or incentive shall be paid to any WIOA participant until:

- 1) The service provider has a policy in place on how they will be providing and at what level incentives will be provided.
- 2) WDS must specify the short-term goal and determine appropriate goals for each youth based on their needs.
- 3) WIOA Youth Program participant must successfully achieve(s) goal within specified parameters as outlined in the Individual Service Strategy (ISS).
- 4) The WIOA service provider's director, manager or supervisor must approve the payment based on the definitions contained within this policy.

- 5) This incentive should not be used in conjunction with other incentives, unless two separate goals are identified that align with a common long-term goal.
- 6) Documentation Stipends and incentives may be awarded providing that the provision of an incentive or stipend is included in the participant's Individual Service Strategy. At a minimum, the following documentation must be maintained in the youth's file: The ISS must specify the goal that must be met to qualify for the incentive.
 - The Individual Service Strategy must document the need for stipend and specify services that are planned for the youth to receive a stipend
 - Justification for payment of stipends
 - Time sheets or attendance sheets for payment of stipends when applicable such as Work Ready, Work Experience, or On the Job Training (OJT)
 - To qualify for an incentive, a copy of the required documentation/certificate verifying completion must be kept in Maine JobLink (MJL)






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Final Audit Report

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