

**Department for Work and Pensions**

**Research Report No 614**

# **Welfare to work in the United States: New York's experience of the prime provider model**

**Dr David Armstrong, Yvonne Byrne, Lisa Patton and Sarah Horack**

A report of research carried out by PricewaterhouseCoopers LLP on behalf of the  
Department for Work and Pensions

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# Abbreviations

CAP	Centre for American Progress
CEO	Centre for Economic Opportunity
Citywide	Department of Citywide Administrative Services
CVH	Community Voices Heard
DRA	Deficit Reduction Act
DSBS	Department of Small Business Services
DWP	Department for Work and Pensions
DYCD	Department of Youth and Community Development
ESP	Employment Services and Placement
EZ	Employment Zone
GAO	Government Accountability Office
HHS	Department of Health and Human Services (Federal Department)
HRA	Human Resources Administration
ITA	Individual Training Account
NPAC	Non-Profit Assistance Corporation
PA	Public Assistance
PRWORA/PRA	Personal Responsibility and Work Opportunity Reconciliation Act/Personal Responsibility Act

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SAP	Skills Assessment and Job Placement
SNA	Safety Net Assistance
TANF	Temporary Assistance for Needy Families
WCC	Workforce Career Centres
WeCARE	Wellness, Comprehensive Assessment, Rehabilitation and Employment Programme
WEP	Work Experience Programme
WIA	Work Investment Act
WIF	Workforce Innovation Fund

# Summary

## Chapter 1: Background

The Department for Work and Pensions (DWP) *Commissioning Strategy*, published in February 2008, establishes a framework for the provision of welfare to work services in Great Britain and sets out, clearly, the roles of providers across the public, private and Third Sectors. Key features of the Strategy, which represents a significant departure from DWP's traditional delivery model, include:

- longer contracts with a smaller number of prime<sup>1</sup> providers;
- sub-contractors working directly to prime providers;
- outcome-based commissioning; and
- stronger focus on provider-led innovation with respect to service delivery.

Great Britain has taken significant steps towards a prime provider model, characterised by experimentation with the market over the past ten years (such as Pathways to Work, Employment Zones, and the private sector led New Deal). The *Commissioning Strategy* and the recent Flexible New Deal were borne out of recognition, based on feedback, research and evaluation evidence, that provider performance in Great Britain has had a mixed record since welfare to work began in the late 1990s. Since the late 1990s New York City (NYC) has been delivering welfare to work services using a prime provider model which has a number of key similarities to the model set out in the DWP's *Commissioning Strategy*. In particular, the NYC model has focused on a small number of prime providers – including developing strong links with private sector providers – and, since 1999, has developed an approach to outcome-based contracting and performance management. In developing its approach, NYC has drawn on the experience of performance management in other areas of public service delivery, particularly the 'CompStat' system implemented by the NYC Police Department.

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<sup>1</sup> The 'prime' provider model can be characterised as a commissioning model in which large, long-term contracts (sometimes referred to as 'super contracts') are awarded to a small number of main providers, with the understanding that these primes may sub-contract specialist services to 'sub-providers'.

It is important to note that welfare services in NYC are commissioned by a range of Federal, State and City agencies. Such services are not always coordinated, and there are consequent overlaps and disconnects in relation to service provision and wider strategic aims. The study team focused on the commissioning of welfare to work services undertaken by the Human Resources Administration (HRA), whose role is to *'coordinate and integrate the City's human services programmes'* (www.nyc.gov, 2009). Therefore this report provides only a partial insight into the welfare commissioning undertaken by the NYC Government.

Within this context the Department undertook a study trip to New York City to examine and learn from key features of the system there. The two main objectives of the study trip, which took place in February 2009, were to:

- examine the US welfare reforms of the last decade and to find out what delivery lessons have been learned; and
- investigate the NYC approach to commissioning employment services, and specifically to explore the use of prime providers and performance-based contracts.

In order to address these objectives, a DWP study team spent five days in the US: two days in Washington DC and three days in NYC. During this time, a series of 13 semi-structured interviews were undertaken with Federal and City government officials, prime providers and their sub-contractors, representatives of think tanks, academics and professional bodies.

The interviews focused on a range of issues including:

- the overall approach to commissioning;
- procurement and contract management;
- market dynamics; and
- performance management.

## Chapter 2: Welfare to work in the US

Reform of welfare to work in the US since the mid-1990s has been driven by two key pieces of legislation and the funding streams they created. The two fundamental pieces of legislation are: the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 and the Workforce Investment Act (WIA) of 1998. PRWORA and WIA are associated with discrete funding streams that are delivered to States as block grants; PRWORA's Temporary Assistance for Needy Families (TANF) funding is delivered in a single block grant and WIA's funding is categorised according to three key recipient groups (adults, dislocated workers and young people).

The Federal Government allocates block funding to States on the expectation that they: a) achieve reduced welfare caseloads; and b) increase the work participation

rate of particular groups of welfare applicants and recipients by specified amounts. States in turn place similar performance-based conditionalities on funding to the City and County levels, which trickle down to the provider level in the form of the contractual requirements on which the commissioning process rests. The direct alignment of Federal, State and provider performance requirements, therefore, creates a focus on performance and on measuring performance that clearly permeates the entire US system.

It is important to note the differences between the present context of welfare reform in Great Britain and that of the US at the outset. US welfare reform occurred at a time of general economic prosperity, while welfare reform in Britain is taking place against the backdrop of an economic recession. There are also a number of contextual differences arising from the structure of the US Congress, which was designed to facilitate a bi-partisan approach to legislation and to encourage compromise. As a consequence, final legislation often emerges after a process of negotiation across party lines and a policy can lose its original ideological focus as it progresses through the legislative process. Further differences arise in relation to the US legislative requirement to 'reauthorize' legislation after a set period of time, usually a five year period.

In contrast, the British legislative process is more policy-focused. Without the requirement to reauthorize policies Great Britain has, in principle, a greater potential to retain strategic aims throughout the legislative process of passing a Bill. This, combined with an uninterrupted Labour leadership in Government since 1997 and bi-partisan support for welfare to work policy developments has meant that welfare reform in Great Britain has taken place in a less contested environment than in the US.

The new reforms in the US represented a radical departure from the previous approach to welfare to work and led to significant changes across key stakeholders within welfare service provision:

- **benefit recipients** experienced a fundamental change in the culture of entitlement, which moved from automatic to conditional. This conditionality was further reinforced by a greater emphasis on the temporary and time-bound nature of financial assistance and the formal linking of benefits to work-related activities;
- **agencies** experienced the benefits and the challenges associated with the new block funding arrangements. This was heralded as the beginning of the 'New Federalism', a landmark development in the Federal/State relationship; and
- **providers** experienced fundamental changes to commissioning and reporting requirements related to the introduction of outcome-based funding and performance management.

There is much compelling evidence to suggest that US welfare reform has been highly successful in many respects:

- dramatic reductions in the welfare caseload;
- significant increases in the proportion of the welfare caseload engaged in work activities;
- increases in the proportion of single mothers engaged in employment;
- funding structures which effectively devolved Federal control of welfare service delivery;
- flexibility to innovate in the provision of services;
- freedom to outsource service delivery;
- incentivising efficiencies by allowing savings to be retained and reinvested in wrap-around services such as childcare;
- a streamlined commissioning process associated with the move to performance-based commissioning; and
- budgetary control at Federal level.

Despite these successes, US welfare reform has not been without its challenges, most notably:

- a lack of formal feedback mechanisms giving rise to difficulties in gaining a clear overview of progress and learning from best practice;
- the commissioning of public services occurring within silos; for instance, health and human services being commissioned separately from such related services as education and training; and
- consideration of the nature and quality of the client offering (i.e. the services being offered to jobless people) being eclipsed by the importance attached to performance metrics.

### Chapter 3: The New York City welfare to work market

NYC is distinctive within the US in many respects, and is characterised by a number of factors which impact on the context within which welfare to work has been implemented:

- distinctive geographical location on a highly urbanised and geographically bounded island;
- unique position between the State and County (local) levels within the Federal-State-County structure which characterises welfare funding and performance requirements; and
- thriving, globally-focused economy with a dense and relatively youthful population.



NYC displays an approach to benefit eligibility which is distinctly liberal within the US. While the introduction of time-limited assistance was revolutionary to some States, a constitutional commitment made by the State of New York ensures benefits are provided to the needy. In this respect, the City reflects Great Britain's commitment to its citizens, although the level of cash assistance is considerably lower in NYC, and receipt is contingent on the conduct of work or 'work-like' activities for a specified time period each week. It should also be noted that while London may provide a more direct comparator with NYC in terms of demographic characteristics and welfare delivery challenges, this report seeks to translate the implementation lessons of NYC's welfare reform to Great Britain as a whole.

The implementation of welfare to work in NYC has been characterised by the dominance of prime providers. The HRA awards welfare to work contracts in NYC for a three-year period, with a possible extension of three years contingent on performance. The initial commissioning phase involved the awarding of contracts on the basis of a collaborative approach between funder and bidder known as 'negotiated acquisition'. This, in part, addressed the inexperience of both funders and providers in commissioning or bidding within the radically reorganised market created by the performance-based commissioning approach. It also enabled funders to focus on ensuring provider capacity reflected the scale of the services being commissioned.

A full 'request for tender' (RFT) process was implemented from the second round of contracts in 1997. In later commissioning phases, based on the RFT process, the past performance of providers would play a key role in the selection of successful bids. Incumbents are, therefore, clearly advantaged within the RFT commissioning process compared to new bidders, a particular problem for smaller, niche providers.

The transition to performance-based commissioning has been accompanied by corresponding operational and administrative changes. NYC has transitioned from providing benefits to providing welfare to work services, and this change was accompanied in 1999 by the introduction of a new commissioning approach, which is overwhelmingly based on performance. Payments are now formally and firmly tied to performance, although there are some remaining process payments based on the achievement of 'milestones' which lead the way to outcomes.

The move to performance based commissioning has prompted significant administrative and operational developments including:

- transforming local welfare offices into 'Job Centers';
- introducing more specialisation for clients with specific health needs; and
- streamlining data management systems.

Programme design falls into two main groups:

- 'work first' programmes which emphasise the importance of job placement in breaking down barriers to employment; and
- 'people first' programmes which seek to address personal and/or health-related barriers to employment prior to work-seeking activities.

The study team's view is that this evidence suggests that initial innovation in programme design, culminating in the major redesign of both 'Back to Work' and 'WeCARE' vocational rehabilitation services in 2005, has not been sustained. A number of factors have contributed to this, most notably the contraction and consequent lack of diversity in the provider market and the absence of formal feedback mechanisms which would allow the collection and dissemination of learning to inform continuous service improvement.

The current welfare to work market has contracted to the extent that NYC is served by just eight prime providers, covering ten contracts – two focused on vocational rehabilitation and eight focused on back to work services. The HRA is unconcerned by the lack of 'churn' (change in providers) and extent of market contraction, viewing the tendency for incumbents to return to the market as evidence of providers developing expertise in the management of performance based contracts. The dominance of incumbent prime providers and consequent lack of churn in the market has been accompanied by a trend of decreasing use of sub contractors.

## Chapter 4: Commissioning and managing the market

The concept of a 'provider market' and how commissioning should be implemented is very different in NYC compared to Great Britain. Welfare stakeholders in NYC do not conceptualise welfare to work services as a market, and consequently have not taken a market stewardship role. Despite this finding, it is the study team's view that a welfare market does exist, and that it is shaped by free market principles to some extent.

Great Britain aims to foster diversity and capacity by implementing a commissioning approach that is open to delivery agencies of all sizes by encouraging and enabling strategic partnerships and alliances within the market. The British Government generally operates under the belief that an unfettered market will not necessarily deliver the required service provision. The skills and ingenuity in the British marketplace are highly valued by Government, and great importance is placed on diversity within the provider market, particularly with respect to the involvement of Third Sector organisations. DWP continue to see a role for Government with respect to developing interest and diversity within the British provider market, with the overarching aim of providing a high quality customer offering.

This difference in Government's role with respect to the market is a key cultural difference between the US and Great Britain which should be borne in mind when comparing practice and drawing lessons from the US/NYC experience.

Implementing welfare reform has given rise to a refined commissioning approach. Under the initial adoption of performance based funding, contract packages were negotiated with providers prior to discussions with respect to funding levels and/or invoicing arrangements. Following critique of this approach, the commissioning process has been revised and a competitive Request for Proposal (RFP) procedure,

which is familiar in Great Britain, is in place. Further lessons have been learned with respect to the importance of accurate caseload forecasting in performance based commissioning.

The NYC example suggests that performance-based commissioning holds many advantages for commissioners and providers alike, due to the:

- streamlined commissioning process it gives rise to;
- direct alignment of contract requirements and performance measures;
- clarity and simplicity of measuring and monitoring performance; and
- ability to shape performance directly through performance requirements and their associated payment structures.

Despite the clear strengths of performance based commissioning in many respects, it is important to acknowledge risks specific to the approach that was evidenced by the NYC experience:

- the delivery risk (i.e. the risk of not placing clients in employment) is concentrated at the provider level, but the commercial consequence of not delivering (i.e. that payment milestones are not realised) is one that would have a greater impact on smaller providers in comparison to larger providers; and
- forecasting the level of demand for services can be highly problematic, specifically because clients progress through welfare to work services at different rates.

In moving towards a performance-based commissioning approach, DWP will need to remain mindful of these risks and seek to harness the lessons of the NYC experience in responding to them.

## Chapter 5: Contract and performance management in New York City

The NYC system evolved into a primarily performance-based system in which performance requirements are directly aligned with contract requirements. The early phase of welfare to work in NYC (1996-99) was characterised by an approach to provider payment based on a combination of reimbursement of expenses and performance payments. From 1999 onwards, there was a shift towards outcome-based payments, primarily in order to manage costs but also to control the inefficiencies of monitoring and managing an expense-reimbursement system of payment.

The most important outcome measures associated with provider payments and performance requirements are the employment placement milestones of 30, 90 and 180 days: payments clearly associated with placement retention for the respective number of days rather than the employment placement itself. It is important to recognise, however, that process-based payments still occur within

the US system, most commonly in the production of pre-employment plans and most notably within the process-heavy vocational rehabilitation services (where expenses up to a maximum of 30 per cent of contract value are permissible). Indeed, a performance-based system in which all funding is tied to outcomes is difficult to envisage within the welfare sector, and a model encompassing process payments of some sort will be necessary to ensure the viability of providers, particularly smaller providers, within this market.

Great Britain envisages a system in which the majority of the contract value will be tied to outcomes, with the remainder associated with process outputs. Given the process payments within the US system referred to above, in practice the British outcome/process ratio may not differ significantly from that of the US. The British approach also envisages tailoring the funding model used for provision according to the client group and economic conditions.

Contractual obligations form the foundation of performance monitoring and management in NYC. These obligations mirror the performance requirements (the 'outcomes') which trickle down from the Federal level through the State and County levels to the provider level. As such, they bring together the high level monitoring of welfare caseload numbers with the lower level monitoring of milestones in providers' progression of clients from welfare towards work. However, a heavy reliance on contract management as the main system of provider performance monitoring has inherent risks, not least the lack of an early warning signal to bring poor performance to attention unless or until a provider fails to meet a contractual obligation.

'Hands on' monitoring and management have proven successful. The close collaborative relationship between commissioners and prime providers acts as an early warning system, with commissioners ensuring dedicated contract managers are situated at provider sites with the aim of achieving 'hands on' contract management. The evidence suggests that this close and collaborative working relationship has successfully enabled recognition of, and effective response to, delivery problems at an early stage in NYC. Evidence points to the relationship between the commissioner (HRA) and one prime provider being so strong, that the prime provider proactively brought problems to the attention of the funder in order to collaboratively address issues which might compromise service delivery. Further evidence suggests that these contract managers work so closely and so effectively with providers that they are not only in a position to foresee potential issues, but that they are familiar enough with the provider's business model to assist in responding to the issue. This management approach, to some degree, ameliorates the inherent lack of an 'early warning signal' in performance-based contracting.

Further performance management is provided by means of events known as 'VendorStat' meetings, which can be thought of as high profile contract management meetings. These events take place on a monthly basis, and allow funders to explore and interrogate specific aspects of an individual provider's

performance, thereby facilitating the close monitoring of progress against contractual obligations.

Effective use of outcome data forms the basis of a further innovative approach to performance monitoring and management: provider scorecards are drawn up based on outcomes reported by providers. These scorecards represent a publicly available 'league' of providers. This is seen to foster and reward competition between providers. It should be noted, however, that without any in-built quality measures or client experience metrics, the leagues provide a narrowly-focused comparison of provider performance in terms of outcomes only.

Since the on-site contract management approach is not envisaged for Great Britain welfare market, due attention will need to be paid to implementing a system which highlights problems before providers fail to achieve a performance requirement. While the Code of Conduct and attendant system of redress go some way towards this, it is likely that some form of 'hands on' management will be required to support these measures.

Evidence from the NYC experience highlights the way that the definition of outcomes can be fundamental to both the performance requirements that providers are contracted to achieve, and also to the monitoring of provider performance by funders. For these reasons, the definition of outcomes had shaped the structure, aims and perceived success of the NYC welfare system as a whole.

Likewise, the measurement of outcomes is tied to what has been defined as an outcome. It therefore naturally follows that if outcomes are narrowly defined, then measures of outcomes will be subject to the same criticism. With an emphasis on integrating quality and client metrics into performance requirements, the British system aims to move away from the NYC example in this respect.

The HRA employs a highly developed data collection and reporting system, but problems relating to data validation remain. With a sophisticated management information system, providers enter performance data on a weekly basis enabling commissioners to access detailed progress information in a timely and accessible way. This also creates a 'single version of the truth', a shared understanding of performance between commissioner and provider. Management information systems have been innovatively and effectively employed for three main purposes:

- reporting caseload statistics to stakeholders and the public in the form of detailed weekly and monthly reports;
- monitoring and managing performance in terms of key contractual requirements; and
- driving provider performance by stimulating competition within the market using 'league tables' of provider performance.

HRA consciously seek to ensure their system has sufficient checks and balances to minimise fraudulent reporting. However, data validation has proven to be a

complex task, and difficulties have arisen in relation to the verification of provider performance data and associated payment triggers.

The evidence suggests that the focus on performance requirements has overshadowed concerns regarding the quality of the client offering. Providers work to attain contractually agreed performance levels which are, in turn, monitored by City commissioners who report performance to the Federal level to ensure that the State fulfils its Federal budget obligations. The performance measurements evidenced in NYC do not in any way attempt to measure or monitor the quality of the client offering or the client experience. Despite the absence of such an obligation, the evidence suggests that many providers undertake such data collection to inform the continual improvement of their client offering. However, without any obligation for providers to report such data, and without any will to include client-specific measures within provider performance requirements, commissioners lack information about the quality of the client offering across providers.

These factors illustrate a key divergence between the US and British approaches to welfare reform: in many respects the US system does not seek to tailor or measure services to specific client groups to the same extent as the British system does (as in the case of lone parents or applicants stratified by age group). The value of this rather less differentiated approach taken in NYC is difficult to determine given the absence of client experience data.

## Chapter 6: Conclusions and lessons learned

This report has sought to explore the US experience of welfare reform and the NYC experience of implementing a prime provider model of performance based commissioning. On the basis of this exploration and with appropriate awareness of the key contextual differences underpinning the US and British experiences, there are a number of conclusions that can be drawn. These are presented under the following headings:

- The importance of shifting the public mindset;
- Stewarding the market;
- Monitoring, managing and reporting performance;
- Understanding the client journey and experience;
- Developing management information systems;
- Generating and disseminating knowledge of 'what works'; and
- Conclusions.

## **The importance of shifting the public mindset**

- **Promote strong leadership of the agenda:** The British policy message around welfare reform has benefitted from strong support from the Prime Minister, DWP Ministers and the wider Government. The US experience teaches us that maintaining this momentum is vital to changing the mindset of the public from rights to responsibilities. The NYC experience further shows that strategic and operational leadership will also play a key role in communicating the benefits of performance based commissioning, and of significant private sector involvement in public sector service delivery to stakeholders throughout Great Britain.
- **Develop effective communications:** Great Britain can learn much about selling this new policy message to the wider population in general, and to benefit claimants in particular from both the US and NYC experiences. The US success in engaging single mothers in welfare to work is a key example of this success. The clarity and consistency with which the benefits of the prime provider model and performance based commissioning of services from largely private sector providers was communicated to strategic and operational stakeholders in NYC holds many valuable lessons for Great Britain. It will be particularly important to focus on the potential efficiencies of reform during the current recession.

## **Stewarding the market**

- **Maintain stewardship of the market:** The evidence from NYC suggests that without stewardship, the diversity of service provision within the welfare market is to some extent weakened. Given the importance placed upon client choice and client service within Great Britain, a stewardship approach has greater potential to assure the contribution of the Third Sector and smaller providers.
- **Monitor the effects of competition:** The widely held view that competition for contracts and competition within the marketplace will drive innovation and performance levels within the marketplace remains a guiding hypothesis which should be tested.
- **Develop Third Sector capacity:** Particular importance will need to be paid to ensuring that the approach to commissioning helps to develop and sustain a thriving Third Sector within British welfare reform.

## **Monitoring, managing and reporting performance**

- **Align indicators with overall strategic aims:** Welfare reform in Great Britain must define success and align overall strategic aims to the performance targets rolled out to providers in the commissioning process.
- **Create a 'single version of the truth':** HRA performance reports are public documents, and establish metrics which cascade through the market place into provider reporting systems. It is important that Great Britain capitalises on the full benefits of the outcome based approach within which performance data is simple, objective and incontrovertible.

- **Develop new partnership relationships with providers:** Close collaborative contract management can create effective early warning systems.
- **Engage in event-based provider management:** Implementing event-based management processes which incorporate regular, scheduled, face-to-face management meetings with prime providers.

### **Understanding the client journey and experience**

- **Foster simplicity and do not 'over-engineer':** In order to harness high standards of client service, Great Britain must implement robust performance measures which take account of the quality of service provision and the client experience. In doing so, however, it must avoid over-engineering and ensure that the performance measures and framework are simple and transparent.
- **Maintain the centrality of the client experience:** Targets – whether processes, outputs, outcomes or quality-related – drive and shape performance. In order to encourage client-centric responses from providers, DWP must ensure that client experience indicators are widely represented and incentivised within performance requirements.

### **Developing management information systems**

- **Develop an appropriate IT infrastructure:** IT systems, and the required reporting data, should be aligned in a way that allows both commissioner and provider to capitalise on the simplicity of performance based contracting.
- **Support smaller providers with information provision:** Due attention needs to be paid to the capacity of smaller providers to meet ongoing reporting and monitoring requirements.

### **Generating and disseminating knowledge of 'what works'**

- **Develop feedback loops:** DWP should ensure a formal feedback mechanism is in place to capture the lessons for innovation and best practice which arise during implementation of the Commissioning Strategy.
- **Disseminate research findings:** The market will be strengthened by the dissemination of these findings in an appropriate, effective and transparent way.

### **Conclusions**

There are a number of ways in which Great Britain seems to be moving towards the NYC model, and a number of ways in which Great Britain remains distinctive from the NYC model. These are set out below and, in our view, provide a concise summary of the areas from which the study team has been able to learn from the strengths and the challenges of the NYC model.



*Areas in which Great Britain is moving towards the NYC model*

- Performance-based contracting.
- Commercial delivery as a central feature of welfare to work services.
- Prime provider model.
- Encouragement of innovation within the market place.
- Directly aligned performance requirements and monitoring data.
- Effective performance management systems incorporating early warning signals.

*Areas in which Great Britain remains distinctive from the NYC model*

- Holistic approach to British service provision, embodying high standards of client service and a differentiated approach to core client groups, particularly for clients with significant barriers to employment.
- Focusing on the client journey and experience will remain central in Great Britain.
- British benefit entitlements will continue to be less restrictive than those in NYC, particularly due to the absence of time-limited assistance in Britain.
- DWP to continue to actively steward the market.
- Actively promoting diversity of providers, particularly Third Sector providers.
- Greater alignment and coordination of budgets to achieve meaningful client outcomes while harnessing the opportunity for efficiencies arising from performance-based commissioning.
- Co-commissioning of skills, employment and housing agendas in Great Britain to achieve wider strategic aims.



# 1 Background

## 1.1 Introduction

This chapter provides an overview of the background to the report and is structured under the following headings:

- Background to the study trip;
- Strategic and policy context;
- Welfare to work in the United States;
- Terms of reference;
- Approach; and
- Scope and structure of the report.

## 1.2 Background to the study trip

The commissioning of public services in Great Britain has undergone significant change in the last decade, characterised by a move away from direct public sector service delivery. Within the arena of welfare reform, a new approach to commissioning is leading the sector towards a much greater degree of outsourcing than has previously been witnessed, a concentration on prime providers within the market and the lengthening of service contracts. These changes aim to make welfare services both more efficient and more effective. A similar approach to welfare reform has been witnessed in the US and the New York City (NYC) experience, in particular, is viewed as a potentially valuable example from which we can learn specific commissioning and implementation lessons. NYC is of particular relevance, in that the City set out to radically reshape an existing, externally commissioned employment services market in much the same way that the Freud report<sup>2</sup> and the *Commissioning Strategy* do.

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<sup>2</sup> Freud, D. (2007). *Reducing Dependency, Increasing Opportunity: Options for the Future of Welfare to Work*.

## 1.3 Strategic and policy context

### 1.3.1 Development of welfare to work in Great Britain

The New Deal, launched in 1997, represented a watershed in British welfare policy, marking the shift from welfare to work and enabling progress towards the Government's aspiration of an 80 per cent employment rate. With the aim of deconstructing perceptions of welfare claimants as rightful and passive recipients of benefits, the New Deal recast claimants as active citizens with responsibilities aligned to the rights they enjoyed. With most British employment and training programmes outsourced since the 1980s, New Deal restructured this provision and in doing so provided the basic structure of a new welfare to work system in Great Britain. While recent welfare reforms have been informed by research and evaluation evidence arising from New Deal, the essence of this original structure has not changed.

The British welfare to work system starts with 'Jobcentre Plus', the public body responsible for administering benefits and sanctions. Jobcentre Plus provides basic work-focused interventions to customers nearer to the labour market. There is strong evidence to suggest that this approach is highly effective in ensuring people find work, with a large proportion of customers finding employment within the first few months of their contact with Jobcentre Plus. For those further from the labour market, the intensity and personalisation of support increases with the duration of time in receipt of benefits. Between six and 18 months of unemployment, customers go onto programmes where they receive more intensive support, such as New Deal for Young People, New Deal 25+ for the long-term unemployed, New Deal for Lone Parents and New Deal for Disabled People; all programmes managed by Jobcentre Plus personal advisers.

Recent experiments with private and voluntary sector provision, such as Private Sector Led New Deals (1998), Employment Zones (2000) and Pathways to Work (2003), have built on the foundations laid down by New Deal. Under these initiatives, providers have responsibility for case management and for deciding what type of provision is needed to get individuals back to work. Employment Zones (EZs), characterised by a three-stage 'work first' model built on one-to-one support work with claimants, achieved a new level of personalised support in welfare (Hales, 2003), EZs also reintroduced a primarily outcome-based funding system which had previously been abandoned following the demise of the earlier Training and Enterprise Councils. The Pathways to Work package of reforms, also involving outcome-based funding, focused on increasing employment among incapacity benefit claimants, with delivery involving both Jobcentre Plus (18 areas) and private and voluntary sector agencies (31 areas).

Drawing evidence-based policy from these experiments and developing a strategic approach to the commissioning of employment services have led to the development of the Flexible New Deal (FND). FND, scheduled for introduction in

two phases beginning in October 2009<sup>3</sup> will be the first initiative to implement the principles outlined in the new *DWP Commissioning Strategy* (DWP, 2008). The Strategy sets out a framework of principles for relationships with suppliers of contracted employment provision, including:

- **longer and larger contracts** – the existing suite of employment programmes is fragmented into around 40 programmes. FND will supersede all existing provision for the long-term unemployed;
- the use of fewer **'prime providers'** – core providers will have a stronger relationship with Government and will manage their own supply chain of smaller niche providers in order to meet the needs of all customers;
- the use of **outcome-related funding** and 'black box' contracts where providers decide what types of provision best meet the needs of their customers;
- **competition for and within contracts** and a balance of risk and reward for providers; and
- the establishment of a single, integrated, shared and transparent approach to the **measurement and management of provider performance** that enables a 'like-to-like' analysis of performance and redistribution of market share accordingly.

From the customer perspective, the latest phase of Great Britain's welfare reform programme is guided by an agenda of personalisation, support and empowerment for benefit recipients, encapsulated by the Freud report (2007)<sup>4</sup>, the Gregg report (2008)<sup>5</sup>, the Welfare Reform Bills<sup>6</sup>, and the FND. Key themes are:

- the end of automatic entitlement;
- rights and responsibilities in balance;
- enhanced support, tailored to individual needs; and
- devolved power and the creation of a welfare to work market.

Table 1.1 provides a chronological summary of key welfare policy developments, while Table 1.2 provides an overview of welfare service developments.

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<sup>3</sup> Freud, D. (2007). *Reducing Dependency, Increasing Opportunity: Options for the Future of Welfare to Work*.

<sup>4</sup> *ibid.*

<sup>5</sup> Gregg, P. (2008). *Realising potential: A vision for personalised conditionality and support*.

<sup>6</sup> The Green Paper is: *No one written off: reforming welfare to reward responsibility*; the White Paper is: *Raising expectations and increasing support: reforming welfare for the future*.

**Table 1.1 Summary of welfare to work policy developments**

Policy	Characteristics
New Deal (1997)	<ul style="list-style-type: none"> <li>• Framework of rights and responsibilities.</li> <li>• Overarching aim of changing benefit claimants from passive recipients to active jobseekers with support to find a job and gain relevant skills.</li> <li>• Personalisation of service derived from the use of 'one-to-one' advisers.</li> <li>• A 'menu' of choices for unemployed people, in particular young people.</li> <li>• Lengthy assessment phase involving an assessment of needs and wishes, and help with job search activities, careers advice, and in some cases basic education in literacy, numeracy and IT skills.</li> <li>• A 'follow through' phase of ongoing support and assistance.</li> <li>• Concepts behind the original New Deal (aimed at unemployed 18-24 year olds) were progressively applied to a wider range of customers with a gradual reduction in the extent of process specification, thereby giving more responsibility to contracted providers.</li> </ul>
Freud report (2007) Reducing Dependency, Increasing Opportunity: Options for the Future of Welfare to work.	<ul style="list-style-type: none"> <li>• Focus on building on the successes of the welfare to work agenda, ensuring that resources are targeted in the most effective manner and that the expertise that exists across the public, private, voluntary and community sectors is fully utilised.</li> <li>• While Jobcentre Plus should concentrate on those closer to the labour market, private and voluntary sector outsourcing should be focused on those with complex and demanding problems.</li> <li>• A personalisation agenda centres around the move from a traditional approach based on client groups to one based on individual needs.</li> <li>• Stronger conditionality for lone parents and moves towards conditionality for other groups.</li> <li>• Case for moving towards a single system of working age benefits, to better support the Government's ambition of work for those who can and support for those who cannot.</li> </ul>
Gregg report (2008) Realising potential: A vision for personalised conditionality and support.	<ul style="list-style-type: none"> <li>• Requirement for virtually all benefit recipients to engage in activity that will help them to move towards, and then into, employment through access to a wide range of personal help.</li> </ul>

Continued

Table 1.1 Continued

Policy	Characteristics
<p>Welfare Reform bills: Green paper (No one written off: reforming welfare to reward responsibility)</p> <p>White paper (Raising expectations and increasing support: reforming welfare for the future)</p>	<ul style="list-style-type: none"> <li>• Two main groups who will be moving back to work, each with different requirements: <ul style="list-style-type: none"> <li>– A 'Work Ready Group' for those who are immediately job-ready.</li> <li>– A 'Progression to Work Group' which is aimed at those where an immediate return to work is not appropriate but is a genuine possibility with time, encouragement and support.</li> <li>– A third group of people, the 'No Conditionality Group' should not be required to meet work conditionality requirements.</li> </ul> </li> <li>• 'No one written off', reduced social exclusion and an end to child poverty.</li> <li>• Personalised, tailored support.</li> <li>• Choice and control for disabled people.</li> <li>• More support coupled with more responsibility – greater obligation to remain in or find work.</li> <li>• Devolving power to private, voluntary and public providers to personalise support.</li> <li>• Simpler benefits system.</li> <li>• Tougher sanctions for those who refuse to take a job.</li> <li>• With the economic downturn, the Pre-Budget Report allocated an extra £1.3 billion to Jobcentre Plus and to private and voluntary providers over the next two years so that support can be maintained and even increased.</li> </ul>
<p>Flexible New Deal (2009)</p>	<ul style="list-style-type: none"> <li>• Replaces the previous New Deals and aims to respond better to individual needs.</li> <li>• All clients will go through a four-week, full-time activity programme.</li> <li>• Aims to ensure that providers focus on helping people with complex barriers to work, as well as those closer to the labour market.</li> <li>• Focus on promoting sustainable employment and progression at work.</li> <li>• Seeks to create a market that operates fairly and transparently – for both prime contractors and subcontractors.</li> </ul> <p>Ensure that specialist providers, particularly Third Sector organisations, have the opportunity to contribute and to thrive.</p>

**Table 1.2 Summary of British welfare to work service developments**

Policy	Characteristics
New Deal (1997)	<ul style="list-style-type: none"> <li>• Emphasis on employability.</li> <li>• Access to training, education and work experience.</li> <li>• Mandatory requirement to participate in a contracted-out employment programme (an 'option') after a specified duration of unemployment.</li> <li>• The programmes were targeted at specific client groups:               <ul style="list-style-type: none"> <li>– New Deal for Young People.</li> <li>– New Deal for Long-term Unemployed.</li> <li>– New Deal for Lone Parents.</li> <li>– New Deal for Disabled People.</li> </ul> </li> </ul>
Employment Zones (2000)	<ul style="list-style-type: none"> <li>• Targeted unemployed individuals aged 25 and over who had been claiming Jobseeker's Allowance (JSA) for at least 12 months.</li> <li>• In 2003, the customer group expanded to include individuals aged 25 and over claiming JSA for at least 18 months, lone parents in the receipt of Income Support (IS) and young people aged 18-24 otherwise returning to New Deal (Griffiths, Durkin and Mitchell, 2009).</li> <li>• Three-stage programme:               <ul style="list-style-type: none"> <li>– Stage 1 – Working with an adviser, the customer draws up an action plan after deciding what kind of work they are looking for and identifying the barriers they have faced. This is mandatory and may last up to 28 days.</li> <li>– Stage 2 – Whilst receiving support from the adviser, the customer carries out activities on the action plan. This is mandatory and may last up to 26 weeks.</li> <li>– Stage 3 – Voluntary option to continue on the Employment Zone of up to 22 weeks. If the client has not found a job during stage 2, they can join stage 3 (Jobcentre Plus, 2008).</li> </ul> </li> </ul>
Pathways to Work (2003)	<ul style="list-style-type: none"> <li>• Support for claimants with health conditions or disabilities to encourage and enable the transition to current or future employment.</li> <li>• The 'Choices' package offers a range of programmes which aim to improve labour market readiness.</li> <li>• Participants are offered a financial incentive with the Return to Work Credit which gives those who qualify £40 on a weekly basis for 12 months.</li> <li>• Full programme delivered commercially from 2007 onwards.</li> </ul>



### 1.3.2 The DWP Commissioning Strategy

DWP's *Commissioning Strategy* (February 2008) is pivotal to operationalising the reform initiative. It is characterised by:

- longer contracts with fewer providers – prime contracts lasting five to seven years;
- primarily outcome-based commissioning and funding – up to 80 per cent payment on results;
- redesigned service areas – contract areas which are larger than Districts but smaller than Regions;
- multi-layered outsourcing – no obligation for prime contractors to deliver services directly;
- stewardship of the market to encourage and enable new and smaller providers – aiming to award 80 per cent of business to existing top tier providers, leaving 20 per cent to new entrants; new entrants can use evidence of performance in unrelated fields;
- transparent commissioning – publicly available contract performance information; and
- joint commissioning where appropriate – working with Local Skills Councils to jointly commission employment and skills services.

### 1.3.3 Political leadership

Ministerial support for welfare reform and the new landscape of service delivery structures at its core has been clear and consistent. This has largely been achieved by the public statements of former Work and Pensions Minister James Purnell, who conceptualises the rights and responsibilities agenda as one which necessitates the delivery structures of the private and third sectors alongside those of the public sector:

*'Everyone who is long term unemployed, claiming JSA and participating in flexible New Deal will be expected to take active steps to return to work, which will include undertaking work related activity in return for their dole. We are streamlining the various New Deals into a single, flexible New Deal. This will be delivered by private and voluntary sector organisations and we won't try to dictate to them how to do their jobs. We will reward them on [what] they achieve, precisely so we can free them to work out [how] to achieve those results.'* [Emphasis in the original]

(Purnell, February 2008a)

In this conceptualisation, the service to the customer is inextricably linked to the relationships that underlie the commissioning of services:

*'We propose to devolve power so that services can be personalised to the needs of the individual. We want a triple devolution: to our advisers, to our providers, and to local communities. We will release the creative energy of the private, public and voluntary sectors.'*

(Purnell, July 2008)

The commissioning strategy, in this context, acts as a catalyst to *'change the rules of engagement'*, providing the blueprint to:

*'Personalise the service to the individual by freeing up the provider. Instead of following the diktat of Whitehall, providers will focus on the needs of the person in front of them. Instead of receiving grants for service, they will be paid by results. Instead of telling providers **how** to do their job, we will hold them accountable for **what** they do.'* [Emphasis in the original]

(Purnell, February 2008b)

New Labour's welfare reform journey has not been without its detractors. The former Minister for Welfare Reform, Frank Field, has repeatedly commented that the current system, by failing to impose time-limited assistance, does not go far enough to reduce the 'right to benefit' mentality. The lack of provision for the use of differential welfare rates according to employment history has also been criticised as failing to reinforce a *'money for something'* culture. (Fields and White, 2009) Despite such critiques, the vision of a more efficient, more effective and more personalised welfare market derived from new commissioning and delivery structures has been widely supported.

## 1.4 Welfare to work in the United States

### 1.4.1 Introduction

Welfare reform in the US began with the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996. US welfare reform has been characterised by:

- an emphasis on balancing the rights of benefit recipients with responsibilities;
- conditionality of entitlement;
- the introduction of time-limited assistance; and
- the targeting of specific target groups, most notably single mums.

Like British welfare reform, the US agenda aimed to devolve control of employment services from the centre to create a more efficient and effective sector. Unlike Britain, the US did not strategically endorse the outsourcing of services on an outcome-funded basis as the optimum means of achieving this overall aim. As is to be expected, US welfare reform varied greatly across the States in terms of how it was implemented, with extensive commissioning of services from private sector agencies restricted to a small number of States.

Alongside a clear impact in relation to altered social, cultural and political attitudes towards work, worklessness and eligibility for benefits, US welfare reform has been credited with increased labour force participation, higher levels of employment amongst single mothers, and reductions in poverty. It is, however, important to note that the extent to which these outcomes are attributed to welfare reform alone, rather than economic prosperity, President Clinton's increase in the Federal minimum wage and fundamental changes to the tax system is difficult to assert and subject to academic and methodological debate (Blank, 2003, 2007).

#### **1.4.2 New York City's experience of welfare to work since 1996**

The NYC experience was identified as valuable for review as its market exhibits the following characteristics:

- a significant level of outsourcing of services;
- the use of 'prime' providers<sup>7</sup> which results in streamlined commissioning processes; and
- a strong performance-based commissioning model.

The current NYC model has been arrived at through a process of evolution based on lessons learnt along the way. While initial contracts comprised a mixture of upfront and expense-related payments as well as performance-related payments, the move to a primarily performance-based contracting process occurred in the late 1990s.

The prime provider model faces a number of significant challenges as it continues to evolve in changing economic and political circumstances:

- balancing regulation, transparency and flexibility while ensuring accountability;
- responsiveness to changing environments (e.g. new rules, legislation) is not easily accommodated within long-term contracts with specific payment points;
- addressing the tensions created by focusing on work-related outcomes;
- enabling better coordination and collaboration between agencies with work-related mandates;
- ameliorating the risks of large-scale private sector involvement;
- fostering sustainability in the sub-contractor network; and
- building capacity to manage contractual arrangements in a performance payment system.

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<sup>7</sup> The 'prime' provider model can be characterised as a commissioning model in which large, long-term contracts (sometimes referred to as 'super contracts') are awarded to a small number of main providers, with the understanding that these primes may sub-contract specialist services to 'sub-providers'.

Therefore, in principle, there is much that Great Britain can learn from reviewing NYC's experience.

## 1.5 Terms of reference

Given that the British experience, of contracting out welfare to work services, has not yet resulted in anticipated levels of provider performance, DWP have an interest in investigating the commissioning and implementation lessons of welfare reform learned elsewhere. With the *Commissioning Strategy* comes a policy framework, but this represents the beginning rather than the end of a journey which will be characterised by a continual learning process.

In this context, DWP commissioned PricewaterhouseCoopers LLP (PwC) to undertake a programme of research to:

- monitor how new provision of welfare to work service changes with the introduction of the *Commissioning Strategy* in April 2009;
- assess the impact of the Strategy on the market and operations of prime and sub-contractors; and
- provide feedback to inform the ongoing implementation of the Strategy.

Part of this overall programme of research involved a study trip to the United States. The trip aimed to enable direct qualitative investigation of the context and key features of the prime provider model in action by means of depth interviews with a range of stakeholders. Table 1.3 presents a summary of the research questions underpinning the study trip.

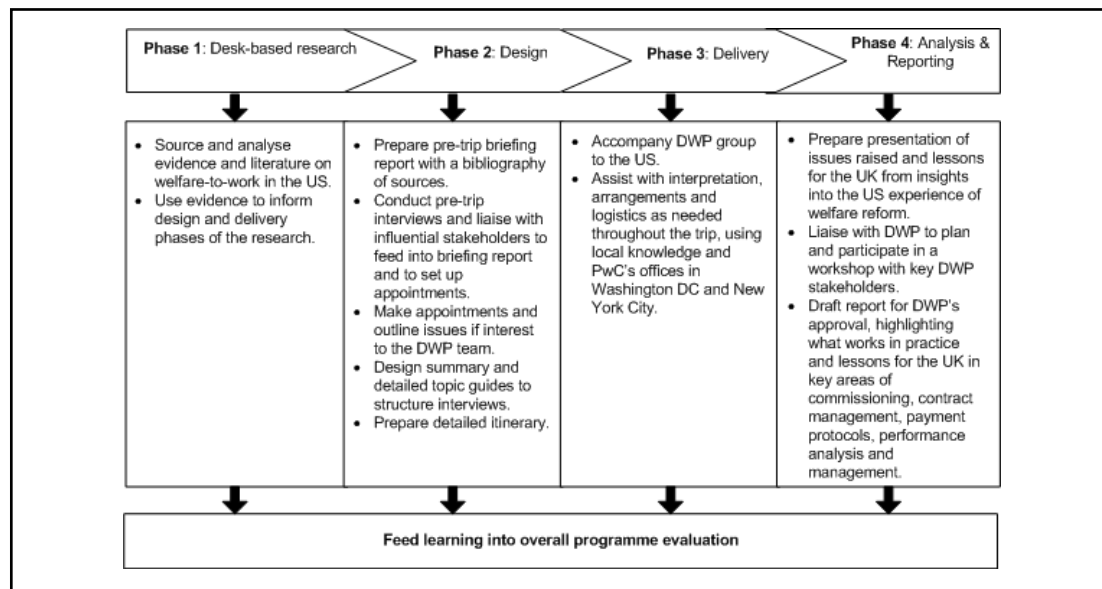
**Table 1.3 Key research questions**

<b>Areas of interest</b>
<ul style="list-style-type: none"> <li>• How has welfare to work evolved? Have there been any unintended consequences?</li> <li>• Has the market for contracted employment services changed since 2005? If so, in what ways? Is there evidence of competition among providers? Has the City or State sought to manage aspects of the market entry/exit process? Is there evidence of anti-competitive practices? To what extent are primes and subs dependent on City funding?</li> <li>• Have model contracts been drawn up (and used)? If so, what were the most important features? Have any constraints been placed on the contents of these contracts? Have any problems arisen with prime contractors' allocation of responsibility?</li> <li>• What selection processes led to prime contractors being selected initially, and what was the impact of selection on sub-contractors?</li> <li>• How are outcomes and processes measured? Does NYC use contractor data to drive performance? How robust is performance data?</li> <li>• What are the specific governance issues arising from large-scale contracted-out welfare to work programmes? How, and how successfully have management information systems, contract management skills and monitoring and assessment procedures evolved to underpin governance and accountability?</li> <li>• How do NYC and New York State relate in terms of the setting of policy priorities, allocation of funds, working across jurisdictions, and managing multi-agency working?</li> </ul>

## 1.6 Approach

The methodology involved an initial phase of desk-based research which informed the design and delivery phases of the research. Figure 1.1 summarises the key stages in the approach.

**Figure 1.1 Overview of approach**



## 1.7 Scope and structure of the report

This report presents the key findings from the study trip, and is structured as follows:

- Chapter 2: Welfare to work in the US;
- Chapter 3: The New York City welfare to work market;
- Chapter 4: Commissioning and managing the market;
- Chapter 5: Contract and performance management; and
- Chapter 6: Conclusions and lessons learned.

There are three appendices which provide detailed information on the methodology, research instruments and further technical tables which seek to complement the main findings. The appendices are structured as follows:

- Appendix A: Interviewees;
- Appendix B: Topic guide;
- Appendix C: Additional information; and

There is also a References section.



## 2 Welfare to work in the US

### 2.1 Introduction

This chapter examines the Federal context of welfare reform in the US, and is structured under the following headings:

- Socio-economic context;
- Legislative overview;
- Funding;
- Evaluating welfare to work;
- US welfare reform: successes and challenges; and
- Conclusion.

### 2.2 Socio-economic context

#### 2.2.1 Overview

It is now widely recognised that US welfare reform took place during an economically auspicious period, in which the economy – and consequently employment opportunities – were expanding, while block funding structures capped welfare budgets. Under Clinton's presidency (1993-2000), the era of 'big government' in America effectively ended. While attempts to win support in Congress for the expansion of medical insurance coverage were unsuccessful, the push to strengthen market forces in specific sectors such as telecoms was a more successful collaboration between Clinton and a Congress in which Republicans were the majority.

Aside from a short, shallow recession between July 1990 and March 1991, the economy flourished throughout the 1990s, fuelled by the expansion of trade opportunities arising from the fall of the Soviet Union and Eastern European Communism in the late 1980s. Meanwhile, IT and telecommunications innovations would not only give rise to new hardware and software industries, but

would ultimately change the operation of many industries. Rapid growth, low inflation, low unemployment and high profits combined in a period of unprecedented prosperity.

While steadily cutting the Federal budget from its peak of \$290,000 million in 1992, and increasing tax revenues, the US government created its first surplus in 30 years, although huge expenditure commitments remained in the form of social security payments to the 'baby boom' generation. The coincidence of rapid growth and consistently low inflation surprised economists and prompted debate about whether the US had a 'new economy' in which it was possible to foster and sustain faster growth than had previously been thought possible (Carr and Conte, 2008).

Meanwhile, the 1990s was seen as 'the decade of the American worker' (Zaretsky, 2000). With labour productivity (the output per hour of all persons working in the non-farm business sector) growing at an average rate of 1.9 per cent per year between 1990 and 1999 – a figure which is more than half a percentage point higher than the average growth rate of the 1980s (Zaretsky, 2000).

### **2.2.2 The US labour force of the 1990s**

The labour force of the US changed in significant ways as the 1990s progressed. The long-term trend of declining numbers in both agriculture and industry continued, while the service sector grew rapidly. Cost-cutting measures undertaken by employers deepened tensions around pay gaps and there was a noticeable increase in the setting of salaries to attract and retain workers with specific skills (such as computer software specialists), rather than to reward existing employees. This widened the pay gap between highly skilled and unskilled workers – US Dept. of Labor statistics show that in 1979 the median weekly earnings ranged from \$215 for workers with less than a secondary school education to \$348 for college graduates. In 1998, that range was \$337 to \$821.

Despite such gaps, increases in the Federal minimum wage were contested by employers, who claimed that the minimum wage gave rise to increased labour costs which deterred small businesses from hiring new people. Interestingly, employers moved towards 'pay for performance' remuneration during this period, with pay increases determined by individual or group performance. One survey, undertaken in 1999, found that a 'pay for performance' approach to wage increases for at least some staff was taken by 51 per cent of employers (Carr and Conte, 2008).

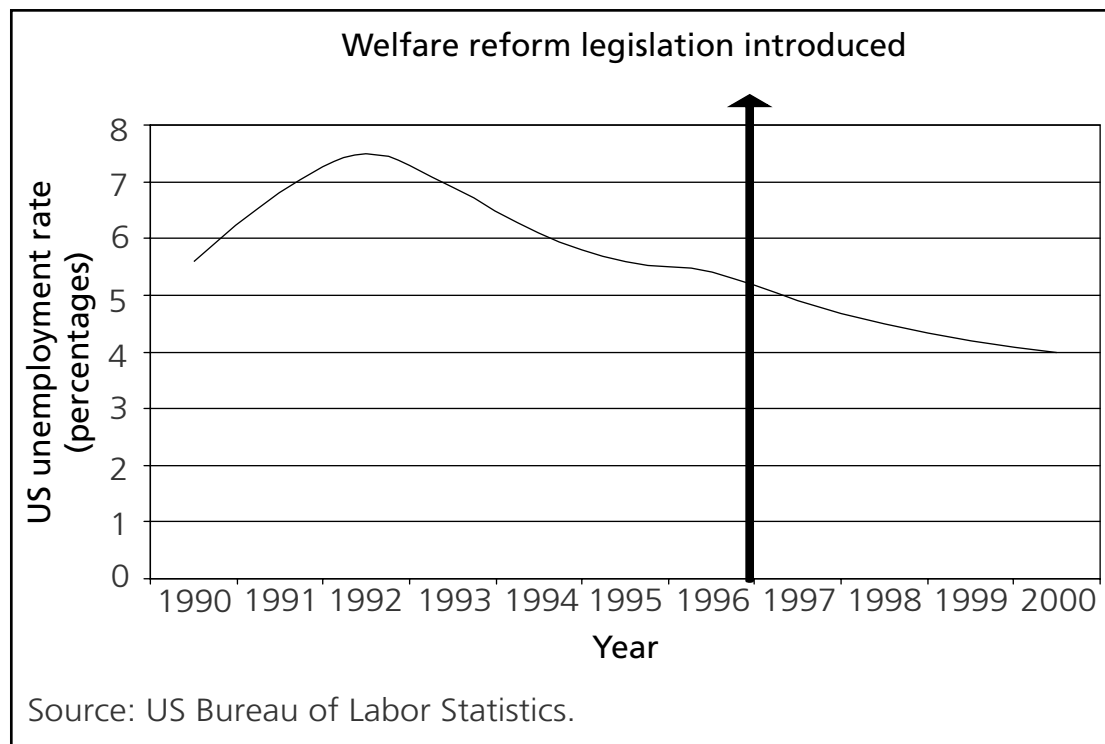
One of Clinton's first legislative proposals to receive Congressional approval in 1993 was a major expansion of the Earned Income Tax Credit (EITC). The EITC, which operates as a refundable tax credit through the Federal tax system and aims to subsidise low wage workers in low income families, further incentivised claimants to move into employment. The powerful combination of increased minimum wages and increased EITC subsidies meant that the real earnings for a woman with one child working full-time on the minimum wage rose almost 20 per cent between 1989 and 2000, while the wages of a woman with two children in the same situation and time period rose by as much as 34 per cent (Blank, 2002).



### 2.2.3 Unemployment

The US unemployment rate soared in the early 1990s, from 5.4 per cent in January 1990 to a peak of 7.7 per cent in July 1992. From that point, other than fluctuations from 1995 to 1996, there was a relatively steady decline to 4 per cent by the end of the decade in December 1999 (US Bureau of Labor Statistics).

**Figure 2.1 Overview of US unemployment rate 1990 – 2000**



As the figures show, while the unemployment rate fell significantly in the period after welfare to work implementation, the trend of declining unemployment began prior to even Clinton's initial proposals. It should be noted that it is beyond the scope of this report to fully disaggregate the effects of wider economic trends on US employment rates post-welfare reform.<sup>8</sup>

<sup>8</sup> A forthcoming report will seek to disaggregate the relative impacts of welfare reform, tax credits and the strength of the economy in explaining the post-1996 increase in single mother employment rates and decline in Temporary Assistance for Needy Families (TANF) caseloads: Finn, D. and Gloster, R. (forthcoming) *Lone Parent Obligations: Findings from a review of recent international evidence*. Department for Work and Pensions.

## 2.3 Legislative overview

### 2.3.1 Overview

The legislation underpinning the welfare developments of the 1990s is summarised below. Overall, it is felt that welfare reform had a wider impact on the policy arena than simply changing conceptualisations of welfare and its associated responsibilities by spurring debates around the effect of State support on the economically marginalised of the US:

*'In the late '90s, making welfare about work had successfully opened up more political openness to investments in low income families, whether in child care or in Medicaid or in food stamps, so that it had in positive ways changed the political climate in Washington.'*

(Policy stakeholder, Washington DC)

**Table 2.1 Overview of US welfare to work legislation**

Legislation	Description
Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) 1996	<ul style="list-style-type: none"> <li>• Popularly known as <b>the Welfare Reform Act</b>, regarded as ending the era of unconditional entitlement.</li> <li>• The 1996 act was the <b>culmination of a 30-year debate</b> over the effectiveness of Government welfare programs and the proper role of Government assistance</li> <li>• The Act's goals of moving people off welfare rolls, placing time limits on public assistance, and creating the obligation for welfare recipients to work were based on the <b>concept of personal responsibility</b>.</li> <li>• The welfare reform law was originally scheduled to be reauthorised by October 2002, but was extended by Congress through a <b>series of short-term extensions until re-enacted in the Deficit Reduction Act of 2005</b>.</li> </ul>
Workforce Investment Act (WIA) 1998	<ul style="list-style-type: none"> <li>• Provides the <b>framework</b> for a unique national workforce preparation and employment system designed to meet both <b>the needs of the nation's businesses and the needs of job seekers</b> and those who want to further their careers.</li> <li>• <b>Combines Federal funds</b> for over 60 education and job training programs that go to State and Local Governments in the form of <b>three block grants</b> (adults, dislocated workers and youth).</li> <li>• Requires creation of a <b>State Workforce Investment Board (SWIB)</b> that submits five-year employment training plans to the U.S. Dept. of Labor, distribute WIA funds to local areas, and negotiate performance standards with local officials.</li> <li>• On 8 May 2003 the House passed HR 1261. This bill amends the WIA of 1998, and reauthorises the Adult Education and Family Literacy Act and the National Institute for Literacy.</li> </ul>

Continued

**Table 2.1 Continued**

Legislation	Description
Deficit Reduction Act (DRA) 2005	<ul style="list-style-type: none"> <li>• This Act reauthorised welfare reform for another five years.</li> <li>• By insisting on programs that require work and self-sufficiency in return for Federal aid, the Federal Government has helped cut welfare caseloads by more than half since 1996.</li> <li>• Includes a \$1 billion increase in child care funding, as well as new grants to support healthy marriages and responsible fatherhood.</li> </ul>

### 2.3.6 What next for welfare reform?

With the newly-elected Obama administration and the recession, comes a period of anticipation amongst welfare stakeholders, with differing views and a variety of priorities for reform.

*'We are hoping that the new Obama administration and new Congress will be sensitive to States and will have confidence that States will continue to monitor these programmes if they are sufficiently empowered. We want to strip away some of the bureaucratic nonsense that has cropped up over the last few years.'*

(Policy stakeholder, Washington DC)

*'The recovery package... will have more money coming into [States'] TANF programmes to address caseload increases and hopefully also so that they can provide more benefits to additional people without having to restrict other service. But they are also adjusting the caseload reduction credit so that they are changing the base year and comparison year... because typically if your caseload goes up, you don't get a credit at all.'*

(Policy stakeholder, Washington DC)

## 2.4 Funding

### 2.4.1 Funding streams and structure

As noted previously, each piece of welfare reform legislation has a distinct funding stream. PRWORA created TANF, which replaced Aid to Families with Dependent Children. WIA funds were broken down into three client-specific streams: adults, dislocated workers and youth. The level of integration between the TANF and WIA systems vary from State to State. For instance, in New York the systems operate separately, while in other states they are highly integrated.

TANF and WIA funds have been delivered to States as 'block grants' and have an unprecedented level of discretion.

**Table 2.2 Overview of US welfare funding streams**

Funding stream	Description
TANF <sup>1</sup>	<ul style="list-style-type: none"> <li>• Funds created by PRWORA 1996.</li> <li>• Reauthorised annually (without amendment) from 2002 – 2005 (when the Deficit Reduction Act was passed).</li> <li>• Funds flow from the Federal Department of Health and Human Services to State human services departments.</li> <li>• Rather than requiring an annual appropriation, the law that created TANF provided for mandatory block grants to the States and territories totalling \$16.6 billion each year for six years. This is a flat dollar amount, not adjusted for inflation.</li> <li>• TANF dollars were spent in the following ways: <ul style="list-style-type: none"> <li>– 36 per cent – cash assistance.</li> <li>– 24 per cent – other services.</li> <li>– 18 per cent – child care.</li> <li>– 12 per cent – systems and administration</li> <li>– eight per cent – other work support and employment programs.</li> <li>– two per cent – transportation.</li> </ul> </li> <li>• In order to receive TANF funds, States must spend some of their own dollars on programs for needy families. This is what is known as the ‘maintenance of effort’ (MOE) requirement.</li> </ul>
WIA Funding Streams	<ul style="list-style-type: none"> <li>• Funds created by WIA 1998.</li> <li>• Funds flow from the Federal Department of Labor and go to the State Department of Labor workforce.</li> <li>• Under the WIA legislation there are three separate funding streams (or accounts) through which funds are designated for use on specific purposes or eligibility – adult, dislocated worker and youth.</li> <li>• WIA created opportunities for collaboration between welfare agencies and workforce development services.</li> <li>• Access to 18 Federal employment and training programmes through one-stop centres.</li> <li>• In some states both TANF and WIA employment and retention services have been integrated, while in others they are co-located and delivered by externally commissioned public and private providers.</li> </ul>

<sup>1</sup> Centre on Budget & Policy Priorities [www.cbpp.org](http://www.cbpp.org)

### 2.4.2 The impact of funding structures: devolved control

The ‘New Federalism’ ushered in by the block grants of welfare reform empowered States to take charge of both service delivery and service expenditure. With responsibility for, and control of, welfare provision devolved from the Federal to the State level, and funding set at a fixed amount based on the welfare caseload statistics of 1994, States enjoyed a large degree of spending discretion at both the

State and County levels, and a low level of what is viewed as 'Federal interference' with further discretions such as States being allowed to exempt 20 per cent of their caseload from work obligations and/or time limits.

Landmark changes in the organisation and delivery of services arose from the discretion and flexibility brought about by TANF and WIA block grants:

*'The Governors, they wanted most of all discretion and flexibility... [It] took about a year to unify a position that they were willing to accept a block grant...[they wanted] to be able to use the funds in a flexible manner to focus on work so that when they did achieve savings with the caseload reduction, they could be funded back into work activities.'*

(Policy stakeholder, Washington DC)

While there were to be significant gains for States who reduced their welfare caseloads, the block funding structure initially caused many stakeholders concern due to what was perceived as its lack of responsiveness to rising caseloads. This concern, however, did not materialise; in fact, a 'golden age' of falling caseloads and expanding services occurred between 1996 and 2000:

*'At the time that [block funding] was being considered I and others who were opposing it had been quite concerned about what it could mean to have flat funding when needs go up. What happened instead was, because caseloads fell so much more rapidly than people expected, for a period of time States had billions of additional dollars beyond what they would have otherwise had, and so there was a 'golden age' of having money for expanding services.'*

(Policy stakeholder, Washington DC)

### **2.4.3 The impact of funding structures: reorganised service delivery**

By simultaneously loosening many Federal constraints on welfare-related budgets and programmes through block grants to the States while strengthening mandates to increase job placement, reduce welfare caseloads and apply time-limited assistance, the Federal Government prompted States and localities to reorganise their delivery of services to welfare recipients. One aspect of this was an increased impetus for cooperative working (mid '90s):

*'What [block funding] did, I think was to create a heightened sense of urgency with a five-year limit... As long as there was an entitlement safety net, agencies didn't necessarily have to mobilize their resources together... When the [time limit] occurred, local leaders and public administrators began to say "we've got to find a different way to provide services, and we've got to do it in a more comprehensive way to address this need, because the main safety mechanism has been withdrawn".'*

(Policy stakeholder, Washington DC)

With fixed budgets and discretionary spending (provided Federal welfare requirements were met), States were motivated to find and create efficiencies within service delivery. Many jurisdictions sought to reduce costs and encourage innovation by outsourcing programme functions to for-profit and not-for-profit service providers. While the US had a history of delivering social programmes using *'a catholic mixture of government plus private, plus non-profit, plus profit, sometimes all in the same agency'* (Policy Stakeholder, Washington), the flexibility of welfare block funding in conjunction with public pressure to reduce the size of government and improve its efficiency provided additional incentives for organising new service delivery systems under private contracts. Welfare funding began to be used in much wider ways than had previously been known.

*'With the flexibility of TANF there was the flexibility also to do more sub-contracting, to provide more supports, you could use that money in a variety of ways that it couldn't be used before, so a lot of TANF dollars were actually diverted to other social services programmes, so there was also the fact that if you wanted to get a 'piece of the pie', you had to line up and be more co-operative.'*

(Policy stakeholder, Washington DC)

The extent of outsourcing across the US should not be overstated: the Government Accountability Office reported that in 2001-02, while almost all States contracted-out some TANF services, this accounted for just 13 per cent of Federal TANF expenditure.<sup>9</sup> The report further found significant variations in how work requirements and time limits were implemented across States due to the level of discretion afforded in this respect (GAO, 2002). The NYC example discussed in the following chapter should not, therefore, be taken as indicative of the overall US experience, in which extensive outsourcing of services appears to have been restricted to several specific states.

#### **2.4.4 The impact of funding structures: driving innovation, stifling coordination**

Welfare reform, in particular the block grant funding structure and the freedom this structure gave States to outsource services, drove innovations in programme design and delivery in the early phase of implementation. However, these funding and delivery structures also created silos of knowledge which hindered collaborative learning and the dissemination of implementation lessons.

Despite the strengths of practitioner and policy networks (such as the National Governors Association, the Association for Public Policy Analysis and Management) and the network provided by the Department of Health and Human Services (such as the Annual Welfare Reform Conference), evidence gathered by the study team suggests that the Federal structure, the geographical scale of the US and the variability programmes across, as well as within, States have further hindered the dissemination of learning across practitioners and providers of welfare services.

<sup>9</sup> Note, however, that States make considerable TANF contributions themselves.

Evidence from the study trip does indicate that collaborative learning can occur informally, with mission-driven providers coming together to share knowledge. For example, NYC's STRIVE works with providers who are essentially competitors within the same market in order to propagate the STRIVE model, although it is clear that STRIVE do not perceive their place in the welfare market as competitive:

*'There are enough poor people to go around everybody, so we have always taken the track of providing whatever assistance that we can to agencies that are like us, partner agencies et cetera, in helping them to go get grant money and so on. But I would say no, we don't feel like we are competing right now. We do competitive bidding for grants [but] there is so much work to be done, there are limited funds but that's just endemic to this.*

*Yeah we compete... I think there are agencies that feel quite competitive in that they want to win. We try to keep ourselves grounded that this is really all about our clients, serving our clients, getting the resources.'*

(Programme delivery stakeholder, NYC)

## 2.5 Evaluating welfare reform

The task of evaluating welfare reform is complex. It has been noted that *'these changes have been among the most thoroughly evaluated public policies in history. Yet, it is striking how many questions about the effects of this policy change remain unanswered'* (Blank, 2007). While issues around the dissemination of research findings are discussed at Sections 2.4.4 and 5.5, this section explores the evaluative evidence and looks at the ways in which research has been hindered by a number of data limitations which are yet to be fully resolved:

- Whilst the Department of Health and Human Services fund a Welfare Research Database (WRD) at the Urban Institute with the aim of collecting data on State programmes and their parameters which allows a consistent data collection across States and over time, this system is hindered by the lack of such key variables as State training and work requirements, and it has been noted that such requirements create data difficulties due to their variability across States and individuals as well as the use of caseworker discretion.
- There are no alternative national data sources from which to extract data about the nature of individual State programmes, or eligibility for these programmes. For example, the Current Population Survey (CPS), which is commonly used by researchers in the field, lacks information regarding whether an individual is subject to work requirements, has received job search assistance, has experienced sanctions or time limits, or is receiving child care assistance. The effects of specific programme components are, therefore, difficult to determine.

- While management information or administrative data can prove a much more comprehensive source of information on programme involvement and the specific elements of programme design, these sources do not generally incorporate post-programme outcome information, data about family demographics or key recipient characteristics such as education levels. Longitudinal field studies designed to collect both programme and individual information (such as the Women's Employment Study and the Three-City study) have provided detailed analyses which are limited in scope and representativeness.
- While other State reporting requirements to the Department of Health and Human Services include such data as the proportion of the caseload in work-related activity or the proportion subject to sanctions, consistency in defining groups across States is problematic and presents difficulties in terms of comparability. Such data often receives little monitoring and creates issues in terms of validation.

A number of key studies have suggested that welfare reform has been successful (Blank, 2002; Grogger and Karoly, 2005; and Moffitt, 2003). There appears to be good evidence that welfare reform policy and implementation has been primarily responsible for falling caseloads, rising employment and increased earnings among single mothers. But other forces, such as the growing EITC and the strong economy, were also responsible and in other studies (Meyer and Rosenbaum, 2001) appear to be more important than the public assistance policy changes. All of these factors together did lead to unexpectedly large declines in welfare usage and a big increase in work and earnings (Blank, 2007).

Notwithstanding the difficulties associated with tracking customers after they leave the welfare system, it is concerning that evaluations of the client experience and client outcomes have been limited by scope and representativeness. This was a cause for early concern among stakeholders when falling caseload numbers were not matched by rising employment rate in the early period of welfare reform when the figures plummeted (1996-2000):

*'I wish they had done more than they did to convey that it is not a good thing when your caseload falls, if the reason it is falling is because you are cutting off people who need help.'*

(Policy stakeholder, Washington DC)

A mixed and complex picture of the impact of welfare reform emerges from the data:

- a decline of 45 per cent in the number of families receiving welfare from a high of about five million families in 1994 to 2.7 million families as of December 1998;
- a nationally representative survey of families who left welfare from 1995 to 1997 found that 61 per cent of former welfare recipients were working at the time of the survey, although often at low-paying jobs (US GAO, 1999);



- in 1999, 42 per cent of all TANF recipients were engaged in unsubsidized employment or participated for at least some hours in other work activities (such as job search activities) that count for Federal participation rate purposes. However, not all participated for enough hours to have that activity count toward their State's participation rate;
- another national survey found that in the fiscal year 1999, a higher proportion of adult TANF recipients was engaged in work activities while receiving benefits than had previously been the case, but that, the overall majority were not engaged (US GAO, 2001); and
- despite declines in overall TANF caseloads, the proportion of 'child-only' cases within this caseload has increased over the last decade, from 22 per cent in 1996 to 47 per cent in 2006. Such child-only cases are exempt from Federal work requirements and time limits (although the Deficit Reduction Act of 2005 applied work participation requirements to many adults in 'child-only' cases beginning in 2007). The majority of these cases included parents who did not receive assistance because of a sanction (US Department of Health and Human Services, 2009).

Further research studies have shown that a significant proportion of TANF recipients have characteristics that make employment difficult, such as substance abuse, poor mental or physical health, disability, low educational attainment, limited work experience, limited English proficiency, low basic skills or exposure to domestic violence. Many recipients have more than one of these characteristics, making it more difficult for them to get and keep jobs and it is believed that this group will make up a larger percentage of the caseload as overall caseloads have declined (US GAO, 2001). This points to a limited success with claimants who most need support to engage in employment.

## 2.6 US welfare reform: successes and challenges

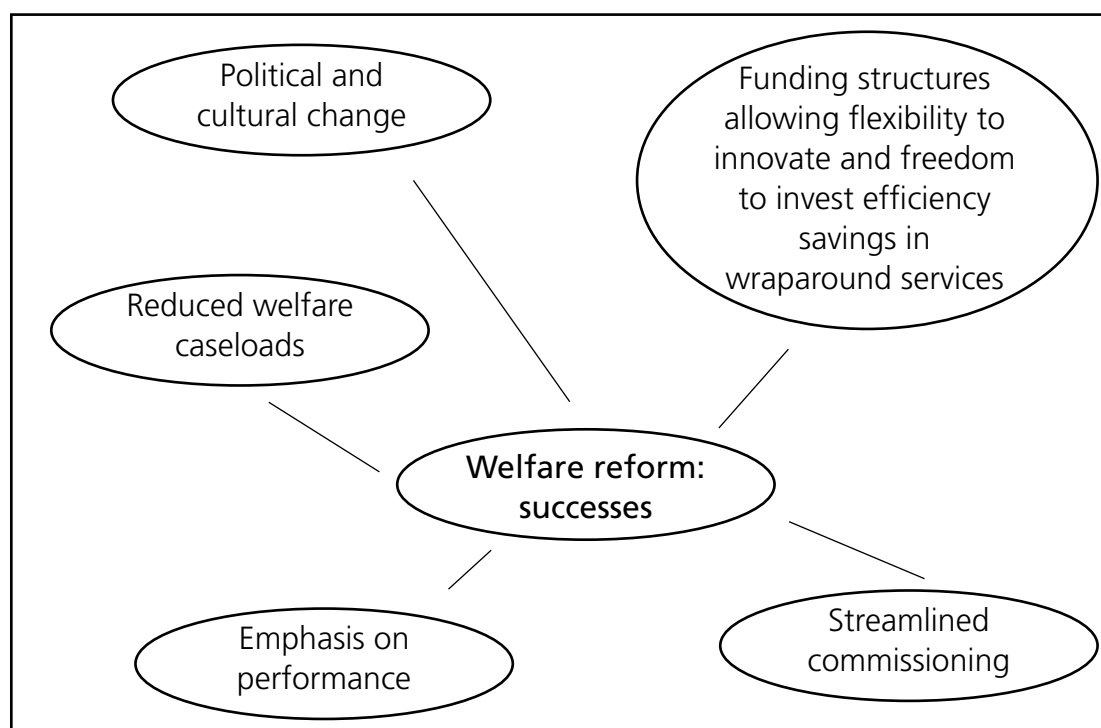
### 2.6.1 Successes

US welfare reform has been successful in achieving political and cultural change, and a significant reduction in the unemployment rate in the period after 1996. Amongst the most concrete successes have been the increase in the single mother employment rate and the lowered TANF caseload (Blank, 2002). While favourable economic factors, increases in the minimum wage and the introduction of the EITC greatly increased the work incentives for single mothers with children on low or minimum wages (Blank, 2002), welfare reform is seen as a key causal agent of these successes.

The reforms also gave rise to funding structures which enabled the devolution of Federal control of welfare service delivery, and have allowed States the freedom and flexibility to innovate in service delivery, to outsource welfare services, and – significantly – to capitalise on the efficiencies achieved by outsourcing service

delivery by retaining the surplus (thereby motivating States to achieve such efficiencies). It has resulted in a streamlined commissioning process, which proponents regard as competitive and efficient (Finn, 2007), and has retained a clear emphasis on performance from its inception. According to several of the stakeholders the study team interviewed, the real success of welfare reform has been the freedom to invest efficiency savings into wraparound services which support and empower claimants to work, most notably child care services.

**Figure 2.2 US welfare reform: successes**



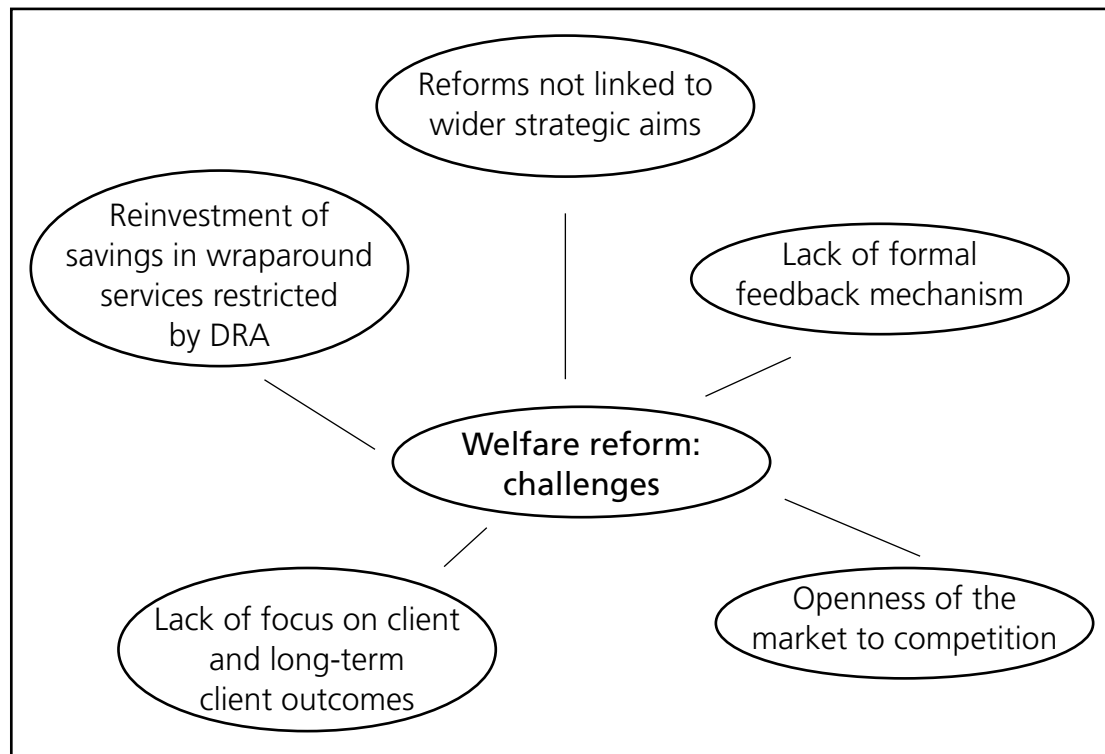
### 2.6.2 Challenges

Despite these successes, fundamental challenges remain. Perhaps the most overarching of these is the lack of a clear link between welfare policy and wider strategic aims such as the alleviation of poverty. The lack of an appropriate data collection system to inform a formal feedback mechanism and the consequential loss of continuous learning creates further difficulties. The unlikely proposition of competitors within a market sharing lessons without a formal obligation and a suitable mechanism to do so has not yet been addressed. The actual competitiveness of the market is difficult to assess given the variety of experience across States, and the data limitations affecting formal evaluation data but it is clear that policy stakeholders, at least, are not convinced that the US welfare market is completely open.

One of the central challenges from a British perspective is the question of whether the limited amount of appropriate hard data on the client experience is a result of performance-based commissioning of welfare services per se, or whether this is particular to the US experience. And it also remains to be seen whether the

provisions of the Deficit Reduction Act (DRA) which undermine States' motivation and ability to create efficiencies will impact on the viability of support services such as child care which have flourished during welfare reform. This is discussed further in Appendix C.

**Figure 2.3 US welfare reform: challenges**



## 2.7 Conclusion

### 2.7.1 Key US-GB differences

In drawing out the lessons for British welfare reform, we should remain mindful of the key contextual differences between the US and Great Britain in order to transfer the lessons of US welfare reform to Great Britain.

The distinctive legislative approach of the US has impacted on the coherence of welfare reform as a policy through the negotiation and compromise required to pass a Bill. Further, the re-authorisation processes that welfare legislation has gone through (particularly the Personal Responsibility, Work and Family Promotion Act of 2002 and the DRA of 2005) have resulted in the raising of State requirements in terms of work participation, the lowering of State incentives to cut caseloads by the removal of the caseload credit, and the use of diversion strategies with claimants. These developments illustrate the powerful changes to existing policy brought about by a change of Administration in the US, in this case from Clinton's Democratic Administration to the Republican Administration of Bush. The British context has been very different, with no change of administration since 1997, and with welfare reform one of the few areas of common ground between the two main political parties (Labour and the Conservatives).

The Federal structure, and the scale of the United States as a country, has undeniably presented challenges for the sharing of lessons learned and emerging best practice. However, the lack of a centralised or State-by-State emphasis on evaluating core aspects of welfare reform has resulted in the loss of valuable learning. Without such evidence, it is difficult to determine and validate the true successes and challenges of the key elements of the US experience of welfare to work: the outsourcing of service delivery; the commissioning and operational aspects of performance-based contracting; and the use of prime contracts with a small number of large providers.

A key feature of the out-sourced welfare market is that it is competitive. While there is evidence of knowledge sharing in other competitive markets which do not impose formal obligations on providers, such as Australia and the Netherlands (Elliot *et al.*, 2005), the US example reminds us that such knowledge sharing is not inevitable. This may be particularly true amongst for-profit providers, unless formally and contractually obliged to share learning, and it was this formal obligation that seemed to be absent from the US experience. With a more centralised structure, a much smaller population and a strong culture of evaluation, British welfare reform will take place in a context very different from that of the US, particularly through the piloting-evaluation-implementation process.

At a Federal level, the nature and structure of welfare service provision has been fundamentally driven by budget allocation and an unerring commitment to narrowly defined outcomes, with little consideration of the client offering or the client experience. Coupled with the lack of client experience data, or any formal obligation to collect such data, the US system is performance-centric rather than client-centric. The Department for Work and Pensions' (DWP's) commitment to keeping the client at the centre of services provides a qualitative difference in emphasis between the US and Great Britain.

### **2.7.2 Key findings**

Coherence of welfare policy will be important to successful welfare reform. It remains to be seen whether the more centralised legislative and governing structure of Great Britain can retain the coherence of welfare reform policy here.

While one of the great successes of US welfare reform has been the clarity and consistency that has characterised the political positioning associated with the initial phase, the message became disjointed in implementation due to the difficulties inherent in collecting, coordinating and disseminating the lessons of implementation across a Federal system. It is vital that Great Britain does not lose the valuable lessons likely to arise in the initial phase of welfare to work implementation. To this end, both a methodologically appropriate formal structure for the collection and sharing of such learning, as well as a formal obligation for providers to engage in collaborative learning, will be vital.

British policy has sought to balance the welfare needs of clients with the responsibility to work, and the client offering has been a cornerstone of the early commissioning activities. As such, British service provision will be driven by client needs to a much greater degree than the US example. Further redress for clients is assured by DWP's operational standards for providers.

# 3 The New York City welfare to work market

## 3.1 Introduction

This chapter explores the New York City (NYC) welfare to work market, with a focus on the design and delivery of Human Resource Administration (HRA) welfare to work services, and the evolution of the supply chain involved. It should be noted that the NYC welfare market consists of services funded by a range of State Departments that do not necessarily coordinate aims and activities. A detailed measure of the size of the total market including, for example, programmes funded by the Office of Temporary Disability Assistance (OTDA) or the Department of Labor initiative 'Career Pathways' is beyond the scope of this report. However, interviews with key stakeholders at STRIVE in NYC have made it possible to gain a partial insight into programmes funded and commissioned outside the HRA's remit.

This chapter is structured as follows:

- Welfare levels and work requirements;
- Implementing welfare reform;
- Programme design and delivery; and
- Conclusion.

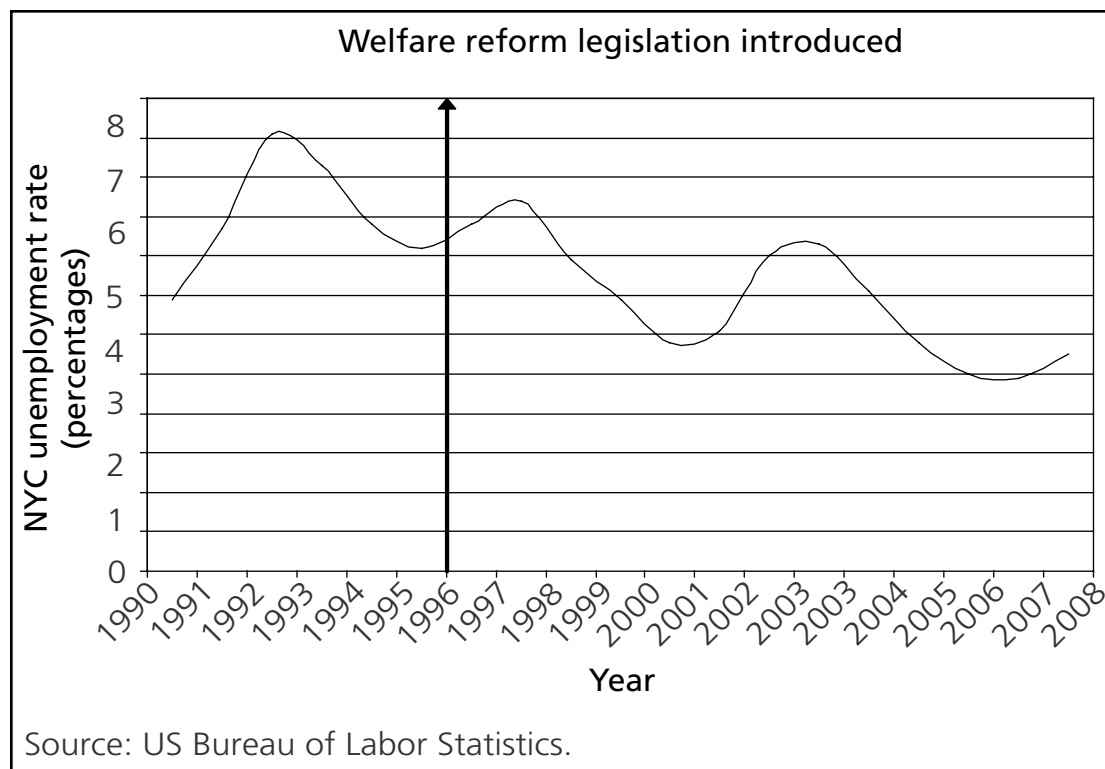
## 3.2 Welfare levels and work requirements

### 3.2.1 Welfare levels and changes

New York City has a population of over eight million people, and within this a labour force of almost four million people. A total of just over 273,000 residents, or seven per cent of the population were registered as unemployed at January 2009 (US Bureau of Labor Statistics). Welfare assistance in the City is the remit of the HRA who, through a network of around 30 local State-run jobcentres, provides cash and non-cash assistance.

The City currently has a caseload of over a third of a million cash assistance recipients on whom it spends over £1 billion, and it also administers food stamps<sup>10</sup> to over one million recipients (HRA, 2009). Welfare reform's clearest achievement has been a significant reduction in the number of cash assistance recipients, which are currently at their lowest point since 1963. The impact on NYC's unemployment rate which has fluctuated considerably between a high of 11 per cent in 1994 and a low of just under five percent in 2008 has been less clear.

**Figure 3.1 Overview of NYC unemployment 1994-2008**



### 3.2.2 Benefit entitlements

Benefit entitlements in NYC are regarded as relatively liberal within the US. The main benefits available to claimants are:

- **Unemployment Insurance (UI):** UI gives limited assistance to unemployed workers. Eligibility is determined by payment of sufficient social security contributions and by availability for work. UI is generally available for no longer than six months (President Obama has recently granted a temporary extension to nine months). As such, this benefit can be thought of as similar to contribution based Jobseeker's Allowance (JSA) in Great Britain, eligibility for which is determined by appropriate National Insurance contributions;

<sup>10</sup> The Food Stamp benefit is almost exclusively used as an electronic deposit that can be used only for food purchase at supermarkets and grocery stores. It is now called the Supplemental Nutrition Assistance Program (SNAP).

- **Temporary Assistance for Needy Families (TANF):** Delivered as 'Family Assistance' in NYC, this is a means-tested benefit for residents who have or are about to have a child or children and who are either unemployed or working in low wage jobs. Adult family members need to participate in work or work-related activity as a condition of the receipt of TANF. Certain exemptions exist for women with new born children (three month exemption) and those with health issues. As a specific benefit for those with dependents under the age of 19 who, if not working, must be engaged in either work or work-like activity within two years, there is no direct comparator within Great Britain;
- **New York State Safety Net Assistance (SNA) program:** A means-tested benefit for those in poverty who do not qualify for, or have reached the 60 month maximum allowance for, TANF. After a maximum of two years of SNA cash assistance in a lifetime, claimants qualify for non-cash, non-time-limited benefits such as rent checks payable direct to a landlord. This benefit may be thought of as comparable to income based JSA in terms of its broad eligibility and lack of a time limit. It is interesting to note that the time-limit was not invoked and claimants continued to receive cash benefits after 60 months. This is not a Federal programme;
- **food stamps:** A means-tested supplemental food benefit payable to unemployed or low-waged workers and paid in voucher form (redeemable at specified grocery stores and retail outlets only), it restricts spending choice in a way unlike the British system; and
- **benefits for people with disabilities:** Claimants who have paid sufficient Social Security contributions are eligible for Social Security Disability Insurance (DI), while those with insufficient contributions can qualify for Supplemental Security Income (SSI), which is assessed according to financial need (Social Security Agency, 2008).<sup>11</sup> Neither of these can be thought of as comparable with the Employment and Support Allowance of Great Britain, as little emphasis is placed on supporting employment opportunities for disabled claimants.

Aside from differences in the conditionality of benefit entitlement, the most significant divergence between Great Britain and the US in terms of eligibility for benefits is the application of time-limited assistance brought about as part of US welfare reform. Although the national time limit of 60 months (five years), is taken into account, it does not impact on residents of New York State in the same way as it might in the majority of US States, because of New York's obligation under its State constitution to provide for the needy. In practice, when UI and TANF recipients in New York reach the national time limit (six months and 60 months respectively), TANF may be extended or claimants may be transferred to the New York State Safety Net Assistance Program (McCall, 2001). It should, however, be noted that UI and TANF claimants do not automatically transition to SNA once they reach the time limits. Further detail on benefit entitlements is provided in Appendix C.

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<sup>11</sup> Most SSI benefits go to the non-elderly with disabilities.

### **3.2.3 Work participation requirements**

With the block funding structure comes the requirement for States to fulfil maintenance of effort (MOE) and work participation rate (WPR) requirements. Failure to meet target levels results in reduced funding as well as increased oversight, so States are highly incentivised to meet these requirements. While these are State obligations, NYC's requirements are aligned to those of the State. The City is, therefore, obliged to fulfil exactly the same requirements as the State, but on a proportional basis.

The main WPR and MOE requirements involve engaging benefit recipients in set periods of core activities (such as employment, work experience or job search activities) and non-core activities (such as education) respectively for a specified number of hours each week. The time input required from recipients varies according to circumstances, and ranges from 20 hours a week for parents of young children to 40 hours a week for single adults (Parrott, Schott and Sweeney, 2007). Benefit recipients may be engaged in welfare to work services on a voluntary or mandatory basis. A detailed overview of NYC's work participation requirements is provided in Appendix C.

## **3.3 Implementing welfare reform**

### **3.3.1 Introduction**

The implementation of welfare to work is a journey rather than an event, and for New York City this journey has been very much an evolutionary process. In commissioning terms, the City moved from cost reimbursement and fixed price approaches to performance-based commissioning. With regard to programme design, NYC has moved from 'work first' approaches towards the inclusion of blended solutions that incorporate training, development and vocational rehabilitation activities. Administratively, the City moved towards and achieved full engagement in 1999. As Nightingale points out, full engagement – is "a milestone of administration not participation" (Nightingale et al, 2002, p30), and means that all public assistance recipients are accounted for. It does not mean that all welfare recipients are necessarily involved in work or work-like activities, nor does it account for those 'outside of the system' and neither employed nor claiming public assistance.

### **3.3.2 Overview**

In the early years of the Giuliani administration (1994 through to mid-1999), welfare reform policies centred on work requirements and sought to encourage engagement in employment. Work requirements were placed on claimants regarded as 'engageable' and were subject to sanctions. Engagement in employment centred on the extension in 1996 of workfare (traditionally obligatory for recipients of non-contribution-based benefits with no dependent children) to parents of dependent children in receipt of NYC's TANF funds (known as Family Assistance), with the



obligation to attend a work experience program (WEP), which generally involved work in public agencies. By early 1999, over 30,000 NYC residents were engaged in WEP work fare jobs as a condition of their benefit entitlement.

In the last two years of the Giuliani administration (mid-1999 through to 2001), the focus on work requirements and sanctions continued, with almost three-quarters of adult welfare cases subject to work requirements by late 2001. There was, however, a significant shift towards combining WEP jobs with developmental activities such as short-term training, education or development of work-readiness. The 'three-plus-two' model (three days of WEP and two days of development activities each week) became common and there was a significant move towards the development of programmes designed around specified client groups, such as claimants who have physical or mental health issues or substance abuse problems (Nightingale *et al.*, 2002).

Finally, it is worth noting that a further important difference between the UK and US systems relates to the interface between job search and job placement. In the UK six months of independent job search applies to virtually everyone, whereas in the US job placement efforts begin almost at the point of application, even before receipt is initiated.

### 3.3.3 Operational and administrative changes

Under Giuliani's leadership, NYC's HRA was charged with implementing the revolutionary welfare reform policies. The Administration achieved this by a huge agenda of structural and organisational changes throughout the 1990s, including:

- **transforming local welfare offices into 'Job Centers'**: The new Job Centers realised the cultural shift that had taken place, from welfare to work. The flow of claimants through centers also changed, so that work-seeking activities came before welfare services. New staff were recruited and staff were renamed 'Job Opportunity Specialists' (JOS), responsible for assessing both eligibility for work and eligibility for welfare. The new Job Centers applied stringent validation procedures to applicants and could refer claimants on mandatory work requirements to HRA-appointed welfare service providers. The transition process was not without its difficulties. In 1999, a Federal Court Order ruled that the NYC centers had unlawfully deterred applicants and prevented them from receiving benefits which they had a legal right to receive. The court order created a two-year hiatus in progress, and led to revised eligibility procedures;
- **introducing more needs-based specialisation**: Recipients with needs arising from health concerns such as illness or addiction were referred to a new specialised Job Center, located in Lower Manhattan. It should be noted that specialised centres for those with health concerns other than substance abuse are no longer provided;

- **streamlining data management systems:** The need to update data collection and reporting systems accompanied the move towards outsourced, performance-based commissioning of welfare service arising from welfare reform. Streamlined, automated systems became necessary to measure and monitor performance across State Job Centers and the new market of outsourced welfare providers. Case processing activities were automated to enable easier reporting and monitoring of referrals to welfare service providers, WEP engagement, compliance with work activities, attendance at work-related activities and sanctions. Improved case tracking systems (NYCWAY), contractor reporting requirements (VendorStat) and Job Center reporting (JobStat) would become cornerstones of the HRA's monitoring and management of welfare activities by State and non-State service providers; and
- **a move towards performance based commissioning:** In the early phase of welfare reform (1994-99), NYC's HRA had contracts with more than 80 training and employment service providers delivering dozens of separate programmes. By early 2000, the HRA had streamlined both its commissioning relationships and the services provided; this was achieved by contracting 15 prime providers to deliver services consolidated into two types: Skills Assessment and Job Placement (SAP) for TANF applicants, and Employment Services and Placement (ESP) for TANF recipients. Each prime contract involved subcontractors. Additional programmes were commissioned for SNA recipients and programmes funded by WIA (Nightingale *et al.*, 2002).

### 3.4 Programme design and delivery

#### 3.4.1 Design and delivery models

The HRA's welfare services include both vocational rehabilitation and back to work services. Clients undergo a preliminary assessment at the Job Center which is used to signpost them towards the most appropriate programme, for instance, clients with health problems are assigned to WeCARE.

Programme design in NYC is fundamentally dependent on the ethos of the provider organisation and in the opinion of the study team, largely fall into two groups: 'work first' programmes and 'people first' programmes. Further detail on each of the programmes visited by the study team is provided in Appendix C.

**'Work first' programmes:** Emphasise the importance of job placement in breaking down barriers to employment, delivered by most back to work service providers such as America Works. They operate on the basis that placing a client in work has a greater impact on the barriers to employment they face than any other factor, including skills development and therapeutic work. 'Work first' programmes are typified by the following characteristics:

- a focus on the basic requirement of working, regardless of level of income;
- a view of work as the best way to tackle many 'barriers' to work, such as illicit drug use, mental health problems, personal and emotional issues;

- the perception that the greatest barrier to work is attitudinal;
- a sales-like approach to recruiting clients and to achieving job placements;
- an emphasis on the importance of liaison and partnership with businesses; and
- limited use of subcontractors.

**'People first' programmes:** Seek to address personal and/or health-related barriers to employment prior to work-seeking activities, delivered by vocational rehabilitation providers such as Arbor, some back to work providers such as the Seedco subcontractor GMHC and non-HRA funded providers such as STRIVE. These services were reorganised in response to the rising proportion (within a diminished overall caseload) of welfare claimants being deemed unready for full engagement in work activities – in 2007 more than half of NYC's caseload was assessed as partially or completely unable to work (Community Voices Heard (CVH), 2007).

People first programmes begin by addressing clients' barriers to work. Clients often display multiple, complex barriers, the most common of which are:

- low educational attainment, with lack of a General Educational Diploma (GED) – the standard qualification attained on leaving high school) common;
- poor soft skills, often as a result of disengagement from employment and education for considerable lengths of time;
- mental health needs, including addiction and use of illicit drugs;
- physical health needs requiring 'vocational rehabilitation treatment';
- attitudinal barriers to work, often related to low confidence and self-esteem;
- social barriers arising from such factors as family breakdown, lone parenthood, discrimination (commonly related to ethnicity and sexuality) and peer group culture within disadvantaged localities; and
- practical barriers such as homelessness, lack of money required for transportation to employment, lack of childcare.

'People first' programmes vary widely in both design and delivery. Two of the prime providers in NYC deliver a vocational rehabilitation model, while others have a greater focus on skills development. Despite such variation, a number of common themes underlie the approach:

- stressing the importance of basic education;
- attention to soft skill development, such as communication skills;
- focus on developing job-readiness, for example 'dressing for success' modules;
- emphasis on referral to specialist services;
- focus on independent job search activities; and
- maintaining proximity to the communities they serve.

A range of operational models have been adopted by the delivery organisations, from 'fully in house', i.e. the prime contractor undertakes all activities as America Works does, to strong sub-contractor use, i.e. the prime's role is more one of programme management and sub-contractors undertake delivery as Seedco does. Hybrid operating models were also evidenced, and largely centred on primes who utilised specialist sub-contractors for specific services, e.g. Arbor's delivery of the WeCARE model is contingent upon the use of specialist medical and vocational rehabilitation sub-contractors.

It should be noted that, due to the data limitations affecting evaluative evidence discussed at Section 2.5, it is difficult to determine which of the outlined approaches are preferred by clients, or which are most effective in relation to long-term outcomes.

### **3.4.2 Innovation, client choice and standards of service**

With just eight prime providers in the HRA NYC welfare market at present, it is fair to say that market diversity is limited. The use of sub-contractors is very much left to the primes and has decreased in recent years. Further, the level of innovation witnessed in the welfare market has significantly decreased since the early phase of implementation, with the biggest recent change in programme design and delivery occurring as a major redesign of both 'Back to Work' and 'WeCARE' vocational rehabilitation services in 2005.

Together, these factors raise questions for the client offering, particularly the level of choice available. While HRA funders monitor the conduct of primes closely, the lack of a formal client charter, or code of conduct governing treatment of clients makes it difficult to see how a consistent client offering might be defined. It should, however, be noted that clients may make use of a standardised '311' complaint line to raise issues, although it is not clear to what extent clients experience problems with HRA services or clients use this number to alert funders to them.

## **3.5 Conclusion**

### **3.5.1 Key US-GB differences**

While the demographic characteristics and welfare delivery challenges experienced by London may provide a more direct comparator with NYC, this report seeks to translate the implementation lessons of NYC's welfare reform to Great Britain as a whole. In doing so, there are several contextual differences between the welfare markets of NYC and Great Britain which should be remembered when drawing out the key lessons to be learned from the NYC experience of welfare reform implementation.

The labour force of Great Britain is more than ten times the size of that in NYC (over 49 million in Great Britain compared with four million in NYC), with even

greater differences in relation to cash assistance caseloads due to the differing benefit and eligibility structures. Unlike Great Britain, NYC is not characterised by rural areas that can often lead to higher service costs and difficulties in creating equal access to services.

Further differences arise from the impacts of health insurance and Medicaid eligibility. Medicaid pays, or assists with payments for, medical expenses for those who receive SSI, are on a low income and/or have high medical bills. The lack of an accessible national health care system is widely recognised as creating barriers to claimants' transition from welfare to work across the US, with benefit recipients who experience long-term health issues reluctant to move away from Medicaid eligibility.

Finally, NYC has displayed a distant relationship to two factors which Great Britain see as central concerns of welfare reform:

- **the client offering and experience:** The choice of provider offered to clients, the way they are treated by providers and the experience they have as clients; and
- **the impact of performance-based commissioning on the welfare market:** Including the contraction of the market and the possible need to 'steward' such a market to ensure diversity, particularly in terms of Third Sector involvement. The approach to managing the market is a key cultural difference between the US/NYC and Great Britain and it is important to highlight that neither the US, at a Federal level, or NYC set out to steward the provider market.

### 3.5.2 Key findings

Despite these differences, Britain mirrors NYC in terms of the focus on commercial delivery as a permanent feature of welfare to work services. The evidence from the NYC experience points to a market that is organised around the attainment of prescribed performance measures. The low level of sub-contractor service provision has been accompanied by, and is possibly attributable to, the 'hands off' approach of funders towards prime/sub-contracting arrangements and relationships. It should, however, be noted that a low level of sub-contracting would not be surprising if this illustrated NYC's strategic goals, and there is evidence to suggest that perceptions of the previous system of multiple providers being seen as inefficient, with provider organisations frequently lobbying against proposed policy changes (Savas, 2005). This focus on performance has consequences in terms of a lack of focus on the client and client experience of welfare to work providers and programmes, highlighted by the lack of data in this area. However, HRA's view would be that focusing on performance by way of tracking successful outcomes, does of itself track client experience.

The NYC example, by contrast, reinforces the current British approach of paying careful attention to the structure of the market, both in the initial phase of implementation and on an ongoing basis in order to secure:

- a diverse market that offers clients real choice;
- a market that drives and sustains innovation;
- a market that embraces and fosters the contribution of a flourishing Third Sector;
- a market in which relationships between primes and sub-contractors are governed by a code of conduct; and
- welfare services which are evaluated on terms wider than contractual obligations only and include a measure of client care.

# 4 Commissioning and managing the market

## 4.1 Introduction

This chapter outlines the commissioning processes and welfare to work market management evidenced in New York City (NYC). Taking the commissioning of vocational rehabilitation services across the City as an illustrative example, the chapter seeks to explore the following aspects of Human Resources Administration (HRA) welfare commissioning in NYC:

- the commissioning approach and process;
- market dynamics;
- impact on the supply chain;
- benefits and risks: evidence from NYC; and
- conclusion.

## 4.2 The commissioning approach and process

### 4.2.1 The commissioning approach

As previously noted, the commissioning activities undertaken by the NYC HRA represent just one of several strands of welfare provision undertaken within the City and the State of New York. It is important to note that welfare services are funded and commissioned by a mix of County ('local'), City, State and Federal agencies, though they are not necessarily coordinated. It is beyond the scope of this report to detail the commissioning arrangements of all the agencies involved.

NYC's HRA has moved towards a commissioning approach which, since 1999, has become predominantly based on performance. Early contracting arrangements involved payments made according to the number of clients served and the specific processes undertaken with them, such as pre-employment assessments

and job placements, with direct expense reimbursement a common feature. The five boroughs of NYC (Queens, Brooklyn, Manhattan, The Bronx and Staten Island) formed the contract areas.

From as early as the second round of HRA welfare commissioning in 1997, contract areas were broken down into 58 county-based localities that would be served by 31 Job Centers in order to achieve a closer proximity between providers and the centres they served. Contracts did not become wholly performance-based, however, until 1999 when process payments were removed, expense payments minimised and performance milestones formalised.

#### 4.2.2 The commissioning process

There were two distinct process phases of HRA performance-based welfare commissioning evidenced:

- negotiated acquisition: The initial phase involved the awarding of 'contract packages' with stipulated funding levels to providers before subsequent discussions regarding invoicing arrangements; and
- competitive 'Request For Tender' (RFT) process: In light of criticism, and specifically due to the oversight of the Family Independence Administration (FIA) of the HRA, a competitive 'RFT' process was implemented.

It is clear that the overriding concern of the HRA in the initial stage of performance-based commissioning was to ensure that contracts were won by providers with the capacity to deliver on them in a re-organised market. This accounts for the collaborative approach between the HRA and bidding providers, anchored by consistent performance milestones:

*'What we'd do at that time is what we call the 'negotiated acquisition' which is a very simple kind of solicitation which is actually a two or three page document [detailing requirements]... Vendors gave us very different models in terms of how to go out and get clients jobs. The only thing that was uniform was the performance milestones.'*

(Commissioning stakeholder, NYC)

The sharing of information about co-bidders within the RFT process was originally restricted by policy. This had a negative impact on the potential for providers to create strategic alliances within the market place. This policy has recently been reversed and it remains to be seen whether a more open commissioning process will yield cooperation and collaboration between providers. It is important to bear in mind that there is no evidence to suggest that market diversity is, or ever was, a strategic aim in NYC as it is in Great Britain. Overall, the competitive RFT process, as implemented in relation to welfare to work services, has resulted in a more structured market but one served by less providers. These market dynamics are explored in further detail in the next section.



### 4.2.3 Commissioning vocational rehabilitation services

The commissioning of vocational rehabilitation services proved to be much more complex than that of back to work services, mainly due to the scope of services and the number of specialist sub-contractors involved. The HRA conducted an analysis of demand to inform the RFT process, based on prior experience with medical and rehabilitation providers. This resulted in estimates of client volume and service demands which were provided to bidders. To guide evaluation of proposed costs from bidding providers, the HRA's own Office of Finance drew up cost estimates for these services which were not shared with bidders.

It was decided that vocational rehabilitation services should be contracted across two large regions to which the five boroughs of NYC were assigned: one region serving 25,000 clients and one serving 20,000. This decision was informed by prior experience of dealing with the multiple providers and sub-contractors needed to deliver such services, as well as concerns about the scale of services required. Contracts were for three years, with the possibility to extend for another three years. With just three bids for each region, concerns about the capacity of the market to deliver on such a scale appeared justified:

*'When we issued the [RFT] for WeCARE, we were under the impression – and I think we were right – that there were not going to be that many entities in the City market that were really going to be able to respond to this because of the vastness, not only of the size of contract but of the scope of the services, and the [RFT] encouraged sub-contracting.'*

(Commissioning stakeholder, NYC)

A previously noted, the WeCARE model was commissioned across two contract areas for a total value of 70 million dollars across three years: Arbor were commissioned to provide services in one region for a contract value of 32.5 million dollars, while FEGS (Federation of Employment and Guidance Services) were commissioned for the other region with a contract value of 37.5 million dollars. Contracts outlined payment milestones which were directly aligned with those of the City, and in turn the State: conduct of a pre-employment plan and employment retention at 30, 90 and 180 days. Commissioners were aware that vocational rehabilitation services are 'process heavy' and wanted to balance the importance attached to providing these vital services and the end goal of placement in employment:

*'We also wanted to maintain the focus that we want to get people jobs and we are conscious of the fact that they had a real cost in the attendance work that they were going to do and we had a great need for them to do that attendance work... they could have the most beautiful attendance charts but if no one is getting a job then it doesn't matter so we wanted to try and keep enough money in the placements that it was clear that that's what really mattered.'*

(Commissioning stakeholder, NYC)

To this end, the standard payment milestones (discussed in greater detail in Chapter 5) were supplemented with a number of payments for specific aspects of the WeCARE models, such as vocational assessments conducted by medical specialists. The WeCARE contracts also had a relatively high expense cap set at 30 per cent of the contract value.

Implementation was not without its challenges, with demand stretching supply to its limits:

*'Overall on a city-wide basis, we looked at 45,000 clients. I will tell you, I think sometimes we over marketed the programme. The first year that WeCARE opened there was almost double that number of people who got referred to the programme which was a major problem for the vendors and their sub-contractors because they were overwhelmed and yet they were told that they had to take all comers.'*

(Commissioning stakeholder, NYC)

In light of this development, contract arrangements for programme design were revised and refined. While the HRA was satisfied that the right people were being referred to the services, there was a clear need to streamline the 'front door' assessment procedures. In the second round of contracting, providers were asked to develop a clinical review team which the HRA describe as a 'side door' to the provision of the WeCARE service model for returning clients, preventing duplication of time and expense-heavy intake procedures and entry level services. This development was successful in bringing the number of new referrals down to 50,000 a year – much closer to original estimates.

Development of the WeCARE model in NYC may inform thinking on the Pathways programme, which is similar in its aim of providing a single gateway to financial, employment and health support for claimants and also involves an initial medical assessment. In drawing out lessons for Pathways from the WeCARE programme, London is perhaps a more appropriate comparator than Great Britain. With two providers across six districts in London (and each provider covering three districts), neither of the Pathways providers subcontracts, but one has service level agreements with three organisations providing specialist support to those with sensory disabilities and mental health issues. Pathways, like WeCARE, involves the assignment of both mandatory and voluntary clients and served approximately 30,000 claimants in 2008.

#### **4.2.4 Commissioning back to work services**

The commissioning of back to work services was regarded as a more straightforward process. Contract areas which had originally been borough-based were revised so that each of the Job Center areas (from which clients are referred) is linked with a specific provider. In total, eight contracts were awarded, with a total contract value of 500 million dollars over three years. Under previous contracts clients were assigned randomly within the borough. HRA found two specific problems arose as a result of this: Firstly, clients were shopping between providers and not

really participating in the programme and secondly, that it was more difficult to hold the provider accountable for client outcomes. For instance, HRA state that under random assignment providers would 'park' clients with complex barriers to employment for up to six months in the knowledge that HRA would re-assign them to other providers. This led to the introduction of area-specific assignment of clients under the 'Back to Work Programmes'.

Again, the main payment milestones were directly aligned with those of the City, and in turn the State: pre-employment assessment work and employment retention at 30, 90 and 180 days. Back to work expense payments were capped at 20 per cent of contract value. The forecasting dilemmas of commissioning vocational rehabilitation services did not arise due to the more generic nature of back to work services.

## 4.3 Market dynamics

### 4.3.1 Managing the market

There is little evidence to suggest that the welfare to work sector in NYC is conceptualised as a 'market' at either the policy or the commissioning levels and there is, therefore, limited evidence of market management in relation to the spurring of competition prior to market entry. This is not to say that the HRA does not value competition. There is much evidence to suggest that competitive forces are encouraged among providers within the delivery market through, for example, the league tables and contract management meetings built on data from the VendorStat IT system (discussed in greater detail in the following chapter). There is, however, less evidence to suggest that market entry is as open to new bidders as it is to incumbents, a perennial problem of commissioning in general. Without any strategic positive discrimination of smaller providers, they have become the exception rather than the rule.

*'Put it this way – we do use competition, we do not develop the market.'*

(Commissioning stakeholder, NYC)

Despite the lack of a market conceptualisation, it is clear that a welfare to work market does exist, and that free market principles shape this market to a certain extent. Without the guiding concept of a market, however, the HRA has not adopted a stewardship approach.

### 4.3.2 Relationships within the market

NYC's obligations with respect to welfare to work outcomes proportionately mirror the Federal obligations that the State in turn must fulfil. The City's performance requirements are directly aligned with the commissioned performance requirements of providers. There is a sense then, that so long as these performance requirements are achieved, the NYC's HRA has the authority and flexibility to use their knowledge and proximity to residents to structure welfare services as it thinks best. There is

also the sense that the devolution of power from the Federal to the State and from the State to NYC has been both genuine and successful.

The commissioning approach and process described above involved a degree of collaboration between commissioners and potential providers during bidding and subsequently as difficulties around levels of supply and demand threatened the viability of successful vocational rehabilitation service delivery in particular. The HRA assign dedicated contract managers, one to oversee the two WeCARE contracts and one to oversee the eight back to work contracts. This enables the HRA to develop strong working relations with their providers.

*'To have that one person overseeing such large contracts I think lends itself to our ability to manage those contracts well, to develop those relationships that are so important to keeping the contracts going the way we want them to go.'*

(Commissioning stakeholder, NYC)

Relationships between providers have not been a common feature of the HRA welfare market, with the exception of Seedco's network of community providers. It is important to note that STRIVE operate outside the HRA market. However, wider relationships have recently received formal encouragement with the sharing of bidder information at the RFT stage.

### **4.3.3 Competition for contracts**

While the commissioning process is essentially an open competition, there is a clear advantage to incumbents. Since this advantage is a by-product of experience and successful service delivery within the market, the HRA is less concerned about stifling competition than about ensuring delivery:

*'Of course they know the system, and they know how to get in the system and it is easier for us also. Think of the amount of resources and time to stand to get those [new] people up to date. When you divide up the market and you create what I would call an organised market, and you want more people to participate, you will have to demand that and you will have to spend a tremendous amount of time.'*

(Commissioning stakeholder, NYC)

### **4.3.4 Sub contracting within the market**

The level of sub-contracting varies according to programme design, provider ethos and the need for specialist services. Sub-contracting is regarded as essential to the delivery of vocational rehabilitation services, with specialist medical providers (including hospitals) central to the model employed. There is less significance attached to the use of sub-contractors in back to work services. Overall, providers have a high level of discretion in this respect:

*'We don't really tell our primes who they should sub with. That is the nature of the way that the City functions.'*

(Commissioning stakeholder, NYC)

This discretionary approach in the sub-contracting arrangements of prime providers mirrors that outlined in Great Britain's Flexible New Deal (FND). However, despite a lack of interference, a measure of oversight is built in to the system: sub-contract arrangements must be approved by the HRA, and are monitored by site visits. Prime-sub-contractor relationships are not governed by a code of conduct, but if problems arise, the HRA can intervene of their own will or at the request of either the prime or the sub. The preferred policy is one of 'hands off' monitoring:

*'Ideally, we would rather not get involved but in reality we do get involved. Ideally, our initial position is, "it is your sub contract, we expect that you are going to treat people with professionalism and respect and also hold them accountable". In reality, what happens in many instances is we are forced to get involved... Other than visiting the sites to make sure that they are up to par and doing what we want, we try and stay away, stay out of [their] business dealings... We have got more involved with the medical providers because it is a tricky business.'*

(Commissioning stakeholder, NYC)

So experiences recounted during the study trip suggest that delivering services through sub-contracts requires not only monitoring but also intervention to ensure that service delivery is not jeopardised by difficulties at either the prime or the sub level, whether those difficulties are related to capacity, to infrastructure or to the prime-sub relationship. It is difficult to assess whether a code of conduct governing prime-sub contractor arrangements would reduce the importance of close oversight of these relationships. It is clear, however, that without such a code, variability of conduct is likely.

#### 4.4 Impact on the supply chain

A lack of emphasis on competition at the bidding stage has resulted in a reduced number of prime contractors serving the market: down from 15 providers in the mid 1990s to eight at present. The implications of market contraction have been more severe for small sub-contractors than larger primes. While it remains difficult to measure the scale of market contraction in this respect, the evidence suggests that the bias towards large providers can only be balanced by innovative market responses, such as the model employed by Seedco, which acts as an umbrella for a spectrum of smaller providers. Indeed, Seedco's work in NYC responded to the obvious difficulties that small community-based organisations had experienced in competing for a stake in the market:

*'In New York City there was a whole very large group of community-based organisations that had been running small scale employment programmes in their neighbourhoods, but essentially could not compete for these large scale contracts. They didn't have the resources to even put together the proposals or moreover that they didn't have the physical infrastructure to manage these programmes and so what we saw was an opportunity as an intermediary that we could step in through organising a network of these community organisations and we sorted the umbrella, the lead partner and gave these community-based organisations that were doing a great job in their communities and basically gave them an opportunity to participate in these larger scale programmes.'*

(Programme delivery stakeholder, NYC)

Seedco's view is that their financial reimbursement structure has been the main reason for their success, and that models that do not compensate community partners sufficiently jeopardise the existence of those small sub-contractors:

*'There have been other prime vendors, non profits that did sub-contract community organisations but did not pass along the same financial reimbursement structure that we do and I think the community organisations really struggle with it and most of them are either asked to drop out or are dropping out. In my opinion that does need to be monitored by Government... If that's the financial arrangement and it really goes wrong it could put a non profit and a smaller profit out of business.'*

(Programme delivery stakeholder, NYC)

Commissioning stakeholders recognise the tension between large-scale welfare service delivery and the capacity of small providers to invest the required 'up-front' costs in order to realise longer term revenue: this appears to enhance the value of the market position occupied by organisations like Seedco:

*'I think HRA has only been able to work with bigger providers who can put the work forward first and then come back for payment and draw down money on their performance as time goes on. Providers really have to have an infrastructure to handle a large volume of people who can get referred to multiple sites and then create a performance flow so they can draw down money and continue about work, smaller providers can't do that.'*

(Commissioning stakeholder, NYC)

Indeed, the commissioners themselves questioned whether performance-based commissioning was the ideal arena for small providers to thrive in:

*'For better for worse, HRA is not the only way to workforce development, there are three or four other City agencies plus State agencies, and they don't have the same sort of bias towards the large performance-based contracts. So there are other opportunities for these smaller groups to get Government funding outside of HRA and they are very good at that... most of them are still surviving.'*

(Commissioning stakeholder, NYC)

The contraction of service provision by smaller providers raises questions for the client offering, particularly the level of choice available. While HRA funders monitor the conduct of primes closely, the lack of a formal client charter or code of conduct governing treatment of clients is notable and it is hard to determine how a consistent client offering is determined without such procedures. It should, however, be noted that clients may make use of an innovative complaint line to raise issues (a '311' number associated with non-emergency calls to public services in NYC).

## 4.5 Benefits and risks: evidence from NYC

### 4.5.1 The benefits of performance-based contracting

It is clear that the clarity and simplicity of performance-based contracting is attractive to commissioners in NYC. Stakeholders talked of the benefits derived from the structure, efficiency and consistency that performance milestones bring to the commissioning process generally and the costing process specifically:

*'I think that the employment contracts have set a virtue of being clear and even more assertive, easily understandable of what the milestones are to be: you are trying to get somebody a job. So you don't have so much debate.'*

(Commissioning stakeholder, NYC)

It is also clear that the direct alignment of NYC's welfare performance requirements with provider contract terms allows commissioners to influence outcomes according to strategic targets. This is illustrated by the move from initially rewarding placement to eventually rewarding retention in employment, and key payment milestones are now well established at 30, 90 and 180 days. Pre-employment milestones are generally minimised to small payments for pre-employment plans; commissioners were open about taking this *'conscious decision that puts almost the entire risk on the contractor'*. However, it was recognised that certain process milestones were essential to the viability of providers in delivering the WeCARE model, so process payments for such milestones as 'biopsychosocial assessment' and 'diagnostic vocational evaluation' are paid in recognition that the provider is moving clients closer to employment. This also recognises the complexities of the WeCARE model which offers medical assessment services alongside vocational rehabilitation services.

### 4.5.2 The risks of performance based contracting

With the benefits derived from a streamlined commissioning process, certain risks remain difficult to ameliorate. It has been noted that there was a conscious decision to locate the risk of failure to place clients in employment with providers. This has largely resulted in a motivated provider pool focused on the retention in employment of clients because retention will realise payment milestones for providers. While this is clearly a benefit to the HRA in terms of costs, it raises questions about the capacity of smaller providers to enter and survive in a market

characterised by up-front investment in long-term returns, where revenue is only assured by performance and performance can be influenced by client characteristics.

This illustrates another risk of performance-based commissioning, one which affects both commissioner and provider. Estimating the level of demand for a broad spectrum of services and forecasting the consequent cost is a constant difficulty. If such problems affect the commercial viability of providers, commissioners may have to respond in order to sustain the market:

*'You do the estimates on how many people you are going to have to see, two years before they see a person and things change in that time so especially if you have them geographically based, even if your overall caseload doesn't change, the distribution changes. So we actually went through a process to add additional milestones to compensate for some of that attendance work [providers] would face and it was a difficult process.'*

(Commissioning stakeholder, NYC)

Accurate forecasting of the scope and cost of services is further complicated by the fact that clients are by no means uniform in terms of reaching payment milestones:

*'You can't really forecast how many milestones people will use, especially in WeCARE... You could blow your budget very quickly or you might not. It really depends on the client coming in the door.'*

(Commissioning stakeholder, NYC)

If the contracted level of service provision is met before the end of the contracting timescale, contract renewal talks are initiated. During a renewal period, extensive negotiations with providers occur, and on some occasions original contracting terms have been revised to incorporate lower prices for increased demand. Conversely, it can be highly problematic for providers when estimated levels of demand do not materialise. This risk was heightened by the reauthorisation of Temporary Assistance for Needy Families (TANF), which altered the definition of activities that counted towards Federal requirements and set a maximum allowable time allocation for wraparound services. This immediately affected the viability of current service provision because it made delivery of payment outcomes more difficult. It also increased the burden for providers of collecting and verifying performance data required to achieve payment against City, State and Federal performance targets. Due to the alignment of these performance milestones from Federal through State and City levels right down to the providers, the pressure to respond to the altered contract terms was felt at all levels.



## 4.6 Conclusion

### 4.6.1 Key US-GB differences

The most notable contextual difference between the US and Great Britain is that the four tiers of service delivery (Federal, State, City and County) have created a structure which is unlike that of the more centralised Great Britain. This has implications for the structure and management of relationships throughout the market, as well as the locus of responsibility for achieving strategic aims.

Further, commissioning in Great Britain will operate under a clear mandate to maximise the openness and transparency of the process, encouraging and enabling strategic alliances and partnership in the market. For this reason, the Department for Work and Pensions (DWP) have published details of provider interest in FND contracts, and have taken on the role of stewarding the market to ensure diversity. This was not an aim of welfare reform in NYC, where capacity to deliver on large contracts was the main concern, and a stewardship role was not adopted. Indeed, the sharing of bidder information was originally prevented by data protection policies which have since been revised with the express aim of diversifying the gender and ethnicity of the provider pool, although it may have positive, if unintended, consequences for small providers in general.

The focus of the move towards performance-based commissioning provides another important contrast which should be noted in translating lessons from the NYC experience to Britain. It was a stated aim of the HRA to move to a fully performance-based approach to commissioning welfare in NYC, wherein 100 per cent of funding is outcome-related (although, as noted, in practice initial outcome payments have reflected process costs rather than outcomes). Britain, while moving towards a higher proportion of outcome funding, has no stated goal of achieving a 100 per cent outcome funding model of performance-based commissioning.

### 4.6.2 Key findings

Evidence from the NYC experience points to a market in which performance-based commissioning has been successful in streamlining the commissioning process, in aligning provider performance requirements and associated payment milestones with strategic aims and in achieving target outcomes at all levels from the State level right down to the individual provider. Competition and market diversity were not aims of welfare reform in NYC: the HRA's primary aims were to meet the City's welfare performance requirements by commissioning services in an efficient, effective and entirely performance-based way. Therefore, the capacity of providers to deliver the required performance levels became a clear focus of the commissioning process.

While Great Britain has similar commissioning aims, it has a clear mandate to develop Third Sector capacity, and to deliver a welfare market that offers diversity, client choice and quality of service. While it is not possible to predict that a stewardship approach will achieve these goals, it is clear that the absence of

stewardship guided by such goals in NYC has resulted in a contracted market which displays little churn, a low level of sub-contractor service provision and in which community-based organisations have failed to compete without the technical and administrative support of an umbrella prime. Stewardship will be particularly important with respect to the openness of the commissioning process to smaller players, and the encouragement of alliances between smaller providers at the commissioning stage.

It is also possible that NYC's move towards a primarily outcome-funded model of performance-based commissioning (with minimal process payments) deterred new entrants to the market, given the risks of this model to smaller and newer providers. In moving to a higher proportion of outcome-related funding, it will be important that Britain ensures that the commissioning model does not exclude or deter smaller and newer providers and facilitates a dynamic, competitive welfare market for customers.

The NYC experience also suggests that sub-contractual arrangements must be monitored, both to ensure that relationships within the market are fair and appropriate, and also to ensure that delivery risks do not arise as a result of problems in the relationship between primes and subs. It should be noted that this additional layer of monitoring may add to the overall cost of managing providers.

# 5 Contract and performance management

## 5.1 Introduction

This chapter outlines the contract and performance management aspects of the NYC welfare to work market by looking at:

- key performance indicators;
- data collection;
- 'hands on' contract management;
- evaluation and knowledge sharing;
- driving performance: targets, incentives and sanctions; and
- mitigating the risks of performance-based commissioning.

## 5.2 Key performance indicators

The key principles of outcome-related funding appear to be widely accepted by stakeholders in the United States, although it should be noted that even in New York City (NYC), while the Human Resources Administration (HRA) favours performance-based commissioning, the approach does not characterise all welfare commissioning in the City. HRA data collection obligations are set at the Federal level and trickle down through the State, City and County levels, directly informing the data collection duties of prime and sub providers.

The difficulty of setting performance requirements that shape services only in intended ways is widely recognised. The tension between achieving wider aims and creating operationally measurable outcomes is a consistent feature of the approach:

*'What is always the challenge in any kind of performance-based contract is the adequate specification of the outcome that you are wanting to determine; of structuring it in a way that doesn't have undesired, unintended consequences; figuring out how to do it in ways that don't encourage working with those who need the least and determining what a reasonable compensation structure would be for the outcome that you are seeking.'*

(Policy stakeholder, Washington DC)

NYC has dealt with this challenge by directly aligning contract terms to the City's share of State-level performance requirements, and by taking action to counteract unintended consequences. For example, in the early days of performance-based welfare commissioning, placement in employment was a payment milestone. This led to significant problems related to 'revolving door' clients re-entering welfare to work services after short periods of employment and it had the unintended effect of failing to incentivise suitable employment placements. The problem was addressed by the redesign of performance requirements to incentivise retention in employment at specific intervals, thereby also incentivising providers to ensure the suitability of placements.

The key performance indicators that providers are tasked with achieving provide 'payment triggers' which must be verified by providers. These indicators are summarised in Table 5.1.

**Table 5.1 Overview of performance indicators**

Indicator	Explanation	Method of validation
Pre-employment assessment and planning	<ul style="list-style-type: none"> <li>• Clients are referred by State-run Job Centers to either back to work or vocational rehabilitation services.</li> <li>• These service providers conduct a pre-employment assessment</li> <li>• Work first approaches use this phase to match clients to job openings as quickly as possible.</li> <li>• People first models often use this phase to determine personal barriers to employment and therapeutic approaches that may bring the client closer to employment.</li> <li>• Vocational rehabilitation services conduct detailed medical assessments during this phase, often using specialist sub-contractors.</li> </ul>	<ul style="list-style-type: none"> <li>• An individualised pre employment plan is produced for each back to work client, incorporating an assessment of their skills.</li> <li>• Clients referred to vocational rehabilitation services are medically assessed.</li> </ul>
Engagement with pre-employment and/or work seeking activities	<ul style="list-style-type: none"> <li>• Clients may be engaged in soft skills development or employment searches for a specified amount of time per week.</li> </ul>	<ul style="list-style-type: none"> <li>• Providers provide verification of attendance at such activities by entering attendance data on the HRA IT system.</li> </ul>

Continued

Table 5.1 Continued

Indicator	Explanation	Method of validation
Engagement in formal education or training	<ul style="list-style-type: none"> <li>• Clients may be engaged in formal education for a specified amount of time per week.</li> </ul>	<ul style="list-style-type: none"> <li>• Attendance records from the educational establishment or training provider are sought by the provider and recorded in the HRA IT system (for example by scanning).</li> </ul>
Engagement in therapeutic services	<ul style="list-style-type: none"> <li>• Clients may receive a range of therapeutic services including drug addiction treatments and specialist medical treatments.</li> </ul>	<ul style="list-style-type: none"> <li>• Attendance records from the medical service provider are sought by the provider and recorded in the HRA IT system (by scanning for example).</li> </ul>
Work experience	<ul style="list-style-type: none"> <li>• Work experience placements can form part of a programme of training or can be a way for employers to verify the suitability of potential placements or develop their skills prior to employment.</li> </ul>	<ul style="list-style-type: none"> <li>• Employer attendance records or payslips are supplied by clients to the provider.</li> <li>• Providers enter the validating documents into the HRA IT system, for example by scanning.</li> </ul>
Work participation rate	<ul style="list-style-type: none"> <li>• Public assistance recipients must prove they are participating in work or work, like activities for a sufficient amount of time each week, according to the type of benefit they receive and their personal circumstances.</li> </ul>	<ul style="list-style-type: none"> <li>• Attendance records are collated by providers and entered into the HRA data collection system.</li> </ul>
Retention in employment: <ul style="list-style-type: none"> <li>• 30 days</li> <li>• 90 days</li> <li>• 180 days</li> </ul>	<ul style="list-style-type: none"> <li>• Providers' main payment milestones reflect the importance attached to retention in employment.</li> </ul>	<ul style="list-style-type: none"> <li>• Clients provide payslips to providers who in turn provide these to HRA.</li> <li>• Clients remain within providers' case management systems until the 180 milestone is met to ensure that any initial difficulties with the suitability of the employment placement or practical circumstances of clients does not deter retention.</li> </ul>
Sanction removal	<ul style="list-style-type: none"> <li>• The removal of sanctions also represents a payment milestone.</li> </ul>	<ul style="list-style-type: none"> <li>• Providers provide verification by entering sanction removal data on the HRA IT system.</li> </ul>
Wage rise	<ul style="list-style-type: none"> <li>• Providers receive bonus payments when clients placed in employment receive wage rises within a specified timescale of placement by the provider.</li> </ul>	<ul style="list-style-type: none"> <li>• Employer payslips are supplied by clients to the provider.</li> <li>• Providers enter the validating documents into the HRA IT system, for example by scanning.</li> </ul>

## 5.3 Data collection

### 5.3.1 Introduction

Perhaps one of the greatest achievements of NYC's welfare reforms has been the creation of a 'single version of the truth' with respect to outcome data. This data is collected at the provider level and entered into the HRA's reporting system, built around the supplier tracking software VendorStat. Documentation such as payslips is scanned into the system, with other information manually entered by providers.

This data is collated by the HRA for three main purposes:

- reporting caseload statistics;
- performance monitoring and management; and
- driving provider performance by stimulating competition within the market.

The use of data for such varied purposes illustrates one of the key advantages of the direct alignment between provider contractual terms and State and Federal requirements. Nevertheless, audits by the New York City Comptroller have cast doubt on HRA's ability to validate some of the documentation submitted by providers.

### 5.3.2 Using outcome data for reporting purposes

Weekly and monthly public assistance caseload statistics are collated and made accessible to the public via the HRA's website. The engagement of recipients of family assistance and SNA assistance in employment programmes is reported in highly detailed figures showing:

- the number of active cases;
- for engageable cases, the number and percentage of those engaged in key periods of work (less than 20 hours, 20-30 hours and 30 or more hours), those in Work Experience Programme (WEP) and those in other key activities by type;
- those in the initial stages of engagement;
- those in the sanction process or under the effect of a sanction (also classed as engageable or in the process of being engaged);
- the number and proportion of unengaged cases (most recent HRA figures show no one is unengaged); and
- for unengageable cases, a breakdown of figures in terms of whether this status is temporary or indefinite as well as a reason classification code.

(HRA, 2009)

While caseload figures provide insight into whether recipients are engaged in back to work or vocational rehabilitation activities, they do not detail individual provider performance. The main purpose is to monitor case loads and ensure full engagement of welfare recipients on a City-wide basis.

### **5.3.3 Accessing timely outcome data to monitor and manage performance**

With weekly data submission, the HRA has timely access to outcome data that they use to monitor and manage performance. Key performance data are collated and categorised in a way that mirrors both contractual requirements and payment milestones such as the number of pre-employment or medical assessments conducted, the number engaged in work and work-like activities, and most profitably for providers – the number of clients hitting 30, 90 and 180 day retention in employment milestones.

These data are collated on a monthly basis and presented in tabular form so that provider performance across key measures can be tracked month by month, allowing close, accurate and timely monitoring of individual provider performance. Through these monitoring activities, commissioners gain insight into the performance of individual and collective providers across core elements of service delivery (which mirror the City and State's own performance requirements). Provider performance in terms of these key requirements is measured and tracked by the HRA according to performance in the last month, an average of the previous three months and the contract to date average. It also compares the site performance to the main contractor and to all contractors. Performance management activities focus on providers that lag behind their own performance or that of other providers in the market and are specific to the elements of service in which providers are seen as under-performing.

### **5.3.4 Using outcome data to drive competitive performance in the market**

Individual provider data is drawn into market league tables. Back to work and vocational rehabilitation services are compared in separate tables as well as together. These tables are made available to all providers, so providers know how they are performing in their own sector as well as the overall welfare market. Both providers and commissioners spoke of the competitive spirit such league tables inspire in the market place.

### **5.3.5 Going beyond contractual requirements**

While providers are contractually obliged to comply with HRA data collection systems and processes and must do so in order to trigger payments from the commissioner, several providers felt that both the data and the entry format required by HRA was of limited use in meeting their operational and internal performance management needs. This relates to the narrow nature of performance requirements in NYC, and is particularly true in terms of measuring the client experience and analysing the longer term outcomes of refined programme design. There was evidence to suggest that several providers conduct in-house satisfaction surveys and track clients for much longer than they are obliged to. Providers felt such activities gave them the data they needed to refine and improve the services they offered to clients and to measure the outcomes that their services achieved.

## 5.4 'Hands on' contract management

### 5.4.1 On-site presence

The HRA model of contract management emphasises the importance of close contact with prime providers, with much contract management occurring on a face-to-face basis. With one dedicated HRA contract manager for the two WeCARE contracts and one for the eight back to work contracts, continual monitoring and management can occur. Contract managers spend much of their time on-site at prime and sub provider locations and form close working relationships. The commissioners characterise the working relationship as collaborative.

Indeed, the fact that both providers and commissioners spoke of having a sufficiently strong relationship with contract managers to alert them to potential delivery difficulties attests to the openness of this relationship. It can be further explained by the HRA's initial and ongoing focus on ensuring that provider delivery capacity meets the demand for services. It also, however, raises further questions about the competitiveness of the NYC welfare market, support for incumbents already in the market versus support for new bidders and whether such differential support works to prevent delivery failures or to stifle true competition for contracts by building better relationships with incumbent providers.

### 5.4.2 VendorStat: continuous performance monitoring

VendorStat meetings between commissioners, providers and a representative from the referring Job Center if appropriate take place on a regular basis. The meetings focus on provider performance statistics, both individual provider data and comparative data. Meetings involve a review of recent performance and provide the opportunity for either side to discuss difficulties and any previous performance difficulties are monitored for improvement.

VendorStat meetings are based on, and scheduled around, the JobStat meetings which take place between State-run Job Center Directors who make all referrals to welfare service providers. Two weekly JobStat meetings monitor two of the 31 Job Centers serving the City in turn. Each is directly followed by a VendorStat meeting with the provider attached to that center, i.e. one of the eight prime providers and Seedco sub providers in the market.

## 5.5 Evaluation and knowledge sharing

### 5.5.1 Introduction

The US experience in general, and the NYC experience specifically, points to a system in which performance requirements are given greater weight than broader strategic aims such as the alleviation of poverty or the quality of the client experience. This performance-centric system has not been accompanied by a culture which emphasises the importance of evaluation and knowledge sharing.



### 5.5.2 Evaluation

Despite evidence which suggests widespread compliance with data collection obligations at all levels, independent evaluations of the HRA's vocational rehabilitation programmes (the WeCARE contracts awarded to FEGS and to Arbor) have found specific problems with monitoring processes and data validation procedures. A 2002 Audit report by the Office of the New York City Comptroller stated that there were significant weaknesses in data controls. The Comptroller found inconsistencies between automated systems and case files and no verification of the eligibility of recipients for services in a number of other cases as the supporting case file could not be located. A follow-up report in 2006 found that some, but not all, of the recommendations made in 2002 had been implemented.

The Comptroller's Office conducted a further audit in 2008, with the express purpose of determining whether the HRA adequately monitors the WeCARE programme contracts to ensure compliance with contract requirements. While the Office found that site visits by contract managers, monthly provider meetings and monthly deliverable reports were '*useful oversight techniques*', specific weaknesses were found in relation to:

- **verification of provider data:** Insufficient verification of provider data was regarded as a significant weakness, particularly with respect to the risk of HRA being unaware of non-compliance and providers being paid for work that had not been completed; and
- **deficiencies in the financial monitoring of the WeCARE contracts:** Monitoring procedures were found to lack sufficient review of payments against contract milestones; efforts to identify and recoup duplicate and erroneous payments were found wanting, and monthly contractor expense reimbursement (representing 30 per cent of WeCARE contracts) were subject to insufficient verification.

(Source, Office of New York City Comptroller, 2009)

HRA's back to work and vocational rehabilitation services have both been criticised by Community Voices Heard (CVH), a community organisation that brings together low-income earners to focus on welfare reform and how family and community lives can be improved.<sup>12</sup> CVH's research provides insight into the client experience of these programmes, and found that the HRA's WeCARE programme of vocational rehabilitation services was well designed for its stated purpose of supporting welfare recipients with disabilities. However, the research also found

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<sup>12</sup> CVH is an organisation of low-income people, predominantly women with experience on welfare, working to build power in New York City and State to improve the lives of their families and communities. While they focus on welfare reform, they broadly define welfare activism to be multi-issue and thus, must include issues such as education, training, jobs, housing, economic development and other community issues.

'disconnects' between programme design and programme implementation related to: inexperienced provider staff working within a disorganised environment; a lack of specialisation or individualisation for clients with complex barriers to employment; an overriding lack of support, information and flexibility on the part of both the HRA and providers; and, a concerning lack of monitoring and transparency (CVH, 2007).

Similar research into the HRA's 'work first' back to work programmes found that the programmes had significant weaknesses in terms of low job placement rates; poor job retention rates; high rates of recidivism; poor access to education and training; and punitive sanction policies. Most worryingly, the report found that clients were 'falling through the cracks' without receiving the services they needed and were entitled to. Conducting secondary analysis on the HRA's own caseload statistics, CVH have shown that monitoring performance data alone can provide a skewed picture of the relative success of performance-based commissioning. The CVH analysis shows that:

- an average of just nine per cent of clients who begin the back to work programme achieve jobs through it;
- three out of every four back to work participants lose their job after six months;
- 50 per cent of back to work participants are back on public assistance and must re-start the programme within nine months of leaving back to work;
- a tiny proportion – under two per cent – of engageable cash assistance recipients are enrolled in education and training programmes; and
- less than a fifth (17 per cent) of welfare applicants that are referred to the programme have a case opened and actually begin the programme.

(CVH, 2008)

It should be noted that HRA have raised objections to both reports, particularly that of CVH. HRA view CVH's report as a misrepresentation of the programme outcomes through reporting on retention milestones.

### **5.5.3 Knowledge sharing**

There is limited evidence of a learning culture which attempts to draw lessons together for the dissemination of best practice in NYC. The evidence points to provider-driven learning to a much greater degree than it points to HRA-led learning initiatives, with evidence of one provider implementing a learning network for subcontractors, and another provider working with a market competitor to extend their signature model, both were broadly 'people first' providers. While the HRA perspective suggests that VendorStat meetings provide a platform for learning, there is little evidence at the provider level to suggest that the meetings support shared learning and the dissemination of best practice across the competitive provider market.

*'I like to think at those [VendorStat] meetings we develop some best practices for how to deliver these services, what kinds of things we should emphasis on with the clients, [such as] how to avoid creaming.'*

(Commissioning stakeholder, NYC)

This suggests that within a competitive welfare market, comprehensive knowledge sharing is unlikely to occur without a formal obligation to engage in such activities. And while it should be noted that there is strong evidence of knowledge sharing in other competitive markets which do not impose formal obligations on providers, such as Australia and the Netherlands (Elliot *et al.*, 2005), the NYC example reminds us that such knowledge sharing is not inevitable.

## 5.6 Driving performance: targets, incentives and sanctions

Contract requirements, which tend to be heavily based on past performance, form the basis of provider targets. Provider performance is driven by a combination of the continual monitoring of these requirements through monthly reports, league tables, VendorStat meetings and contractor site visits, the incentivising of targets through bonus payments and the imposition of sanctions for poor performance.

### 5.6.1 Using targets to drive performance

While contract terms are drawn up in light of previous performance levels, it is fair to say that provider performance is in turn influenced by current performance requirements. For example, the way provider and commissioners responded to the restrictions imposed by the Deficit Reduction Act (DRA) legislation in terms of what can be counted as work and work-like activities. This, however, gives rise to a wider question of whether such requirements limit provider performance by failing to incentivise performance over and above what is contractually required. The study team's research found limited evidence of compliance with HRA performance requirements detracting from the 'real work' of moving client's closer to suitable and fairly paid employment opportunities.

### 5.6.2 Shaping performance through incentives and sanctions

Alongside provider payment milestones that mirror contractual requirements, the HRA commonly implements a bonus structure for particular processes. For example, engaging sanctioned clients and obtaining a high wage job for clients trigger bonus payments under 'back to work' programmes. Similarly, sanctions may be applied to address poor performance in particular areas, although the use of sanctions is much less common than the use of incentives, perhaps because they are seen as having a weaker impact on provider performance than incentives.

## 5.7 Mitigating the risks of performance-based commissioning

### 5.7.1 Introduction

The main benefits and risks associated with performance-based commissioning as implemented in NYC were outlined in Chapter 4. They can be summarised as follows:

- outcome-related risks;
- market-related risks; and
- client-related risks.

This section draws on the study team's research to outline a number of approaches that might mitigate these risks.

### 5.7.2 Outcome-related risks

One of the foremost outcome-related risks is that providers fail to achieve their required performance levels, particularly employment outcomes. Within performance-based commissioning it is crucial that performance requirements adequately reflect and incentivise the desired outcomes, as for example the HRA's largest payment milestones incentivise retention in employment rather than placement alone. This risk can be further mitigated by close contract management, performance monitoring and use of client tracking data for evaluation and service improvement purposes.

It has been noted that performance-based commissioning can shape performance in unintended ways. It will, therefore, be vital that Great Britain, in implementing performance-based commissioning, pays close attention to the design of performance measures so that they achieve the core aims of welfare reform, without detracting from wider strategic aims. Since accurate and timely data collection is integral to successful performance-based commissioning, the administrative burden associated with the submission of performance data must be minimised. It will also be important to evaluate the impact that measures have on provider performance in practice and on the wider strategic aims of welfare reform.

### 5.7.3 Market-related risks

The risks surrounding the accurate forecasting of demand for welfare services by commissioners should not be underestimated. Over-supply could lead to capacity problems similar to those seen in NYC with the introduction of the WeCARE vocational rehabilitation programme. Conversely, under-supply could affect the commercial viability of provider organisations (especially smaller providers) and prove to be just as significant a problem.

*'HRA is reliant upon people who come in and apply for welfare, so we cannot guarantee any number of referrals to the vendors, on any consistent basis. At the beginning of the programme, we underestimated the number of clients we had referred, which really taxed the system. We are now experiencing a decrease in referrals, which is also taxing the system in a different way. If you don't have the clients coming in, you don't get the milestones going out, so the issue of referrals is not within our control but we do have ongoing conversations with both vendors in terms of staffing patterns and plans that are based upon referrals and realistic, financial expectations in terms of revenue.'*

(Commissioning stakeholder, NYC)

Since the more centralised structure of welfare services in Great Britain lends itself to better coordination, it may be possible for Great Britain to learn from the NYC HRA's experience of attempting accurately to forecast caseloads over the three-year commissioning period. However, the longer commissioning period envisaged by DWP (five years initially with a possible extension of two years compared to the HRA commissioning period of three years with a possible extension of three years) creates further challenges in this respect. And, importantly, system-level planning must include provision for accommodation of demand surge as well as ebb.

It is also appropriate to remain mindful that systematic checks and balances are required to deliver the efficiencies of service delivery through private sector prime contractors. This is best achieved through the formulation of robust performance measures which incorporate some form of quality metric and the close monitoring of these.

*'Performance contracting is at least on the face of it a very good idea. If they are doing things that can be achieved and can be measured and you have good measures that you can comment on – under these circumstances performance contracting can be really valuable [but] the private sector have a high profitability motive and they cut corners to keep their profits up so you have to have a way to monitor quality control. If you have good outcome measures and are accurately measured, that really helps but that's a caution I would have.'*

(Policy stakeholder, Washington DC)

Finally, in terms of market-related risks, the NYC experiences show that smaller community-based and niche providers can – and do – get squeezed out of the market because they lack the technical and administrative capacity to win and deliver contracts in their own right and the resources to make the up-front investment required to achieve performance-based payment milestones. The innovative organisational structure of Seedco has enabled community-based organisations to have a stake in the market, but this has been a market response rather than the result of market stewardship. Great Britain's aim of fostering Third Sector involvement in the welfare market and of encouraging sub-contracts with niche and specialist providers, rests on empowering small providers to set up strategic delivery alliances. It will also, however, require the monitoring of the prime-sub relationship.

### 5.7.4 Client-related risks

It should be noted that the study trip did not provide sufficient interaction with clients of welfare services to provide a service user perspective. Despite this, the NYC experience highlights two client-related risks that Great Britain should remain mindful of in implementing performance-based welfare services:

- the risk that the importance attached to the client experience is eclipsed by the importance attached to performance measures; and
- the risk that the focus on tracking clients within the system detracts from the importance of tracking progression after programme engagement.

Performance measures within the NYC HRA welfare market did not incorporate a measure of the client experience. While a minority of providers spoke of feedback mechanisms they had introduced to inform service improvement, commissioners did not conduct or commission such research above the provider level. The lack of a client quality measure, in conjunction with the lack of a code of conduct governing the way clients are treated suggests a tendency for performance measures to overshadow the client experience within performance-based commissioning. Great Britain should remain mindful of the importance of measuring the client experience on a rigorous and continual basis to ensure that the client, rather than performance alone, remains at the centre of services.

Finally, the NYC experience highlights the risk of focusing on clients within the system to the exclusion of those outside it (i.e. neither in employment nor on public assistance), and consequently losing valuable learning from client outcomes. It will be vital to continuous and long-term service improvement that robust client progression data is collected within Great Britain in order to both measure success and learn from the challenges of implementing a new era of welfare services.

## 5.8 Conclusion

### 5.8.1 Key US-GB differences

The key contextual differences which should be recognised when translating lessons from the NYC experience of commissioning performance-based welfare to work relate to four main areas:

- the high level of acceptance of the principles of performance-based commissioning in the US which is still ongoing in Great Britain;
- the very different access to health care between the two countries;
- evaluation culture; and
- concentration on the client.

### 5.8.2 Key findings

Great Britain should remain mindful of the risks associated with performance-based commissioning: outcome-related risks, market-related risks and client-related risks.

Effective performance-based commissioning requires success to be clearly defined at the outset in readily and unambiguously measurable terms and in direct relationship with the Department for Work and Pensions' (DWP's) goals for the *Commissioning Strategy*. Defining successful outcomes is not only fundamental to the formulation of robust performance measures but also to the effective monitoring of performance. To maintain a focus on clients within a delivery market that risks becoming overwhelmingly focused on fairly short-term outcomes and on processes rather than people, performance measures should incorporate a client experience metric.

Management information systems should minimise the administrative burden associated with provider data entry needed to record performance and trigger milestone payments. Information systems should equally seek to facilitate timely and accurate data collection and verification procedures at the commissioner level, enabling comprehensive provider monitoring and performance management.

Monitoring and managing performance can be much broader than simply tracking progress against milestones. Comprehensive and continuous performance monitoring in conjunction with close contract management will provide valuable lessons, particularly at the implementation stage. It is also essential that a robust evaluation strategy is established at the outset to ensure the lessons of implementation are not lost (as has happened in the US) but disseminated to the provider network. Formal feedback mechanisms should also be built in to enable systems of redress and continual improvement.

Finally, the DWP Code of Practice, together with the greater potential for planning and oversight within the more integrated British system of welfare services, and the value placed on the quality of relationships between primes and sub-contractors in Great Britain bode well for the client experience of welfare reform in the latter.





# 6 Conclusions and lessons learned

## 6.1 Introduction

In addition to the huge cultural differences between the US and Great Britain, the policy, legislative and delivery framework for welfare to work differs significantly between the two countries. Further, although the Federal structure is simple and uniform, there is considerable diversity both between and within individual States in terms of how welfare to work was implemented and in terms of how service provision plays out 'on the ground'.

In this context, care must be exercised when drawing out lessons from the study trip findings. Notwithstanding this, it was the study team's view that, with due attention to such differences, lessons can indeed be learned. This chapter provides a summary of the key conclusions and lessons learned, and is structured as follows:

- Shifting the public mindset;
- Stewarding the market;
- Monitoring and managing performance robustly;
- Understanding the client journey and experience;
- Developing management information systems;
- Generating and disseminating knowledge of 'what works'; and
- Conclusion.

## 6.2 Shifting the public mindset

Significant social and cultural change occurred in the US in the run up to and post-Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). The public consciousness in the US shifted towards an acceptance of the importance of work and the role of personal responsibility in welfare. The key message that

entitlement should not be automatic, should be time-limited and tied formally to work requirements, was communicated extensively, and visibly embraced by the leadership community at all levels. This had a tangible impact in terms of shifting public thinking in the US, away from rights and entitlements towards a greater acceptance of responsibilities for all welfare client groups, most notably, single mothers. This is important in the British context which, in reforming welfare policies, is placing a strong emphasis on the responsibilities of all clients to move from unemployment to employment with the appropriate supports.

There is much evidence to suggest that the public mindset in Great Britain accepts the move towards rights to responsibilities for the general population, although challenges remain for the acceptance of this cultural shift in reference to such specific groups as lone parents and people with disabilities. Further difficulties are likely given the economic context which will characterise the implementation of British welfare to work compared to the economic growth which characterised the US of the mid to late 1990s.

Britain's strong political commitment to creating a 'mature market' where *'competition will drive innovation, improve value for money and enhance the effectiveness of all participants'* (Purnell, February 2008a) extends beyond that witnessed in the US, and it should be noted that cultural and ideological barriers to private sector involvement in public sector service delivery are likely to inform debate within Great Britain to a much greater extent than within the US. The *Commissioning Strategy* is a radical departure for Britain, and it will be important to recognise that the country begins its commissioning journey from a different starting point than that of the US. Through a long history of implementing performance-based commissioning across a variety of public services, the US had already broken down cultural and ideological barriers which Great Britain is still addressing.

Further, for many US stakeholders, the perceived benefits of performance based commissioning in welfare reform are coterminous with the flexibilities derived from the block funding structure in which States were given discretion to deliver services in the way they wanted, but were equally incentivised to find efficiencies (as the block grant structure meant that funding was fixed and savings remained with each State). Since Britain will not be employing such a funding structure, it will be vital to capitalise on the flexibilities derived from devolved service provision but it will also be important to recognise that efficiency savings are less incentivised within the British system than they were within the US system.

**Lessons learned: Shifting the public mindset**

- **Promote strong leadership of the agenda:** the British policy message around welfare reform has benefitted from strong support from the Prime Minister, Department for Work and Pensions (DWP) Ministers and the wider Government. The US experience teaches us that maintaining this momentum is vital to changing the mindset of the public from rights to responsibilities. The New York City (NYC) experience further shows that strategic and operational leadership will also play a key role in communicating the benefits of performance-based commissioning, and of significant private sector involvement in public sector service delivery to stakeholders throughout Great Britain.
- **Develop effective communications:** Britain can learn much about selling this new policy message to the wider population in general, and to benefit claimants in particular from both the US and NYC experiences. The US success in engaging single mothers in welfare to work is a key example of this success. The clarity and consistency with which the benefits of the prime provider model and performance-based commissioning of services from largely private sector providers was communicated to strategic and operational stakeholders in NYC holds many valuable lessons for Great Britain. It will be particularly important to focus on the potential efficiencies of reform during the current recession.

### 6.3 Stewarding the market

One of the central aims of welfare reform in Great Britain is to achieve optimum service levels and the best possible client outcomes within the constraints of budgetary allocation. The US example in general, and the NYC example in particular, point to a laissez-faire approach to the provider market. The evidence suggests that in NYC this approach has resulted in a number of key market features, including: a small number of large providers dominating the market; a relatively low level of involvement from smaller sub-contractors; and a consequent lack of provider diversity, and in particular a relatively low representation of Third Sector organisations. Furthermore, market entry by new providers seems to have been negligible, and since welfare reform has been introduced there has been a contraction of an already small provider pool leading to a lack of choice for commissioners, and consequently, it would seem, for the client.

This experience is important in the British context, given that the *Commissioning Strategy* envisages an important role for, firstly, Third Sector providers and secondly, smaller sub-contractors which are expected to enhance the innovation and client-centricity of the market. Close attention will, therefore, have to be paid to the ability of smaller providers to compete within the British welfare market, and also to the sustainability of specialist sub-contractors within a prime contractor model. While it is not clear from the evidence that optimum performance within the market is contingent upon stewardship, it is clear that a lack of stewardship results in a market which lacks the Third Sector and small provider input that Great Britain sees as strategically important to the quality and diversity of service provision.

**Lessons learned: Stewarding the market**

- **Maintain stewardship of the market:** the evidence from NYC suggests that without stewardship, the diversity of service provision within the welfare market is not assured. Given the importance placed upon client choice within Great Britain, a stewardship approach has greater potential to assure the contribution of the Third Sector and smaller providers.
- **Monitor the effects of competition:** the widely held view that competition for contracts and competition within the marketplace will drive innovation and performance levels within the marketplace remains a guiding hypothesis which should be monitored.
- **Develop Third Sector capacity:** particular importance will need to be paid to ensuring that the approach to commissioning helps to develop and sustain a thriving Third Sector within British welfare reform.

## 6.4 Monitoring and managing performance robustly

The contractual requirements placed on providers clearly and directly cascade from Federal welfare to work objectives. However, it is not clear that meeting these requirements achieved wider strategic aims such as the alleviation of poverty, nor was it clear to the study team whether welfare reform ever intended to meet aims wider than that of reducing the number of welfare recipients.

The simplicity and transparency of this system in which Federal and local welfare objectives are bound together by the same outcome indicators represents, in the study team's view, one of the key strengths of the US system. In addition, the NYC experience shows that this direct connection between performance requirements and performance monitoring is a key benefit of outcome-based contracting. This is because the data required by providers to record performance and that required by commissioners to measure performance are one and the same, allowing a highly routinised system of reporting that produces a 'single version of the truth' and enables continual benchmarking of individual and collective provider performance across specific elements of service.

Despite these benefits, it is important to note that NYC has had difficulties in the area of data validation and that, even without such difficulties, monitoring reported performance data alone cannot provide an early warning of impending delivery problems. Further, the absence of client experience metrics within performance measures has contributed to a performance-centric system rather than a client-centric one. But there remains much to be learned from the innovative ways that performance data has been utilised to drive competition and performance within the NYC market. Further lessons can be drawn from the three very different monitoring and management processes in evidence: 'hands on' contract management; close collaboration between funder and provider; and the event-based approach based on regular, scheduled, face-to-face contact between commissioner and provider.

Such monitoring and management techniques represent a departure for DWP, particularly in relation to the size and duration of the contracts involved in welfare reform. There will inevitably be challenges associated with finding the forum most suited to the British delivery market.

#### **Lessons learned: Monitoring and managing performance**

- **Align indicators with overall strategic aims:** welfare reform in Great Britain must define success and align overall strategic aims to the performance targets rolled out to providers in the commissioning process.
- **Create a 'single version of the truth':** it is important that Britain capitalises on the full benefits of the outcome-based approach within which performance data is simple, objective and incontrovertible.
- **Develop new partnership relationships with providers:** close collaborative contract management can create effective early warning systems.
- **Engage in event-based provider management:** implementing event-based management processes which incorporate regular, scheduled, face-to-face management meetings with prime providers.

## 6.5 Understanding the client journey and experience

As outlined above there is an important strength in the simplicity and transparency of the outcome-based approach in the US. It is the study team's view that this approach has, however, been constrained by a lack of focus on the client in general, little client-specific service provision, and the absence of wider client experience indicators. Indeed, without the guidance of wider strategic aims for client service, the importance of the client appears to have been eclipsed by the importance of achieving performance targets in the NYC system.

It is also important to consider whether this narrow focus on outcome-based performance measures has given rise to innovation (by allowing discretion around programme design and delivery) or constrained it (by failing to incentivise quality of client service). The evidence from the study trip points to a mixed picture in this respect with, for example, 'people first' providers providing extensive additional or wraparound services and 'work first' providers providing few such services.

This contrasts sharply with the emphasis that the *Commissioning Strategy* and Flexible New Deal are endeavouring to place on the significance and quality of the client experience for all clients and across all providers. The strategic importance of client-focused service delivery, the integration of quality measures into performance targets, and the formulation and publication of a star rating system as envisaged within the British system, represent important areas in which Great Britain is likely to remain distinctive from the US/NYC model.

**Lessons learned: Understanding the client journey and experience**

- **Foster simplicity and do not 'over-engineer'**: in order to harness high standards of client service, Britain must implement robust performance measures which take account of the quality of service provision and the client experience. In doing so, however, it must avoid over-engineering and ensure that the performance measures and framework are simple and transparent.
- **Maintain the centrality of the client experience**: targets – whether processes, outputs, outcomes or quality-related – drive and shape performance. In order to encourage client-centric responses from providers, DWP must ensure that client experience indicators are widely represented and incentivised within performance requirements.

## 6.6 Developing management information systems

The US experience highlights the importance of having appropriate management information systems in place prior to launch, and of coordinating these activities centrally in order to secure efficiencies in IT-related costs.

The direct alignment of targets and reporting requirements in the US has resulted in a management information system which, prima facie, was not complicated. However, the NYC example illustrates that in practice the administrative processes involved in providing and verifying evidence of performance (e.g. timesheets to verify work participation rates) have proved problematic. The evidence from NYC suggests that larger providers were generally better placed to meet these obligations. The evidence also points to smaller providers struggling with the administrative burden of demonstrating the achievement of performance outcomes, thus reducing their income stream and further weakening their position in the market.

Generally speaking, the more centralised nature of service provision in Great Britain reduces the risk of IT system inefficiencies (such as duplicate purchasing of specialised software) but magnifies the potential impact of IT problems across the market. A further concern within such a centralised system is striking the right balance between data security and accessibility. Another challenge for Britain will be the achievement of equilibrium between the need for robust verification of performance data and the associated administrative burden placed on providers, particularly smaller providers whose contribution to market diversity is strategically important to DWP. With a current system which is accessible to Jobcentre Plus agencies but not to providers, the development of a robust and suitably accessible yet secure management information system will be a considerable challenge.

**Lessons learned: Developing management information systems**

- **Develop an appropriate IT infrastructure:** IT systems, and the required reporting data, should be aligned in a way that allows both commissioner and provider to capitalise on the simplicity of performance-based contracting.
- **Support Third Sector providers with information provision:** due attention needs to be paid to the capacity of small and Third Sector providers to meet ongoing reporting and monitoring requirements.

## 6.7 Generating and disseminating knowledge of 'what works'

In-depth research and evaluation on welfare to work in the US in general, and NYC in particular, has been hampered by data limitations. US research also had a clear focus on the need to inform lobbying activities for the reauthorisation of welfare legislation in line with the legislative requirements and culture of that system. In line with this, the study team had a clear sense that research activities were not coordinated and that the dissemination of learning for improved implementation and continual service improvement was not emphasised. In addition, it was widely recognised by the stakeholders we spoke to that welfare reform in the US lacked a formal feedback mechanism in relation to innovation and best practice, leading to a consequent loss of valuable implementation lessons. The limited capture of these lessons in a consistent and systematic way meant that there was, in turn, limited dissemination of best practice to inform future delivery.

From the British perspective it is clear that learning points will continually emerge from the implementation of the *Commissioning Strategy*. Capturing and disseminating these lessons will be an important means of shortening the provider learning curve, thus ultimately enhancing the quality of provision.

**Lessons learned: Generating and disseminating knowledge of 'what works'**

- **Develop feedback loops:** DWP should ensure a formal feedback mechanism is in place to capture the lessons for innovation and best practice which arise during implementation of the *Commissioning Strategy*.
- **Disseminate research findings:** the market will be strengthened by the dissemination of these findings in an appropriate, effective and transparent way.

## 6.8 Conclusion

This chapter has sought to distil the key lessons from the US/NYC study trip which are applicable to Great Britain and in particular to the implementation of DWP's *Commissioning Strategy*. In conclusion, it is clear that there are a number of ways in which Great Britain seems to be moving towards the NYC model, and a number of ways in which Great Britain remains distinctive from the NYC model. These are set out below and, in our view, provide a concise summary of the areas from which the study team has been able to learn from the strengths and the challenges of the NYC model.

### **Areas in which Great Britain is moving towards the NYC model**

- performance-based contracting;
- prime provider model;
- encouragement of innovation within the market place;
- Directly aligned performance requirements and monitoring data; and
- effective performance management systems incorporating early warning signals.






### **Areas in which Great Britain remains distinctive from the NYC model**

- holistic approach to British service provision, embodying high standards of client service and a differentiated approach to core client groups, particularly for clients with significant barriers to employment;
- focusing on the client journey and experience will remain central in Great Britain;
- benefit entitlements will continue and will remain less restrictive than in NYC;
- DWP to continue to actively steward the market;
- actively promoting diversity of providers, particularly Third Sector providers;
- greater alignment and coordination of budgets to achieve meaningful client outcomes while harnessing the opportunity for efficiencies arising from performance-based commissioning; and
- co-commissioning of skills, employment and housing agendas in Great Britain to achieve wider strategic aims.







# Appendix A

## Interviewees

<b>Organisation</b>	<b>Name</b>	<b>Role and responsibility</b>
National Governors Association (NGA) 	Susan Golonka	Programme Director for Human Services at the Social, Economic & Workforce Division of the NGA Centre for Best Practice; directs NGA's policy and analysis, research and technical assistance efforts on issues related to child welfare, welfare reform, work supports service integration, low-income working families and poverty.
	Linda Hoffman	Senior Policy Analyst at the Social, Economic & Workforce Division of the NGA Centre for Best Practice.
Committee on Ways and Means 	Matt Weidinger	Staff Director (Republican) of the Subcommittee on Income Security and Family Support.
	Nick Gwyn	Staff Director (Democrat) of the Subcommittee on Income Security and Family Support.
Centre for American Progress 	Mark Greenberg	Executive Director of the Task Force on Poverty at the Centre for American Progress.
American Public Human Services Association (APHSA) 	Jerry W. Friedman	Executive Director of APHSA.
	Robert Ek	Legislative Associate at APHSA.
	Frank Solomon	Director of Communications and membership at APHSA.
	Damian Terzagha	Manager of Employment Programmes for people with disabilities.
Corporation for a Skilled Workforce (CSW)	Ed Strong	Director, Human Capital Initiatives at Corporation for a Skilled Workforce (CSW).
Urban Institute 	Olivia Golden	Senior Fellow with expertise in child and family programs at the Federal, State, and local levels and a special interest in the way services are delivered on the front lines.
	Gina Adams	Senior research associate in the Urban Institute's Center on Labor, Human Services, and Population; directs research on child care and early education.

	Sheila Zedlewski	Director of Urban Institute’s Income and Benefits Policy Center.
NYC Human Resources Administration (HRA) 	Raymond Singleton	Assistant Deputy Commissioner of the New York City HRA.
Seedco 	Julie L. Shapiro	Senior Vice President of Seedco.
Gay Men’s Health Crisis (GMHC) 	Reshard Riggins	Associate Director, Workforce Development and Economic Empowerment; Director of the MATCH Program.
	Jessica Nation	Workforce Program Manager.
HRA	Mike Bosket	Director of WeCARE Operation.
Arbor WeCARE 	Dimitri Triantafillakis Patricia Jenkins-Spady	Executive Director. Deputy Director of Clinical Services.
	Dr Harvey Goldberg Carl Cooke	Medical Director. Deputy Director of Vocational rehabilitation Services.
	Joanna Weissman	Deputy Director of Operations Management.
	James Indelicato	Deputy Director of Organizational Management.
New York University 	Lawrence M. Mead III	Professor of Politics; Teaches American politics and public policy.
America Works 	Peter Cove	Founder; proponent of private solutions to the issue of welfare dependency.
	Dr Lee Bowes	Chief Executive Officer.
NYC Human Resources Administration (HRA)/ Department of Social Services (DSS) 	Robert Doar, Commissioner	Administrator and Commissioner of the Human Resources Administration/ Department of Social Services (HRA/DSS).

<p>NYC Human Resources Administration (HRA)</p>	<p>Swati Desai</p>	<p>Executive Deputy Commissioner – Research &amp; Evaluation.</p>
	<p>Joe de Martino</p>	<p>Deputy Commissioner – Data Reporting &amp; Analysis.</p>
	<p>Lisa Garabedian</p>	<p>Assistant Deputy Commissioner – Data Reporting &amp; Analysis.</p>
	<p>Frank Lipton</p>	<p>Executive Deputy Commissioner – Customised Assistance Services.</p>
	<p>Seth Diamond</p>	<p>Executive Deputy Commissioner – Family Independence Administration.</p>
	<p>Sandra Glaves-Morgan</p>	<p>Executive Deputy Commissioner – Contracts Agency</p>
<p>Manpower Demonstration Research Corporation (MDRC)</p>	<p>James Riccio</p>	<p>Director of the Low-Wage Workers and Communities Policy Area.</p>
	<p>Jesus Amadeo</p>	<p>Senior Vice President for Core Services and Chief Financial and Administrative Officer.</p>
<p>George Washington University, Washington DC</p>	<p>Professor Michael Wiseman</p>	<p>Research Professor of Public Policy, Public Administration and Economics.</p>
		
<p>Strive</p>	<p>Eric D. Treworgy</p>	<p>Chief Executive Officer</p>
	<p>Rob Carmona</p>	<p>President.</p>

# Appendix B

## Topic guide

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### Topic Guide 1 of 7: Relationships between jurisdictions in funding and managing programmes

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#### City/State relations

How do New York State and New York City relate in the process of:

- *Priorities*: setting welfare to work policies and priorities for New York City.
- *Funds*: allocating funds for use in New York City's welfare to work programmes.
- *Providers working across jurisdictions/boundaries*: managing providers that serve several communities in the State, in addition to New York City.
- *Cocktail funding/multi-agency working*: managing programmes and providers that receive funding from the City and the State or that need to work closely with other State agencies responsible for work force development.
- *Federal funding*: securing financial support and other resources from the Federal Government for welfare- to-work programmes.

#### Transferable lessons

What lessons can Great Britain take from the experience of City/State/Federal relationships in New York?

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**Topic Guide 2 of 7: Contracting, selection of prime contractors and procurement procedures**

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**Contracting**

- *Key to model?:* how central to the US model for employment services and the management of welfare to work programmes are contracts and contracting out?

**Selection**

- *Initial selection:* how were prime contractors selected initially? With the benefit of experience, what, if anything, might be done differently to achieve better results?
- *Impact on new 'sub' contractors/change of status:* how did being relegated to sub-contractor status affect those not chosen to be prime contractors? Did this have any consequences for programme administrators or for prime contractors? If yes, how did programme administrators and prime contractors respond, and in what ways were their responses successful or unsuccessful?

**Procurement procedures**

- *Contracts and constraints:* have any model contracts for prime or sub-contractors been drawn up? Have any formal or informal constraints been placed on what these contracts can contain? If yes in either case, what were their most important features, how well have they worked, and why?
  - *Capacity of contractors:* have any problems arisen with prime contractors' allocation of responsibilities, caseloads or resources to sub-contractors? What were the problems, and how have they been handled?
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### Topic Guide 3 of 7: Performance metrics and performance-based incentives and sanctions

#### Performance metrics

- *Data collection and use in performance management*: how, exactly, does New York City use data from its contractor information system to drive the performance of prime contractors? What information does the contractor information system contain? Could it be improved, and if so, how?
- *Performance measurement*: how are outcomes and processes actually measured? Have performance metrics or methods of obtaining information evolved over time? If yes, how and why?
- *Robustness of performance data*: to what extent, and why, are the data about outcomes and processes, which are used to evaluate performance in New York City, considered to be:
  - reliable, i.e. consistent in similar circumstances;
  - valid, i.e. reflecting the qualities and characteristics of interest to those who use the measurements;
  - contextualised in useful ways, e.g. benchmarked against up-to-date deprivation indices;
  - have any problems arisen with prime contractors' being responsible for monitoring the performance of sub-contractors? If yes, what were they, and how have they been handled?

#### Performance-based incentives and sanctions

- *Effectiveness of incentives*: how, and how well, are performance-based incentives working now?
  - *Financial implications of incentives*: is there a budget for the added profit that for-profit providers may receive and the additional programme budget that not-for-profit providers may get? If yes, are such budgets under- or over-spent?
  - *Effectiveness of sanctions*: what do sanctions involve? Do sanctions seem to have the desired effects? Is New York City tending to depend more on sanctions than rewards for managing providers? Why?
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**Topic Guide 4 of 7: Governance, accountability and transparency****Governance**

- *Coordination and efficacy*: large scale, contracted out welfare to work programmes can suffer difficulties with coordination and investment efficacy, according to some, especially where programmes receive money from different funding streams that are accountable to different agencies within City, State and Federal Government. Have coordination and investment efficacy been problematic among providers in New York City? If yes, how so, and with what consequences? How, and how successfully, have difficulties been handled?

**Accountability**

- *Evolution and success of governance tools*: how, and how successfully, have the following evolved to underpin good governance and accountability in welfare to work programmes:
  - management information systems;
  - contract management skills;
  - service Level Agreements;
  - independent assessment of the impact and management of welfare to work programmes;
  - policies and processes to monitor and mitigate conflicts of interest.
- *Client choice*: to what extent and by what means are clients able to influence or exercise choice in their use of welfare to work programmes or providers? Have such means been effective in terms of their objectives? Why, or why not?

**Transparency**

- *Disclosure requirements*: what information about their welfare to work operations are for-profit and not-for-profit providers required to make public? Do any disclosure requirements apply to them that would not apply to other for-profit and not-for-profit organisations? If yes, what are those requirements? Overall, has a satisfactory level of transparency been achieved?



## Topic Guide 5 of 7: Market dynamics and competition

### Market dynamics

- *Changes to market*: has the market for contracted employment services expanded or contracted in the past three or four years, e.g. since 2005? Is there any evidence about the sorts of providers' entering and exiting the market for contracted employment services in New York City, or the State? If yes, what changes have taken place, e.g. among prime and sub-contractors, by area, by type of services provided, by size of provider, etc., and with what consequences?
- *Government intervention/direction in market*: has the City or the State sought to manage or encourage some aspects of this market entry/exit process? If yes, with what aims, and to what effect?
- *Supply chain development and management*: what changes or impacts has the change in commissioning had on the overall supply chain? Has the City or the State sought to manage the impacts in any way?

### Competition

- *Competition*: is there any evidence of competition among providers:
  - for contracts, generally; for larger, longer contracts; for contracts in contiguous areas; for contracts to provide particular services; for contracts allowing providers more autonomy and flexibility;
  - for funding from certain agencies; if yes, which ones, and why;
  - for sub-contractors;
  - for clients.
- *Impact on market*: if competition exists, what effects does it tend to have on the character of the market for contracted employment services and the market's ability to meet New York City's goals for its welfare to work programmes?
- *Anti-competitiveness*: is there any evidence of anti-competitive practices or trends in the market for contracted employment services? If yes, what are they, how have they arisen, and how are they being handled?
- *Churn/turnover of primes*: have any prime contractors been dropped or replaced? How many and how recently? How and why was this done? With what consequences?
- *Contractors dependency on City*: to what extent are prime and sub-contractors dependent on New York City funding, i.e. does the City typically provide a large or a small proportion of prime and sub-contractors' annual revenue? Does the degree of dependence appear to be fairly stable over time, or does it change considerably from year to year? If it changes considerably, why, and with what consequences? For providers that are not highly dependent on City funding, what other sources of revenue are typically important to them?
- *Viability of contractors*: is the viability of sub-contractors a concern for prime contractors or for the administrators of the City's welfare to work programmes? If yes, how so? What is being done to manage the situation, and to what effect?
- *Recession*: how are providers in the US coping with recessionary pressures?

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**Topic Guide 6 of 7: The evolution of welfare to work**

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- *Blended vs. work first solutions*: would New York City's reforms have evolved more successfully if solutions blending education, training and treatment with work requirements had been adopted more widely and vigorously than they were in the early days of welfare reform, or was single minded adherence to 'work first' needed initially to change the expectations of clients and the culture of the welfare establishment?
  - *Cultural and structural changes*: what other steps were taken to change the culture of the welfare system and the expectations of clients and potential clients? How – and how successfully – were early structural changes positioned and communicated to those who worked in the welfare system? Was there any resistance or inappropriate enthusiasm in implementing reforms, and if so, how was it handled?
  - *Nature of current programmes*: are any monoline programmes focusing strictly on 'work first' operating successfully in New York City now? Would it be fair to conclude that experience shows that blended programmes, combining work, training, treatment and perhaps other elements, tend to be more effective than monoline programmes in achieving work-related outcomes? Why?
  - *Performance based payments*: are payments made directly to individuals for work-related achievements gaining credibility and popularity in New York City? Why, and with what consequences?
  - *Employer's responsibility*: are employers being asked to exercise more direct control over taking on benefit claimants, bypassing providers as intermediaries to some extent by drawing down candidates from a roster of claimants, for instance? Why, and with what results?
  - *Unexpected consequences*: revolutions usually have unexpected consequences, some good and some bad. What are the most important unexpected consequences that have come from welfare to work reforms? How have they been handled?
  - *Legislative changes*: with the legislation that created current welfare to work programmes coming up for renewal in 2009, are significant changes likely? What are they, and why are they likely to be accepted? Will President-elect Obama's Green agenda for the preservation and creation of jobs affect welfare to work priorities and programmes? How so?
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**Topic Guide 7 of 7: Other issues**

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- Relationship with changes in childcare: have changes in the system of child care allowances and child care provision influenced the success of back-to-work programmes? If yes, what changes in particular, and to what effect?
  - Effectiveness across sectors: comparing their success in getting people back to work, how effective relative to each other are for-profit and not-for-profit providers proving to be? Why? How likely is it that for-profit and not-for-profit providers will come to be deployed or managed differently within welfare to work programmes? How might this work – self-selection vs. new rules? What would such a change be expected to achieve?
  - Link with employment availability: have reductions in welfare roles been matched by increased employment? Have recently rising unemployment figures been reflected in an increase in benefit claimants? If the implied matching and mirroring is not taking place, what is known about why this occurs, e.g. who is affected and are other mechanisms or channels, outside the welfare to work environment, dealing with workless people?
  - Innovation: innovation is often said to be one of the aims of welfare to work reforms in Great Britain. Has innovation been evident in New York City or elsewhere as a consequence of reform in the US? What have the most innovative developments involved? How successful have they been, and why?
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# Appendix C

## Additional information

- US welfare to work legislation: further detail.
- Benefit entitlements in New York.
- Overview of NYC welfare to work requirements.
- Programme case studies.

### US welfare to work legislation: further detail

#### **Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) and the Welfare Reform Act**

Welfare to work legislation has evolved significantly since Clinton's initial proposal in 1994, but finally in 1996 the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) was implemented by, and came to be popularly known as, the Welfare Reform Act of 1997. Both were products of President Clinton's second term (1996-2000), a term in which conservative Republican majorities had been returned to the House of Representatives and the Senate in the mid-term Congressional elections of 1994. Together they represent nothing short of the most revolutionary welfare legislation in the US since Franklin D. Roosevelt's New Deal.

PRWORA was to be funded by Temporary Assistance for Needy Families (TANF), Federal funding delivered to States in the form of block grants. Together, this legislation and the structure of its funding created a new regime centred on work requirements and time-limited assistance for recipients while giving States the leading role in delivering welfare policy. The legislation required States to place 25 percent of their welfare recipients in jobs or work-related activities by 1997, and 50 percent by 2002, or risk losing Federal welfare funding.

### **Workforce Investment Act**

The Workforce Investment Act (WIA) was introduced in 1998 in order to meld, fuse and coordinate the more than 100 training programs for workforce services involving a myriad of Federal, State, and business entities in place before 1998 into an integrated and better functioning system. WIA mirrored and magnified the tentative efforts of employers in the 1990s to increase investments in staff training and to improve links with schools and colleges to create graduates who were better prepared for the modern workplace and to address the shortage of skilled workers in a rapidly changing labour market. It aimed to close the gap between the skills of the labour force and employer needs, with employers having more say in program design (Carr and Conte, 2008). WIA's three distinct funding streams (adults, dislocated workers and youth) were also delivered in the form of block grants to States.

### **Personal Responsibility, Work and Family Promotion Act 2002**

In 2002, the House passed the Personal Responsibility, Work, and Family Promotion Act. The legislation reauthorized the TANF program and made a number of revisions to existing programs that were included in President Bush's welfare and work plan. It increased Federal spending by \$320 million in 2003 and by \$1.2 billion over the 2003-07 period but reduced revenues by \$20 million over the 2005-07 period. Crucially for States, it increased minimum work requirements by five per cent per year, bringing the State requirement for the proportion of TANF families working or participating in work-readiness activities for 40 hours a week up (from 50 per cent) to 70 per cent by the year 2007. Childcare received historically high levels of funding through the 'Child Care and Development Block Grant', with \$2 billion in additional funds for child care over the next five years, and funds of up to \$300 million annually earmarked for programs promoting healthy and stable marriages, such as premarital education and counselling programmes. 'State Flex' demonstration projects aimed to encourage innovation, and improve the effectiveness of programs and program coordination, and ultimately to improve service delivery (Social Security Agency, 2002).

### **Deficit Reduction Act 2005**

In February 2006, President Bush signed the Deficit Reduction Act of 2005 (DRA), an Act expected to generate \$99 billion in Federal entitlement reductions between 2006 and 2015 (Kaiser Family Foundation, 2006). The DRA extended the block grant funding structure through to 2010, and reauthorization of the TANF program was included in the legislation, but with the following provisions:

- the caseload reduction credit was revised so that the credit would only be applied to caseload decline after 2005 (previously the reduction from the 1995 caseload was taken into account);
- work participation rates would apply to separate State programs;
- crucially, the definition of what counted as 'employment-related activities' became much more restrictive.

(Disability Policy Collaboration, 2006)

Together, these changes negatively impacted on both the ability of States to meet Federal work participation targets, as well as the credit they would receive for reducing caseloads, making welfare reform altogether more prescriptive, more difficult to achieve and less financially rewarding at the State level. Stakeholders believe the narrow definition of work participation has direct consequences for benefit claimants:

*‘States want to make sure that pretty much the day or the week the person comes in the door and starts getting TANF, they can start counting towards their work rate, that they are participating in some way. So, some are setting up requirements that you have to do certain things prior to getting the cheque and being officially on TANF. Others are creating diversion programs, where they are saying “maybe we can address this problem by giving you a one time cheque worth three months’ assistance but that means you can’t come back for a while”. So different strategies like that and a lot of it is motivated by the toughness of the work participation rate.’*

(Commissioning stakeholder, Washington DC)

## Benefit entitlements in New York

Benefit	Details of entitlement
New York Unemployment Insurance	<ul style="list-style-type: none"> <li>• Unemployment insurance benefits provide temporary financial assistance to workers unemployed through no fault of their own that meet New York’s eligibility requirements. In order to qualify for this benefit program, citizens must:                             <ul style="list-style-type: none"> <li>– have worked in New York during the past 12 to 18 months and have earned at least a minimum amount of wages as determined by the guidelines; and</li> <li>– be able to work and available for work each week that they collect benefits.</li> </ul> </li> </ul>
New York TANF	<ul style="list-style-type: none"> <li>• The Family Assistance (FA) component of the New York Temporary Assistance program provides cash assistance to needy families that include a minor child living with a parent (including families where both parents are in the household) or a caretaker relative. Parents and other adult relatives who can work must be working or involved in work-like activities after receiving FA benefits for two years, or sooner if the local Department of Social Services decides this is feasible.</li> <li>• Parents are also responsible for cooperating with the local Department of Social Services in locating any absent parent. Non-cooperation without good cause could result in lower benefits.</li> <li>• In order to qualify for this benefit program, citizens must:                             <ul style="list-style-type: none"> <li>– reside in New York;</li> <li>– either be pregnant or responsible for a child under 19 years of age; be a US national, a citizen, a legal alien, or a permanent resident; have a low or very low income; and be either under-employed (working for very low wages), unemployed or about to become unemployed.</li> </ul> </li> </ul>

Continued

<b>Benefit</b>	<b>Details of entitlement</b>
New York Food Stamp Program	<ul style="list-style-type: none"> <li>• The Food Stamp (FS) Program issues monthly benefits redeemable at authorised retail food stores. Eligibility and benefit levels are based on household size, income, assets and other factors. To help with the transition to self-sufficiency, food stamps can be continued for families leaving temporary assistance to move into the workplace. The food stamp income eligibility limits enable families earning up to 130 per cent of the poverty level to qualify for the program, and there is no time limit for receipt of benefits for families with children.</li> <li>• To qualify citizens must: <ul style="list-style-type: none"> <li>– be a resident of the State of New York;</li> <li>– either have a current bank balance (savings and checking combined) under \$2,001, or have a current bank balance (savings and checking combined) under \$3,001 if sharing a household with a person or persons age 60 and over, or with a person with a disability.</li> </ul> </li> </ul>
New York State Safety Net Assistance Program	<ul style="list-style-type: none"> <li>• The Safety Net Assistance (SNA) program provides cash and non-cash benefits to those in poverty who are not eligible for Family Assistance (TANF).</li> <li>• Established by the Welfare Reform Act of 1997, this benefit ensures that childless adults and families who reach their TANF limit receive some form of benefit. Funded by 50 per cent State and 50 per cent local contributions, SNA provides cash assistance to such client groups as: <ul style="list-style-type: none"> <li>– single adults;</li> <li>– childless couples;</li> <li>– children living apart from any adult relative;</li> <li>– families of persons abusing drugs or alcohol;</li> <li>– families of persons refusing drug/alcohol screening, assessment or treatment;</li> <li>– persons who have exceeded the 60-month limit on assistance.</li> </ul> </li> <li>• Individuals can receive SNA in cash for a maximum of two years in a lifetime. After that, if eligibility continues, it will be provided in non-cash form. Non-cash benefits are provided through two-party checks or a direct check to a vendor, such as a landlord or utility company. There is no time-limit on non-cash benefits.</li> </ul>
New York Medicaid	<ul style="list-style-type: none"> <li>• Medicaid pays for a number of services, but some may not be covered due to age, financial circumstances, family situation, transfer of resource requirements or living arrangements. Some services have small co-payments. These services may be provided using a Medicaid card or through a managed care plan if enrolled in managed care (no requirement to co-pay if in a managed care plan).</li> </ul>

Continued



Benefit	Details of entitlement
New York Medicaid (continued)	<ul style="list-style-type: none"> <li>• To be eligible, citizens must:                             <ul style="list-style-type: none"> <li>– be in need of health care/insurance assistance;</li> <li>– have a low or very low income;</li> <li>– be either pregnant, a parent or relative caretaker of a dependent child(ren) under age 19, blind, have a disability or a family member in their household with a disability, or be 65 years of age or older.</li> </ul> </li> </ul>
Other benefits	<ul style="list-style-type: none"> <li>• A variety of other benefits exist, Illustrative examples include:                             <ul style="list-style-type: none"> <li>– New York Low Income Home Energy Assistance Program;</li> <li>– New York Weatherization Assistance Program.</li> </ul> </li> </ul>

## Overview of NYC welfare to work requirements

Element	Detail
TANF recipients	<ul style="list-style-type: none"> <li>• 50 per cent of all families receiving TANF to be engaged in minimum number of hours each week – 20 hours for single parents of children under 6; 30 hours for single parents of older children.</li> <li>• 90 per cent of two-parent families in receipt of TANF to be engaged in minimum number of hours each week; 55 hours for families who receive Federally funded childcare and 35 hours for families who do not.</li> <li>• Failure to meet participation quotas can result in a five per cent reduction in the State's TANF budget from Health and Human Services, with increased penalties for failure to achieve participation rates in subsequent years.</li> </ul>
Caseload	<ul style="list-style-type: none"> <li>• TANF recipients.</li> <li>• TANF recipients who have reached the 60-month limit and have moved onto SNA.</li> <li>• SNA recipients.</li> </ul>
Core activities	<p>There are nine core activities which count towards Federal requirements:</p> <ul style="list-style-type: none"> <li>– unsubsidised employment – public or private sector employment not subsidized by TANF or any other programme;</li> <li>– subsidised private-sector employment – employment in the private sector for which the employer receives a subsidy from TANF or other public funds to meet or ameliorate wage and employment costs;</li> <li>– work experience – work activity that aims to increase employability through the development of skills, training, knowledge and work habits, Work experience must be supervised by an employer, on-site work sponsor or other such party daily;</li> </ul>

Continued

Element	Detail
	<ul style="list-style-type: none"> <li>– on-the-job training – work-based training in the public or private sector with the aim of developing the necessary skills or knowledge for that job. Also subject to supervision by an employer, on-site work sponsor or other such party daily;</li> <li>– job search and job readiness assistance – job seeking or preparation activities, including life skills training, substance abuse treatment, mental health treatment or rehabilitation activities for those who are otherwise employable. Such treatment or therapy must be determined to be necessary and certified by a qualified medical or mental health professional. All job search and job readiness assistance activities must be supervised by the TANF agency or another responsible party daily, and can only be counted towards Federal requirements for up to six weeks a year per participant (12 weeks in ‘needy states’);</li> <li>– community service programs — programs and activities in which TANF recipients work for the benefit of the community under the auspices of public or non-profit organisations to improve their employability. Community service programs must be limited to projects that serve a useful community purpose in fields such as health, social service, environmental protection, education, urban and rural redevelopment, welfare, recreation, public facilities, public safety, and child care, and must be supervised daily;</li> <li>– vocational educational training – organised programs of education directly related to preparation for employment in current or emerging occupations requiring training other than a baccalaureate or advanced degree. Vocational educational training is restricted to 12 months per recipient and must be supervised on a daily basis;</li> <li>– providing child care services to an individual who is participating in a community service programme – providing child care to enable another TANF recipient to participate in a community service programme. Also supervised daily.</li> </ul>
Non-core activities	<ul style="list-style-type: none"> <li>• Non-core activities count towards Federal requirements only when the participant has completed 20 or more hours of core activities in that week.</li> <li>• The three non-core activities are: <ul style="list-style-type: none"> <li>– job skills training directly related to employment – training or education for job skills required by an employer to provide an individual with the ability to obtain employment, to advance within employment, or to adapt to the changing demands of the workplace. Supervised daily;</li> <li>– education directly related to employment, for recipients without a high school diploma or equivalent – education related to a specific occupation, job, or job offer. Supervised daily;</li> <li>– satisfactory attendance at secondary school or in a course of study leading to a General Educational Diploma (GED), for recipients without a high school diploma or equivalent – regular attendance at a secondary school or in a course of study leading to a certificate of general equivalence. Supervised daily.</li> </ul> </li> </ul>

Continued

Element	Detail
Caseload reduction	<ul style="list-style-type: none"> <li>Work quotas are reduced by one percentage point for each percentage point reduction from the 2005 caseload they achieve. So for example, if in 2009 NYC achieves a ten percentage point reduction in the single-parent TANF caseload benchmarked at 2005, then the 50 per cent engagement target for this caseload is reduced to 40 per cent.</li> </ul>

## Programme case studies

### Case Study: Arbor



#### Ethos

- Arbor is a division of Rescare, an organisation which provides job training and educational support to individuals with developmental or other disabilities, and support to older people in their homes.
- As a non-profit, if Arbor's profits exceed ten per cent of the contract value, any surplus must be re-invested into services.

#### Program design

- The program was designed by Human Resources Administration (HRA) and contracted out to two agencies across NYC.
- WeCARE stands for the Wellness, Comprehensive Assessment, Rehabilitation and Employment program.
- Clients are referred to Arbor by Job Centers if they report that they cannot work due to physical or mental health conditions.
- The programme involves a detailed biopsychosocial (BPS) assessment which informs further referral to sub contracting agencies for a variety of services including specialist medical services.

*'Our model is a bio-psycho model, it looks at the person's medical history, looks at the person's psycho social history, looks at the person's work history, education history, legal history, and how all these things together impact on the individual. Because if you just look at the medical model, it doesn't give you the information you need... because these individuals are some of the more difficult people to work with the more difficult people to place. We decided that we really needed a holistic model to assess these folks and to make them more successful.'*

#### Programme delivery

- The BPS assessment assigns clients to one of four categories:
  - fully employable: clients are referred back to HRA employment programmes;
  - unemployable: clients are assisted with the completion and assistance of Federal Disability (SSI) applications;
  - temporarily unemployable: clients are provided with a 'Wellness' plan which links them in to community-based services, while Arbor continue to conduct case management, clinical support and monitoring duties;
  - employable with limitations: clients are required to undergo a vocational evaluation and to participate in vocational rehabilitation (VR), including specialised work experience, education, training, job search and work readiness activities;

*'[We pay attention to] how we receive people and how we greet them, and how we let them into our system, and let them know that we are really here to help and that we feel very strongly about helping them move forward in their life. We look forward to putting them first – at the centre of everything we do.'*

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### Contracting

- Arbor's vocational rehabilitation contract with HRA involves a higher expense ceiling than the back to work contracts – 30 per cent.
- Between 20 per cent and 25 per cent of Arbor's contact is sub-contracted to specialist providers.

*'They [the sub contractors] have their own systems, we meet with them monthly... about issues that we will discuss, we will review the deliverables, their revenue generation. We will do quality pieces of work, like focus groups, and we give them feedback on that, so we have a standard minimal agenda which is all about the operations of their service... but in the monthly oversight, the Executive is really looking at the contract and the quality of best practices.'*

*'I think that our sub-contractors quite frankly have been in very different places, some of our sub-contractors... are very, very driven by the dollar and I am trying to talk about the quality of the service.'*

### Performance management

- Emphasise internal performance management in conjunction with HRA reporting requirements and monitoring activities.
- Conduct approximately 400 customer surveys a month and have established a participant advisory group which meets regularly and reports to the Arbor Executive once every six weeks.
- Particular emphasis on managing the conduct and performance of subs.

*'Companies must be able to internally look at how they are doing what they are doing, and assess themselves.'*

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## Case Study: America Works



### Ethos

- Job placement is the primary means of tackling barriers to employment.
- Training and development are better suited to the post-placement phase.

*'[We found] something that our more liberal friends didn't like, which was that education and training didn't work very well as a first strike in welfare to work. It worked well in raising wages once people were working but it didn't work well in welfare to work, and that was the programme that was funded.'*

### Programme design

- 'Work first' approach.
- Sales-like approach taken with both clients and employers.
- Emphasis on the business needs of employers.
- Emphasis on placement, retention and mutually beneficial relationships with employers.

*'You don't look at the barriers at the beginning – what you do is you develop the resources necessary as you go along, so to pre-suppose what sub-contractors you need before you even start operating to us doesn't make sense.'*

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### **Programme delivery**

- Clients may be voluntary or mandatory.
- Job developers, referred to as 'sales people', liaise with employers to establish links; face-to-face liaison regarded as key.
- Job developers link clients to job opportunities with employers they have liaised with.
- Corporate representatives monitor the suitability of the placement from both the client and the employer's perspective.

### **Contracting**

- Limited use of sub contractors, but evidence to suggest sign posting to publically available services, both State and not-for-profit. 'Some' contracts in place.

*'We use no sub-contractors to do our primary work which is getting the person to a job and keeping them in the job – we never sub-contract. We really don't sub-contract anything. What we do is work with some other providers on mental health issues and other organisations – we work with transitional housing places, whatever we need to work with but our business is our business and we do that business and stick to it.'*

*'When that Human Resource manager has a problem with one of his people, rather than firing the individual, they call us and we have that network that can arrange to get child care for that person, can arrange to get drug treatment, arrange to get them an electoral card, or whatever it is that they need. So we have a key role in terms of linking in with the support network that the State and not-for-profits has already got out there.'*

### **Performance management**

- Performance management is aligned to contractual obligations requiring retention at 30, 90 and 180 days.
- While accepting that several placements may be necessary to achieve retention, America Works suggest that the success of placements is key to both client and employer engagement with their services, and ultimately their success as a business.

*'Retention services have been a huge, huge part of what we do. Our job starts once they have got the job...The corporate representative's reason for being here is to make sure that that person gets to work every day, so that candidate is told "you call me if anything comes up...call me and let help you through"...It's actually part of the sale pitch, when you are talking to a company that without us if a HR manager has a problem with an employee it falls on them. We say, "no, call us if you see something creeping up, something looks like it's going in the wrong direction"...part of our pitch is we are a free mobile human resource office essentially.'*

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## Case Study: Seedco

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### Ethos

- Mission-based, non-profit 'umbrella' organisation providing resource and infrastructural support to small community-based organisations who provide welfare services to low paid workers and those with barriers to employers.
- Aim to ameliorate the risks of performance-based contracting for small providers.
- Provide support to subs with: administrative processes; all aspects of fiscal management including billing; advocacy; government relations and contract negotiations; contract and performance management.

*'We are a national non-profit intermediary and our mission is to provide economic opportunities to low income job seekers, workers and neighbourhood entrepreneurs.'*

*'Part of our mission is to help sustain community based organisations. So if an organisation starts to fall behind the smart business decision is to just let them go. But we don't, we really try and work with them and turn around a performance and see if we can make them financially viable again.'*

### Programme design

- Varies across sub providers.
- Generally a blended approach which seeks to incorporate training, but with a clear emphasis on employment outcomes.

*'TANF dollars have a 'work first' principal to them, but the way that we use that is a 'mixed approach', where we think it is important that not only assessment programmes focus on work but also include what people need to get them there. We do the training with a mixed approach but that training should be short-term and should not 'go on'; it should take first priority before people go to work.'*

### Programme delivery

- Varies across sub providers.
- Tailored to population being served, e.g. HIV positive gay men, Hispanic men.

*'We have worked with a whole range of different types of organisations from very experienced workforce development providers to organisations that were pretty brand new to the work. Faith-based organisations, secular organisations, the whole gamut of settlement houses, social services agencies and we have had success with lots of different organisations.'*

### Contracting

- Seedco hold a 100 per cent performance based prime contract with the HRA. This contract is passed on to the network of nine 'community partners' with payments to the latter 50 per cent performance based and 50 per cent expense-based.
- All program design and delivery is conducted by the community partners.

*'Essentially, we subcontract all the pragmatic work to our community partners so they do it all, from the very beginning, assessment of the participants all the way through to job placement and retention and everything along the way and our role is to also just provide a capacity building support for them and then technical assistance so that they are running the highest quality programmes that they can run and so we have the continuous performance improvement tools that we use to help the site stay on track. And if they fall behind we provide more intensive individual technical assistance.'*

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### Performance management

- One of the successes of Seedco is to make HRA data collection systems accessible to small community-based providers who are otherwise unlikely to have – or have sufficient resources to fund – the required IT infrastructure and administrative capacity required to use it.
- With expenses capped at 50 per cent of the total contract value for community partners, the remaining 50 per cent of their income is performance-based and, as such, directly aligned with those of Seedco's contract with the HRA, and the HRA's performance requirements in turn.
- Data collection activities are aligned to performance requirements to enable timely and accurate monitoring of sub performance.
- Shared learning is emphasised by bringing subs together for regular programme design meetings.

*'It's in everyone's best interest that we stay on top of performance because if they fall behind, performance wise, we start losing money and they start losing money...'*

*'We bring the community partners together on a very regular basis, at least monthly, for programme design meetings where we talk about policy changes and problematic changes to sort of strategise how to make the programmes better and talk about best practices... It's really a learning community where everybody agrees that when they are part of a network that they are going to be transparent about their data and about their problematic operations and really share in that way.'*

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### Case Study: Strive

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#### Ethos

- Clients often have complex, multiple barriers which must be addressed before retention in employment can be successful.
- Clients are viewed as 'students'.

*'We take an almost therapeutic approach towards the barriers that people find in not been able to work, so for example, alienation from family isn't just an ex-offender issue that's also an issue with respect somebody who's a single mum growing up or somebody who has been on drugs et cetera.'*

#### Programme design

- 'People first' 'tough love' approach.
 

*'You can be terminated from this program for many reasons, if you didn't write an essay, if you are not participating, if you are not displaying proper etiquette and so forth. The benefit to that is that you are never told to go away forever, you are invited to come back for the next month's class... It's very instructive for the rest of the class and there is a clear understanding that there are consequences.'*
- Commitment to blending solutions and moulding program design to respond to specific client needs and/or employment opportunities and achieve the best outcomes.
- Four-week 'core program' combining soft skills, workplace attitude and enhanced computer skills.
- In 2008 a hard skills training program was developed as a follow on from the core program to respond to specific employment opportunities in IT.

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- Emphasis on independent job search activities.

*'This is more about being nimble and not being wedded to a specific approach although the consistent piece has been the four-week attitudinal piece and we have taken some things in and taken some things out...There are agencies that have failed to adapt and they are dying, they are dropping like flies. So adaptability is very important.'*

#### **Programme delivery**

- Despite a lack of advertising, many clients seek STRIVE out; clients are also recruited from centres of need such as shelters, soup kitchens and churches.
- Job developers work with employers to link clients to job opportunities.
- Four-week core program in 'classroom' format tackles attitudinal barriers and raises confidence.
- Small weekly stipend provided to clients to assist with basic costs and ensure that practical factors such as travel costs do not deter clients from attending.

*'It's a uniform model and it works very well.'*

#### **Contracting**

- STRIVE does not currently conduct HRA-funded initiatives. Funds from fundraisers and large grants from philanthropic organisations are used for general operating funds. The Office of Temporary Disability Assistance (OTDA) and the Department of Labor are the main State and Federal program funders, while NYC's Small Business Services (SBS), and Department of Youth and Community Development (DYCD) also fund programs.
- Mixture of in-house and sub-contracted training provision; sub-contracts are established with training services as the need arises:

*'The Government is not interested in the details of our sub-contractors. We are responsible for managing the overall outcomes but it's our business how to manage the subs.'*

#### **Performance management**

- Performance management is aligned to contractual obligations ultimately requiring retention at 30, 90 and 180 days.
- STRIVE independently conduct a two-year follow-up of participants to track wage progression.

*'Getting a minimum wage job isn't a good outcome for us.'*

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