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ABSTRACT

A study examined major performance standards issues in the context of employment and training programs targeted toward the Aid to Families with Dependent Children (AFDC) population. Telephone interviews were conducted with representatives from Job Training Partnership Act (JTPA) programs and departments of public welfare in nine states. A significant amount of state-level activity was aimed at improving the level and quality of services available to AFDC recipients, including the hard-to-employ. All of the programs identified placed a premium on interagency coordination and on flexible and enriched program design. Welfare agency respondents considered limited funds and the lack of an adequate consensus as to the proper role of employment and training programs and their relationship to public welfare programs to be the greatest barriers to providing services to AFDC recipients. Among the JTPA respondents, performance standards were the most commonly cited barrier. Six of the nine states studied had undertaken efforts to develop local performance standards beyond those produced by the Department of Labor's adjustment model. The message regarding performance standards was mixed. Although they were considered the biggest obstacle to providing services, they were also seen as one of the most effective means of improving the level and quality of services. (MN)

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Serving AFDC Recipients: Initial Findings on the Role of Performance Standards

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EXECUTIVE SUMMARY

Performance standards have long been regarded as an important management tool for employment and training programs. They provide basic information for addressing key strategic planning and operational decisions, and allow funding agencies to determine the extent to which programs are moving in a direction consistent with their long-term goals. For the manager who operates within a dynamic, rapidly changing environment, performance standards provide a timely and useful indication of program effectiveness.

The art of managing with performance standards has been developed largely on the basis of experience gained under employment and training programs authorized first by the Comprehensive Employment and Training Act (CETA) and currently by the Job Training Partnership Act (JTPA). While employment and training programs authorized by other sources have also relied upon performance standards, those administered by the Department of Labor have assumed a leadership position in this area of program management.

In drafting JTPA, both the Congress and the Administration recognized the importance of program outcomes, and established a performance standards system as the cornerstone of the new legislation. In many respects, JTPA was designed as a performance-driven program, intended to clearly link program inputs with program outputs. To achieve this, an elaborate management structure was designed to set numeric performance scores, and provide rewards and sanctions for good and poor performance standards, respectively.

Although JTPA's performance standards system is expected to fulfill a critical management role, it can also create "perverse incentives" to serve the most job-ready applicants in short-term, low-cost programs. To address these potential effects, JTPA contains at least five mechanisms, including:

1. A requirement that 90 percent of all enrollees be disadvantaged;
2. Targeting provisions requiring specified levels of service to youth, high school dropouts, and welfare recipients;
3. Authorization for Governors to adjust Service Delivery Area (SDA) standards to account for variations in participant characteristics and other factors affecting performance;
4. The establishment of performance standards at a minimally acceptable level; and
5. The availability of financial incentives that Governors can use to influence SDA behavior.

Despite these efforts, there has been growing concern that performance standards have reduced services to the hard-to-employ, and limited the level of investment made in participants. Indeed, this has been argued by practitioners, researchers, and representatives from the Congress. Many believe that the performance standards system has shifted the attention of programs away from long-term employability development to the creation and management of a low-cost, high-volume service delivery system. These concerns have been particularly directed at the Aid to Families with Dependent Children (AFDC) population and especially those identified as hard-to-employ. Despite the presence of specific targeting provisions, many believe that service providers "cream" from among the eligible population of welfare recipients and provide them with limited, short-term services.

The seriousness of these concerns has caused the Congress and the Department of Labor to reassess the performance standards system critically and consider modifications to it. At the same time, the Congress and Administration are also considering amendments to JTPA that would encourage services to AFDC recipients and other hard-to-employ groups, as well as legislation that would restructure the welfare system and the manner in which training services are provided to public assistance recipients. Since several of the legislative proposals suggest the creation of performance standards to guide the provision of services to welfare recipients, an assessment of such standards is quite important and can provide timely input to current policy deliberations.

This study is designed to assess a series of performance standards issues in the context of employment and training programs targeted on the AFDC population, and especially those who are hard to serve. The study has three major objectives, including:

1. To describe and evaluate the effects of JTPA performance standards on reducing welfare costs, with specific reference to who is served, the services that are delivered, and the effectiveness of programs for welfare recipients.
2. To describe and evaluate the effects of performance standards on service providers in other employment and training programs for individuals similar to those who will be served by the proposed legislative initiatives.
3. To suggest a set of performance measures and a methodology to establish standards for targeted welfare programs, such as those contained in the legislative proposals.

In this report, we present the initial results obtained from telephone interviews conducted with representatives from JTPA and departments of public welfare

in nine states that account for approximately 40 percent of the total U.S. AFDC caseload. The objectives of these interviews were to describe and document: (1) policies and procedures that encourage services to the hard-to-employ; (2) existing welfare performance standards and adjustment procedures; (3) key concerns with performance standards management; and (4) major constraints in serving AFDC recipients, including the hard-to-employ.

Key Findings Obtained from Telephone Interviews with State Officials

Overall, our findings revealed a significant amount of state-level activity aimed at improving the level and quality of services available to AFDC recipients, including those believed to be hard-to-employ. Taking advantage of the flexibility provided by the federal government to operate a variety of work-welfare programs, nearly every state relied upon gubernatorial support to leverage at least one new program initiative reflecting a particular policy perspective and prescription for strengthening the relationship between work and welfare. These efforts were planned and implemented in the context of special demonstration programs or large-scale welfare reform initiatives. The size and scope of these initiatives were determined as much by funding availability as by the degree of state certainty over how to best implement a program that would be more responsive to the needs of the welfare population.

As would be expected, the states we interviewed were in different stages of developing and implementing their initiatives. In a few instances, these initiatives were several years old, state-wide in scope, and had become institutionalized. In other cases, they were in the initial implementation stages, while in a few states program and policy development were still on the drawing board. However, across all states several key themes emerged. The first was the highly targeted nature of the program initiative. In each instance, states had identified subgroups of the AFDC (and other) populations which they believed were hard-to-employ. These subgroups, however, varied substantially, and ranged from teen parents, to long-term recipients, to those with limited education.

Second, all of the programs placed a premium, both conceptually and programmatically, on interagency coordination, stressing the development of working relationships between JTPA, departments of public welfare and social services, and education. This emphasis reflected the common perception that no one program alone could address the multiple needs of the AFDC recipient. JTPA, for example, provides training and employment services, but has limited resources available for

supportive services and remedial education, while departments of public welfare have support service resources but are more constrained with respect to training and education. By coordinating the resources of both programs it was believed that the quality of service delivery could be substantially improved.

Above and beyond coordination, flexible and enriched program designs also characterized most of the demonstrations. While a few states had designed their initiatives to follow very prescribed service patterns, most adhered to the notion that services had to be matched to the needs of individuals. Thus, service providers were given substantial latitude in designing their specific programs and were encouraged to adopt strategies that maximized a flexible approach to meeting client needs.

To a large extent, the features of state initiatives reflected an effort to address many of the obstacles respondents believed inhibited services to AFDC recipients, including the hard-to-employ. These obstacles were identified during our discussion of state initiatives and after asking respondents about their perceptions of key factors limiting the quality and level of services to AFDC recipients. A key objective in asking this question was to determine the role of performance standards in shaping targeting and program mix decisions.

Overall, our results indicate that while there is a need to improve certain aspects of JTPA's performance standards system, such improvements were not consistently viewed as among the most important to enhancing the level and quality of services for the welfare population. This was particularly true among welfare agency respondents, who most frequently mentioned limited funds and the need to develop a better consensus on the proper role of employment and training programs and their relationship to public welfare programs. This result emerged despite the fact that in seven of the nine states we interviewed, welfare departments had designed and implemented their own version of performance standards.

Among our JTPA respondents, performance standards were mentioned more frequently; five of the nine respondents cited them as a key factor inhibiting services to AFDC recipients and particularly the hard-to-employ. For the most part, JTPA respondents saw performance standards as creating too many risks to enroll hard-to-employ individuals. The types of risks mentioned most often included loss of six percent funds and "looking bad" in the public's eye and particularly to local Private Industry Councils. However, in contrast to the expectation that the overwhelming majority would view performance standards as a key constraining factor, only 55 percent responded in this fashion.

Since states have the option to negotiate local performance beyond the standards produced by the Department of Labor's adjustment model, we asked them if they had engaged in efforts to do so. Of the nine states, six responded that they had developed such policies. However, these same states indicated that only infrequently did SDAs request such additional adjustments. This was attributed to the complexity of the JTPA performance standards system, including state adjustment policies, as well as to the fact that most SDAs had little difficulty meeting their performance expectations. Absent a major national or state policy emphasis on serving hard-to-employ individuals, SDAs had little need to request additional adjustments to their performance standards.

The mixed message we observed regarding the effects of performance standards was further reinforced when we asked respondents to identify the most effective means for improving the level and quality of services to AFDC recipients. Across all states and respondents, improved coordination, augmenting the availability of support services, and increased funding were cited most frequently, followed by improvement in the management of performance standards. Apparently, while several respondents viewed standards as constraining the process of decisionmaking, they did not believe that they were among the most important steps that could be taken to improve the responsiveness of employment and training programs to AFDC recipients.

In part, these findings should not be surprising since the issues raised by the respondents relate to fundamental needs of the target population and major institutional barriers faced when developing a flexible and responsive set of program services. However, the findings also reflect the opinions and perspectives of individuals who are removed from the daily problems faced by line managers. Therefore, one would expect these individuals to be more focused on broad policy questions rather than on specific service delivery concerns. It still appears, however, that while modifications to the performance standards system may be necessary, they may not be a sufficient condition for improving service delivery to the welfare population.

1.0 INTRODUCTION TO THE STUDY

1.1 Objectives of the Study

This report is the first of three to be produced as part of a study investigating the role and use of performance standards for employment and training programs serving welfare recipients. The study has three major research objectives, including:

1. To describe and evaluate the effects of JTPA performance standards on reducing welfare costs, with specific reference to who is served, the services that are delivered, and the effectiveness of programs for welfare recipients.
2. To describe and evaluate the effects of performance standards on service providers in other employment and training programs for individuals similar to those who will be served by the proposed legislative initiatives.
3. To suggest a set of performance measures and a methodology to establish standards for targeted welfare programs, such as those contained in the legislative proposals.

Our approach to these objectives consists of three tasks. The first task is to assess the influence of performance standards on targeting, program mix, and investment decisions. Here, we conduct a qualitative analysis of the role of performance standards in planning and providing services to AFDC recipients, and particularly those that are hard-to-employ.

The analysis is based upon telephone interviews with the nine states that account for the largest share of AFDC recipients in the U.S. and field visits to a subset of three states. In each state, interviews are conducted with representatives from both JTPA and welfare departments, while during the field visits we also visit the largest urban SDA as well. The states and SDAs included in the study are:

<u>State Included in Study</u>	<u>Telephone Interview</u>	<u>Field Visit</u>	<u>SDA</u>
Florida	x	x	Miami
Illinois	x		
Michigan	x		
New Jersey	x		
New York	x	x	New York City
Massachusetts	x	x	Boston
Ohio	x		
Pennsylvania	x		
Texas	x		

The telephone survey is designed to provide descriptive information regarding welfare performance standards and provision of to hard-to-employ individuals. In

each state, two interviews are conducted: one with the manager of JTPA performance standards, and another with the individual responsible for employment and training in the state welfare department. These two respondents are asked a series of brief questions designed to describe and document: (1) policies and procedures that encourage services to hard-to-employ individuals; (2) existing welfare performance standards and adjustment procedures; (3) key concerns with performance standards management, with special reference to the mix, level, and setting of standards; and major constraints in serving the hard-to-employ. To the extent available, respondents are also asked to mail relevant documents, policies, and performance related data to support our effort.

The information obtained from our telephone survey is used for two purposes. First, we summarize key findings for each individual state, highlighting differences between JTPA and non-JTPA programs. Second, we conduct a cross-site analysis on a topic-by-topic basis in order to portray how states have addressed key issues related to welfare performance standards and the delivery of services to the hard-to-employ.

The SDA site visits are intended to illuminate the interaction of performance standards with key service delivery policies and procedures. The primary areas of inquiry guiding the field visits, include: (1) policies and practices used to shape recruitment and selection, (2) criteria for selecting a program mix and matching individual needs with services, and (3) constraints imposed by performance standards.

To ground our qualitative examination of performance standards in an analytic framework, we start with the proposition that while there is widespread variation in what drives programs to behave as they do, programs do share a common set of constraints. Understanding these constraints is key to understanding program behavior and the role of performance standards.

For example, some programs are highly "risk-averse"; they conservatively follow plans without "rocking the boat" unnecessarily. Others, perhaps motivated by the desire to best serve their clientele, are willing to experiment, willing to drive themselves to greater levels of performance.

But all programs are funded with public funds, operating within budgets set by higher levels of government. And each program operates within a local environment that determines the demographic mix of potential enrollees and the overall need for services. Programs also operate within a particular political context; community advocates and the private sector may be more or less active, the sur-

rounding media and community may be more or less supportive, or local contractors may be more or less powerful.

Furthermore, the environment in which programs operate is one in which "hard" facts about the effects of various programs activities on various client groups are difficult to find. Should intensive, costly efforts be directed at reducing dependency on public assistance for a relatively small number of long-term welfare recipients, or should funds be allocated to extensive, but short-term, efforts to serve large numbers of people? In the absence of state or national regulations, we expect programs to develop a wide variety of services with an equally wide variety of outcomes, all based on local experience and conditions.

We view performance standards as another constraint. They are intended to direct programs toward particular targets (e.g., percent of entered employment) which are judged to be important in achieving longer-term goals. The performance targets provide each program with a yardstick against which to measure its own performance. Those performing below their expected levels may be encouraged to reassess their behavior. If the program feels that it is already acting optimally, it may request adjustments to the standards that it faces. Otherwise, it will be encouraged to change its behavior.

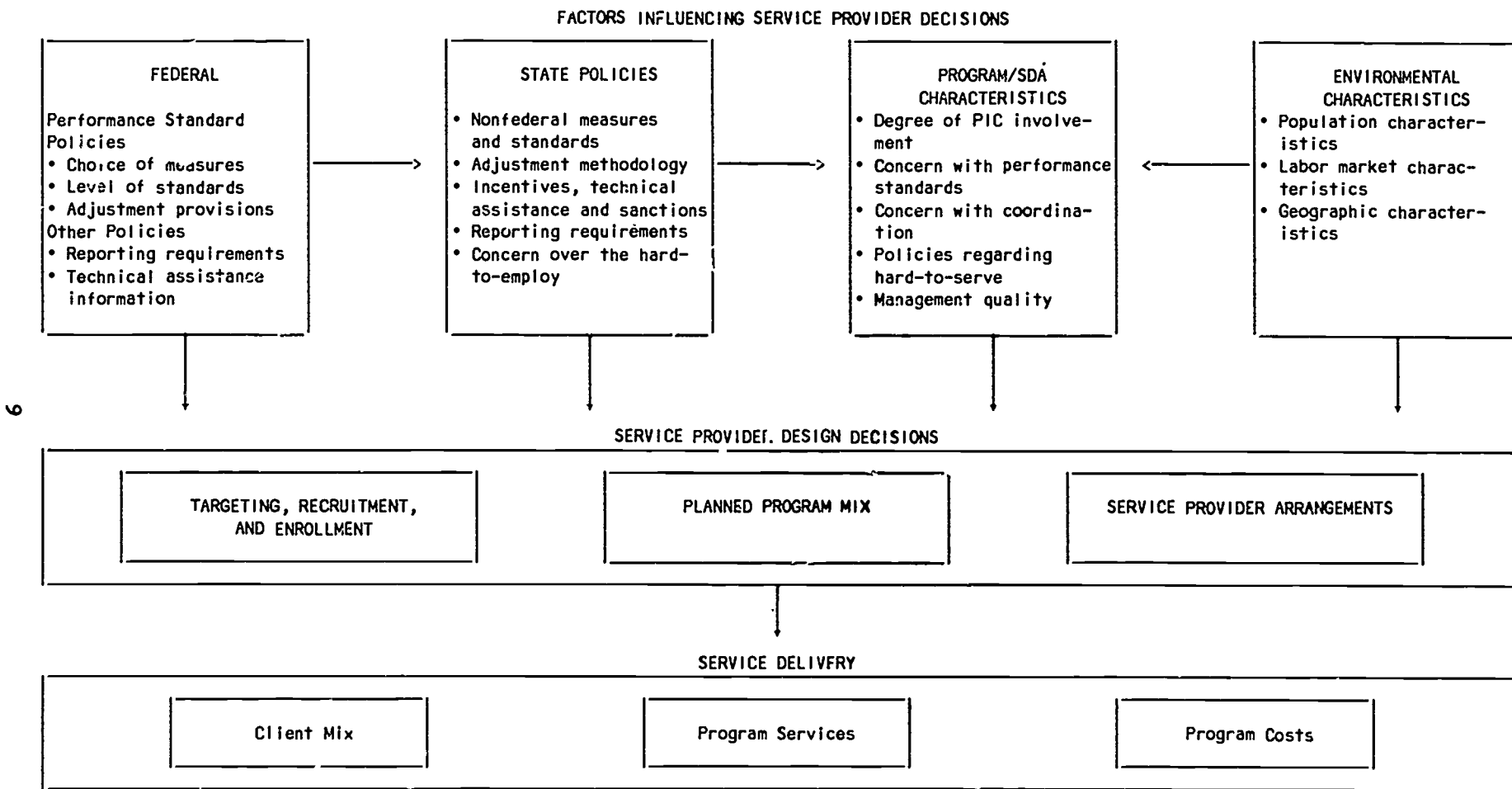
But it is important to note that all of the constraints facing a program only affect behavior to the extent that they are binding on the constraint agent. For example, performance standards might be set so leniently that no change in program behavior would be required to meet them.

More important, the performance standard constraints might be ineffective because programs cannot adjust their behavior to meet them. The standards might, for example, provide very strong incentives to serve certain subgroups, but if programs cannot recruit such applicants, they will not be able to respond to the performance standard system. In that case, the recruitment constraint is operative before the performance standard constraint. As another example, suppose a program has had a long, historically productive association with a particular vendor. Even a strong incentive to change service mix may go unheeded if it implies breaking up the established pattern of "doing business."

Developing an understanding of the effects of performance standards requires identifying where in the program planning and delivery process they can become operational constraints. Exhibit 1.1 presents the broad conceptual framework that links together the outcomes of interest in this study with the key factors that can affect them. As can be seen, the model largely resembles the rational

Exhibit I.1

Framework for Analyzing the Effects of JTPA Performance Standards on Clients, Services and Costs



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planning process. Service provider decisions regarding who to serve, in what programs, and through what contract means have a direct bearing on enrollment, service delivery, and costs. These decisions, in turn, are influenced by other conditioning factors imposed on service deliverers by the environment, higher levels of government, and their own organizational characteristics.

Within this framework, performance standards can be seen to have an important influence on the types of welfare recipients enrolled, the services offered to them, and the associated cost. Our approach to the qualitative analysis relies on this framework to identify how performance standards may influence service provider decisions.

The second task is to conduct a series of validation tests to assess the predictive validity of alternative performance measures using experimentally derived impact estimates obtained from the AFDC Homemaker-Home Health Aide Demonstrations. These demonstrations provided training and subsidized employment as homemaker-home health aides to AFDC recipients, who then supplied in-home services to functionally impaired clients. Thus, the demonstrations sought to alleviate a major social problem, that being welfare dependency. The Health Care Financing Administration (HCFA) was the lead agency for implementing the demonstrations in seven states: Arkansas, Kentucky, New Jersey, New York, Ohio, South Carolina, and Texas. Operations began in January 1983 and ended June 30, 1986. Participation in both the training and service components of the demonstrations was voluntary. To permit rigorous evaluation of demonstration effects, eligible applicants (both potential trainees and potential clients) were randomly assigned in equal numbers to treatment and control groups.

At the time of enrollment, both groups were administered a baseline questionnaire to identify their prior welfare and employment histories as well as their persona' characteristics. Following baseline, treatment and control group members were subject to one followup interview, administered between 5 and 32 months later; on average, the followup period was 12 months long. The followup data, combined with welfare payment information obtained from state administrative records, provided the basis for estimating (experimental) impacts on welfare dependency, employment, and earnings. Thus, these data offer a unique opportunity to validate welfare performance measures with experimentally-based impact estimates.

In selecting these data to conduct the validation tests, we realized that the demonstrations represent one specific approach to training and placing welfare recipients. While it might be preferable to perform the tests on a broad range of

employment and training programs for welfare recipients, such data are not available. Thus, we view the AFDC Homemaker-Home Health Aide Demonstrations as the best choice for four key reasons, including:

1. The data focus on the specific population of interest, namely AFDC recipients. On average trainees served in the program had not worked for 34 months prior to entry, were 31 years of age, cared for two dependent children, were black or Hispanic (72 percent), and had not gone beyond high school (78 percent). In many respects, they resemble the target group of interest to this study.
2. The data permit estimation of experimentally-based welfare reduction impacts.
3. The data contain detailed information on prior work history and welfare status.
4. The findings can be combined with those obtained previously and with the research results produced by MDRC to yield a comparative framework for assessing the validity of alternative performance measures.

Using these data, we construct two validation benchmarks--impacts on welfare reductions and earnings--and test the validity of a number of alternative measures that vary by both definition and measurement. The measures we test focus on: 1) employment status; 2) earnings; 3) return to school/enrollment in training status; and 4) welfare status. Each measure is constructed at the time of program termination as well as over a three- and six-month post-program period.

To judge the relative merits of alternative measures, we rely on three criteria. The first is face validity; that is, the measures will have to be related to the purpose of the program and be viewed as having intuitive appeal. The second criteria is feasibility. Here, our concern is with the practical difficulties associated with obtaining state and local data. The performance measures selected must not present service providers with undue costs or problems in collecting and reporting the necessary data. To address the last criterion--predictive validity--we rely on three tests.

First, we examine simple correlations between each candidate measure and the validation benchmarks. The relative magnitude of the resulting correlations thus provide an indication of the relative validity of each measure. In practice, however, more than one measure may be used. As a result, we also conduct joint and incremental tests of validity. Alternate groups of indicators are assessed against each other, in an effort to determine by how much validity increases when selected measures are added to another.

The success of a performance management system is very dependent on the framework adopted to adjust standards for differences in client characteristics and local economic conditions. Thus, our third task examines the types of adjustment models that would be most appropriate for targeted welfare training programs. Focusing on the most promising candidate performance measures, we rely upon multivariate statistical techniques to determine those potential adjustment factors that best explain variations in each indicator.

1.2 Purpose and Organization of the Report

This report presents the findings obtained from 18 telephone interviews with state representatives from both JTPA and departments of public welfare. The report is designed to provide descriptive information on the current status of performance standards management, and obstacles to and strategies for providing quality services to the welfare population.

Importantly, the findings presented in this report reflect the views and opinions of individuals at the state level who are responsible for the management of employment and training programs. Because these individuals are somewhat removed from the actual delivery of services, our findings do not fully reflect the issues, concerns, and perspectives of on-line staff with responsibilities for program delivery. The findings do, however, provide important insights regarding the problems and issues which states have experienced, first in managing their employment and training programs and second, in introducing policies to support more effective service delivery to welfare recipients and the other hard-to-employ subgroups.

Chapter 2 of the report discusses key issues in the development of performance standards. Chapter 3 presents a review of the current program and policy landscape surrounding programs serving welfare recipients. In Chapter 4, we review the current status of performance management in both JTPA and welfare programs, and then discuss respondent views of key factors influencing service delivery to the AFDC population.

2.0 KEY ISSUES IN DEVELOPING PERFORMANCE STANDARDS

In this chapter, we discuss how performance standards have evolved in employment and training programs and highlight major issues that have arisen in their use. We then present a critical discussion of key challenges in designing a performance management system for programs serving AFDC recipients and other hard-to-employ groups.

2.1 The Role of Performance Standards in Employment and Training Programs

Performance standards have long been regarded as an important management tool for employment and training programs. They provide basic information for addressing key strategic planning and operational decisions, and allow funding agencies to determine the extent to which programs are moving in a direction consistent with their long-term goals. For the manager who operates within a dynamic, rapidly changing environment, performance standards provide a timely and useful indication of program effectiveness.

The art of managing with performance standards has been developed largely on the basis of experience gained under employment and training programs authorized first by the Comprehensive Employment and Training Act (CETA) and currently by the Job Training Partnership Act (JTPA). While employment and training programs authorized by other sources have also relied upon performance standards, those administered by the Department of Labor have assumed a leadership position in this area of program management.

The most concrete attempt to rely on a structured approach to performance management was introduced to the CETA program in 1977 under the auspices of the Grant Review Guidelines. These guidelines represented an effort by the Department of Labor to construct the best possible mechanism for assessing local program performance, given the limitations of federal reporting systems and the commitment not to engage in new or additional data collection activities.

When first introduced, the Grant Review Guidelines relied upon three performance clusters and a comparative framework to set and assess performance achievement. These are presented in Exhibits 2.1 and 2.2. As can be seen, there were 10 performance indicators separated into three clusters, including a termination cluster, a cost cluster, and a fund utilization cluster. The use of clustering was initially adopted to account for the wide diversity of goals in the CETA program which, it was believed, could not adequately be measured by only one or even a few indicators.

Exhibit 2.1

Performance Clusters and Indicators Used in the
Grant Review Guidelines under CETA

A. Termination Cluster

1) POSITIVE TERMINATION RATE:	$\frac{\text{Total Positive Terminations}}{\text{Total Terminations}}$
2) ENTERED EMPLOYMENT RATE (A):	$\frac{\text{Entered Employment}}{\text{Total Terminations}}$
3) ENTERED EMPLOYMENT RATE (B):	$\frac{\text{Entered Employment}}{\text{Total Positive Terminations}}$
4) NONDIRECT PLACEMENT RATE (A):	$\frac{\text{Nondirect Placements}}{\text{Total Terminations}}$
5) NONDIRECT PLACEMENT RATE (B):	$\frac{\text{Nondirect Placements}}{\text{Entered Employment}}$

B. Cost Cluster

1) COST PER POSITIVE TERMINATION:	$\frac{\text{Total Accrued Expenditures}}{\text{Positive Terminations}}$
2) COST PER ENTERED EMPLOYMENT:	$\frac{\text{Total Accrued Expenditures}}{\text{Entered Employment}}$
3) COST PER NONDIRECT PLACEMENT:	$\frac{\text{Total Accrued Expenditures}}{\text{Nondirect Placements}}$

C. Fund Utilization Cluster

1) CARRYOUT RATE:	$100\% - \frac{(\text{Funds Available} - \text{Accrued Expenditures})}{\text{Funds Available}}$
2) ADMINISTRATIVE COST RATE:	$\frac{\text{Administrative Expenditures}}{\text{Total Accrued Expenditures}}$

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Exhibit 2.2

Illustration of Comparative Framework Used In the Performance Review Guidelines Under CETA

Termination Cluster	Planned (New (Fiscal Year))	Actual (Previous (Fiscal Year))	COMPARATIVE DATA								
			REGION				NATION				
			Low	33%	67%	High	Low	33%	67%	High	
<p>Explain or justify if planned performance for the cluster is below previous performance or the lowest regional third.</p>			<p>Explanation Third</p>								

Lower performance standards may be due to:

- Service to specific target groups
- Local labor market conditions
- Issues related to program operations

Referring to the termination cluster, for example, it can be seen that there were five separate performance indicators, representing an increasing amount of specificity with respect to program outcomes. The positive termination rate, for instance, captured the broadest level of program success by including both unsubsidized job placements and other types of positive outcomes such as returning to school or entering the military. In contrast, the entered employment was a more refined outcome variable that provided a general measure of the degree to which the CETA program resulted in unsubsidized employment. By examining the remaining three indicators, it should be apparent that they became even more specific by measuring the internal composition of both the positive terminations and entered employment rates.

On an annual basis, local service providers, referred to as Prime Sponsors, would develop planned levels of performance achievement and negotiate them with regional offices of the Department of Labor. The basis for negotiation is reflected in Exhibit 1.2. As can be seen, in setting final performance standards, planned performance levels would be evaluated against those of the previous year as well as regional and national performance levels. While national performance scores would be used only for general reference, any proposed standard that fell below either the previous year's achievement or the region's lowest or highest thirds would require an explanation and negotiation.

The actual use of this comparative method for setting performance standards was based upon an examination of each of the indicators within the context of its cluster. On a case-by-case basis, Prime Sponsors were permitted to plan performance levels below what would otherwise be judged as low performance as long as the remaining indicators within a cluster were viewed as satisfactory. Similarly, if planned performance fell within the regional third requiring explanation, but represented an improvement over the previous year, an explanation from the Prime Sponsor was not necessarily required.

When negotiating local performance standards, the Grant Review Guidelines required regional offices to explicitly consider local management capabilities as well as programmatic and environmental factors. These variables were referred to as "interpretive factors" and included measures of participant characteristics, program mix, and local environmental conditions. As was stated in a Department of Labor memorandum:

...It will be incumbent on the federal representative, who is knowledgeable concerning the environmental and programmatic aspects of the prime sponsor, to make judgements as to the factors and the strength of the factor considered to be operating to determine if they are adequate to explain planned performance.¹

While the Grant Review guidelines represented a structured strategy for objectively setting and assessing local performance standards, they were subject to criticism on two main grounds. The first was that because the standards were limited to termination-based measures, they did not adequately capture CETA's long-run goal of easing barriers to labor force participation, securing unsubsidized employment for participants, and increasing participants' earned incomes. While a priori reasoning suggested that the existing measures were valid proxies for longer-term program success, it was believed, especially by the practitioner community, that followup indicators and those measuring changes in individual employment and earnings status would better reflect the goals of CETA.

The second criticism was that the Grant Review Guidelines were ultimately too subjective, relying on the intuitive judgment of regional offices to take into consideration systematically the factors that affected local Prime Sponsor performance. Although most agreed that the interpretive factors used by the regional offices had merit, most did not agree that uniform and equitable application could be achieved on the basis of subjective judgment alone.

Partly in response to these criticisms, the 1978 CETA Amendments included two new provisions designed to strengthen the performance management system. The first was that Prime Sponsors would be required to report to the Secretary of Labor information on participants' employment and earnings some time after leaving a program. Although it did not mandate uniform data collection and measurement, this requirement was viewed as necessary to improve local program management and strengthen the negotiation framework embodied in the Grant Review Guidelines. To support the legislative amendment, the Department of Labor drafted broad regulations requiring the collection of local followup data and their use in the local management process. This was later supplemented with technical assistance and training

¹U.S. Department of Labor, Employment and Training Administration, Field Memorandum No. 347-77, Washington, D.C., p. 18.

funded by the Department of Labor, although the methods used to conduct and use followup data were left to the discretion of Prime Sponsors.¹

The second related amendment required the Secretary of Labor to establish local performance standards that accounted for differences in local conditions, including the nature and needs of the local population to be served and local labor market conditions. In response to this, the Department of Labor steadily moved toward the adoption of a quantitative modeling technique to setting local performance standards.

In Fiscal Year 1982, quantitative modeling was formally introduced into the Grant Review Guidelines. Rather than relying on previous performance and that of the region for judging the overall adequacy of local plans, regression models were used to establish performance benchmarks for each Prime Sponsor. These models controlled for a variety of measurable factors that affected local performance and were intended to objectively neutralize key differences among Prime Sponsors with respect to client characteristics and economic conditions. Benchmarks were expressed in terms of ranges to account for modeling imprecision and to introduce flexibility to the management process; they were also constrained to five of the original ten performance measures in an effort to better focus attention on those measures that were believed most important, including: (1) entered employment rate, (2) cost per entered employment, (3) positive termination rate, (4) cost per positive termination, and (5) average wage at placement.²

Within this revised framework, the Department of Labor believed that performance standards management would be substantially improved, largely through greater objectivity in the goals-setting process. It was still recognized, however, that the model adjustments could not be expected to control for all relevant factors

¹U.S. Department of Labor, Employment and Training Administration, Comprehensive Employment and Training Act Regulations, Final Rule and Proposed Rule, Washington, D.C., Section 676.22(d)(2).

See, for example, U.S. Department of Labor, Employment and Training Administration, CETA: Management Information System Program, Functional Management Information System, Washington, D.C., July 1980. See p. 17 for followup recommendations.

For a review of the performance review guidelines used prior to the modeling approach, see: Nancy Beckley, The Development and Use of ETA's Short-Term Indicators, U.S. Department of Labor, Employment and Training Administration, February 1980.

affecting local performance and that negotiation between the regional office and Prime Sponsors would remain important.

By and large, these revisions were viewed favorably by the practitioner community. Although the Department of Labor had to devote considerable time and effort to convincing program operators of the merit, intuitive appeal, and practical value of quantitative modeling, most accepted it and believed it was an improvement over the previous strategy. For the next two years, the Department of Labor continued with its revised approach and devoted substantial resources to improving the accuracy of the adjustment models and the manner in which they were applied for management purposes. Thus, as CETA came to a close in September 1983, over six years of experience had been gained with an increasingly sophisticated approach to performance standards management.

In many respects, the implementation of JTPA in October 1983 continued the growing emphasis that was placed on performance management in employment and training programs. However, unlike CETA, JTPA was crafted in the image of a performance-driven program with a much more elaborate management structure designed to clearly link program inputs and outputs. Moreover, the crafters of the legislation included very specific guidelines regarding the choice of performance measures, the basis upon which to develop numeric standards, and rewards and sanctions for exceeding and consistently falling below performance expectations. And, of equal importance was the transfer of responsibility for managing performance standards from the Department of Labor's regional offices to state government. In many respects, the performance standards system created for JTPA has been characterized as an effort to introduce market-like forces and incentives into federal employment and training programs.¹

Like CETA, the performance measures established under JTPA are intended to be reasonable proxies for long-term net impacts, and when used in an objective manner, are expected to promote the Act's overall goals. Currently, JTPA operates with seven termination-based performance standards; three thirteen-week post-program measures have been identified as candidates for Program Year 1988. These measures and their national averages are presented below.

¹See Thomas Bailey, "Market Forces and Private Sector Processes in Government Policy: The Job Training Partnership Act, in Journal of Policy Analysis and Management, Vol. 7, No. 2, 1988, pp. 300-315.

JTPA Title IIA Performance Standards
(PY 1986/87)

<u>Performance Measure</u>	<u>National Average</u>
Adult entered employment rate (AEER)	62.00%
Adult cost per entered employment (ACEE)	\$4374.00
Adult average wage at placement (AAWP)	\$4.91
Adult welfare entered employment rate (AWEER)	51.00%
Youth entered employment rate (YEER)	43.00%
Youth positive termination rate (YPTR)	75.00%
Youth cost per positive termination (YCPT)	\$4900.00
Adult post-program employment rate	N/A
Adult average post-program weekly earnings	N/A
Adult average post-program weeks worked	N/A

Consistent with the intent of Congress, much of the responsibility for managing performance standards is placed at the state level, although the Department of Labor retains certain important duties. For programs funded under Title II of JTPA, the basic federal role is defined in Section 106 as follows:

- (b)(1) ...for adult training programs under Title II... the Secretary shall prescribe standards on the basis of appropriate factors which may include (A) placement in unsubsidized employment, (B) retention in unsubsidized employment, (C) the increase in earnings, including hourly wages, and (D) reduction in the number of individuals and families receiving cash welfare payments and the amounts of such payments.
- (2) ...the Secretary shall also designate factors for evaluating the performance of youth programs which...shall be (A) attainment of employment competencies recognized by the private industry council, (b) elementary, secondary, and postsecondary school completion, or the equivalent thereof, and (C) enrollment in other training programs or apprenticeships, or enlistment in the Armed Forces.
- (4) The Secretary shall prescribe performance standards relating gross program expenditures to various performance measures.

The standards must also include provisions governing the base period prior to participation, a representative period after termination, and cost-effective methods for data collection.

The authority of the Federal government to prescribe utilization of the standards is, however, clearly circumscribed by the Act. For example:

- (e) Each Governor may prescribe, within parameters established by the Secretary, variations in the standards...based upon specific economic, geographic, and demographic factors in the State and in service delivery areas within the State, the characteristics of the population to be served, and the type of services to be provided. (JTPA, Section 106(e))

To further support its emphasis on performance management, the Act also places performance standards prominently in the state and local planning process, and provides rewards and sanctions that are directly linked to local SDA performance. In the first case, Section 104 requires SDAs to include in their annual plans performance goals as well as plans for the preparation of an annual report that must address the extent to which these goals were achieved. In addition, Section 105(b)(1) requires Governors to approve SDA plans unless corrective measures for not meeting performance expectations have not been taken or are not underway.

In the second case, Section 106(h) authorizes the Governor to provide technical assistance to low performing SDAs and to apply sanctions if poor performance persists for at least two consecutive years. Further, Section 202(a)(3) makes available six percent of the state allocation for distribution to those SDAs exceeding their performance standards, for technical assistance, and for services to hard-to-employ individuals.

To fulfill the Secretary of Labor's responsibilities under JTPA, Title IIA, the Employment and Training Administration (ETA) implemented regulations and a suggested framework for Governors to use for establishing performance standards. One of the most noteworthy features of this framework is the optional adjustment methodology for setting local performance expectations. This methodology builds upon the CETA experience by using regression techniques to account for factors out of the control of local service providers when setting standards. Since its initial implementation, however, there has been growing emphasis placed on encouraging states to go beyond the model in setting local performance standards by considering those factors which may affect performance but are not included in the standard adjustment. In many respects, the current trend in JTPA performance management is headed toward the general approach used in the later stages of CETA which emphasized more of a balance between statistical forecasting and negotiation over key factors that influence participant employability.

Although JTPA's performance standards system is expected to fulfill a critical management role, it can also create "perverse incentives" to serve the most job-ready applicants in short-term, low cost programs. To counteract these potential effects, JTPA contains at least five mechanisms, including:

1. A requirement that 90 percent of all enrollees be disadvantaged;
2. Targeting provisions requiring specified levels of service to youth, high school drop-outs, and welfare recipients;
3. Authorization for the Governor to adjust SDA standards to account for

variations in participant characteristics and other factors affecting performance;

4. The establishment of performance standards at a minimally acceptable level; and
5. The availability of financial incentives that Governors can use to influence SDA behavior.

Despite these efforts, it is possible that performance standards may have the effect of reducing services to hard-to-employ individuals or limiting the investments that are made in participants. Indeed, this has been argued by practitioners, researchers, and representatives from the Congress. Many believe that the performance standard system has shifted the attention of programs away from long-term employability development to the creation and management of a low cost, high volume service delivery system.

Whether performance standards cause "creaming" and/or the delivery of low-cost services is one of the most controversial and confusing issues surrounding JTPA. While evaluative evidence on this issue is not yet available, at least four developments contribute to the concern.¹ The first is widespread use of screening criteria for admission into JTPA programs. Program operators have been often found to screen out the most disadvantaged, through education and skill tests, in order to meet the performance standard provisions of their contracts. The second development is the relatively limited investment that JTPA makes in its participants. For example, between July 1984 and December 1985, the duration of service receipt was relatively short, even for the more expensive training services and the more difficult-to-serve participants. Overall, the median length of stay for Title IIA trainees was approximately 12.5 weeks; in job search assistance it was less than four weeks, while in classroom training, the median was roughly seventeen weeks. In addition, more disadvantaged enrollees did not receive substantially more intensive

¹Support for many of these concerns can be found in: Westat, Inc., Transition Year Implementation of the Job Training Partnership Act, January 1985; Grinker Associates, Inc., An Independent Sector Assessment of the Job Training Partnership Act, Grinker Associates, Inc., New York, July 1986; Gary Orfield and Helene Slesarev, Job Training Under the New Federalism, Unemployment and Job Training Research Project, Chicago, Illinois, 1986; U.S. General Accounting Office, The Job Training Partnership Act: An Analysis of Support Cost Limits and Participant Characteristics, GAO, Washington, DC, November 6, 1985; and U.S. Department of Labor, Summary of JTLS Data for JTPA Title IIA and III Enrollment and Terminations During July-December 1985, Washington, DC, May 1986.

services; youth were enrolled for about 12.5 weeks, while public assistance recipients received services for 14.4 weeks.

The third development is the relatively low service share received by high school dropouts. In contrast to a 51 percent share of the eligible JTPA population, service shares to this target group were 37 percent in PY84 and 40 percent in PY85. Although these shares closely conform to JTPA's targeting provisions, they can still be viewed as below the relative service needs of high school dropouts.

The fourth and final development is growing concern voiced by the practitioner community that the performance standards system is simply constraining local discretion over whom to serve and what types of programs to offer. Four particular concerns about the performance standards system are advanced, including:

1. The statistical adjustment models do not fully neutralize the risks associated with serving participant subgroups, and particularly AFDC recipients and other hard-to-employ groups. While the adjustment models do control for several important characteristics, they do not account for intra-group differences in characteristics that affect employability nor do they control for other key characteristics that also influence performance achievement, such as literacy and motivation. Thus, program operators argue that they remain confronted with disincentives to serve hard-to-employ groups both within and across those already included in the adjustment procedure.
2. Although the Department of Labor has developed a number of additional procedures for adjusting performance beyond the model, anecdotal evidence suggests that many states may not be utilizing them, and in those cases where they have been implemented, SDAs do not readily take advantage of them. While the reasons for this are unclear, many believe that they stem from the perceived complexity of the standards system generally, and the data and other requirements associated with these additional adjustment procedures in particular.
3. The standards themselves and particularly the cost standards present a clear message that costs must be limited, thus constraining the type of investments that service providers can make and the types of individuals they can enroll.
4. JTPA's overall emphasis on performance achievement has created a culture that places undue priority on the performance standards, at the expense of other program goals such as serving the hard-to-employ.

These developments are not evidence of the effects of performance standards per se; in fact, a study recently released by the National Commission for Employment Policy reports that with the exception of adult high school dropouts, other target groups including AFDC recipients, have been served in a manner pro-

portional to their representation in the eligible population.¹ However, when combined with JTPA's overriding emphasis on performance standards, these developments have raised "red flags" and lead many to consider whether the program's performance management system needs to provide greater stimulus for serving the hard-to-employ.

At the same time, performance standards cannot be viewed in a vacuum. Other aspects of JTPA may also be contributing to concerns over creaming and limited program investments. Perhaps most important is that JTPA is not targeted on the hard-to-employ. Eligibility criteria for Title IIA programs are income-tested, focused almost exclusively on the economically disadvantaged, and sufficiently broad to permit local program operators to provide services to those who, in their judgment, can benefit from and are in most need of services. Thus, JTPA has a relatively large eligibility net to cast, from which it must select economically disadvantaged individuals who are most in need of services and who can also benefit from service receipt.

Related to this issue is the absence of unanimity regarding the characteristics of the hard-to-employ population. To date, neither the Department of Labor nor the Congress have explicitly defined the hard-to-employ population, making it difficult to both judge existing service patterns and provide direction over whom to serve in the future. And even if the hard-to-employ were defined, it would remain to select those who could benefit most from program services. Absent a national definition, the very structure of JTPA would encourage variation on both a state and local level.

In addition to targeting flexibility, JTPA's limitation on the use of stipends and supportive services places greater reliance on individual self-selection among program eligibles. Participant motivation thus takes on a prominent role in JTPA and may well run counter to the desire of providing services to those with relatively limited incentives to seek work or assistance finding it.

Like performance standards, the relative importance of these factors remains untested. They do, however, suggest that performance standards alone may not be at the cutting edge of the creaming and low-cost service problem. Modifying the performance standards system may thus be a necessary but not a sufficient condition for improving the level and quality of services to the hard-to-employ.

¹See: Steven Sandell and Kalman Rupp, Who Is Served in JTPA Programs: Patterns of Participation and Intergroup Equity, National Commission for Employment Policy, Washington, DC, February 1988.

Nonetheless, the seriousness of the issue has caused the Congress and the Department of Labor to reassess the performance standards system, critically and to consider modifications to it. At the same time, the Congress and the Administration are also considering amendments to JTPA that would encourage services to AFDC recipients and other hard-to-employ groups, as well as legislation that would restructure the welfare system and the manner in which training services are provided to public assistance recipients. Since several of the legislative proposals suggest the creation of performance standards to guide the provision of services to welfare recipients, an assessment of such standards can provide timely input to current policy deliberations.

2.2 Performance Standards Management

Modifying the performance standards system to further support the goal of serving AFDC recipients raises a number of substantive issues. While these issues are not new in a conceptual or research sense, their application to the hard-to-employ presents new challenges.

The first challenge is developing a set of performance measures that are valid predictors--in both a statistical and intuitive sense--of JTPA's objectives. Although substantial research has already been conducted on the validity of performance measures for employment and training programs, there are reasons for questioning their application to training programs serving welfare recipients. First, each of the prior studies used as validation benchmarks impact estimates derived from quasi-experimental methods.¹ Since it has been demonstrated that such estimation

¹Each of the following validation studies relied upon quasi-experimental methods to derive benchmarks:

Michael E. Borus, "Indicators of CETA Performance," Industrial and Labor Relations Review, Vol. 32, No. 1, October 1978.

Katherine Dickinson, Terry Johnson and Richard West, An Analysis of the Impact of CETA Programs on Components of Earnings and Other Outcomes, SRI International, Menlo Park, CA, June 1984.

Robert Gay and Michael E. Borus, "Validating Performance Indicators for Employment and Training Programs," The Journal of Human Resources, Vol. 15, No. 1, Winter 1980.

V. J. Geraci and C. T. King, Employment and Training Program Performance: Long-Term Effects and Short-Term Indicators, Center for the Study of Human Resources, University of Texas at Austin, Austin, TX, September 1981.

techniques yield biased results of an often unknown magnitude and direction, it would be difficult to defend the use of such results in a new welfare reform program or in an effort to modify the existing JTPA performance measures. To the extent feasible, it would be desirable to reassess the existing measures using experimental data.

Even if existing validation findings were substantiated using experimental impact estimates, it would also be necessary to determine if the indicators are also appropriate for programs targeted on welfare recipients. Since prior research has been based on the economically disadvantaged population, as opposed to welfare recipients, and because these studies have used earnings, not welfare dependency, as the benchmark measure, there is no a priori reason to assume that their findings can be fully generalized to a targeted segment of the disadvantaged population. In fact, recent evidence would suggest a potential problem and the need for further investigation.

To see this, consider the information presented in the following three exhibits. Exhibits 2.3 and 2.4 display the most recent validation findings for employment and training programs, using earnings as the benchmark. As can be seen, nearly every measure tested is significant and has the expected positive sign, suggesting that JTPA's current performance indicators are valid management tools. Given their predictive validity, one could assume that they are appropriate for targeted welfare programs. However when we consider the findings in the next exhibit, such an assumption becomes tenuous.

Exhibit 2.5 presents recent validation findings obtained by the Manpower Demonstration Research Corporation (MDRC) based on data collected from their work-welfare demonstrations. Using experimental earnings and welfare savings impacts, the researchers attempted to validate whether employment or welfare status soon after program termination were good predictors. The results are disappointing and suggest that at least two intuitively appealing performance measures may be inappropriate for targeted welfare programs. As the study summarized:

This conclusion--which runs counter to common wisdom--simply reflects the fact that the magnitude of the program effect on finding a job or leaving welfare is greater for some groups of individuals than others. This does not imply that programs should stop trying to help all people in the caseload find jobs and leave welfare. It does mean that judging programs on the

Jeffrey Zornitsky, et al., Establishing a Post-Program Performance Management System for Employer and Training Programs, Abt Associates Inc., Cambridge, MA, 1985.

Exhibit 2.3

Title IIA Validation Correlations for Adjusted Level Measures Using CLMS Data

<u>Performance Measures</u>	<u>TERMINATION</u>			<u>3-MONTH</u>		
	<u>Net Impact I</u> (Fixed Effect Model)	<u>Net Impact II</u> (Matched Comparison Group)	<u>(Gross</u> <u>Adjusted</u> <u>Earnings)</u>	<u>Net Impact I</u> (Fixed Effect Model)	<u>Net Impact II</u> (Matched Comparison Group)	<u>(Gross</u> <u>Adjusted</u> <u>Earnings)</u>
Employed or not	.079***	.131***	.210***	.115***	.195***	.273***
Weeks employed				.132***	.218***	.285***
Hours worked				.141***	.230***	.316***
In labor force or not				.073***	.144***	.175***
Weeks in labor force				.080***	.144***	.171***
Wage at end of period	.062***	.155***	.245***	.109***	.234***	.315***
Wage during period				.089***	.220***	.292***
Total earnings				.120***	.264***	.348***
Weekly earnings (Employed only)				.031	.210***	.205***

SOURCE: Zornitsky, Jeffrey, et al, Establishing a Post-Program Performance Management System for Employment and Training Programs, Abt Associates Inc., Cambridge, MA, December 1986.

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Exhibit 2.4

Validation Correlations for Adjusted Title IIA Change and Level Performance Measures Using CLMS Data

<u>Performance Measures</u>	<u>3-MONTH</u>			<u>6-MONTH</u>		
	<u>Net Impact I</u> (Fixed Effect Model)	<u>Net Impact II</u> (Matched Comparison Group)	<u>(Gross Adjusted Earnings)</u>	<u>Net Impact I</u> (Fixed Effect Model)	<u>Net Impact II</u> (Matched Comparison Group)	<u>(Gross Adjusted Earnings)</u>
<u>Change Measures</u>						
Weeks employed	.103***	.182***	.198***	.108***	.193***	.197***
Hours worked	.072***	.106***	.121***	.078***	.117***	.117***
Weeks in labor force	.108***	.130***	.135***	.118***	.136***	.140***
Wage during period	.044***	.100***	.090***	.062***	.116***	.080***
Total earnings	.136***	.225***	.275***	.147***	.239***	.272***
<u>Level Measures</u>						
Weeks employed	.132***	.218***	.285***	.160***	.283***	.356***
Hours worked	.141***	.230***	.316***	.159***	.281***	.371***
Weeks in labor force	.080***	.144***	.171***	.108***	.203***	.230***
Wage during period	.089***	.220***	.292***	.108***	.268***	.334***
Total earnings	.130***	.264***	.348***	.154***	.339***	.422

*Significant at 10%.

**Significant at 5%.

***Significant at 1%.

SOURCE: Zornitsky, Jeffrey, et al, Establishing a Post-Program Performance Management System for Employment and Training Programs, Abt Associates Inc., Cambridge, MA, December 1986.

Exhibit 2.5

Recent Findings on the Validity of Candidate Performance Measures for
AFDC Recipients Receiving Employment and Training Services

Program and Welfare Status	Validity of Job Entry		Validity of Welfare Status	
	Earnings Gain	Welfare Savings	Earnings Gain	Welfare Savings
San Diego, Applicants	poor	weak	fair	weak
Baltimore, Applicants	poor	poor (fair)	poor	poor
Baltimore, Recipients	poor	weak	fair	good
Baltimore, All AFDC	weak	weak (fair)	fair	fair

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NOTES: This table summarizes the correlations between the designated indicator and the earnings gains or welfare savings. The following symbols are used:

- Good, indicates a correlation that has the correct sign and is statistically significant.
- Fair, indicates a correlation that has the correct sign but is not statistically significant.
- Weak, indicates a correlation that has the wrong sign but is not statistically significant.
- Poor, indicates a correlation that has the wrong sign and is statistically significant.

SOURCE: Daniel Friedlander and David Long, A Study of Performance Measures and Sub-Group Impacts in Three Welfare Employment Programs, Manpower Demonstration Research Corporation, New York, N.Y., March 1987.

basis of these outcome measures--without considering differences in caseload characteristics and economic conditions--is unwise. It is quite possible, for example, for a program with a relatively low placement rate in a poor labor market to have greater impacts than another program with a more job-ready caseload and more placements. The analysis also shows that this conclusion does not change when longer-term employment rates are substituted for immediate job entries.

While these findings were obtained from a particular demonstration program, they do cast some doubt on the use of gross, short-term performance measures. At a minimum, the results suggest that more validation research, using experimental data from training programs targeted on welfare recipients is quite desirable. The findings also imply that welfare-related performance standards should be adjusted for the background characteristics of individuals. While it can be argued that the existing adjustment model accomplishes this, the current adjustments do not account for at least one key characteristic which improved predictive validity in MDRC's research--that being prior work history. Recall that MDRC found that the predictive validity of the two candidate measures improved substantially when they were adjusted for earnings during the year prior to program participation. Thus, even the existing welfare adjustment model may be inadequate as currently specified to reduce creaming incentives within the AFDC population substantially.

It would thus appear that indeed, more research is needed to identify valid performance measures for targeted welfare programs. While research to date provides many consistent findings, it remains to test their robustness with experimentally derived impacts of welfare reductions for public assistance recipients served in employment and training programs.

The second major challenge is to design a methodology and management strategy that can be used to set performance standards. Such a methodology needs to not only address statistical forecasting criteria, but it must also be sufficiently informative, practical, and flexible to maximize the targeting of services to recipients, and especially to hard-to-employ individuals. As discussed above, the MDRC findings suggest that the existing model for adjusting the adult welfare entered employment rate may be incomplete with respect to background characteristics. If this is the case, then the adjusted standards may be biased upward, at least in terms of serving long-term, hard-to-employ public assistance recipients. Unless additional

¹Daniel Friedlander and David Long, A Study of Performance Measures and Sub-Group Impacts in Three Welfare Employment Programs, Manpower Demonstration Research Corporation, New York, N.Y., March 1987, pp. xii.

data collection requirements are forthcoming, new ways for adjusting standards may well be required.

Establishing a flexible and informative performance standards setting process needs to go beyond a complete, valid adjustment model. Funding agents and program operators need assistance and information to determine how to set their standards and take account of difficult-to-measure obstacles faced by prospective participants. The best of models cannot be expected to include all important explanatory variables, due to both measurement and data collection limitations. Thus, the standards setting process needs to be viewed in a collaborative context, where funding agents, such as the Department of Labor and states, provide technical assistance and information in order to inform the local decision-making process.

3.0 SERVING WELFARE RECIPIENTS AND THE HARD-TO-EMPLOY

In the 1980s, welfare reform has again become an issue of national prominence. Ongoing debates at the federal and state levels have resulted in a broad consensus across the political spectrum that work opportunities must be an integral part of the welfare system, and that the system of public welfare in the United States must be structured to promote employment rather than dependency. In the nine states that we surveyed, it is evident that there is substantial activity aimed at pursuing this objective. The majority of these states are engaged in implementing ambitious efforts to target services to those most in need (individuals with multiple barriers to employment) and to deliver a broad array of basic education, vocational skill training, job placement, and support services.

The impetus for these initiatives stems from the Reagan Administration's proposal in 1981 to eliminate the WIN program and require states to establish mandatory workfare programs called Community Work Experience Programs (CWEP). The concept of workfare was first used in state and local general relief programs as early as the 1930s, but was generally prohibited for the AFDC program. Responding to the Administration initiative in the Omnibus Budget Reconciliation Act of 1981 (OBRA), the Tax Equity and Fiscal Responsibility Act of 1982, and the Deficit Reduction Act of 1984 (DEFRA), Congress authorized the states the option of states' operating a variety of work-related programs and to make participation mandatory for AFDC recipients. Four major options are available:

- **WIN Demonstration Programs.** This permits states to establish alternative programs to WIN, administered by the state welfare agency rather than in conjunction with the SESA, either on a state-wide or substate basis. States enjoy broad discretion in designing programs and allocating resources. Services may include vocational counseling, basic skills remediation, job development, and job search assistance. States also have the option of consolidating services for AFDC and General Assistance recipients by changing the WIN structure to make it compatible with state GA work programs. The purpose of this option is to give states maximum flexibility in developing a work/welfare policy.
- **Community Work Experience Programs.** This permits state agencies to establish workfare programs in which recipients are required to work without pay each month at public or non-profit agencies. The hours of work to be required are calculated by dividing the amount of the family public assistance grant by the minimum wage. The purpose of this option is to require welfare recipients to "earn" the value of their grants, thus creating a disincentive to long-term dependency while also offering an opportunity to acquire work experience. CWEP participants must perform work with a useful purpose and may not be used to substitute for regular workers.

- **Work Supplementation Programs.** This permits the state agency to use a recipient's welfare grant to subsidize a job. The purpose of this option is to encourage employers to hire AFDC recipients by reimbursing them for a part of the wages paid. In this sense, work supplementation operates much like on-the-job training. Jobs may be developed with public, private non-profit, or private employers. The objective of the program is that employers hire the subsidized worker at the end of a four- to six-month period of subsidy.
- **Job Search Programs.** In this option, job search may be required of applicants as well as of recipients as a condition of eligibility. Up to 16 weeks of job search may be required in the first year of assistance, and up to 8 weeks in each subsequent year. Required activities may also include orientation to work, group job search classes (job clubs), and referrals to specific jobs.

The states which we interviewed have embraced various combinations of these options to shape their demonstration and reform efforts. In nearly all instances, these initiatives involved new, additional state funds and the combined resources and efforts of both JTPA and departments of public welfare. Moreover, in some states, JTPA has taken independent steps to strengthen its responsiveness to the welfare population. Targeted use of six percent incentive funds, for example, as well as local program coordination and flexible procedures to set numeric performance goals, are key tools that some state JTPA offices have relied upon to stimulate service delivery to the welfare population.

The purpose of this chapter is to create the program and policy context for understanding how performance standards may affect the delivery of services to the welfare population. Since performance standards are managed within a complex and evolving set of programs, it is important to identify the key factors that influence whom they serve and how they are designed. We begin the chapter with a discussion of key policy and program issues that surfaced during our interviews and which have a bearing on the development of effective program services for the AFDC population. We then present a review of the salient features of new and emerging state initiatives to serve AFDC recipients.

3.1 Key Program and Policy Issues in Serving AFDC Recipients

The majority of states that we interviewed indicated that targeting welfare recipients and identifying the most appropriate types of services to provide to them were policy issues they have had to address. There was, however, noticeable variation in the degree of sophistication and the stage of development in which states have actually addressed these issues. Within this context, we found that states generally fell into one of two major categories. The first group includes those that

are well ensconced in full-fledged efforts to improve the level and quality of services for the welfare population. For the most part, these states have implemented efforts that center on reform initiatives and include specific targeting criteria, provisions requiring coordination between JTPA and departments of public welfare, and enriched program designs, emphasizing remediation services as well as more output-oriented services such as occupational skills training.

The second group includes states that are just in the initial stages of broad efforts to improve service delivery and develop targeted approaches to serve the AFDC population. In these states as well, however, most of the attention and development activity is aimed at demonstration and reform initiatives, rather than at the ongoing system of existing services.

A major factor motivating these activities is top-level gubernatorial support. In nearly every state we interviewed, respondents indicated that welfare dependency was a major political issue for governors. While the form that this leadership took ranged from new state legislation, to special demonstration programs, to inter-agency task forces composed of key state officials, it became clear during the interviews that growing public concern with the issue of welfare dependency had motivated several states to develop their own brand of welfare reform.

While strong public support for reforming the welfare system has indeed supported new, innovative state-based efforts, it has also introduced a tension regarding the expected outcome of these initiatives. During our interviews we noted a conflict that many state officials were increasingly faced with as they attempted to improve the level and quality of service delivery to AFDC recipients. On the one hand, respondents indicated considerable public concern over whether funds were being spent well. In many cases, this was translated into political pressure to demonstrate on both the state and local service provider level "more bang for the buck." Success in this context was usually interpreted quite narrowly to mean quick and easily quantified results, such as large numbers of low-cost placements. One respondent from a state welfare office told us that his office emphasizes working with the relatively "easy-to-serve" first because county welfare offices want to "look good on paper" and need to demonstrate quick success.

On the other hand, many of the same state respondents recognized that serving the AFDC population effectively requires significant, long-term investments of public resources that may not demonstrate visible results in the short run. This perspective was viewed as counter to what many officials believed was necessary to garner public support, and in their view, created an untenable conflict. It nonethe-

less created clear incentives for officials and program operators to engage in short-term program services that emphasized low costs and immediate placement. For this reason, many states viewed consensus building and clarification of the role of work and welfare programs as key to their reform efforts.

Regardless of the status of state reform efforts, we observed a general consensus that the current structure and mix of employment and training programs, by themselves, cannot be expected to resolve the multiple barriers to employment that many AFDC recipients, and especially those who are hard-to-employ, often face. One respondent from a state welfare department told us, for example, that:

Simply modifying JTPA is not going to solve the whole problem of effectively providing employment and training services to hard-to-employ AFDC recipients. It will help, but it will not be a panacea because the absolute level of JTPA resources is simply not sufficient to serve hard-to-employ clients.

Although most respondents from welfare offices indicated that increased funding was critical to improving the quality of services to AFDC recipients, most JTPA respondents did not share this perspective. All respondents, however, cited the lack of interagency coordination at the state and especially local levels, as an impediment to successfully serving the welfare population. There was broad agreement that more effective use could be made of existing employment and training funds through increased coordination. Most respondents recommended that states need to focus attention on developing joint JTPA-welfare solutions to enable welfare recipients to become self-sufficient. The importance of coordination can be seen, for example, in a recent report prepared for the Michigan Job Training Coordinating Council. Commenting on coordination, the report says:

JTPA was not established as a comprehensive job training system and it is apparent that the multiple needs of the hard-to-serve cannot be met exclusively by JTPA. Furthermore, pushing each parallel system to be comprehensive is not cost-effective and does not guarantee the needed level of service. It is only across all systems, such as education, vocational education, employment service, social services, job training, etc. that the multiple needs of hard-to-serve individuals can be met. Coordinated outcomes and operations at state and local levels are necessary to provide integrated service delivery capable of meeting these multiple needs.¹

Our respondents cited several factors contributing to the lack of coordination between JTPA and Welfare. One centered upon existing differences in target

¹Hard-to-Serve Task Force Report, Policy and Coordination Unit, Michigan Governor's Office for Job Training, Lansing, MI, January 1987.

group focus. While welfare departments are targeted exclusively on the AFDC population, the JTPA program is more broadly targeted on all disadvantaged individuals, and must structure its services to meet the needs of a wide-ranging population. To the extent that JTPA increasingly targets on AFDC recipients, it runs the risk of losing key elements of its community support and constituency. Another factor frequently mentioned was the perspective that JTPA is designed to provide employment and training, not education services. Since many AFDC recipients often require remediation services to successfully participate in other programs, the JTPA emphasis on training per se limits its ability and perceived responsibility to serve the welfare population.

JTPA's performance standards system was also mentioned, especially by JTPA respondents, as inhibiting coordination. Many respondents viewed the standards as placing substantial pressure on SDAs to produce a high volume of low-cost placements. Because serving the AFDC population often requires long-term, costly investments, many believed that SDAs faced disincentives to serve this group, on either an independent or a coordinated basis.

Last, but significant, were institutional barriers stemming from the existence of separate administrative and service delivery systems and differences in opinion over the proper relationship between work and welfare. While these factors varied across the states we interviewed, they were frequently mentioned and described in the context of turf battles. While each side was readily able to identify what the other could do better, both tended to be unwilling to give up much in the process.

Even if coordination, limited political pressure, and enriched program services could be achieved, our results indicated that other issues would remain to be resolved. Almost unanimously, our respondents pointed to the need to augment and increase flexibility surrounding the availability and use of supportive services. In nearly every interview, this was mentioned as a key factor inhibiting service delivery to AFDC recipients and especially the hard-to-employ. Similarly, several respondents revealed some measure of difficulty defining the hard-to-employ and identifying how to best provide new, enriched and comprehensive services for them. For these reasons, we observed only a limited effort in some states to implement full-scale state-wide demonstration and reform efforts. In these states, the demonstrations were intended to provide important lessons and guidance on how to best tackle the work-welfare issue.

It would thus appear that creating effective program responses for the welfare population involves several complex program and institutional factors. Clarity over targeting expectations, flexible and comprehensive program services through inter-agency coordination, and the availability of adequate levels of supportive services are, for example, among some of the more important ingredients of effectively operating programs. Improving the responsiveness of the employment and training system will thus have to consider these factors as well as modifications to the performance standards system.

3.2 Emerging Policies and Programs to Serve AFDC Recipients

Throughout all the interviews we conducted, we observed substantial activity aimed at developing new policies and programs designed to strengthen service delivery to AFDC recipients and to target such services on those identified as hard-to-employ. We also observed noticeable interstate variations in the level, types, and degree of sophistication of these efforts that can be explained by varying degrees of political pressure, prior experience with demonstration initiatives, the degree of flexibility in the existing service delivery system, and the ability to clearly identify the characteristics of hard-to-employ individuals.

Several states are, for example, relying upon their performance standards system to encourage service delivery to AFDC recipients and especially those identified as hard-to-employ. In particular, they are relying on their six percent policies and further adjustments to the Department of Labor's models to further remove any disincentives local SDAs might face in targeting and serving these groups. In other cases, we observed the use of eight percent JTPA education funds to augment the availability of remediation services. Finally, in several states (including Pennsylvania, Florida, and Michigan) new statutory requirements have been enacted to provide improved employment and training services to welfare recipients. But perhaps the most significant vehicle used by states to expand and improve the delivery of services to AFDC recipients are state-wide welfare reform and other pilot demonstration programs.

Recent surveys of state work-welfare programs by the General Accounting Office and the Congressional Budget Office indicate a substantial level and diversity

of state-based welfare reform initiatives.¹ The GAO study found, for example, that in 1985, 38 states had selected one or more new program options, including 25 WIN demonstrations, 20 Community Work Experience Programs (CWEPs), 6 job search programs, and 10 work supplementation programs. A total of 24 of these states chose to operate more than one option. GAO further found that states were interested in testing new approaches, sometimes operating one or more pilot projects, and sometimes starting with one program and modifying it over time. The general trend observed was towards larger, more comprehensive programs with a rich mix of services, including both education and training.

Each of the nine states that we surveyed has recently begun to introduce one or more new forms of welfare-to-work programs. These efforts are occurring on a state-wide basis in Pennsylvania, Florida, Massachusetts, Illinois, Michigan, New York, and New Jersey through a mixture of broad welfare reform initiatives as well as smaller pilot demonstration projects. By contrast, Texas and Ohio are engaged in smaller-scale efforts. Regardless of the scope of each effort, however, their key goals are fundamentally similar, although not identical. First, there is a recognition that hard-to-serve clients need an "enriched" mixture of program services which address both their lack of basic skills and their need for vocationally-specific skills. Second, there is an expectation that outcomes for this group will improve with a more intensive concentration of services. Third, there is a strong emphasis on inter-agency coordination at both the state and local levels.

At the state level, the demonstrations typically involve the state department of welfare, JTPA, social services, and in some cases, the state department of education. These agencies have worked together to identify respective roles and responsibilities and efficient means of making their programmatic resources available, and to define procedures for directly monitoring program activities. In several cases, these groups have come together as part of top-level interagency task forces created to address issues related to welfare dependency. In other cases, they have been brought together as a result of the demonstration projects and remain involved through that vehicle.

For example, in Project Chance, Illinois' major state welfare initiative, state-level coordination is a keystone. The initiative's designers recognized from the

¹U.S. General Accounting Office, Work and Welfare: Current AFDC Work Programs and Implications for Federal Policy. Washington, DC, January 1987; and Congressional Budget Office, Work-Related Programs for Welfare Recipients, Washington, DC, April 1987.

beginning that a joint effort is essential to achieve the Project Chance goal of placing over 100,000 welfare recipients in jobs by June 1988; success could not be realized single-handedly by the Department of Public Aid. Therefore, in December 1985 Project Chance was inaugurated by the Governor together with the Directors of the Departments of Public Aid, Employment Security and Commerce, and Community Affairs. Specific details of the mandated interagency cooperation include the following:

Project Chance takes full advantage of the Department of Employment Security's (DES) computerized job service in referring job-ready welfare recipients. Recipients previously served directly by DES are now part of the Project Chance caseload, and a new interagency contract has been executed for PY 1987 which established performance objectives for DES that will result in increased referrals and job placements. Recipients in need of job training are referred to Job Training Partnership Act (JTPA) programs, which are mandated to help reduce welfare dependency. Recipients needing more basic education are provided with literacy training through the Illinois Literacy Council and adult basic education, and GED programs offered by the State Board of Education and Public Aid.¹

Similarly, Florida's statewide welfare reform initiative, Project Independence, is also designed to enable the state to design and implement innovative job training strategies for hard-to-serve welfare recipients. The Department of Health and Rehabilitation Services (DHRS) has been designated as the single state agency responsible for the planning, integration, and coordination of employment-related services for welfare recipients; seven other state agencies as well as PICs and local education agencies are mandated to cooperate with the DHRS in carrying out this mission. A state-level interagency task force created a management plan which forms the core of Project Independence; that is, to create interagency pilot projects which will provide job-specific training for welfare recipients, often using grant diversion to support their placement in guaranteed and targeted jobs. The goals of Project Independence are:

- To increase the number of public assistance recipients entering employment,
- To provide screening services to participants in order to determine job-readiness, and
- To increase training and educational opportunities through JTPA and local education agencies for welfare recipients who have educational and work skills deficiencies.

¹Project Chance Annual Status Report, Springfield, IL, 1986.

At the local level, the program design of the demonstrations also encourages cooperation between public agencies such as county welfare offices, SDAs, local Employment Service offices, and local education agencies. The first rationale for such coordination is to facilitate client flow between SDAs, county welfare offices, and local education agencies. The idea here is to facilitate welfare recipients' receipt of the basic services that they need--employment and training, public assistance, and educational services--and to prevent them from becoming discouraged in their efforts to become economically self-sufficient. This will allow for more effective allocation of already-available training and educational program slots to those welfare recipients and other hard-to-serve individuals who could most benefit from such opportunities. Thus, the intent of institutionalizing such cooperation is to avoid the necessity of creating a wholly new employment and training system for welfare recipients.

For example, Michigan has begun an interagency program initiative targeted towards the hard-to-serve of whom welfare recipients are a major subpopulation. To implement the hard-to-serve policy statement adopted by the Michigan Job Training Coordinating Council, state agencies have combined resources and have formed a partnership with local agencies in order to achieve several goals specified in a 1987 Hard-to-Serve Program Initiative. The goals of this initiative are:

- To increase the employment, training, and related service opportunities for the hard-to-serve through existing programs.
- To increase the number of hard-to-serve individuals who become employed and remain employed as a result of acquired skills and competencies.
- To develop an integrated system of service delivery which is transparent and therefore easily accessible to individual users and which makes maximum use of existing resources to identify and meet their needs.¹

To support this initiative, Michigan has committed \$1.2 million to support eight small-scale demonstration projects. One such project:

will utilize a combination of state and local resources to establish a multi-purpose training facility which will provide comprehensive training and support services to hard-to-serve individuals residing in three local counties. The center, which will house literacy, adult basic education, general educational training, Head Start, and an array of personal development services, represents a coalition effort on behalf of the educational and human service providers in northeastern Michigan. The major goal of the

¹Michigan Governor's Office for Job Training, Request for Proposals: Hard-to-Serve Program Initiative, July 30, 1987, Lansing, MI, January 1987.

program is to provide primarily female, single parent clientele (many of whom are AFDC recipients) with the intermediate steps necessary to access traditional employment and training programs.

The second rationale is to avoid duplication of effort in such activities as eligibility determination. In Texas, for example, the state has arranged that in order to determine the JTPA eligibility of a welfare recipient, SDAs will first obtain required data on AFDC recipients from local welfare offices and then only if necessary ask for more information. The objective here is to minimize the paperwork burden placed on the recipient who, previously, would have to fill out welfare-related paperwork, and then repeat much of the same at the SDA intake office.

In summary, in every state which has implemented major efforts to more effectively address the training and educational needs of welfare recipients, inter-agency coordination is seen as a key ingredient of the vitality and success of these efforts. Top-level policy directives and technical assistance are both necessary to create the context for such efforts. The commitment of line managers in the relevant agencies is acknowledged to be crucial for achieving successful coordination outcomes.

Just as these demonstration programs emphasize a high degree of inter-agency coordination, they are also targeted on selective segments of the AFDC population believed to reflect the hard-to-employ population. Exhibit 3.1 presents the specific targeting provisions contained in the welfare reform initiatives implemented in the states we surveyed. Several notable features emerge.

First, there is noticeable diversity among the states with respect to the characteristics of the hard-to-employ. For example, New Jersey is primarily focusing on welfare applicants and recipients with children aged 2 or older. In contrast, Illinois has identified a broader array of target groups, including female AFDC recipients with children over age 6, male General Assistance recipients, AFDC recipients who live in public housing, and young parents under age 21.

Second, the emphasis of these targeting policies varies between groups that are most at risk of becoming long-term welfare dependent (e.g., teen mothers) and groups that are thought to have low employability potential (e.g., high school dropouts, the homeless, individuals with severe literacy problems). Although states do recognize that all groups which are the focus of targeting efforts typically share common barriers to employment, such as lack of specific vocational skills or prior

¹Project Summaries of the Michigan Hard-to-Serve Initiative, 1987.

Exhibit 3.1

Characteristics of Hard-to-Serve Target Groups
in State-Based Welfare Reform Initiatives

<u>State</u>	<u>Program Name (Type)</u>	<u>Hard-to-Serve Target Groups</u>
Pennsylvania	Single Point of Contact (SPOC) Demonstration	<p>Single parents with children under age 6</p> <p>Single parents who have been on public assistance for at least two years</p> <p>Individuals with less than a 6th grade education</p> <p>Individuals with severe literacy problems</p>
	Transitionally Needy (TN) Demonstration	Employable recipients of General Assistance who have multiple barriers to employment
New York	Comprehensive Employment Opportunity Support Centers (CEOSC) Program (state-wide)	Public assistance recipients with children under age 6
		<p>Current or former teen parent who is on public assistance</p> <p>An individual who has been on the welfare rolls for two years or longer (Note: New York recently changed its definition of long-term receipt from four years to two years, in response to recent research on the dynamics of welfare receipt.)</p>
Texas	Unnamed program	16-17 year old dropouts who are mandatory (WIN) registrants
		Newly certified welfare recipients
		Individuals who have received AFDC for 2+ years
		Individuals who have received AFDC for 2 years or less

Exhibit 3.1 (continued)

Characteristics of Hard-to-Serve Target Groups
in State-Based Welfare Reform Initiatives

<u>State</u>	<u>Program Name (Type)</u>	<u>Hard-to-Serve Target Groups</u>
Michigan	Michigan Opportunity and Skill Training (MOST) Program (state-wide)	<p>Primary wage earner in an AFDC-UP household (although the spouse can be a voluntary MOST registrant)</p> <p>Teens who are age 16 or older, not in school full-time, and part of an AFDC case</p> <p>An individual who is economically disadvantaged</p> <p>An individual who has been unemployed 2+ years or never been employed</p> <p>An individual who is in need of functional literacy or employability characteristics or supportive services</p> <p>An individual whose employability development plan states that the length of time or cost of training leading to employment exceeds that received by the average person enrolled in a designated area.</p>
Ohio	Supported Work Demonstration	<p>Individuals who have been on public assistance for 3 to 6 years</p> <p>Parents aged 18 to 21 with children under age 6</p> <p>Handicapped individuals</p>
Massachusetts	ET Choices (state-wide)	<p>Individuals receiving AFDC for 2+ years</p> <p>Teen parents</p> <p>Hispanics</p> <p>Public housing residents</p>

Exhibit 3.1 (continued)

Characteristics of Hard-to-Serve Target Groups
in State-Based Welfare Reform Initiatives

<u>State</u>	<u>Program Name (Type)</u>	<u>Hard-to-Serve Target Groups</u>
Florida	Project Independence (state-wide)	Female AFDC recipients with children age 3 and older
Illinois	Project Chance (state-wide)	Female AFDC recipients with children over age 6 Male General Assistance recipients in Chicago AFDC recipients in public housing Parents under age 21
New Jersey	Realizing Economic Achievement (REACH) Program (state-wide)	Welfare applicants with children age 2 or older Welfare recipients with children age 2 or older

work history, the differences between their targeting policies reflect the special barriers to employment faced by a particular group. So, for example, the objective of targeting subgroups who have a high potential for long-term welfare dependency is to assist with their extensive family responsibilities as well as their educational and skill development. The JTPA and welfare officials whom we interviewed are well aware that such individuals will need a rich mix of program components emphasizing child care and other supportive services. By contrast, high school dropouts and other subgroups with low employability potential face particular barriers to employment based on their lack of basic reading and computation skills. For such individuals, an effective program mix will emphasize remedial education services, for example, instead of or in addition to child care services.

Overall, while we observed diversity among the targeting policies, it is important to point out that the majority of states' policies are targeted toward female welfare recipients who are exempt from mandatory WIN participation because their children are under age six. However, the age of the youngest child which acts as a trigger for mandatory participation varies. For example, in order to target teen mothers (to prevent dropouts and second pregnancies), Florida, Illinois, and New Jersey have each requested a federal waiver to lower the age of youngest child for mandatory participation from age six to age three. The stated goal of this and similar targeting policies is to reduce the likelihood of long-term welfare dependency.

Service delivery approaches in these initiatives have no particular uniformity across states or between demonstration projects within a single state, based on our interview results. Flexibility, innovation, case management services, and an enriched program mix are, however, typical hallmarks.

Our respondents observed that flexibility in program design is crucial to allow for the adaptation of basic program design elements to address the programmatic challenges created by particular local conditions or clientele. Typically, the authorizing legislation and/or policy directive (e.g., via an RFP) sets the core features of a program but allows a broad level of discretion in setting the range, mix, and level of program services.

For example, in New Jersey the focus of the REACH initiative is on locally-based planning and operation; the state does require, however, that the counties provide certain types of services, e.g., case management services, job search assistance, child care services, training-related expenses, and community work experience programs. Within the context of this generic program mix, however, counties

have the flexibility to choose what services to emphasize. For example, they can choose the duration of job search assistance activities and what percentage of clients must go through JSA. The initiative's underlying philosophy is to rely on an individualized case management approach to determine what services best meet an individual client's particular needs rather than simply implementing a "blanket service delivery approach."

Pennsylvania has also adopted flexible service delivery as a key theme in its new welfare reform initiative. The Joint Jobs Initiative is the legislative centerpiece of the state's efforts to influence the types of services provided to welfare recipients; the SPOC (Single Point of Contact) and TN (Transitionally Needy) Demonstrations are the programmatic expressions of the Initiative. The underlying philosophy of the Initiative is that "people need different services based on their particular background." Therefore, the state is encouraging the demonstration sites to develop a wide range of program options for AFDC clients; for example, services provided through SPOC include occupational skills classroom training, educational services, paid work experience, on-the-job training, educational services, job development/placement, supportive services, and case management services. Although each category of training has been defined in the SPOC RFP and there is a \$5,000 per participant cost limit, the length of training has not been specified.

A key feature of many of the demonstration projects that we noted is an emphasis on client/staff contact, which is both more extensive and more intensive than in traditional welfare department programs. Case management services are the primary vehicle for this enhanced client/staff contact. Case management services are designed to prepare comprehensive employment plans for participants, to assure access for the necessary training and support services, and to provide support and counseling during program participation and also after job placement.

Several of our respondents noted that this enhanced one-on-one contact was designed to counter the inability of traditional welfare-related employment and training programs to provide more than minimal personalized staff attention. One of our welfare department respondents observed:

A typical JTPA program doesn't do case management, so case management will be a key component in helping to achieve the performance measures in [new state welfare reform initiative] by, for example, helping to keep dropouts low. That is, hard-to-serve welfare clients have high dropout participation rates in traditional employment and training programs. So, case management as well as supportive services will help these participants stay in the program and achieve success.

As an illustration, one welfare department official provided the rationale for her state's new focus on case management services. Prior to its welfare reform initiative, the 160,000 clients in the state welfare department's employment and training programs were processed through 327 welfare department staff twice annually. Further, these same clients were getting only about 20 minutes of service per year. To address such superficial service delivery, the new demonstration projects emphasize the case management approach as a vehicle to facilitate more effective client/staff interactions.

State-wide case management services are now being provided in Massachusetts' ET/Choices Program and Florida's Project Independence. Pennsylvania and New Jersey have also incorporated case management services into their major welfare reform initiatives. As described in Florida's Project Independence:

The purpose of case management is to enable the case manager and the participant together to recognize the participant's capacity for self-reliance, and to develop an action plan which leads to self-sufficiency. Case management includes four major functions: assessment, development of an Employment Plan Contract, arranging and coordinating activities and resources necessary to carry out the plan, and followup to make sure the services and activities were provided. Assessment is to be used to increase the participant's motivation to participate in program activities by focusing on the participant's strength and past experiences and by offering available program options in a positive manner.

Our respondents observed that the demonstrations typically include enriched program components. These are designed to more comprehensively address the multiple barriers to employment that many welfare recipients possess. Typically, there is a broad and varied mix of employment and training services including assessment of needs and abilities, remedial education for those reading below a sixth-grade level, work experience, classroom vocational skills training, on-the-job training, job development, job search assistance, and job placement assistance.

For example, our Michigan respondents told us that the eight demonstration projects targeted to hard-to-serve clients, particularly welfare recipients, are designed to provide a sequence of program components which are longer-term and more intensive than traditional employment and training services available to welfare recipients. The expectation of the state, in funding these projects, is that these clients will participate in the demonstration projects for a longer period of time as compared to the traditional programs.

Across all the major demonstration projects, we noted that support services such as child care and transportation are required to be provided in sufficient quan-

tity as core services during program participation. These are viewed as crucial to the ability of welfare recipients, particularly hard-to-serve subgroups of the AFDC population such as young mothers with children under 6 years of age, to enroll in and successfully complete a comprehensive set of program components which are designed to enhance their employability. For example, New Jersey's REACH program provides in-program support services such as child care vouchers, half-fare transportation vouchers, and training-related expenses up to \$30 per week. Florida's Project Independence and Michigan's MOST Demonstration will each pay for cosmetic dental services which are not covered by Medicaid but are determined to enhance a participant's employability.

Notably, many demonstrations continue to provide supportive services for up to one year after job placement. Again, using the REACH program as an example, post-program supportive services include the provision of child care vouchers for up to one year of post-welfare employment and the extension of Medicaid benefits for one or more years of post-welfare employment.

We also observed that adequate and stable funding was viewed as allowing innovative planning without uncertainty and narrow resource constraints. Funding was usually a mixture of currently available federal funds for public assistance programs--such as WIN and the Food Stamp program--and for employment and training services--such as JTPA and the Employment Service--together with special allocations of state funds by the state legislature.

For example, in the Pennsylvania Joint Jobs Initiative, the state has made more than \$20 million available for a one-year demonstration evaluation of its Single Point of Contact (SPOC) pilot projects. In Michigan, a \$1.2 million state Hard-to-Serve Program Initiative has been funded through state agency resources in the following amounts: \$250,000 each from the Department of Social Services and the state Employment Security Commission; \$500,000 from the Department of Labor (JTPA Title IIA monies); and \$200,000 from the Department of Education (8% education funds).

Finally, in most cases the demonstration and reform initiatives included specific performance standards. As discussed in the next chapter, most states had developed performance measures to reflect their priorities and had incorporated them into local service provider contracts. For the most part, these contracts were performance-based, and included payment provisions that were tied to the achievement of specific benchmarks, such as job placements and post-program retention.

In Massachusetts, for example, quality placements was relied upon as the chief performance measure to manage the state's ET/Choices program. This measure is incorporated into fixed-unit price contracts with local service providers and reflects the expectation that program participants will be placed in jobs that pay a defined minimally acceptable wage rate. Overall, our respondents uniformly believed that including performance standards in service contracts was critical to the success of their efforts.

If we take these initiatives as a reasonable reflection of the types of program models required to serve the welfare population effectively, then they would suggest that simply changing JTPA's performance standards will not necessarily lead to large changes in the program's targeting priorities and program mix. It would appear that other, more basic changes in program design and targeting requirements would also be necessary to forge a coordinated and more comprehensive service delivery approach. But even if such changes were made, it would still remain to determine if performance standards constrained service provider decisions. Since most of the welfare demonstrations adopted performance standards similar to those used in JTPA, we can gain some insight into this by comparing the perspectives of JTPA and welfare agency officials. We turn to this issue in the next chapter.

4.0 PERFORMANCE STANDARDS, TARGETING, AND PROGRAM MIX

On the basis of the information presented in the previous chapter, it is clear that states are devoting substantial levels of resources to programs and other initiatives designed to improve services to AFDC recipients. Model program designs emphasizing interagency coordination, support services and remedial education, as well as case management characterize an increasing share of the program landscape in both the JTPA and the Welfare system. Yet within this, there remains a concern that performance standards constrain the choices service providers face in determining the level and mix of programs to offer AFDC recipients.

These concerns are being increasingly voiced, at least in the regular, ongoing employment and training program, leading many policymakers to conclude that the performance standards need to be more carefully managed and modified to better stimulate service delivery to AFDC recipients, and especially the hard-to-employ. This is particularly evident in the JTPA program, given its emphasis on performance management and the central role it plays in providing employment and training services to the disadvantaged population. The Senate Committee on Labor and Human Resources probably best captured this sentiment in its report accompanying the proposed Jobs for Employable Dependent Individual Act:

The Committee conducted hearings on January 21, February 3, February 4, and March 6, 1987 to receive testimony on both the effectiveness of the Job Training Partnership Act in serving long-term welfare recipients, and the specific provisions and ramifications of S.514. Witnesses commented on the extent and nature of long-term welfare dependency, particularly with regard to recipients of Aid to Families with Dependent Children (AFDC), and on those aspects of JTPA's program design which contribute to "creaming." This practice has serious consequences for long-term welfare recipients who seek employment. Creaming is the practice of preferential enrollment of those among the eligible population who require the least assistance to prepare for a job. The present JTPA performance standards encourage creaming by rewarding the SDAs with the lowest training and placement costs per individual. As a result, individuals needing more extensive or costly training are neglected or underserved.

The implication of this is that if performance standards are modified or, in an extreme case, eliminated, service delivery to long-term AFDC recipients would be substantially improved. Disincentives to serve this subgroup of the population would be eliminated, targeting would be redirected, and program services would be

¹Committee on Labor and Human Resources, U.S. Senate, Jobs for Employable Dependent Individuals Act: Report Together with Additional Views, Report 100-20, 100th Congress, Washington, DC, March 20, 1987.

modified to accommodate the needs of a relatively different client population. The JTPA program essentially would voluntarily shift its focus to a more narrow subset of the eligible population and make those program design changes necessary to effectively service it.

Unfortunately, there is little evidence that this outcome would occur. While studies of the JTPA program have shown some evidence that service providers engage in activities that promote selective enrollment, it is not clear that they are motivated chiefly by the desire to achieve performance targets. There are other factors that may also be shaping the types of targeting and program investment decisions made by service providers.

As discussed in Chapter 1, one such factor is JTPA's decentralized governance structure and broad focus on the economically disadvantaged. By design, the JTPA program encourages states and localities to make program and targeting decisions that best reflect their own perception of needs and priorities. These priorities may not always be fully consistent with existing or new national priorities, but they are consistent with the structure of the program and its emphasis on local discretion. The outcomes of state and local decisionmaking may thus be viewed as the aggregate effect of a program that encourages diversity in state and local choices over whom to serve and what programs to offer. Absent specific targeting requirements, it is difficult to argue that some groups, such as the hard-to-employ, are being excluded from receiving JTPA services that they otherwise should have received.

Further shaping the outcome of JTPA targeting and program mix decisions is the requirement in Section 141(a) that "each job training plan shall provide employment and training opportunities to those who can benefit from and who are most in need of such opportunities." Because the interpretation of this requirement is also left to local discretion, its application can also be expected to result in a wide range of target group and program mix selections. Moreover, it can be shown that certain interpretations of those who can benefit from and are most in need of services are inconsistent with popular perceptions of the characteristics of the hard-to-employ.

For example, one way to characterize the hard-to-employ is in terms of labor force status. Since the problem of disadvantagedness tends to be related more to a lack of labor force participation than low earnings or high unemployment, it is reasonable to say that the hard-to-employ are concentrated among those who report

being out of the labor force.¹ Similarly, since the majority of public assistance resources are consumed by a relatively small proportion of recipients who experience long, continuous spells and have weak attachments to the labor market, it is also reasonable to assume that among the AFDC population, the hard-to-employ are, more often than not, out of the labor force.² While these groups are certainly among those who are most in need of services, their weak attachment to the labor force can be used as the basis to argue that they cannot readily benefit from program participation.

Since program enrollment represents one vehicle to secure employment, weak labor force participation suggests little interest in seeking out services and hence, a limited ability to benefit from employment and training programs. It follows then, that the unemployed might best fit the meaning of "benefit from and most in need of" services because they are among the eligible population (or subgroups thereof) and, by virtue of their job search behavior, have a relatively high level of interest in program participation. To the extent that service providers adopt this perspective, their actions can be interpreted as logical and consistent with the discretion offered by JTPA, though not necessarily with the objectives of serving the hard-to-employ.

In addition to the eligibility requirements of JTPA, other factors may also shape the targeting and program mix decisions made by service providers. These include institutional impediments to coordination between JTPA and welfare, limitations on the use of funds for support services and stipends, decreasing levels of funding, and limited resources for remedial education. Taken together, these factors may well inhibit the ability of service providers to target resources on AFDC recipients and especially those who are hard to employ.

When considering the role that performance standards play in shaping service provider decisions, it is thus important to place them in the context of other

¹For a description of the labor force status of the disadvantaged see: Glen Schneider et al., An Assessment of Funding Allocation Under the Job Training Partnership Act, Abt Associates Inc., Cambridge, MA, 1986.

²See, for example, Mary Jo Bane and David T. Ellwood, Slipping Into and Out of Poverty: The Dynamics of Spells, Harvard University, Cambridge, MA, August 1985; Mary Jo Bane and David T. Ellwood, The Dynamics of Dependence: The Routes to Self-Sufficiency, Urban Systems Research and Engineering, Inc., Cambridge, MA, June 1983; and David T. Ellwood, Targeting "Would-Be" Long-Term Recipients of AFDC, Mathematica Policy Research, Inc., Princeton, NJ, January 1986.

potentially important influencing factors. While JTPA's performance standards may well have some effect on local decisionmaking, they may not be the most important influencing variable. It could well be that absent other constraints, performance standards would have only a limited effect on program targeting and mix decisions. Thus, the key question is not so much whether performance standards constrain local discretion, but, relative to other factors, whether performance standards have an overwhelming influence. Only in this way is it possible to determine if changes in JTPA's performance management system will redirect its orientation to AFDC recipients, and particularly those that are hard to employ.

The telephone interviews we conducted with state-level representatives from JTPA and Welfare offices were designed to provide some insight into this question. In addition to asking respondents about programs and policies to encourage services to AFDC recipients, the interviews were also designed to document the current status of performance standards management, to identify respondent perceptions of key factors inhibiting services to AFDC recipients, and to examine those steps which states believe are most likely to improve the level and quality of services to the welfare population. In the remainder of this chapter we report the results obtained from these interviews.

4.1 The Current Status of Performance Standards Management

Unlike programs authorized under JTPA, those administered by state departments of public welfare do not operate with federally required performance measures; each state relies on its own discretion to determine whether to use performance measures or not, and how those measures should be translated into numeric standards and applied for management purposes. Nonetheless, our results indicated that seven of the nine welfare departments included in the telephone survey rely upon performance measures to guide their programs. Like JTPA, these measures are based primarily upon labor market outcomes, such as placement in unsubsidized employment, average wage at placement, cost per placement, and employment stability 30 and 90 days after the termination from a program. Thus, we can say that employment and training programs serving a large share of AFDC recipients in the U.S. operate with performance measures that stress a closely related set of immediate labor market outcomes.

It is also true that when setting numeric standards, efforts are made to account for certain factors that affect performance achievement. The manner in which this is done, and more generally, how performance standards are managed,

differs markedly between JTPA and programs offered by state departments of public welfare. For the most part, welfare departments do not set explicit statewide standards and then apply them to contractors. Rather, welfare departments tend to manage performance on a vendor-by-vendor basis, relying upon fixed-unit price contracts as the vehicle to express performance expectations. While the nature of these contracts varies across and within states, they all operate on the basis of reimbursement for the achievement of agreed upon performance outcomes, such as a job placement. The exact mix and value of these reimbursement outcomes (or benchmarks, as they are often called) are determined through contract negotiations that, in most cases, take account of the type of client served and local economic conditions.

In contrast, the JTPA program manages performance in a much more elaborate and sophisticated manner. All of the nine JTPA offices we interviewed rely upon the Department of Labor's statistical adjustment model to set the adult welfare entered employment rate, while six of the nine also have policies for further negotiated adjustments. These policies adhere very closely to the procedures and methods recommended by the Department of Labor. In general, they require an SDA to explain why the adjustment is needed, the level of adjustment requested, a justification for the additional adjustment, and the method used to derive the adjustment. This then forms the basis of negotiation between the SDA and the state.

The use of the Department's adjustment model is viewed by states as the most objective means for removing disincentives associated with serving hard-to-employ participants. In explaining why his state chooses to use the DOL model to set the adult welfare performance standard, one JTPA respondent expressed a common viewpoint:

We have to have a reasonably fair way for setting SDA expectations of performance. The DOL model provides a way for the state to treat all the SDAs the same. We have to have performance standards that will stand up if they are challenged by DOL; so we decided to take the path of least resistance.

However, most states we interviewed believe that the adjustment models are limited by the omission of several important factors that affect employability, such as functional literacy, motivation, and degree of dependence on public assistance. As a result, six of the nine states introduced policies to support adjustments beyond those provided by the Department's models. These policies follow the guidelines outlined by the Department of Labor and are intended to further limit any constraints performance standards may impose on targeting and program mix decisions.

In addition to adjustments beyond the model, states can also rely upon their six percent grants to provide incentives to serve hard-to-employ participants, such as AFDC recipients. Of the nine JTPA offices we interviewed, five had earmarked a portion of their six percent grants for this purpose, and of the five, four had provisions targeted on AFDC recipients.

The portion of six percent grants dedicated to the hard-to-employ varied across these states as did the criteria for determining whether an SDA would be eligible for receiving the additional funds. In a few of the states, when calculating incentive awards, hard-to-serve participants are omitted from the base calculations of performance achievement to hold SDAs harmless from any effects these participants may have on program outcomes. In other states, SDAs must meet their base performance standards requirement and also show evidence that they served hard-to-employ participants at a greater rate than they would normally be expected to. Finally, the amount of six percent funds devoted to the hard-to-employ varied from as little as 26 percent to as much as all of the six percent grant. These types of variation in the scope and level of six percent incentive funds devoted to the hard-to-employ clearly reflects the discretion provided to states by the JTPA legislation.

Differences in the management of performance standards between JTPA and departments of public welfare were evident in ways other than just technical considerations. In comparison to JTPA, the management of performance standards by welfare officials was viewed as an important, but nonetheless regular, ongoing responsibility along with other key management tasks. In JTPA, however, performance standards represented a much more significant policy position and consumed considerably more resources in the form of staff specialization and policy directives. To a large extent, our JTPA interviews indicated a performance standards culture, emanating partly from the Department of Labor, and taking on a life of its own at the state level. This difference is quite important in understanding the differences in perspective between JTPA and welfare with respect to the constraining influence of performance standards.

4.2 Serving AFDC Recipients: The Role of Performance Standards

If performance standards are hypothesized to substantially constrain service delivery to AFDC recipients, and those that are hard to employ, then the qualitative results obtained from our telephone interviews would suggest only limited support for the hypothesis. Among all eighteen JTPA and welfare respondents, six, or only one third, cited performance standards as among the most important factors inhibiting

state and service provider (SDA) decisions regarding the provision of services to this population group. The most important factors cited included limited funds and perceptions regarding the role of employment and training programs in limiting welfare dependency.

In some instances, the issue of perceptions took the form of a limited social consensus on how to address welfare dependency. One of our respondents indicated, for example, that:

We don't really know what we as a society want to do with welfare recipients because we don't want them to stay on the rolls but we don't really want to do anything substantial to improve their lives.

In other cases, respondents commented on the influence of the public's perception of the average welfare recipient. As one respondent put it:

Even if there was unlimited funding to provide E/T services to welfare recipients, our state's decisions about how much to invest in a welfare recipient would still be influenced by the average taxpayer's view that "you should get these deadbeats off the welfare rolls."

These varying and often conflicting views of how to reduce welfare dependency created some element of confusion and tentativeness at the state level, and frequently were interpreted as having to implement "quick-fix" program solutions.

When respondent views of the role of performance standards are reported separately for JTPA and welfare offices, an expected difference emerges. While standards were mentioned only once by welfare respondents, they were cited by five of the nine JTPA respondents. For the most part, JTPA officials saw performance standards as constraining targeting decisions largely because of the risks they presented to SDAs and their service providers. In some cases, these risks were explained in terms of a potential loss of six percent funds, while in other instances respondents cited the political necessity of achieving the standards, and the priority placed upon them by members of Private Industry Councils. Finally, the incorporation of performance expectations in fixed-unit price contracts was also cited as limiting vendor ability to enroll AFDC recipients, including the hard-to-employ. From the perspective of a vendor, enrolling the hard-to-employ placed reimbursement for expected performance at risk as well.

The fact that JTPA respondents cited performance standards as a constraining factor much more often than their welfare counterparts is interesting and potentially informative. Since welfare departments, like JTPA, rely heavily upon performance expectations, the limited importance they placed on standards

may reflect the fact that they do not operate under an elaborate, legislatively mandated performance standards system. It became clear during our interviews that JTPA's emphasis on performance achievement had created a relatively complex and high priority activity at the state level that was carried out within a sophisticated and technical structure. We found an emotionally charged audience of JTPA respondents, some strongly for and others against performance standards, as well as a management tool that seemed to be set apart from others routinely used by program administrators. Welfare departments, in contrast, relied upon performance standards, but approached them in much the same way they did other management concerns. While performance achievement was indeed considered important, it did not occupy the same status as among our JTPA respondents. Performance standards management was simply not as difficult or problematic in the highly targeted welfare programs we observed as in the more broadly defined JTPA program. This may well imply that a key problem with JTPA's performance standards is that they have become too prominent and too complex in the minds and management systems of program administrators, overriding other key management concerns and the primary importance of focusing on individual employability development. It may also imply that it is possible to manage with performance standards in programs that are highly targeted on the hard-to-employ.

Although JTPA respondents cited performance standards as inhibiting services to AFDC recipients more often than welfare respondents, it still represented only a little more than half of all potential responses. This mixed message was reinforced by the responses to our question regarding the best ways for states and service providers (SDAs) to encourage or improve services to AFDC recipients, including those that are hard-to-employ.

As before, across all respondents, the single most frequently cited responses included increased funding and better coordination between JTPA and welfare programs, followed by better incentives and improved management of performance standards. Importantly, the two most important responses given by JTPA respondents included improved coordination and better incentives. Each is addressed in turn below.

Inter-agency coordination was a major theme running throughout our interviews. Regardless of which respondent, it was viewed as a critical step for improving service delivery to AFDC recipients. For example, New Jersey's demonstration program--REACH--includes specific policies to promote the delivery of remediation services to welfare recipients. Since the REACH budget includes limited resources

for such services, the state welfare department negotiated an interagency arrangement with the state Department of Education. As a result, the education department has targeted some of its adult basic education monies (from both state and federal non-JTPA sources) for REACH clients. The state department of education will also participate in the county-level decision process on how these funds should be targeted to REACH clients.

At both the state and local level, competition for clients, turf battles, incongruity in target group focus, and differing expectations regarding the role of employment and training services were viewed as limiting the coordination of two programs that otherwise shared much in common. For example, a JTPA official observed that:

JTPA dollars could be stretched further and more people could be served by an SDA if there was improved coordination with local welfare departments to provide supportive services and with local education agencies to provide remediation services.

Improving incentives was an issue cited more often by JTPA than welfare respondents. This reflected two types of concerns among the JTPA respondents. The first was that despite policies and procedures to support adjustments beyond the Department of Labor's model, few if any SDAs had requested such adjustments. One JTPA respondent observed that:

I don't see enough current use of the adjustment procedures to believe that more flexibility would make any difference.

Our respondents attributed this to three factors, including the complexity and data requirements of the additional adjustment procedures, the ease with which SDAs could achieve their performance targets without additional adjustments, and their concern over not looking bad! Apparently, many state officials believe that as long as SDAs can achieve their performance expectation, they have little incentive to go beyond it.

The second concern over incentives was financial. In several of our interviews, respondents cited the limited effects that six percent policies were having on encouraging services to the hard-to-employ, including AFDC recipients. While most agreed that the structure and intent of the six percent grant had merit, its relatively small size was having only a limited effect on the behavior of SDAs. For example, a JTPA official observed that:

Performance standards don't have anywhere near the importance that many people claim they do. For example, most of our SDAs met the youth per-

formance standard, and knocked them all to hell. In FY1986, we could have doubled the cost per and all our SDAs still would have met these standards. And, due to the structure of the incentive formulae, there is no incentive to an SDA to exceed the performance standard by more than 10 percent; yet most of our SDAs exceeded them by 100 percent.

On the basis of our interviews, it is not clear that a strong case can be made for performance standards being a major factor in constraining service provider decisions regarding whom to serve and in what programs. This is certainly the case across both JTPA and welfare programs and within programs administered directly by welfare agencies. While our JTPA respondents did cite performance standards most often, it represented just over one-half of all responses, in comparison to an overwhelming sentiment. Moreover, when we examined how states would improve services to AFDC recipients, modifying the performance standards system was mentioned only after improving coordination and incentives. It would thus appear that while changes to the performance standards system may be necessary, they are not a sufficient condition for enhancing the level and quality of services to the welfare population.

4.3 Improving Services to Welfare Recipients

The road to improving services to AFDC recipients appears to lie in the direction of coordination and support services. When respondents were asked to cite those changes that are most important to improving services to AFDC recipients, these two factors were cited most often, regardless of whether the respondents represented JTPA or the department of public welfare.

Welfare recipients' multiple barriers to employment is what drives the call for increased interagency coordination because it is widely acknowledged that no single program or agency can be equipped to handle the multiple and varied needs of such clients, particularly the hard-to-employ. Several respondents noted the linkage between effective interagency coordination and programmatic success as evidenced by the following representative comment:

Our new state-wide welfare reform initiative has brought together welfare offices, JTPA, schools, and human services agencies which have never worked together previously. To make the initiative a success, these agencies must work together.

A second rationale that led respondents to emphasize coordination issues is the political environment of budget cutbacks, particularly for social welfare programs. Respondents strongly believe that more cooperation between JTPA, the state welfare department, and other related agencies would result in better matching of

welfare recipients' service needs with the existing employment and training and educational program slots as well as with currently available supportive services. To require each service delivery system to provide a fully comprehensive array of services may neither be economically efficient nor necessarily guarantee the appropriate level and mix of services. To illustrate this point, a recent state RFP announced a new competition for demonstration projects to serve hard-to-serve individuals. A key goal of these projects is to:

...develop an integrated system of service delivery which is transparent and therefore easily accessible to individual users and which makes maximum use of existing resources to identify and meet their needs.... It is not the intent of this RFP to set up a separate delivery structure for serving hard-to-serve individuals, but rather to expand opportunities through existing programs. Therefore, the proposal should specify how the provision of services will be integrated into existing programs to make maximum use of existing resources available in this area.

As a final point, we observed that several of our respondents talked about the need for both formal and informal approaches to interagency coordination. Sources of formal coordination were statutory provisions of new welfare reform initiatives, the Governor's Coordination Plan, mission statements, RFPs, and other policy directives. Sources of informal coordination mainly consisted of meetings, talking, and planning with one's counterparts in other agencies. The following statement in a 1987 annual report to the Florida state legislature illustrates the necessity for such informal interactions:

Formal organizational agreements and cooperative working agreements will provide staff with the framework of responsibilities required to implement Project Independence. However, it is often the informal relationships formed at the local level which make interagency coordination and cooperation effective. Developing informal interagency relationships will require meeting staff from agencies who provide services and resources needed by Project Independence participants to achieve self-sufficiency and independence from welfare.

Both Welfare and JTPA officials also see a critical need for supportive services which are more comprehensive, richer, and longer than those which are typically available. Several of them observed that the provision of such enhanced supportive services was an absolutely necessary ingredient to motivate welfare recipients to enroll and then to successfully complete a series of program components which will lead to economic self-sufficiency. Without such services during

¹Florida Department of Health and Rehabilitation Services, Project Independence Report, Tallahassee, FL, August 1987.

program participation, the client has a higher likelihood of becoming discouraged and dropping out, due, for example, to an inability to manage both family and program participation responsibilities.

The extension of such services, even after a recipient obtained nonsubsidized employment, was also stressed as a key factor in preventing recidivism. To this end, several respondents reported that their states are now extending health benefits for up to one year post-employment since many welfare recipients are unable to qualify for jobs that provide important fringe benefits such as medical insurance. Finally, respondents are also aware that the availability of supportive services often motivates program operators to make longer-term investments in welfare recipients. One JTPA respondent spoke directly to the dual motivating role that supportive services can play:

The success rate of long-term employment and training programs has been weakened by a lack of consistency in support services. The longer the program goes, the more chance that the supportive services will break down and as a result, the participant will drop out. As a result, program operators don't want to take the chance of committing money to hard-to-serve clients or targeted programs which have a lower chance of success.

Although several of our respondents also expressed a concern that performance standards constrain targeting and program mix decisions, they were clear that the standards were not as important as other factors. The respondents did, however, offer suggestions on how to improve JTPA's performance management system. First, in a few cases respondents cited a need for a more general outcome measure, such as a positive termination rate, to assess programs serving welfare recipients. They believed that broadening the focus of performance expectations would enable service providers to concentrate on a wider range of employability development activities such as remedial education.

Second, several respondents believed that the adjustment models could be improved through the inclusion of additional variables, such as duration on public assistance, to better control for key factors affecting the achievement of performance outcomes. Such changes, however, would also have to be accompanied by demystifying and simplifying the performance standards process in order for SDAs to both better understand it and, when necessary, request additional adjustments.

But perhaps most clear is that modifications to the performance standards system alone will not necessarily have a marked effect on targeting and program decisions. Other factors, such as coordination and support services, would have to be addressed as well.

APPENDIX TO CHAPTER 4

Exhibit 4.1

Use of Performance Standards by Welfare Departments

<u>Question</u>	<u>Number of Respondents Answering "Yes"</u>	<u>Number of Respondents Answering "No"</u>
Do you rely on specific performance measures to manage employment and training services?	7	2
Measures that are relied on:		<u>Number of Respondents Answering "Yes" (N = 7)</u>
<u>Output Measures</u>		
Job placements		7
Wages at placement		6
Cost per placement		3
Post-termination measures		6
<u>Input Measures</u>		
Participation		3
Target group shares		1
Cost per participant		0
Do you set <u>state-wide performance standards</u> and then apply them to contractors, or are the standards set on a contract-by-contract basis?		
State-wide standards		1
Contract-specific standards		4
Both		4

Exhibit 4.2

Use of Performance Standards by Welfare Departments

<u>Question</u>	<u>Number of Respondents Answering "Yes"</u>	<u>Number of Respondents Answering "No"</u>
Use of adjustment factors in setting performance standards or benchmarks:		
Client characteristics	7	2
Local economic conditions	6	3
Size of local caseload	1	8
Use of specific incentives to encourage good performance	4	5

Exhibit 4.3

Procedures Used to Adjust JTPA Performance Standards

<u>Methods Used to Set Adult/Welfare Performance Standards</u>	<u>Number of Respondents Answering "Yes"</u>	<u>Number of Respondents Answering "No"</u>
Use of DOL adjustment models for adult welfare EER	9	0
Use of the national standard	0	0
Use of the adult welfare EER ratio	0	0
Use of further state-SDA negotiated adjustments to the four adult performance standards		
Adult EER	6	3
Adult average wage	6	3
Adult cost/EE	6	3
Adult welfare EER	6	3
Use of additional performance measures for adult welfare programs	1	8

Exhibit 4.4

Use of 6% Funds As Incentives to Encourage Services to Hard-to-Serve Groups

<u>State</u>	<u>Any Portion to Hard-to-Serve?</u>	<u>Percent of 6% Funds</u>	<u>Definition of Hard-to-Serve or Target Group</u>	<u>How to Become Eligible</u>	<u>Constraints on Funds Used</u>
Florida	No				
Illinois	No				
Massachusetts	Yes	In PY86, \$500K is targeted towards hard-to-serve from \$1.2M 6% funding (about 40% of the total)	High school dropouts Minorities	SDAs must achieve both a high rate of service and excellent outcomes as measured by high placement rates and placement wages. Exact amounts at award depend on the percent by which the SDA exceeds established benchmarks.	N/A
Michigan	Yes	SDAs can choose to use all or part of 6% funds awarded for PY86 performance to provide services to hard-to-serve clients. 89% (\$6.85M) of PY86 6% funds are available for incentive grants (\$7.7M in PY86) Participants identified as 6% hard-to-serve were <u>not</u> included in PY86 calculations for purposes of awarding 6% incentive grants (see Note 1).	An individual who is: -Economically disadvantaged -Unemployed +2 years or never employed - need of functional literacy or employability characteristics or supportive services -Whose Employability Development Plan indicates that the duration or cost of training leading to employment exceeds that received by the average program participant	N/A	70% training limitation No mention of administrative cost limits

Note 1: To be eligible for exclusion from incentive award calculations, participants must meet the following definition of hard-to-serve:

a) An individual must be economically disadvantaged and either meet 2 of the following:

- School dropout
- Offender
- Teen parent
- Substance abuser

Or, one of the above and at least one of the following:

- Youth
- AFDC recipient
- Handicapped

Exhibit 4.4 (continued)

Use of 6% Funds As Incentives to Encourage Services to Hard-to-Serve Groups

<u>State</u>	<u>Any Portion to Hard-to-Serve?</u>	<u>Percent of 6% Funds</u>	<u>Definition of Hard-to-Serve or Target Group</u>	<u>How to Become Eligible</u>	<u>Constraints on Funds Used</u>
New Jersey	Yes	Approximately 26% of total 6% pool is targeted towards hard-to-serve clients 1/3 of 80% of total pool is available for SDAs that exceed all performance standards; however, SDA can request a waiver from exceeding the Welfare performance standards if it is serving REACH participants by double the WIN Title IIA requirement.	<u>Hard-to-serve groups may include:</u> -REACH participants with less than a 6th grade reading level -AFDC participants with 2 preschool children -Severely handicapped -Non English-speaking -Ex-offenders -School dropouts under age 18 -Displaced homemakers over age 40 -Substance abusers -Homeless -Dropouts -Other group which the SDA demonstrates are unusually hard to serve	SDAs must exceed minimum of 3 out of 4 adult performance standards and 2 out of 3 youth performance standards. One of the adult performance standards must be cost per. SDAs must submit documentation that they served select hard-to-serve individuals over and above the number that the SDA would normally be expected to serve.	70/30 cost split No 15% limitation on administrative costs
New York	Yes	\$3.12M was awarded for 6% hard-to-serve in PY86	<u>A. Priority Groups</u> -Minority youth and adults -Single head of household <u>B. Secondary Groups</u> -Handicapped -School dropouts -Limited ESL proficiency -Offenders -Alcoholics and addicts -Veterans -AFDC recipients, including voluntary programs for women with children under 6	Must qualify for a PY86 performance award Must exceed 1 or both of the Adult Welfare performance standard and Youth EER performance standard. Must submit an implementation plan for the incentive award.	Funds must supplement and not supplant services available currently.

Exhibit 4.4 (continued)

Use of 6% Funds As Incentives to Encourage Services to Hard-to-Serve Groups

<u>State</u>	<u>Any Portion to Hard-to-Serve?</u>	<u>Percent of 6% Funds</u>	<u>Definition of Hard-to-Serve or Target Group</u>	<u>How to Become Eligible</u>	<u>Constraints on Funds Used</u>
Ohio	Yes	80% is available for Incentive Grants. SDAs who receive grants must spend 25% of funds on hard-to-serve clients.	<u>A. State Categories</u> -Women -Minorities -Older workers (40-70 years) -Handicapped -Veterans -Dropouts -Female household heads -18-25 year old black males <u>B. Local Categories</u> -SDAs may also define 2 local hard-to-serve categories	SDA must meet all , performance standards <u>and</u> exceed at least one performance standard	N/A
Pennsylvania	No				
Texas	No				

Exhibit 4.5

What Are the Best Ways for States and Service Providers To Encourage/Improve Services to Hard-to-Serve Welfare Recipients?

Policy Tool	Number of Responses		Total
	JTPA	Welfare	
Better management of performance standards	3	3	6
Better management of fixed-unit price contracts	0	0	0
Increased funding	3	5	8
Increased or improved technical assistance	1	2	3
Financial Incentives	5	2	7
Better coordination with welfare/JTPA departments	5	3	8
Better/more practical ways of identifying hard-to-serve	2	0	2
Other	5	6	11

If performance standards were mentioned as a key way to encourage services to AFDC recipients:

What are the ways in which performance standards can be improved?

Policy Tool	Number of Responses					
	JTPA (N=3)			Welfare (N=3)		
	Yes	No	DK	Yes	No	DK
Helpful to change the mix of standards?	2	0	1	3	0	0
Helpful to provide better incentives?	2	1	0	2	0	1
Helpful to achieve better local management/changes in fixed-unit price contracts?	2	0	1	1	1	1
Helpful to develop more flexible adjustment procedures?	3	0	0	1	0	2

If performance standards were not mentioned as a key way to encourage services to AFDC recipients:

What are the ways in which performance standards can be improved?

Policy Tool	Number of Responses					
	JTPA (N=6)			Welfare (N=6)		
	Yes	No	DK	Yes	No	DK
Helpful to change the mix of standards?	4	2	0	3	2	1
Helpful to provide better incentives?	4	2	0	*	*	*
Helpful to achieve better local management/changes in fixed-unit price contracts?	2	1	3	2	2	1
Helpful to develop more flexible adjustment procedures?	2	4	0	2	2	2

* = Not asked

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Exhibit 4.6

Most Important Factors which Inhibit State and SDA (Service Provider)
Decisions to Serve Hard-to-Serve Welfare Recipients

<u>Factor</u>	<u>Number of Responses</u>		<u>Total</u>
	<u>JTPA</u>	<u>Welfare</u>	
Cost limitations	1	0	1
Limited funds	2	6	8
Performance standards	5	2	7
Limited capability/knowledge	.	1	2
Political pressure	0	1	1
Support services limitations	2	2	4
Limited incentives	0	0	0
Difficulty in identifying this group	0	0	0
Perceptions	2	7	9
Coordination	2	1	3
Other	2	0	2

If performance standards were mentioned as a chief inhibiting factor:

Do performance standards play a key role in inhibiting policy objectives concerning provision of services to the hard-to-employ?

<u>Policy Tool</u>	<u>Number of Responses</u>			
	<u>JTPA (N=5)</u>		<u>Welfare (N=2)</u>	
	<u>Yes</u>	<u>No</u>	<u>Yes</u>	<u>No</u>
Serving the hard-to-employ	4	1	2	0
Offering longer-term services	3	2	2	0
Creating an effective match between client need and service mix	4	1	2	0

If performance standards were not mentioned as a chief inhibiting factor:

Do performance standards play a key role in inhibiting policy objectives concerning provision of services to the hard-to-employ?

<u>Policy Tool</u>	<u>Number of Responses</u>			
	<u>JTPA (N=4)</u>		<u>Welfare (N=7)</u>	
	<u>Yes</u>	<u>No</u>	<u>Yes</u>	<u>No</u>
Serving the hard-to-employ	3	1	5	2
Offering longer-term services	2	2	4	3
Creating an effective match between client need and service mix	1	3	3	4

Exhibit 4.7

Changes in Policy Tools Which Are Viewed As Most Important in Improving the Level and Quality of Services to AFDC Recipients

<u>Policy Tool</u>	<u>Selected As Most Important JTPA</u>	<u>Selected As First Priority</u>		<u>Selected As Second Priority</u>			
		<u>Welfare</u>	<u>JTPA</u>	<u>Welfare</u>	<u>JTPA</u>	<u>Welfare</u>	
Improving coordination with welfare departments		6	5	3	2	3	3
Better identification and selection of the hard-to-employ		2	3	0	0	1	1
Improving/augmenting technical assistance		3	4	0	1	1	1
Changing or improving incentives		3	4	1	2	0	1
Augmenting availability of support services		5	5	4	2	2	2
Changing the mix of performance standards		2	3	0	0	0	0
Changing the adjustment procedures to be more flexible		4	4	1	1	0	0
Better management of fixed-unit price contracts		1	1	0	0	0	0

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