



THE CITY OF NEW YORK
INDEPENDENT BUDGET OFFICE
110 WILLIAM STREET, 14TH FLOOR
NEW YORK, NEW YORK 10038

April 23, 2009

The Honorable Bill de Blasio
250 Broadway, 17th Floor
New York, New York 10007

Dear Council Member de Blasio:

Your office had asked the Independent Budget Office (IBO) to look into contract spending and performance for the Human Resources Administration's (HRA) Back to Work employment services program. The Back to Work program includes citywide contracts with seven community-based employment and training organizations to provide job readiness training, placement services and vocational training to applicants for and recipients of cash assistance. All of the contracts run from July 1, 2006 to June 30, 2009. The maximum allocation for the contracts is \$159.6 million over three years. Actual allocations are based on a series of performance milestones, with contractors receiving payments each time one of their clients achieves a milestone.

In response to your request, IBO requested and received from HRA information on actual expenditures and major performance indicators for the Back to Work program for each of the three contract years. The agency also reported its initial performance goals as presented in the contract Request for Proposal (RFP). This information is presented in the attached table. Each contract year corresponds to a city fiscal year. For the current fiscal year, the reported expenditures and performance indicators are for six months, through December 2008. We have provided projected totals for fiscal year 2009 by simply doubling these six month totals. It should be noted that although the contracts end on June 30, 2009, additional payments will continue to be made to contractors in fiscal year 2010 as clients in the system continue to achieve additional milestones. For instance, a client who has been employed for 90 days as of June and remains employed could reach the 180-day employment retention milestone in September; the contractor would then receive an additional payment for achieving that milestone.

Expenditures. As expected, the numbers for program expenditures as well as for all of the performance measures are lower for the first year than for subsequent years. This is due to program start-up time and the time it takes to prepare clients for employment. In addition, a client who begins the program late in the year might not achieve some of the employment milestones until the following fiscal year. This would reduce payments to contractors during the first year.

As such, total payments to the vendors rose from \$21.3 million in 2007 to \$53.8 million in 2008. Total payments for the first half of 2009 were \$29.6 million. If payments continue at this pace, the total expenditures for 2009 would be \$59.3 million, and the three-year expenditure total would be \$134.4 million. Additional payments will be made in the early months of fiscal year 2010 as clients already in the system by June 30 continue to achieve performance milestones.

Performance Indicators. The number of cash assistance clients referred to the Back to Work program totaled 121,143 in 2007, 143,311 in 2008, and 82,895 in the first six months of fiscal year 2009. These numbers are significantly higher than the initial goals. HRA, however, does not consider the number of program referrals to be a reliable performance measure and does not use this measure as a payment milestone, due to the fact that many referred clients are later determined to be financially ineligible for cash assistance or fail to appear for their scheduled appointment at the Back to Work vendor.

The first payment milestone occurs when a client engages with the vendor and an employment plan is completed. The client is then considered to be enrolled in the program. The number of completed employment plans totaled 44,318 in 2007, 56,828 in 2008, and 33,323 in the first six months of 2009. While the first year totals were apparently impacted by start-up delays, by the second year the program was largely achieving its initial goals. The number of employment plan completions in the third year is running somewhat ahead of the annual goal.

The Back to Work contracts include additional payment milestones for placement and retention in unsubsidized employment. The first of these milestones occurs when a client is placed in a job and employment is retained for 30 days. Additional payments are made when the client retains that job for 90 days and again for 180 days. The HRA data indicate that in the second year of the program 15,776 clients reached the 30-day employment milestone, somewhat more than the original goal. In that same year 7,786 clients reached the 90-day employment milestone, about 82 percent of the initial annual goal. Finally, 5,337 clients achieved the 180-day employment milestone, somewhat more than the program goal.

While the Back to Work vendors have largely achieved the agency's initial employment goals, the data indicate a significant drop-off in employment retention over time. The number of clients reaching the 30-day employment milestone in 2008 represented about 28 percent of the number of clients who completed employment plans. By the 90-day milestone the retention rate decreased to 14 percent, and by the 180-day milestone it further decreased to 9 percent of completed employment plans. Because not all clients reaching a particular milestone in a given fiscal year entered the program that year (the data report annual totals for each milestone), these results are not necessarily measuring the same individuals reaching each of these milestones in a given year. Nevertheless, this measure does give us a sense of client drop-off over the various phases of the program. In other words, roughly two-thirds of clients who were placed in unsubsidized positions through Back to Work and retained those jobs for 30 days are no longer in the same jobs five months later.

HRA's modest initial employment goals indicate that, based on their long experience with this population, the agency expected major difficulties with employment placement and retention in spite of the performance based vendor payment system. Efforts to improve the program in the future will need to carefully focus on ways to improve client employment retention rates.

Overall Employment Placements. Finally, it is important to point out that the Back to Work program represents just one component of HRA's overall job placement efforts. The agency reported that in fiscal year 2008 just over 80,000 cash assistance applicants and recipients were placed into jobs. This total includes job placements by Back to Work vendors, other employment programs run by HRA such as WeCARE and BEGIN, programs run by the state, and jobs clients found on their own. Job placements through the Back to Work program represented about 20 percent of the total.

If you have any further questions regarding this request, please do not hesitate to contact me at 212-442-8642 or Paul Lopatto, IBO's Supervising Analyst for Social and Community Services, at 212-442-8613.

Sincerely,

George V. Sweeting
Deputy Director

Cc: Public Advocate Betsy Gotbaum

BACK TO WORK PROGRAM EXPENSES AND PERFORMANCE INDICATORS

	City Fiscal Year			
	2007	2008	2009 YTD through 12/08	2009 Projected
Total Expenses	\$21,273,943	\$53,793,244	\$29,631,011	\$59,262,022
Referral Goal	112,464	112,464	56,232	112,464
Actual Clients Referred	121,143	143,311	82,895	165,790
Employment Plan Goal	58,246	58,246	29,123	58,246
Employment Plans Completed	44,318	56,828	33,323	66,646
30-day Unsubsidized Placement Goal	14,564	14,564	7,282	14,564
30-day Unsubsidized Placements Achieved	7,341	15,776	8,044	16,088
90-day Unsubsidized Retention Goal	9,467	9,467	4,734	9,468
90-day Unsubsidized Retentions Achieved	2,908	7,786	3,885	7,770
180-day Unsubsidized Retention Goal	5,098	5,098	2,549	5,098
180-day Unsubsidized Retentions Achieved	1,105	5,337	2,644	5,288
30-day Placements Achieved as a % of Employment Plans Completed		27.8%		
90-day Retentions Achieved as a % of Employment Plans Completed		13.7%		
180-day Retentions Achieved as a % of Employment Plans Completed		9.4%		

SOURCES: IBO; Human Resources Administration