Building a Firm Foundation

Recommendations for New York City's Job Training System

Maria L. Buck

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Acknowledgments

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Introduction

In late 1998, the New York City Department of Employment (DOE) decided to develop a technical assistance plan for its contracted employment and training providers. At the time, DOE was about to move forward with a new performance-based contracting system and wanted to know what assistance would be most useful to providers. The Department's expectation was that a new technical assistance initiative would help providers through the transition to the new system, as well as improve the overall performance of providers, which in turn would benefit participants. To design the plan, P/PV and DOE agreed to examine not only contractors' immediate concerns, but to also explore challenges related to the implementation of the newly enacted Workforce Investment Act (WIA).

In February 1999, P/PV began an assessment of the contracted providers that sought to understand their concerns and elicit their suggestions for technical assistance. The assessment comprised two strategies. First, P/PV administered a survey to all Job Training Partnership Act (JTPA) Title IIA (disadvantaged adults) and Title III (dislocated workers) contractors to get an overall picture of the field. Second, it made site visits to several contractors, representing a cross-section of providers. In addition, P/PV held several meetings with DOE staff throughout the course of the project.

This report:

- Describes the performance of New York City's JTPA adult training providers;
- Discusses challenges currently faced by providers; and
- Recommends strategies for improving the performance of New York City's employment and training system, including those arising from the implementation of the Workforce Investment Act.

During the course of this assessment, the employment and training landscape shifted dramatically with responsibility for the Title IIA programs moving from DOE to the Human Resources Administration (HRA) in late spring. This shift raises important challenges and opportunities for the future of workforce development in the city; though the timing of this change precludes P/PV from addressing them in this report.

New York City's Job Training Performance

Within the New York City JTPA system, a variety of programs serve adults and youth. This report focuses on disadvantaged adults (Title IIA) and dislocated workers (Title III). In the 1997-98 program year, 53 training providers served about 5,300 participants with $27 million in public resources. In addition, six organizations ran Testing, Assessment and Placement Centers, known as TAP Centers, serving another 8,000 participants with approximately $9 million.[1]

To understand the issues facing DOE as well as local contractors, it is important to put the city's overall performance in some context. Across New York state, the 33 Service Delivery Areas[2] (SDAs) are judged according to a series of standards established by the U.S. Department of Labor (USDOL). Individual SDAs are measured against six core standards: adult follow-up employment rate[3] and follow-up weekly earnings;[4] welfare recipients' follow-up employment rate and follow-up weekly earnings; and youth entered employment and employability enhancement rates. As Table 1 indicates, New York state's outcomes exceeded the federal standards in 1997.[5]

The performance standards for individual SDAs are set by USDOL, but can be adjusted by governors to reflect local conditions. The USDOL standards take into consideration factors relating to both the participants and local economy, including the percentage of participants who are female, minorities, not high school graduates and not in the labor force, combined with the local unemployment rates and percentage of families with incomes below the poverty level, among others. In addition, governors are allowed to adjust performance levels based on additional factors such as serving other hard-to-serve populations, the type of services being provided, and regional variations in local economic conditions. USDOL creates "tolerance ranges" for how much governors can adjust the standards.

Table 1: **New York State JTPA Performance, Program Year 1997**

		Standards	Outcomes
Adult	Follow-up Employment Rate	56.2%	74.6%
	Follow-up Weekly Earnings	$296	$312
Welfare Recipients	Follow-up Employment Rate	46.6%	72.5%
	Follow-up Weekly Earnings	$252	$283
Youth	Entered Employment Rate	39.3%	56.0%
	Employability Enhancement Rate	35.6%	55.0%

Source: Data provided by the New York City Department of Employment.

While the state has performed well, New York City has not been as successful. As Table 2 demonstrates, New York City failed to meet USDOL standards in three categories and just met the governor's adjusted standards. (As a point of comparison, the Yonkers SDA was the only New York SDA with lower performance goals than New York City's, with its adult follow-up employment standard set at 37.5 percent; nevertheless it achieved a follow-up employment rate of 74.6 percent.)

Why is New York City having a difficult time reaching its performance standards?

While there is overlap between the performance measures that the overall SDA must meet and the performance measures incorporated into individual contracts for providers, specifically regarding measures for retention, there are also many inconsistencies among the two sets of performance standards. For example, DOE performance evaluations place the most emphasis (points) on training-related placements and employment at termination, neither of which are taken into consideration in the national performance standards. Therefore, contractors could fail to meet the federal performance objectives under JTPA, but still meet the majority of the performance measures in their contract.

Ironically, most individual providers perform fairly well when measured on their contractual standards.[6] In 1998, DOE examined the performance levels of individual Title IIA contractors for the first time using automated data from the Standardized Program Information Reporting (SPIR) system. Based on contractors' performance data from 1996, approximately 50 percent of contractors exceeded the contractual goal of 65 percent. However, as indicated in Chart 1, there is wide disparity in the placement rates of providers with the bottom quartile of providers achieving a median placement rate of 50.1 percent while the top quartile achieved a 82.7 percent median placement rate. The median wage at placement was $9.01 per hour, with a high of $11.85 and a low of $6.97, and all but two contractors achieved the contractual goal of $7.00 per hour.

Chart 1: **Wide Disparity in Placement Rates of Providers**

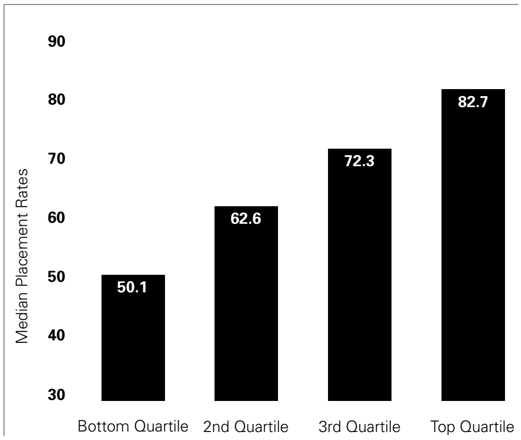


Table 2: **New York City JTPA Performance, Program Year 1997**

		USDOL Standards	Governor-Adjusted Standards[7]	Outcomes
Adult	Follow-up Employment Rate	43.2%	40.0%	43.0%
	Follow-up Weekly Earnings	$330	$318	$325
Welfare Recipients	Follow-up Employment Rate	33.7%	29.5%	37.9%
	Follow-up Weekly Earnings	$291	$278	$310
Youth	Entered Employment Rate	41.5%	36.5%	39.6%
	Employability Enhancement Rate	43.6%	38.9%	45.2%

Source: Data provided by New York City Department of Employment.

The major factor in New York City's difficulty in reaching its performance standards is the substantial impact of the Testing, Assessment and Placement (TAP) Centers on key outcomes. The TAP Center model operates differently from other JTPA-funded programs, with, as the title indicates, more emphasis on assessment, short-term pre-employment training and placement. In addition, the TAP Centers operate at a much higher volume than do JTPA training providers, with six organizations contracted to serve over 8,000 participants each program year, compared to 5,300 served by long-term training providers. TAP Centers are far less expensive, however, spending roughly $1,125 per participant, compared to training providers which spent about $5,000 per participant.

A 1998 report from DOE found that during the 1996 program year, the TAP Centers consistently had lower placement rates than did the adult training providers: "No matter what occupation they were placed in, or trained and placed in, the TAP Centers' placement rate was lower than the training programs." The report also examined the effect of education, labor force status and ethnicity on placement rates, and concluded, "even if the TAP centers served only the most advantaged, the placement rate would still be below the training programs rate" (Dei et al., 1998, p.14).

Although the performance data in Table 3 reflect performance at placement, not at follow-up 90 days later, it is clear that long-term training providers do achieve higher performance levels than do TAP Centers. It appears likely that if the city ends support of the TAP Centers, as is currently planned, it will be able to meet the USDOL performance standards.

Because DOE intends to phase out its contracts with TAP Centers, P/PV focused its analysis and recommendations on the issues facing long-term training providers. DOE and P/PV also agreed to limit the scope of the assessment to contractors serving adults, since they will be most affected by the Workforce Investment Act.

Table 3: **TAP Compared to Title II Adult Training, Program Year 1996**

	Percent Placed		**Wage at Placement**	
	All	Welfare Recipients	All	Welfare Recipients
TAP Adult	41.6%	29.7%	$9.22	$7.95
Adult Training Contractors	60.9	55.1	9.09	8.95

Source: Dei et al., 1998.

Major Challenges Facing New York City's Employment Providers

During the past several years, there have been a number of significant changes in the employment and training field in New York City. From the higher performance standards for service providers, to movement toward a centralized assessment and referrals system, and the implementation of performance-based contracting for dislocated workers, change has been occurring at a rapid pace. With these changes, providers have been faced with many challenges, from continuing struggles with staff development and technological changes to concerns about the impact of welfare reform. Providers consistently remarked on these tumultuous times. On top of the day-to-day struggles, providers are facing challenges posed by the Workforce Investment Act. Even providers who have been working in the field for decades said nothing has prepared them for what they will face over the next year.

What does the field of employment providers look like?

From contract data provided by DOE (Table 4), median enrollment of Title IIA contractors is 90 participants, with a median budget of approximately $476,000 per year. For Title III providers, the median enrollment is 38, with a budget of $240,000 per year. Currently, 53 different contracted organizations provide employment training services. While some providers run multiple JTPA programs, the vast majority (74%) run just one type of program.

To deepen our understanding of the issues facing the field, P/PV conducted a survey of all current (PY 98) Title IIA and Title III DOE contractors. We achieved a response rate of 70 percent, with 37 of the 53 contractors responding.[9] The survey was designed to provide a portrait of the employment and training community in New York City. Overall, the field of employment and training providers in New York City can be described as a community of veterans: 75 percent of survey respondents have been in the job training field for 10 or more years, with 69 percent having been contractors with DOE for seven or more years. The vast majority of providers are nonprofits (78% of respondents). However, there is also a "big guy, little guy" phenomenon in New York City; 62 percent of survey respondents serve between 50 and 250 participants a year; 22 percent of providers serve over 1,000 participants each year.

Table 4: **Characteristics of Contractors, Program Year 1998**

	Number of Contractors[8]	Median Enrollment	Median Contracted Budget
Title IIA	39	90	$476,000
Title III	25	38	240,000

Source: P/PV analysis of DOE contract data.

Areas of Current Concern

Staff

While there are significant policy and administrative changes occurring in New York City's employment arena, providers cited staff recruitment, development and retention as their most important challenges. The vast majority of providers (81%) have staffs of 15 people or less; 44 percent have one to five people. Twenty-two of the 37 survey respondents cited staff development as a challenge or an area of their program that needs strengthening.

Providers discussed the high incidence of burnout, due at least partly to the pressure to meet performance goals. Directors and staff often talked about "meeting the numbers" and being "hammered by our placement goals" as a major source of tension as well as a driving force in the organization.

Some providers contended that as a result of this pressure, organizations are having a difficult time retaining staff. Half the programs we visited had recent significant staff turnover. Others mentioned the "lure of the private sector," particularly in the area of job development. Some providers voiced concerns about the effect of turnover on their performance measures. As one program director commented, "losing one good job developer can affect performance numbers for two or three cycles until someone else is brought in and can rebuild relationships with employers."

While pressure to meet performance numbers is one reason for staff turnover, the wages and benefit levels offered by providers could also be a reason, as well as the lack of career ladders within organizations. As one executive director noted, "I can't have three program directors, can I? As staff gain experience, they look for senior positions in other organizations."

Providers requested general staff development assistance in the areas of technology, program development and communication skills. In addition, providers listed specific staff responsibilities that require assistance, including marketing and recruitment, job development, placement and postplacement retention.

It should be noted that in the responses to what technical assistance contractors found useful, several cited DOE/PIC-sponsored staff training, specifically in the areas of job development and employer relations. From the in-depth interviews, it appears that training benefits its intended audience; in general those who could be considered weaker performers rated the sessions very beneficial, while those providers who are better performers did not find the sessions as useful.

Communication between providers and New York City's Department of Employment

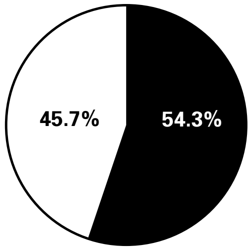
Many of the providers are concerned about a trend toward less communication between the providers and DOE. All nine organizations we visited said it was very difficult to start and maintain a dialogue with the agency, outside of bidders conferences and contract negotiations.

Several providers recalled a time when the agency dispatched field staff to visit contractors outside of program evaluations and contract renewals. Providers said it was during these visits that the agency staff got to know its providers and understood the issues they were facing. Thus, during contract negotiations providers and the agency were more likely to be on the same page about the issues. The lack of direct contact results in a lack of information about impending changes. For example, all of the information contractors have received about the possible changes under WIA came from sources outside of the Department.

Lack of flexible funds/cash reserves

Providers acknowledged the importance of flexible funds to fill cash flow gaps due to slow payment of city contracts, or to provide start-up funds for operation under a performance-based budgeting system.

Chart 2: **Almost Half of the Providers Have No Cash Reserves**



Source: P/PV analysis of DOE contract data.

As Chart 2 demonstrates, nearly half the survey respondents have no cash reserves. When asking one fiscal director if the organization had cash reserves, she said, "Yeah, [the Executive Director's] college fund for her kids." Of the 19 organizations that do have cash reserves, there is wide variance in the amount, ranging from as little as $50,000 to as much as $2 million, with a median of $325,000.[10] Half the cash reserves covered less than 25 percent of the organization's job training budget.

This lack of flexible funds is of even greater concern, given providers' reliance on public sector funding. Of the survey respondents, nearly half relied on DOE funds for 70 percent or more of their job training budget; and DOE was the only source of support for 29 percent of providers. Half of the respondents also received other New York state contracts. Only eight respondents received philanthropic support, representing a median of 12 percent of their budget, and tuition and fees for training for employers were sources of funds for only four providers (two each).

Performance-based contracting

When asked about performance-based contracting, many contractors said they would have welcomed the shift, under certain conditions. Some Title III contractors, who had just moved to performance-based contracts, commented, it was not a "real performance-based system." The system allows for contractors to be penalized if they do not meet their performance goals. However, there is no reward if they surpass their goals.

Without exception, the primary budget concern of providers was the integration of line-item and performance-based budgets. Currently, budgets are performance-based with benchmarks throughout the program. However, contractors are also obligated to provide line-item back-up for all of their expenditures. This "double bookkeeping" requires tremendous effort on behalf of the providers.

Performance standards

While most providers were able to meet the performance standards in their contracts, Title III providers, in particular, were concerned about the latest increases in standards and changes in the definitions of standards.

Title III contractors recently went through a new round of contract negotiations that set the placement wage at $11 per hour. Some believed the wage too high, considering the low skill level of many of the participants. However, of most concern to providers was the shift from an average wage at placement to a stipulated wage for all placements. Many programs that would have no problem meeting the average wage of $11 per hour, with low and high wages averaging out to the standard, will have a difficult time meeting the new objectives. Furthermore, USDOL and DOE define placements as working at least 20 hours per week. As one director stated, "DOE doesn't care if they [participants] are making $10.99 [an hour] in a 40-hour-a-week job, to them it just doesn't count." Contractors believe participants would be better off with full-time jobs even if hourly wages are slightly lower.

The challenges of these new standards were particularly evident in a training program that has strong ties to employers. Many program graduates enter into apprenticeship programs upon completion, earning $8 to $10 per hour. However, within the first year of an apprenticeship, participants could easily be making $12 to $15 per hour. Under the new regulations, this provider would not be able to meet its performance standards. Asked what they would do, the director said, "Well we thought long and hard about it. We finally signed the new contract. Our first class will graduate in June, and we will just have to see what happens. But I will not discourage any of my trainees not to take a job because it doesn't meet the performance goal. We'll just deal with that when it comes."

Technology and performance data

Although providers have been fairly successful in meeting performance standards, collecting performance data has proved much more difficult. Currently, providers use the Automated Case Management System (ACMS) to collect and transmit performance data to the Department.

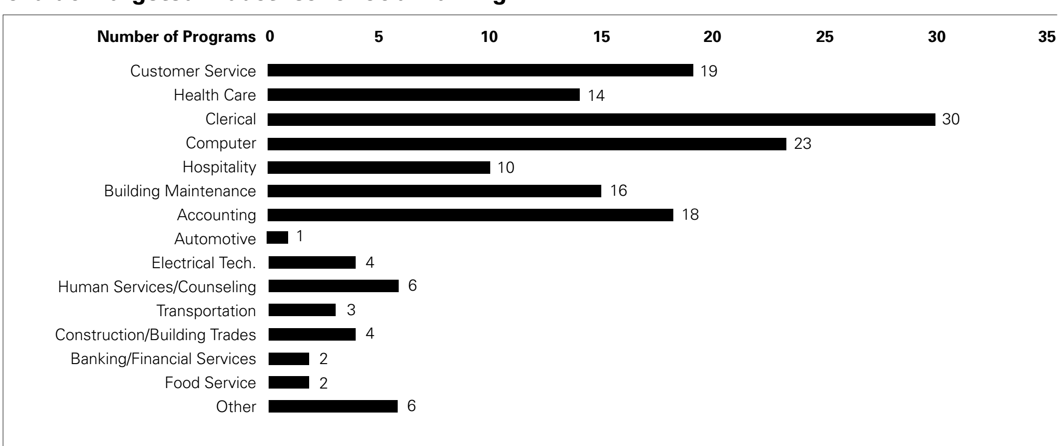
While providers commented on technical difficulties with the system, the primary objection was the time commitment required from staff. Data entry tasks were often spread out among different staff, often leading to errors and delays in submitting data. This in turn led to incomplete performance data from providers and required additional staff time to rectify errors. Some providers wanted to have dedicated staff for the data entry work, but DOE resources did not support a staff position.

One critical issue contractors face is the difficulty in manipulating the data within the ACMS for their own purposes. Much of the data recorded is important for contractors' program management; but the system has limited capabilities in producing reports for providers. Few organizations appear to use other computer systems to collect and manage program information that would be useful for future planning. At best, staff had simple tables or spreadsheets detailing performance information; most just had a myriad of paper files that would have to be examined individually to get an overall picture of the agency. This may reflect, in part, the fact that smaller organizations are unable to have people on staff with the necessary computer expertise. In fact, it was the smaller organizations responding to the survey that rated the technical assistance by DOE regarding the ACMS as most useful.

Industry sectors and labor market information

Many contractors have been training for and placing participants in the same industries for many years (Chart 3). Among the organizations we interviewed, all had trained for the same industries since they began running training programs, making

Chart 3: **Targeted Industries for Job Training**



(Respondents were able to offer more than one response)
Source:P/PV analysis of survey data.

minor adjustments to keep up with the changes in the field, such as upgrading software. In addition, only one provider had any component that could be considered customized training for an employer. A few providers discussed plans to expand their programs to include customer-service training. While that is an occupation in demand, some were concerned about the low pay and prevalence of part-time work.

Part of the lack in the development of training programs for new industries has been the limited access to, or familiarity with, labor market information. Several providers knew information was generated at either the state or local level, but did not know how to access or utilize it to make informed decisions about their programs.

To promote stronger ties with employers, DOE requires all providers to have a Private Sector Advisory Committee (PSAC), to provide guidance to contractors on their programs and recommendations for changes. The PSACs of the organizations visited meet a few times a year, but do not appear to be a major influence on the organization. Some providers' "links" to employers were simply periodic phone calls to employers with whom they had established good relationships or a perusal of the want ads. However, the organizations that had employers on their boards seemed to have the strongest attachment to the private sector, both in terms of increased placement within these companies as well as contemplating more changes in their programs.

Conflict with Work Experience Program (WEP)

The vast majority of providers commented on the negative influence the city's Work Experience Program (WEP) has had on public assistance recipients' ability to participate in training. WEP has a strong Work First element, requiring public assistance recipients to conduct a job search for four to six weeks. If employment is not found, then participants are enrolled in a Work Experience slot, working 21 hours per week. The biggest challenge posed for providers has been the removal of participants from training programs to fulfill WEP assignments. Providers are concerned that this will have an adverse effect on their performance measures because participants are being pulled in the middle of their training. Interviewed providers said usually two to three trainees are pulled every cycle. Overall, providers have seen a marked drop in the number of public assistance recipients in their programs, which they attribute to the WEP program.

One of the greatest divisions within the community of employment and training providers is their interaction with the Work Experience Program. Providers deal with the program in a variety of ways. Some providers work closely with HRA Job Centers to have the internship or out-placement components of their programs qualify as a WEP assignment. Some programs even have the participants work part time in the organization to fulfill their WEP assignment. However, these arrangements are coordinated individually with each caseworker, so some participants are able to do this and others are not.

Some providers have decided not to get involved at all with the WEP program and have stepped up recruitment efforts for nonpublic assistance recipients. Others have required public assistance recipients to obtain evening or weekend WEP assignments to fulfill their obligations. Regardless of providers' views about working with the WEP program, they feel that public assistance recipients are better off in training programs than in WEP assignments.

Workforce Investment Act: Areas of Concern

Just over the horizon is the new Workforce Investment Act (WIA). Signed into law in 1998, WIA sets out to fundamentally restructure the field of workforce development. WIA attempts to streamline a myriad of federal training programs around the following principles:

- Greater decision-making authority on the part of states and localities through the creation of Workforce Investment Boards (WIBs);

- Operation of a one-stop delivery system, which provides universal access to anyone in need of workforce development services;

- Creation of a three-tiered service delivery strategy: core service available to everyone; intensive services to those who are unable to obtain employment on their own; and training for those who complete intensive services without finding employment;

- Development of an Individual Training Account (ITA), or voucher, system as the method of payment to providers for training services; and

- Increased accountability and customer choice through enhanced collection and dissemination of performance measures.

At this stage, governance issues, particularly the appointment of members to the state and local WIBs, have dominated the discussion about WIA in New York. Many of the most crucial provisions of WIA will be determined by these boards, including selection of the one-stop operator, creation of eligibility criteria for service providers and development of the voucher system. New York has until April 1, 2000 to submit its plan to USDOL and is required to begin implementation of WIA by July 1, 2000.

Generally speaking, providers identified four broad concerns about the implementation of WIA in New York City:

1. **The role of training.** Providers' greatest concern was about the de-emphasis on training and a strong focus on Work First or, at most, short-term training and placement in the new system. The three-tiered service plan, the use of vouchers and one-stops appear to many providers as obstacles for people who want to receive training.

2. **The role of community-based organizations.** The majority of the survey respondents and interviewees considered themselves CBOs and could not see a clear role for themselves in WIA or in the planning process. One director described the role the CBO plays in the community and said emphatically that people will not be attracted to a streamlined, one-stop system when they are accustomed to dealing with their local CBOs. As one director stated, "I don't think people wake up one day and say I want to go get some training. They usually have some idea of where they want to go because they have heard of us from family or friends or because we have a presence in the community."

3. **The impact of universal access.** Several providers are concerned about the move to universal access and what that would mean for the low-income population they traditionally serve. JTPA is just one of several programs that are being merged under WIA, and some providers feel that the dominating presence of programs like Wagner-Peyser, used primarily by middle-class individuals, will push the needs of low-income job seekers aside. At the other extreme, some providers are concerned that they may not be prepared to serve the new populations included in the system, such as disabled and older individuals.

4. **Implementation timetable.** Finally, the overwhelming concern among providers is the delay in planning for the implementation of WIA. While states have until July 1, 2000 to implement all the provisions of the new act, little planning appears to have taken place at either the state or local level in New York. Providers have spent considerable time and effort trying to anticipate the impact of WIA and are concerned that delays in planning will lead to delays in implementation, causing financial difficulties for their organizations.

In addition to these general concerns, providers discussed a variety of concerns regarding the specific provisions of the Workforce Investment Act.

Creation of a one-stop system

One of the major structural changes under WIA is the creation of a one-stop center as the first point of contact for anyone seeking workforce development services. While many of the details are still being developed, it is within these one-stops that interested participants will be tested, assessed and a determination made as to their eligibility for training services. For many localities, this is a stark departure from current practice, particularly in New York City.

Currently in New York City, JTPA-contracted providers are permitted to conduct their own eligibility determination and thus have control over who is admitted, based on JTPA guidelines and their own criteria. To recruit potential participants, contractors have employed a variety of mechanisms including direct recruitment, flyers, newspaper advertisements and word of mouth.

While this has been the basic model, two important initiatives have been operating in New York to move the city toward a centralized system of assessments and referrals. Beginning in 1989, the first Worker Career Center (WCC) opened in Manhattan, eventually expanding to all five boroughs to serve dislocated workers. The Centers provide basic readjustment assistance to dislocated workers, such as resume preparation, job listings and direct job placement, as well as testing, assessment and referrals for those seeking training services through JTPA. Currently, the five WCCs[11] are responsible for all referrals to Title III providers across the city, serving approximately 10,000 to 12,000 people annually.

The other initiative operates in the Bronx for Title IIA (disadvantaged adults) under a similar model. Started in 1994, the Neighborhood Career Development Centers[12] (NCDC) conduct outreach, intake, assessment and referrals for a network of JTPA providers in the Bronx.[13] The goal of the pilot is to provide an objective assessment of people's need for job training services by an entity other than the training provider. The two NCDCs conduct a two-day assessment of individuals before determining if they are eligible to be referred to training providers or other educational services provided by the NCDCs.

Both of these initiatives provide some important insights into the potential world of one-stop operations in New York City. Providers who currently use either the WCC or the NCDC system cited several issues.

Number and qualifications of referrals. Many providers noted initial problems in receiving an adequate number of referrals to meet their enrollment goals. Compounding the enrollment issue was the fact that WCCs and NCDCs often sent participants who were not qualified for contractors' programs. One provider estimated that between 45 and 65 percent of referrals were unqualified because of low math and reading scores.

Conflicting performance goals. Some contractors discussed the problem of inconsistent—and sometimes competing—performance goals between the WCCs/NCDCs and the training providers. Both WCCs and NCDCs are judged on performance standards that include referrals to other training programs, but not on whether participants complete the training programs. Besides these conflicting goals, a few providers spoke of competing with the Centers on performance measures. Since the Centers offer additional services to participants, there have been some disputes between the Centers and providers as to who provided what service to the participant and then who gets to "claim" the participant in their performance figures. Staff suggested instrumenting "reverse performance measures," in which providers and Centers are held accountable for performance measures that meet the others' needs, such as providers who send participants to the center for referral or centers who refer qualified participants back to providers.

Lost participants. Providers are also concerned that without control of the referral and recruitment process, people who are truly interested and in need of training services will get lost in the system. "It won't be a 'one-stop' system," said one program director. "First they will come to us for services, then we will have to send them to the 'one-stop' as their second stop. Then, maybe they will get sent on to a service provider." As an example, one provider stated that once they were required to send interested participants through a centralized testing and assessment process, they lost about 80 percent of the people they originally recruited. However, these participants may have been referred to more appropriate training.

The use of vouchers

Perhaps the most far reaching change under WIA is the utilization of Individual Training Accounts (ITAs), or vouchers, for payment to service providers. This change brings with it the loss of guaranteed revenue for service providers through JTPA contracts, except for some special populations and customized training with employers. In addition, it forces providers to engage in a new level of marketing to attract participants, and their vouchers, to their training programs.

Since planning is still in its infancy, not surprisingly, many contractors had questions about the mechanics of a voucher system: how much would they be worth; how would they be redeemed; what happens if a trainee drops out; and what is the process to determine who is eligible for a voucher? However, two overriding issues will present challenges to providers regardless of the mechanics of a voucher program.

First, the structure of many programs may need to be altered to offer multiple entry points. Of all eight programs visited, all but one had a set 20- to 22-week training schedule, where entry into the program occurred only twice a year.[14] Other jurisdictions that have moved to a voucher system suggest having multiple entry points into the system so people can use their vouchers when they are issued, not when training programs are recruiting.

Second, the financial characteristics of vouchers will pose a major challenge for many of the providers. Basically, a voucher system pays training providers for each individual participant once s/he is enrolled in the program. Hence, there are no start-up funds and no guarantee of a total amount—it is all dependent on the number of participants the organization enrolls. Therefore, providers will need to have flexible and diversified funding streams to survive under vouchers.

Many of the organizations visited were grappling with the possible implications of vouchers. Many providers commented on the lengthy delays in receiving payment from the city and as such assume they can handle the variable payments from vouchers. Furthermore, many contractors placed such a significant emphasis on meeting their contracts' enrollment goals, they believe they can manage with vouchers, even though the challenges under vouchers are different than they appear under contracts. As one director stated, "In theory, if we meet our enrollment numbers under vouchers, we should be okay, right?"

Recommendations for Improving the Performance of New York City's Employment and Training System

As a result of this assessment, we suggest a series of strategies to help strengthen New York City's employment and training system and its providers. We believe there are three broad areas that should be addressed to improve the performance of employment and training providers: systems level changes, organizational assistance, and near-term programmatic challenges posed by the Workforce Investment Act.

Recommended Changes at the System Level

Throughout the assessment, there were instances when the performance of providers was undermined by the functioning of the system overall, particularly in terms of performance measures and data collection. To address these issues, P/PV offers several recommendations.

Local performance standards should be aligned with national goals.

City contracts should emphasize more strongly the same performance measures used by USDOL to judge the performance of the overall SDA, namely follow-up employment and weekly earnings rates for adults and welfare recipients, and youth entered employment and employability enhancement rates. While these measures are included in the performance evaluation of providers' contracts, they are worth less than other measures that are not taken into consideration at all in calculating the overall SDA's performance, such as training-related placements and average wage at employment. Given the emphasis training providers place on meeting performance standards, focusing attention on the USDOL standards would likely have an immediate impact on the city's overall performance.

While WIA makes an attempt to coordinate performance measures with criteria to become an eligible provider, local boards should not add other measures that dilute the message to providers about what is most important in meeting the SDA's goals.

Performance information on individual contractors should be timely and accessible to the field.

While DOE has shared the overall SDA performance numbers with contractors, the key to improving performance will be sharing performance data at an individual organization level. Sharing the overall SDA performance numbers and the performance of individual contractors in a timely manner would focus attention on meeting key performance goals and on developing clear strategies when goals are not met. Furthermore, release of this information will be required for the implementation of the Workforce Investment Act.

The city should use performance information to weed out poor performers and shift resources to both stronger entities and to new contractors.

Given that the majority of providers have been in the field for more than 10 years and a DOE contractor for over seven years, a new process should be developed to offer opportunities to other organizations to provide job training services. As the analysis of individual contractor data indicates, the bottom quartile of providers achieved a median placement rate of only 50.1 percent. Creating a contract renewal system based on performance would provide an opportunity to emphasize again to providers which performance standards are most important.

A management information system should meet the information needs of the providers.

Crucial to enabling individual contractors to meet performance standards is their ability to utilize performance information within their day-to-day operations. Creating a system that can provide both current and historical data on program operations would allow organizations to engage in more innovative program development. Furthermore, it would greatly reduce the amount of time currently spent by staff to generate the same information, while providing background information suitable for proposals to new funding sources and marketing to new participants.

Whether the ACMS is continued or a new one developed, the system should be more user-friendly and tailored to the individual needs of providers. The system, while serving the purposes of collecting data for the administering agency, should also be able to be manipulated by individual organizations to meet their own needs, such as tracking their own trends in placement from year to year, and to make strategic decisions about the future direction of the organization.

Organizational Assistance

Providers outlined a myriad of areas for technical assistance from staff development to preparing for the Workforce Investment Act. While the technical assistance currently provided through DOE and the PIC received praise from several organizations, the variety of operating challenges and the depth of assistance that are required go beyond what the city agencies can provide. We believe that an independent entity will best meet these various needs and is far more likely to be able to leverage private sector support from the foundation and employer communities.

The city should establish an independent Labor Market Institute.

P/PV recommends the establishment of an independent, nonprofit organization whose sole responsibility would be to work to improve the performance outcomes of job training providers.

The Institute would need both public and private sector support in order to have the resources and flexibility required to meet its objectives, and the operating needs of employment training providers.

The primary objectives of the Labor Market Institute are to:

1. Provide technical assistance and training on key challenges.

Critical areas for technical assistance include:

Staff development. Given the limited size of providers' staffs, it is imperative for organizations to attract and retain the most qualified employees. Providers recognized this challenge and overwhelmingly appealed for staff development assistance, in both general terms and covering job specific duties.

In general areas, technology and communication skills topped the list of requests. Equally important were job-specific skills in outreach and marketing, job development, job placement and postplacement retention. To meet these needs, the Labor Market Institute would also serve as a clearinghouse for information on professional development activities, as well as develop or obtain training curriculum for workforce development professionals.

To maximize these efforts, the city should promote connections to other professional development organizations in the field, as well as provide support to each organization for professional development activities, such as purchasing materials or attending conferences.

Strategic planning. With rare exception, providers operate on a cycle-by-cycle basis with little opportunity for long-term planning. Many providers have adopted a "wait and see" attitude and primarily react to the city's direction. Given the vast changes within the overall employment and training system, including the changes under WIA, providers need to engage their boards and staff in strategic planning in the following areas:

- **Financial management.** With either performance-based contracting or vouchers, providers need to diversify their funding base and open or expand financial reserve funds. Reserve funds will be critical when training is conducted through vouchers instead of contracts.

- **Utilization of performance data in day-to-day operations.** As discussed above, boards and staffs need to understand what information about themselves is crucial to enticing new funders and participants. In addition, serious consideration needs to be given to investing in a technological infrastructure to make the changes work.

- **Partnering with other organizations.** Given movement toward larger organizations subcontracting with smaller organizations, careful consideration needs to be given to finding, and building, the most advantageous financial and programmatic partnerships.

2. Create a loan fund for providers to access to meet short-term cash flow problems.

Many current providers' financial situations are weak. Most struggle to meet their basic cash flow requirements, since they have little, if any, in the way of financial reserves. While some limited support is currently available, the emergence of performance-based contracts and a voucher system requires a more significant investment in this area. The Labor Market Institute could also develop a risk capital pool that could be used to support promising new strategies. It would also be responsible for developing guidelines for applications and establishing policies regarding the amount of the loan and the frequency with which providers are granted additional funds. Both funds should be supported exclusively by foundations and employers.

3. Analyze local labor market trends.

One crucial area for the Labor Market Institute would be the timely collection and dissemination of local labor market information. Since providers have been targeting the same industries for decades, serious consideration of other possibilities is overdue. This would encourage providers to focus training services on industries that offer the best opportunities for retention and advancement, while also keeping up to date with the evolving needs of employers.

4. Serve as a forum to build knowledge about effective practice and policy.

As discussed, providers have little access to information regarding developments in the workforce development field, both locally and around the country. Therefore, the Labor Market Institute could serve as a convener of forums and conferences to connect providers to knowledge being developed throughout the country about what works.

Near-Term Programmatic Changes Under the Workforce Investment Act

Many of the recommendations noted above will take time to implement. The challenges posed by WIA cannot wait, however, and the city and its providers need to begin addressing them now. Aside from management issues, changes, particularly related to WIA, will force providers to examine their programmatic structures and possibly make adjustments. Organizations will need assistance in restructuring their programs, if they are to perform well under the new legislation. Among the many changes are the need for:

- **Multiple points of entry.** Under the current system, participants have basically two opportunities per year to enroll in training programs. Under a voucher system, the number of entry points into training programs would be expanded to allow potential participants to use their vouchers close to the time they are issued, not when programs are recruiting. These multiple entry points will allow organizations to maximize opportunities to achieve full enrollments. This changed structure may have serious implications for providers' operations.

- **Expanding postplacement services.** Increasing the follow-up period for performance measures from three to six months may prove to be a very difficult challenge for providers. Few providers have dedicated staff to providing retention services and, those that do, focus more on employment verification than actual postplacement assistance. Given the heightened importance of job retention under WIA, providers will need help in developing and implementing concrete postplacement services.

- **Collaboration with the one-stop operators.** The vast majority of providers still rely on their own recruitment methods to meet enrollment goals. Shifting to a centralized system will require some programmatic changes. The providers currently involved in the city's pilots of centralized referral and assessment centers insist that one-on-one relationships with one-stop operators is the key to their success. In designating a liaison with one-stops, providers also need to clearly define their programs and the type of participants they require.

Conclusion

New York City's employment and training community faces a multitude of changes and challenges over the next few years. A variety of issues, from performance standards and financial constraints to the impact of welfare reform and the new Workforce Investment Act, need to be addressed to improve overall performance.

It was not always easy to engage some of the providers in a discussion about technical assistance needs and how to improve the overall system. Many doubted whether the necessary resources would be put forth to implement the recommendations. Others felt that a new technical assistance program would be more beneficial when further work has been completed defining the parameters of the Workforce Investment Act.

However, we believe that investments should be made now that will strengthen providers' ability to meet the needs of employers and participants.

Attachment A
Survey Respondents

Agudath Israel of America, Inc.

America Works of New York, Inc.

Argus Community, Inc.

Binding Together, Inc.

Bronx Community College

Center for Employment Training

Center for Employment Opportunities, Inc.

Chinatown Manpower Project

Chinese-American Planning Council

Community Associates Development Corporation

Consortium for Worker Education

Council for Urban Employment, Inc.

Council of Jewish Organizations of Flatbush[15]

East Harlem Council for Community Improvement, Inc.

Ecumenical Community Development Corporation

Elmcor Youth and Adult Activities, Inc.

Good Shepard Services

Hellenic American Neighborhood Action Committee, Inc.

International Sheet Metal Workers/Iron Workers

Jewish Community Council of Greater Coney Island

LaGuardia Community College

Metropolitan New York Coordinating Council of Jewish Poverty

Multitasking Systems of New York, Inc.

New York Foundation for Senior Citizens, Inc.

New York Urban League

New York City Technical College

Nontraditional Employment for Women

Northern Manhattan Improvement Corporation

New York City Health and Hospitals Corporation, Kings County Hospital Center/Educational Vocational Rehabilitation Program

New York University Hospital Center - Rusk Institute

Opportunities for a Better Tomorrow

South Forty Corporation

Staten Island Employment Education Consortium

The College of Staten Island

Wildcat Service Corporation

Xincon Technology School

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Dei, Edwin, John Evansohn, Rosalie Frost, Virginia Moughan, Tom Anderson. *PY 1996 JTPA Title IIA and IIC Job Placement Performance Study: Adult Training, Youth Training and TAP Centers.* New York City Department of Employment, Office of Operational Analysis and Development, June 1998.

Endnotes

1 Five of these organizations run long-term training programs as well as TAP Centers.

2 Service Delivery Areas are designated by the governor to receive federal job training funds. Local governments with populations of 200,000 or more are automatically eligible.

3 Follow-up employment rate is measured on the 90th day after termination from the program.

4 Follow-up weekly earnings are also measured 90 days following program termination.

5 Overall state performance numbers are an average of all the individual SDAs.

6 Contractual standards are based on additional USDOL benchmarks, known as noncore performance measures. Prior to 1990, these measures, which included placement at termination and average wage at placement, were the indicators used to judge the overall performance of the Service Delivery Area.

7 New York state utilized the maximum adjustment possible in most of its standards for New York City.

8 Eleven contractors run both Title IIA and Title III programs.

9 Attachment A lists the 37 providers who responded to the survey.

10 Twelve of the 19 organizations that have cash reserves reported a specific amount.

11 In addition, the Professional Re-employment and Outplacement Services (PROS) has its own center to meet the needs of more skilled displaced workers.

12 Initially known as Assessment Centers.

13 NCDCs also serve JTPA youth providers in the Bronx.

14 Some organizations that ran multiple programs did have shorter cycles, such as eight-week programs, with four entry points per year; but these were usually for specialized populations.

15 Submitted two surveys from two different training programs.

Board of Directors

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