New York State Pay for Success Project: Employment to Break the Cycle of Re-Incarceration

The Government Performance Lab (GPL) provided pro bono technical assistance to help New York State (NYS) launch the Pay for Success (PFS) initiative in December 2013. This project is providing comprehensive job training services to 2,000 individuals at higher risk of recidivism over five and a half years.

The Challenge: In December 2013, NYS set out to address an issue that governments across the country are struggling with – high rates of recidivism amongst individuals exiting prison. In 2013, nearly 24,000 inmates were released from prison in NYS. More than half of these individuals were classified as higher risk, and estimated to spend an average of 460 days back in prison or jail within the first five years after their release.[1] High recidivism rates cost the state millions of dollars a year, demonstrating that more needs to be done to aid individuals transitioning out of incarceration.

The Project: The GPL worked with NYS and several project partners[2] to develop a social impact bond (SIB) project to identify 2,000 incarcerated individuals at higher risk of recidivism exiting prison to community supervision in both New York City (NYC) and Rochester and connect them with comprehensive job training services. The intervention, provided by a nonprofit called the Center for Employment Opportunities (CEO), trains participants on life skills, provides them with work experience through subsidized transitional employment, and offers them job placement support to obtain and maintain unsubsidized employment. The project is being evaluated using a randomized-control trial, the gold-standard of evaluation. Payable outcomes include increased employment, reduced recidivism, and engagement in transitional jobs.

Over 40 different private and philanthropic investors raised $13.5 million in funding to support the project. If the program is successful, meaning that public sector savings and social benefits are realized due to the intervention, then investors are repaid by NYS with a return on their investment to compensate them for the cost of their capital. NYS does not make any payment toward the project unless, when the treatment group is compared to the control group, recidivism is reduced by a minimum of 8 percent or employment is improved by a minimum of 5 percentage points.

Systems Transformation: The NYS project offers a case study in how governments can use SIBs as a transformative management tool that disciplines government to carefully plan all aspects of a project upfront and to sustain attention on the success of the project until completion. In particular, the project has:

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[1] NYS CEO Project Summary. https://govlab.hks.harvard.edu/files/siblab/files/nyspfsprojectsummary.pdf
[2] Primary Partners: NYS Governor's Office, NYS Department of Corrections and Community Supervision (DOCCS), NYS Department of Labor (DOL), CEO, Social Finance, Bank of America Merrill Lynch, Mike Puma Associates, LLC, , and HKS GPL.

1. **Re-engineered the handoff between NYS and service provider to ensure individuals at higher risk for recidivating are the ones receiving these particular employment services**

As part of the planning phase, NYS analyzed the size and historical rates of recidivism and employment for various populations in order to calibrate the target population for whom the program would be most effective. This process was largely informed by a 2012 MDRC study, which demonstrated that CEO is most successful for high risk individuals who were recently released. Using these analyses and CEO's eligibility preferences, NYS and partners then specified the criteria to identify the target population as they exit prison and set up a system to track key outcomes. NYS and CEO developed a referral mechanism to make sure that higher risk individuals are identified prior to their release and connected to the program by their PFS trained parole officer as soon as they exit prison. This referral process was designed to ensure that CEO was providing services to the appropriate target population -- that the right people were receiving the right services at the right time.

2. **Set up ongoing, frequent collaboration between project parties to use real-time data to solve referral and enrollment problems**

As part of the project, research and field staff actively monitor key outcomes and review current data in order to improve program delivery. Project partners meet biweekly to track data such as the numbers of eligible individuals released from prison, connected to the program via meetings with their PFS parole officer and CEO recruitment specialists, and enrolled with CEO. If there are implementation challenges or targets that aren't being met, parties can flag them immediately, jointly develop solutions, and agree on course corrections according to a pre-agreed decision making protocol that is transparent and inclusive of the various stakeholders. Due to this structure, even three years into the project, stakeholders have been paying close attention to the project's implementation and have acted to devise and implement solutions in real-time.

3. **Implemented a rigorous evaluation to determine the program's effectiveness and inform future funding decisions**

As part of the evaluation design, NYS is referring a randomly selected subgroup of the target population to the program since sufficient funding is not available to serve the entire eligible population. This enables NYS to compare the results of those referred with the results of those that are not referred as part of a randomized evaluation. This rigorous evaluation may help NYS determine whether the program is effective in order to inform future funding decisions. By paying for the program only if it works, the government is shifting its spending from remedial services toward preventive services that work while better serving a higher risk population.