

# The Impact of Interest Groups and Administrative Capacity on Access to VA Disability Benefits

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## Abstract

Congress helps to create implementation networks through chartering organizations, which gives these organizations legitimacy as actors within the network. Many of these organizations play dual roles as service providers and as interest groups who advocate for their members. Using insights from the literature on networks and on interest groups, we hypothesize that variation in the resources of network actors, specifically political power, will explain variation in the performance of the network surrounding Veterans Disability Compensation. We find that variation in the political power of chartered veterans groups explain variation in performance but only in terms of access. We find that political power does not affect the ability of the network to generate demand or improve effectiveness.

New Governance as an analytic framework points our attention toward how the interaction of public and private organizations influences policy implementation (Heinrich, Hill and Lynn 2004). Policy implementation is a function not only of the public bureaucracy charged with implementing the law but of the combinations of organizations, both public and private, that exist in the policy or implementing network (O'Toole 1997). Although the scholarly attention to implementing networks or structures is relatively new, the federal government has, for a long time, helped to create and develop networks of organizations to assist in policy implementation (O'Toole 1997; Hall and O'Toole 2000). One way that Congress has done so is through the chartering of not-for profit corporations, such as the American Legion, the National Education Association of the United States, the Help America Vote Foundation, the National Safety Council, and the National Academy of Sciences. Some of these chartered organizations, such as those serving veterans, play a unique role as both service providers and traditional political interest groups advocating for their members' interests.

In this paper, we use interest group theory to inform our expectations about how these service provider networks affect policy implementation. Although networking theory has focused on how the structure of networks affects performance, it has not focused on how the political power of network members influences implementation. Using insights from interest group theory allows us to bring the concept of political power into the study of networks and policy implementation. Combining the literature on implementation networks and interest group theory, we generate and test hypotheses about how these groups affect government performance in Veterans Disability Compensation, which is managed by the Department of Veterans Affairs (VA). Specifically, we investigate the impact of veterans' organizations on demand for and access to disability compensation and on the VA's effectiveness in the disability compensation

program. This paper adds to the networks literature by considering the influence of political resources of network members on agency performance and contributes to the interest group literature by examining the impact of interest groups' political power on the eligibility determination process associated with disability compensation.

Veterans Disability Compensation is an interesting area in which to examine the influences on eligibility determination, because of the recent controversy over the VA's management of this program. The overall effectiveness of the VA's handling of Veterans Disability Compensation and the equality of the distribution of disability benefits have been questioned by the Inspector General of the Department of Veterans Affairs (2005) and the Government Accountability Office (GAO) (2005). In 2003, the GAO designated the VA's compensation program as high-risk due to continuing problems with the timeliness and consistency of disability decisions (GAO 2005). Regarding disability claims, the number of claims pending over six months increased by 61 percent from 2003 to 2005 (GAO 2005). Also, there are wide variations in the average disability compensation payment per veteran across the fifty states with the average payments varying from a low of \$6,961 in Illinois to a high of \$12,004 in New Mexico in 2004 (VA Office of Inspector General 2005). Thus, examining the VA's handling of the disability compensation program is not only interesting in light of the networks and interest groups literature, it also has practical applications in regard to this current controversy.

### **Chartered Interest Groups and Veterans' Organizations**

One way in which the government creates networks is through quasi-governmental entities, such as government sponsored enterprises (*e.g.*, Freddie Mac), government venture capital firms (*e.g.* In-Q-Tel), or congressionally chartered non-profit agencies (*e.g.* American

Legion). Congressionally chartered non-profit agencies or Title 36, Subtitle II organizations are established by a federal statute and their missions are deemed to be in the public interest.

Congress began issuing charters in 1791, and, currently, there are 91 congressionally chartered nonprofit organizations, which include the National Education Association of the United States, Future Farmers of America, and the General Federation of Women's Clubs as well as the American Legion and other veterans' organizations (Moe 2004). While the federal charter does not make these organizations "agencies of the United States" or confer any governmental powers (Moe 2001), it does indicate governmental sanction of an organization's mission.

Congressionally chartered organizations are substitutes for fully governmental agencies and are governmental tools for achieving a congressionally declared good (Kosar 2006). Within the Title 36, Subtitle II category, the lines between governmental agency and private entity are sometimes indistinguishable and it is clear that Congress uses these organizations as a continuation of the governmental sector (Moe 2004).

Congressionally chartered veterans' organizations, such as the American Legion, Disabled American Veterans (DAV), and Veterans of Foreign Wars of the United States (VFW), which are the three organizations included in this analysis, are an example of the blurred lines between the public and private sector. While federal charters do not confer governmental powers to organizations, congressionally chartered veterans' organizations have a close relationship with the VA and play an important role in the eligibility claiming process.

Congressionally chartered veterans' groups have a privileged relationship with the VA. In fact, many chartered veterans' organizations have offices within regional VA offices and, until 1992, the VA maintained a departmental rule that any veterans organization seeking free space and

telephones in its facilities had to have a congressional charter (Moe 2004).<sup>1</sup> Also, veterans' organizations are one of the few VA recognized representatives of veterans for disability compensation claiming purposes (U.S. Department of Veterans Affairs 2007).

The three veterans' organizations included in this analysis and many others are active in the network surrounding the Veterans' Disability Compensation program. They actively participate in service provision for veterans through their intake activities. The American Legion, for example, has service representatives located in all the fifty state offices, who have the title 'Professional American Legion Service Officers' (American Legion 2007). These representatives have the designation of American Legion state employees or are employees of the state division or department of veterans' affairs who are accredited to represent veterans on the behalf of the American Legion (American Legion 2007). The DAV and VFW also have service representatives located at VA offices in every U.S. state. These service representatives are actual employees of veteran groups and are compensated by them (Personal Interview with Disability Compensation Representative, Veterans Administration Staff, October 15, 2007). Unlike traditional interest groups, most of these veterans' organizations provide services to both members and non-members of their organization free of charge (U.S. Department of Veterans Affairs 2007). In document linked to their website, the VA portrays these organizations as part of the implementation network by describing them as service organizations with "trained personnel" who can assist with disability compensation claims (U.S. Department of Veterans Affairs 2007) and who can represent claimants if the group is one that is "officially recognized."

The service representatives play a much larger role in providing governmental service to veterans than traditional interest groups provide to their clientele, and do so at the physical location of the street level bureaucracy. Given the information the VA provides potential

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<sup>1</sup> There is at least one regional VA office in every state.

claimants about these groups and the fact that representatives physically have offices in government buildings, it is likely that the first interaction that many potential claimants have with Veterans' Disability Compensation are representatives of these groups.

Yet, the history of these veterans' groups and the role that they play in politics more generally suggest that they behave like traditional interest groups as well as members of the service network and that their activities are a combination of neutral service provision and political representation. The American Legion, for example, was founded and congressionally chartered in 1919 and today it has nearly three million members dispersed across departments in every U.S. state and international departments. Throughout the history of the American Legion, it has played and continues to play a large role in representing veterans' interests within the government. Through the efforts of the American Legion, the U.S. Veterans Bureau (now the Department of Veterans Affairs) was established in 1921. Much like the elevation of the Department of Agriculture to Cabinet status, the addition of the VA to the Cabinet in 1989 was, in large part, due to the lobbying of the American Legion (American Legion 2007). The American Legion has also influenced the VA through countless pieces of legislation protecting veterans' rights and guaranteeing the highest quality of medical treatment. Specifically aimed at veterans' benefits, the American Legion initiated the "I Am Not A Number" campaign in 2002 to document the delays veterans face in obtaining earned medical care benefits from the VA and to pressure the VA to provide more effective service to veterans (American Legion 2007).

Similarly, Disabled American Veterans (DAV) has a strong advocacy position representing veterans, particularly disabled veterans. DAV was founded in 1920 and chartered by Congress in 1932. Currently, it has over one million members nationwide and departments in every U.S. state. Within its charter, DAV articulates its mission to "cooperate with the

Department of Veterans Affairs and all other public and private agencies devoted to the cause of improving and advancing the condition, health, and interests of all wounded, injured, and disabled veterans” (36 USC, Sec. 50301) indicating its role as a facilitator of interactions between veterans and the VA. DAV’s primary objectives are to be a voice for disabled veterans in Washington D.C. and guide veterans through the disability claiming process, because the organization believes that veterans should not have to struggle to receive the benefits that are owed to them (DAV 2007).

The Veterans of Foreign Wars of the United States (VFW), which was founded in 1899 and congressionally chartered in 1936, also performs many of the functions associated with the American Legion and DAV. It has over 2.4 million members across the country and each state has at least one VFW service department. The charter of the VFW states that one purpose is to “to maintain and extend the institutions of American freedom” (36 USC, Sec. 230101) pointing to the unique role of veterans organizations as extensions of government institutions. In each U.S. state, the VFW maintains National Veteran Service offices that claim to acquire over a billion dollars in compensation benefits for veterans annually. At the national level, the VFW’s National Legislative Service monitors legislation that impacts veterans and lobbies Congress on behalf of veterans (VFW 2007).

Overall, these three congressionally chartered veterans’ organizations, as well other types of congressionally chartered nonprofits, play a unique role as interest groups and members of service-provider networks. As traditional interest groups, these organizations compete for members, set membership goals, and grant awards to their best recruiters.<sup>2</sup> All three of these veterans’ organizations also offer solidary and particularistic benefits, such as personal assistance

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<sup>2</sup> The American Legion, DAV, and VFW’s websites discuss membership goals, membership benefits, and lobbying efforts.

securing government benefits and entitlements, discounts on cars, prescriptions, travel, and computers, and the opportunity to interact socially with other veterans. Lobbying Congress is another traditional interest group activity in which these groups participate. Each of these organizations propose legislation, comment on the Federal Register primarily regarding changes or additions to the VA's rules, and send experts to testify at committee hearings on behalf of veterans' interest. Yet, these veterans' organizations also actively participate in VA service network and work to create demand for VA benefits, which are not traditional roles of interest groups.

### **Veterans Disability Compensation**

Disability compensation is a monthly payment made by the VA to a veteran with a physical or mental disability that was incurred in or aggravated by military service. Under this program, the VA attempts to compensate veterans for loss of earning due to service-connected injuries (VA Inspector General's Report 2005). Compensation payments are based on a disability rating schedule that rates disability in ten percent increments from 10 percent to 100 percent and the amount of compensation increases as the veteran's level of disability increases. A rating specialist at a VA regional office uses military medical records and other germane medical records to determine the degree of disability.<sup>3</sup> Eligibility for disability compensation requires that the veteran was discharged or released under conditions other than dishonorable and that her disease or injury was incurred or aggravated in the line of duty. Also, eligibility for disability compensation is not linked to income or unemployment status (VA Inspector General's Report 2005). In fiscal year 2004, approximately 2.5 million veterans received disability compensation, which is 10.2 percent of the total U.S. veteran population, and the average annual disability compensation payment for was \$8,378. The ten percent disability rating category is

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<sup>3</sup> At least one VA regional office is located in every U.S. state.

the largest with 30.6 percent of beneficiaries receiving compensation at this level in 2004 and only 8.4 percent receiving 100 percent disability compensation.

As Provan and Milward (2001) indicate, networks and members of networks have different responsibilities to disparate stakeholders that complicate the measurement of effectiveness. In disability compensation, the VA performs three primary functions related to disparate characterizations of performance: 1) generating demand (*i.e.*, the number of claims and appeals), 2) deciding access (*i.e.*, the percent of awards and the average degree of disability), and 3) effectiveness (*i.e.*, the number of claims pending over 120 days and error rates). This paper focuses on measures of these three functions as complementary measures of performance.

### **Performance in Veterans Disability Compensation**

In order to measure the impact of veterans' organizations on demand for disability compensation, access to disability compensation, and the performance of the disability claim process, six dependent variables are utilized.<sup>4</sup> Demand is captured by the total number of disability compensation claims per state relative to the state's veteran population in fiscal year 2004.<sup>5</sup> The number of appeals relative to the number of claims denied in each state in 2004 is also employed as a measure of veteran demand for disability compensation. We use a logarithmic transformation of claim and appeal rate in order to attain a normal distribution.

Access to disability compensation is captured by the percent of awarded claims and the average disability rating for 2004. The percent of claims awarded is calculated by dividing the number of veterans that began receiving disability compensation in 2004 by the total number of

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<sup>4</sup> The veterans' disability compensation data is taken from the VA's Inspector General's Report (2005).

<sup>5</sup> For disability compensation claims, the best available data is the total number of original claims between 2002 and 2004. To only consider one year, we divided the number of claims by three. Also, Veterans Disability Compensation claims are divided into two categories: 1) original claims (*i.e.*, first-time applicants) and 2) re-opened claims (*i.e.*, applications from veterans who are receiving benefits). When running the model with only original claims, the substantive results do not differ.

claims in 2004. While this is an imperfect instrument, it is the best available and the error in this measure should be randomly distributed across the cases. The average disability rating is the average degree of disability in each state based on the 10 to 100 percent disability rating schedule. The award rate and the average degree of disability are logarithmically transformed in order to improve the normality of the measures.

The effectiveness measures are the percent of claims that are pending for over 120 days and the error rate for 2004. The pending claims are claims that have not received a disability rating in 120 days after the application was filed. The Statistical Technical Accuracy Review (STAR) error rate is the calculation of the consistency and quality of disability rating decisions for each state determined by the Veterans Benefits Administration (VBA). The STAR error rate is a component of the VBA's national quality assurance program and, under this program, reviewers assess samples of compensation claims for accuracy (VA Inspector General's Report 2005).

### **Interest Groups and Networks**

According to the prevailing definition of a network as two or more independent groups that "consciously collaborate and cooperative" to provide services (Provan and Milward 2001), Veterans Disability Compensation is administered by a network. This network includes the Veterans Administration and representatives of groups that advocate for veterans. The literature on network theory connects networks with government performance. Because of the advantages of cooperation, broadening service provision to a network instead of a traditional hierarchical bureaucracy will improve policy implementation, especially when problems are difficult (Alter and Hage 1993; O'Toole 1997). An important question in research on networks is accountability and for some scholars accountability refers to whether or not the network is effective in bringing

about desired results (Agranoff and McGuire 2001). Several researchers have argued that variation in the characteristics of the network explain variation in governmental performance and effectiveness. Provan and Milward (1995) find, for example, that centralized networks, e.g. networks in which participants defer to one organization, are more effective in delivering mental health services than those that are not centralized. Jenings and Ewalt (1998) find that networks vary in how coordinated they are and those with more coordination perform better. Fredericksen and London (2002) find that networks vary in administrative capacity, which explains effectiveness in providing housing for low income people.

Because of the role that veterans' groups play as traditional interest groups, in addition to service providers, we should expect that variation in the characteristics of these groups is an important component of the network. Interest groups are a resource for the bureaucracy and interest groups that support the bureaucracy can help the bureaucracy gain autonomy and resources from political principals (Meier 1993; Rourke 1984). Interest groups also influence how the bureaucracy implements policy in ways that are consistent with the goals of the interest group. A robust literature exists on the impact of interest groups on the bureaucracy, demonstrating that interest groups do influence the bureaucracy in their enforcement activities and rulemaking (Gormley 1983; Scholz and Wei 1986; Haider-Markel 2006; Berry 1984; Gormely, Hoadley and Williams 1983; Golden 1999, Yackee and Yackee 2006). Whether or not interest groups are effective depends on their political power. Public managers' perception of the influence of interest groups varies with their perception of the political resources available to a particular interest group (Nicholson-Crotty and Nicholson-Crotty 2006).

The interest group literature leads to the expectation that variation in the political power of veterans' groups will influence how the network of veteran service representatives and the

Veterans' Administration implement the Veterans Disability Compensation program. Applying expectations from the interest group literature to the case of eligibility determination in Disability Compensation contributes to the interest group literature by expanding the policy areas that scholars have examined from mainly bureaucracies involved with regulatory policy areas to those involved with redistributive policies. The politics surrounding these policies differ (Lowi 1978; Ripley and Frankin 1991) and therefore generalizing across policy types may be problematic. To our knowledge, while research has briefly considered the influence of interest groups on other aspects of redistributive programs, no study has examined the impact of interest groups on the eligibility determination process in redistributive programs. Hoefler and Ferguson (2007) consider the influence of human service interest groups on regulation writing in welfare programs. Using a survey, they find that interest groups believe that they have influence and that perceived influence is a function of resources and access (also see Hoefler 2000). While this research moves the study of interest groups and the bureaucracy forward by examining the influence of interest groups on redistributive agency behavior, it is limited, because it does not utilize objective measures of interest group influence on redistributive agency behavior and only considers their perceived influence on one type of agency behavior. In addition to Hoefler and Ferguson (2007), Soss (2000) and Soss and Keiser (2006) find that non-profit organizations do affect the provision of redistributive programs such as Aid to Families with Dependent Children (now Temporary Aid to Needy Families) and Social Security Disability by influencing the claiming behavior of potential applicants. Using a survey of displaced workers, Budd and McCall (2004) also find that labor union membership increases the likelihood that laid-off blue-collar workers would apply for Unemployment Insurance benefits. These studies do not,

however, explore how the political power of these groups explains variation in overall agency performance in redistributive programs or the eligibility determination process as a whole.

In short, veterans' groups are quasi public organizations that play both the role of traditional interest groups and as service providers within the implementation network surrounding Veterans Disability Compensation. The literature on networks suggests that characteristics of the network should affect government performance and that certain characteristics actually improve performance. The interest group literature suggests that an important characteristic of network actors is their political power. Combining these two literatures leads to the hypothesis that variation in the political power of veterans groups will explain variation in the overall performance of the government in providing Disability Compensation Benefits for veterans who meet the eligibility criteria. VA Regional Offices who are partnered with politically strong veterans groups should be able to generate more resources from Washington, should have better outreach to potential claimants, have better development of individual claims and should feel more pressure to perform well. A well mobilized veterans' population in any particular state should provide legitimacy to advocates pressuring members of Congress, as well as providing advocates with a large number of people to engage in grass roots activities such as town meetings and complaints to legislators. We should expect, therefore, that political power of veterans groups will explain variation across performance in the U.S. states in the level of demand for benefits (claiming) and the quality and speed of decisions (the error rate and the percent of claims pending). Since interest groups seek greater benefits for their members, we should also expect the political power of veterans groups to explain how many veterans successfully claim benefits.

To measure political power of VA groups, we use the percentage of veterans in a particular state who have joined one of the three major chartered veterans groups, e.g. the American Legion, the Disabled American Veterans, and the Veterans of Foreign Wars of the United States, which are the three largest congressionally chartered veterans' organizations (U.S. Department of Veterans Affairs 2007).<sup>6</sup> This measure captures the extent that veterans' organizations have mobilized their members at the grass-root level. The mobilization of members is an extremely important resource for interest groups and is often used as a measure for the ability of interest group power to influence the bureaucracy (Haider-Markel 1998; Keiser 1996; Nicholson-Crotty and Nicholson-Crotty 2006). We transformed our measure of veterans' organizations' political power logarithmically in order to attain a normal distribution.

### **Administrative Capacity**

In addition to the resources of the veterans group in the implementation network, we also expect the resources of the Regional Veterans Administration offices to influence government performance in the Veterans Disability Compensation program. We expect administrative capacity, measured by the number of available staff of the government offices that implement Veterans Disability Compensation, controlling for demand, to affect all three types of government performance, e.g. claiming, access and effectiveness. First, the number of VA employees in a given state should affect claiming because when Veteran Administration Regional Offices have adequate staff to meet demand, the employees should have more time to provide information to potential claimants and encourage claiming (Keiser and Soss 1998). Street level workers in bureaucracies without adequate staff to meet needs have the incentive to reduce demands on their time by discouraging claims (Lipsky 1980). Second, we expect

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<sup>6</sup> The American Legion, Disabled American Veterans, and Veterans of Foreign Wars of the United States provided the membership data that we utilize in this analysis.

administrative capacity to influence access to the Veterans Disability Compensation program because state offices with greater capacity should be more likely to gather the necessary evidence needed to find that a disability exists and that the disability is related to services in the armed forces. Street level offices that lack the capacity to develop claims should allow fewer claims than those with greater capacity. Third, administrative capacity should influence effectiveness, measured by the error rate and the percentage of claims that are pending after 120 days. Offices with more staff per claim should make fewer errors and should be able to process more claims in a shorter time period.

Administrative capacity is measured using the number of VA employees per state reported in the *2002 Federal Civilian Workforce Statistics: Biennial Report of Employment by Geographic Area* compiled by the U.S. office of Personnel Management (U.S Office of Personnel Management 2003).<sup>7</sup> Since this number includes VA employees who work in areas other than disability compensation, we use it to estimate the number of VA employees that work in offices that handle Veterans Disability Compensation.<sup>8</sup> The VA claims staff measure reflects the number VA employees per state that work in offices that handle disability compensation per 100 state veterans. Also, we use a logarithmic transformation of the VA claims staff measure in order to attain a normal distribution.

### **Applicant Pool**

In addition to administrative capacity, we expect that characteristics of the applicant pool facing the bureaucracy will have an impact on our three types of performance. Prior research has

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<sup>7</sup> We use the 2002 VA employee statistics, because the *Biennial Report of Employment by Geographic Area* was discontinued after 2002.

<sup>8</sup> In order to estimate the number of VA employees that work in offices that handle Veterans Disability Compensation, we divided the total number of state VA employees by the number of VA offices in a state in order to determine the number of staff per office, and then multiply this number by the number of offices in that state that deal with Veterans Disability Compensation.

found that both health and economic need for benefits drive claiming and allowance rates in the Social Security Disability Program (Soss and Keiser 2006; Keiser 2001). To control for health need, we include the percent of veterans in a state who report they suffer from some type of disability.<sup>9</sup> To control for economic need, we include the poverty rate for veterans living in each state. We also include a control for the percent of veterans who are African American to capture the disproportionate percent of African Americans in the population who lack access to health care and consequently have poorer health, as well as the historical link between minority status and economic need (Patel and Rushefsky 1995).

We expect that states with more veterans with disability, more veterans living in poverty, and more veterans who are African American to have higher rates of claiming, both initial applications and appeals. Although we expect states with more veterans reporting a disabling condition to have higher allowance rates for benefits assuming that the bureaucracy makes decisions based on medical need, we expect states with higher poverty rates and African American veteran populations to have lower allowance rates. States with high poverty rate among veterans and high African American populations should have more claimants that have marginal cases because economic need is not an eligibility criterion for Veterans Disability Compensation, despite the fact that these veterans have greater financial need for the program. We also expect the veteran poverty rate and the percent of a state veteran population who is African American to increase the error rate and the number of cases that are processed beyond 120 days because of the high correlation between race, poverty and access to health care.

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<sup>9</sup> To capture the percent of veterans that are disabled in a state, we use the Census Bureau's 2004 American Community Survey. This survey uses the six disability items to determine an individual's disability status: 1) sensory disability (*i.e.*, blindness, deafness, etc.), 2) physical disability (*i.e.*, long-term limitations to walking, lifting, etc.), 3) mental disability (*i.e.*, physical, mental, or emotional condition that impedes learning, memory, etc.), 4) self-care disability (*i.e.*, condition that makes it difficult to dress, bathe, etc.), 5) going-outside-home disability (*i.e.*, condition that makes it difficult to go outside alone), and 6) employment disability (*i.e.*, conditions that makes it difficult to work at a job). If a respondent answers positively to one of the above conditions, then she is considered to have a disability.

Claimants without access to health care should have less medical information about their health making it more difficult for bureaucrats to make timely and accurate decisions. Our measures of the percent of state veterans with a disability, who are African American, and who are below poverty are taken from the 2004 American Community Survey conducted by the U.S. Census Bureau and we logarithmically transform the percent of veterans who are disabled and who are African American in order to improve the normality of these measures.

### **Claimant Resources**

In addition to the resources of veteran groups and the bureaucracy, we also expect the resources of clients to influence the implementation of Veterans Disability Compensation. We include two measures of claimant resources. First, we include the percent of veterans with a college degree. On the one hand, education may reduce demand for government programs by reducing economic need (Becker 1993). On the other hand, education provides the human capital skills that can assist people in contacting and challenging government decisions (Verba et al. 1995; Nie, Junn, and Stehlik-Barry 1996). Soss and Keiser (2006) find that the percent of people in a state with a high school education decrease the initial applicant rate in the Social Security Disability program but increase the appeal rate. Veterans Disability Compensation does differ from Social Security Disability in that the entire applicant pool has a high school degree since that is one of the requirements for admission into the military. Variation does exist in human capital resources between veterans with college degrees and those without. To control for this, we include the percent of veterans in each state with college degrees, which comes from the 2004 American Community Survey.

In addition to human capital, claimants can have lawyers or members of veteran groups serve as their representatives throughout the application process. Increasing the percent of

applicants who have representation should increase claiming because these representatives should provide encouragement and support to veterans. Furthermore, the representation of claimants should increase the award rate because the experience and training of representatives should increase the quality of claimants' applications for benefits. The Inspector General of the VA has noted the link between access to benefits and representation (VA Inspector General's Report 2005). Representation should also reduce the backlog of cases facing Regional VA offices because representatives should provide pressure on all network participants to speed up the process. We also include the percent of claimants with representation in the error rate model, although the direction of the relationship is not clear. Representation may reduce errors by increasing the quality of applications but it may also increase errors because representatives may make it more likely claims processors will allow marginal cases. Our measure of the percent of claimants with attorney representation in 2004 comes from the 2005 VA Inspector General's Report.

### **Political Environment**

Lastly, we include a control for the political environment in which the implementation network exists. The political environment of the state influences the implementation of numerous policy areas such as Social Security Disability (Soss and Keiser 2006), environmental regulation (Wood and Waterman 1994), and worker safety and health (Scholz and Wei 1986). To control for the political environment, we include Berry et al.'s (2007) measure of citizen ideology and expect more liberal states to have higher claiming and higher awards. We have no expectations that ideology will influence effectiveness and therefore, citizen ideology is excluded from the effectiveness models.

### **Methodology**

To test the hypotheses that the political power of not for profit organizations in the implementation network affects government effectiveness, we estimate the impact of the mobilization of veterans in each state on the percent of veterans who apply for benefits, the percent of denied veterans who appeal, the percent of claimants who are awarded benefits, the average size of allowed claims, the percent of claims pending past 120 days and the error rate. These different dependent variables capture various dimensions of government performance, e.g. demand, access and effectiveness. We estimate the models for demand, access and effectiveness using Seemingly Unrelated Regression (SUR) to improve the efficiency of the parameter estimation to take into account any correlation in the error terms for two regression equations. These correlated errors occur when omitted variables or measurement error produce two outcomes of interest (Pindyck and Rubinfeld 1991, 308). Because each of the two dependent variables capturing demand, access and effectiveness are related, a high likelihood exists that the residuals from separate regression equations would be correlated.

### **Findings**

The results of the SUR models predicting the rate at which veterans applied for Disability Compensation and appealed the VA's decisions are presented in Table 1. Regarding the influence of veterans' organizations, we find little evidence that the political power of veterans' organizations significantly influences the rate at which veterans make claims for disability compensation or the rate at which they appeal undesirable decisions by the VA. Interestingly, administrative capacity significantly increases veterans' rate of claims, but not the rate of appeals. On average, a one percent increase in VA disability compensation staff leads to a 0.5 percent increase in the number of claims.

Despite the fact that eligibility for Veterans' Disability Compensation is unconditional on income or employment status, the rate of claims and appeals is largely need-driven. For appeals, the percent of veterans with health problems and the percent of African American veterans in a state significantly increase the rate of appeals. On average, a one percent increase in the percent of veterans with health problems leads to a 1.69 percent increase in the rate of appeals and a one percent increase in the percent of African American veterans increases the rate of appeals by 0.1 percent. For claiming, the percent of veterans below poverty significantly increases the rate of claims. Specifically, a one percent increase in the percent of veterans below poverty results in a nine percent increase in the average number of disability claims per 1000 veterans. Another characteristic of the applicant pool that significantly increases the rate of claims is the percent of veterans with college degrees. As the percent of veterans with college degrees increases by one percent, the average rate of claims increases by 3 percent.

The percent of veterans with representation in the claiming process also significantly increases the rate of claims; however, unexpectedly, the percent with representation significantly decreases the rate of appeals. While a one percent increase in the percent of veterans with representation leads to a 1.5 percent increase in the average claiming rate, a one percent increase in the percent of veterans with representation results in a 0.7 percent decrease in the average appeals rate. One possible explanation for the negative relationship between the percent of veterans with representation and appeal rate is that the representatives may recognize a legitimate negative decision and discourage the veterans they represent from appealing. Thus, the more veterans with representation, the lower the appeals rate due to recognition of legitimate denials by the representatives.

The findings for the SUR models predicting performance as measured by award rate and average degree of disability are presented in Table 2. Regarding the influence of veterans' organizations, our expectations of a positive relationship between the political power of veterans' organizations and access to disability compensation benefits are borne out in the awards model. However, unexpectedly, veterans' organizations significantly decrease the average degree of disability. Specifically, on average, a one percent increase in veterans' organization membership per state veteran population leads to a 0.11 percent increase in award rate, while a one percent increase in veterans' organization membership per state population decreases the average disability by 0.05 percent. In the awards model, administrative capacity significantly decreases the award rate, and this variable is close to significance in the average disability model, but in the opposite direction. On average, a one percent increase in VA claims staff per state veteran population decreases the award rate by 0.09 percent and a one percent increase in VA claims staff increases the average degree of disability by 0.02 percent.

In addition to the political resources of the veterans' organizations and administrative capacity, characteristics of the veteran population also influence the award rate and the average degree of disability in a state. The percent of attorney-represented veterans significantly increases the average degree of disability; a one percent increase in attorney-represented veterans results in a 0.1 percent increase in the average degree of disability. The percent of the veteran population with poor health also influences the award rate and the average disability. While the percent of veterans with poor health significantly increases the average disability award, it, unexpectedly, decreases the award rate. The unexpected negative finding could indicate that the more veterans with poor health in a state, the more ineligible applicants apply, which depresses the award rate.

The models predicting the percent of cases that receive a disability rating in over 120 days and the error rate are presented in Table 3. Veterans' organizations are not significant influences on either measure of bureaucratic effectiveness. In these models, the timeliness of disability ratings and error rates are only a function of characteristics of the veteran population. The percent of veterans below poverty significantly increases the percent of cases that receive disability ratings in over 120 days and the percent of African American veterans significantly increases the disability compensation error rate. These findings suggest that client characteristics, such as poverty and race, that may increase the difficulty of obtaining accurate information (*i.e.*, medical records and other documents), affect processing time and the accuracy of disability compensation decisions.

### **Implications of Findings**

The network and interest group literature lead us to the expectation that the structure of implementing networks should influence performance and that one possible important characteristic of the network is the political power and resources of network actors. We find mixed effects for the political power of network actors across the different types of performance we examine in this paper. First, the political resources of the veterans' organizations do not explain variation in claiming or in appeals. Variation in the resources of the Regional Veterans' Administration offices does, however, explain variation in claiming. Veterans' Administration Regional Offices with more staff per veterans in the population, generate more claims than those with fewer staff. Representation of veterans by a lawyer or a member of a veterans' organization also increases demand. State Regional VA Offices with a higher percent of veterans with representatives have more veterans filing applications for benefits. While we cannot sort out the effect of private attorneys versus representation through VA groups, it seems reasonable that this

variable is picking up some of the effects of VA groups because they provide free representation to veterans. Taken together, these results suggest that the resources of the traditional bureaucracy and the ability of network actors to provide assistance to potential claimants positively influence the ability of the network to generate demand for the program. In addition to the resources of network actors, the findings also demonstrate the importance of client characteristics in explaining the performance of the network. States with a higher proportion of veterans with economic and health needs and those with a higher proportion of veterans with human capital have higher claiming rates than those with lower proportions. In sum, demand generation is a function of the resources of network providers (staff and ability to provide representation) and client characteristics but not the political power of the not for profits within the network.

In contrast to demand generation, performance in terms of access is influenced by the political power of the veterans' groups within the network, although with some interesting differences between the number of veterans receiving an award and the substantive dollar amount they receive for their disability. The Regional VA offices allow a higher proportion of cases when their network partner has more political resources than when their network partner has less. In contrast, Regional Offices interacting with highly mobilized veteran groups actually have lower average disability ratings. We find a similar but contrasting pattern for the resources of the Regional VA offices. VA offices with more staff have lower award rates, but higher average disability. Taken together, these findings suggest that a tradeoff exists between quantity and quality in access to the Veterans Disability Compensation program. Regional VA offices with staff shortages may be coping with these shortages by allowing more cases, but at lower levels of disability because doing so takes less time than does denying more cases and giving

allowed cases higher rating because this requires more documentation and evidence. The political power of veterans' groups has an impact on access to the program by getting more veterans benefits, but by doing so decreases the average disability rate. This may be indicating that veterans' groups increase the number of marginal cases that are awarded benefits and, therefore, decreases the average degree of disability awarded. If a tradeoff exists between award rate and average degree of disability, veterans' groups may benefit more from the number of veterans that receive benefits (i.e., the quantity of benefits) as opposed to fewer veterans receiving more substantial benefits (i.e., the quality of benefits).

Although the political power of veteran groups does not seem to affect the quality of access, the effects of veterans' groups may also occur through providing representation since states with a higher proportion of veterans with representation, many of which are provided by veterans' groups, have higher average disability rates. In so far as this measure captures the ability of the veterans' groups to represent clients, it shows that the veterans' groups have a positive impact on performance in terms of access through the role that they provide as representatives of claimants.

In contrast to demand and access, we find no evidence that the resources of network actors explain variation in effectiveness. Neither veterans' groups' political power nor the staff capacity of the VA offices has an impact on the number of cases that are pending over 120 days or the error rate. Instead, effectiveness is a function of the characteristics of the clientele, e.g. the poverty rate and the proportion of African-American veterans. Both of these groups have less access to health care, which would make decisions regarding whether and to what extent they are disabled more error-prone and more time consuming.

In this paper, we explored the impact of the resources of network actors on several different aspects of performance, e.g. demand, access and effectiveness. We find that the political resources of one network actor, veterans' groups, matter primarily in terms of access rather than the other types of performance. Although these veteran groups play dual roles as not for profit service providers in the network, as well as traditional networks lobbying for policy that benefits veterans, the impact their political power has on policy implementation is very consistent with the role that interest groups play in the policy process. Political power matters not for improving the effectiveness of government or by increasing demand, but by providing benefits to actual and potential members of the interest group. This is not to say, however, that veterans' groups do not play a role in improving the implementation of Veterans Disability Compensation across the country, just that variation in their political power does not explain variation in demand generation and effectiveness. Our findings that representation, which the VA groups play an integral role in, improves performance of demand generation and the quality of access combined with our finding that political power of the veterans' groups improves access, demonstrates the fact that these groups play an important role in the performance of the network surrounding Veteran Disability Compensation.

By chartering organizations, Congress directly creates implementation networks that potentially influence government performance. Our findings suggest that variation in the ability of these types of organizations to provide representation to potential claimants increase actual demand for benefits and the quality of those benefits. Variation in the political power of these groups, however, seems primarily to influence how many members or potential members of these organizations receive benefits from the government consistent with the role that interest groups play in policy implementation. Future research efforts should explore the role that other

chartered organizations play in policy implementation and examine whether political power affects performance as it relates to access as opposed to other types of performance such as effectiveness or demand generation.

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**TABLE 1 The Effect of Veterans' Organizations on Claim and Appeal Rates**

Variables	Appeal Rate		Claim Rate	
	Coefficient	Standard Error	Coefficient	Standard Error
Veterans' Organizations	0.23	0.15	-0.09	0.26
Percent claimants with representation	-0.01**	0.003	0.01***	0.005
VA Staff per Veteran Population	-0.07	0.07	0.50***	0.12
Veteran Health	1.69***	0.64	0.80	1.11
Poverty Rate	0.02	0.02	0.09**	0.04
African American Veterans	0.10**	0.04	0.12	0.08
Percent of Veterans with College Degrees	0.01	0.01	0.03**	0.01
Citizen Ideology	-0.002	0.002	-0.003	0.003
North Dakota			0.74***	0.26
Hawaii	-0.32**	0.15		
Constant	-3.77***	1.03	0.87	1.74
Overall Model:	R <sup>2</sup> = .46 Chi-square = 37.83, p = .000 N = 48		R <sup>2</sup> = .60 Chi-square = 72.47, p = .000 N = 48	

\*p ≤ .10, \*\*p ≤ .05, \*\*\*p ≤ .01

**TABLE 2**                      **The Effect of Veterans' Organizations on Award Rate and Average Degree of Disability**

Variables	Award Rate		Average Degree of Disability	
	Coefficient	Standard Error	Coefficient	Standard Error
Veterans' Organizations	0.11*	0.06	-0.05**	0.02
Percent claimants with representation	0.001	0.001	0.001***	0.0005
VA Staff per Claim	-0.09***	0.03	0.02	0.01
Veteran Health	-0.55**	0.26	0.21**	0.10
Poverty Rate	-0.01	0.01	0.004	0.004
Citizen Ideology	0.0002	0.0008	0.0002	0.0003
Maine			0.07***	0.03
Constant	1.89***	0.35	1.24***	0.14
Overall Model:	R <sup>2</sup> = .36 Chi-square = 27.44, p = .000 N = 48		R <sup>2</sup> = .55 Chi-square = 57.98, p = .000 N = 48	

\*p ≤ .10, \*\*p ≤ .05, \*\*\*p ≤ .01

