

CHANGING THE CULTURE OF THE WELFARE OFFICE: THE ROLE OF INTERMEDIARIES IN LINKING TANF RECIPIENTS WITH JOBS

INTRODUCTION

The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), enacted in August 1996, brought sweeping changes to the country's welfare system. Through the elimination of the sixty-one-year-old Aid to Families with Dependent Children (AFDC) program and the creation of the Temporary Assistance for Needy Families (TANF) block grant, the new law shifted the emphasis of the welfare system from providing ongoing cash assistance to placing welfare recipients in jobs.

Local welfare offices have relied on a number of different strategies to shift to a more work-oriented assistance system. Some have expanded the role of former income maintenance (eligibility) workers to include more tasks related to helping welfare recipients find employment, or they have hired additional staff to perform these functions. Others have created closer alliances with, or transferred primary responsibility for employment-related activities to, the local workforce development system. Nearly all have increased their use of "intermediaries": private or public organizations that act as brokers between the welfare system and employers.

Because states have been given so much flexibility to decide how to structure their TANF programs, there has been considerable emphasis on understanding the variation in states' policy choices. However, there has been far less emphasis on trying to understand how states and local welfare offices

have reorganized to provide the services TANF recipients need in order to make the transition from welfare to work. Clearly, a state's policy choices are important; these choices set the parameters that define what is expected of clients, what consequences they will face if they do not meet those expectations, and what benefits will be provided to them and under what circumstances. But a state or local TANF office's employment service delivery system is an equally important piece of the new social contract we have imposed upon families who turn to the government for support. It is through this service delivery system that TANF clients receive or do not receive the assistance they need to do what is expected of them, which in most states is finding work as quickly as possible.

In an effort to increase our understanding of the design and structure of this new service delivery system, this study examines the characteristics of intermediary organizations and explores the role they play in linking welfare recipients with jobs. The study was undertaken because there was widespread belief—but limited systematic evidence—that many welfare offices transferred to intermediaries significant responsibility for helping welfare recipients find jobs. Time limits on the receipt of benefits and full family sanctions for noncompliance with work requirements have increased the importance of providing TANF recipients with the assistance they need to find employment quickly and to maintain it over the long term. To the extent that intermediaries are able to link clients who would be unable to find employment on their own with employers

LaDonna Pavetti is a senior researcher, Michelle K. Derr a researcher, Jacquelyn Anderson a research analyst, Carole Trippe a senior researcher, and Sidnee Paschal a research assistant at Mathematica Policy Research, Inc. <<http://www.mathematica-mpr.com>>

The research for this paper was supported by the U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation. The views expressed are those of the authors and do not necessarily reflect the position of the Federal Reserve Bank of New York or the Federal Reserve System.

who are willing to hire them, they will contribute to the success of welfare reform. However, if the intermediaries are unable to help clients make these linkages, they could contribute to the failure of welfare reform and increase the risk of clients being adversely affected by new policies such as time limits. Consequently, even though some states historically may have used intermediary organizations to help welfare recipients find employment, the increased emphasis on work increases the importance of understanding their role and what influence, if any, these organizations may have on the success or failure of welfare reform.

REVIEW OF THE LITERATURE

To reduce the cost and size of government, state and local governments are increasingly contracting with private agencies to provide public services. In recent years, the privatization of such social services as transportation, mental health care, corrections, health, and education has increased among state agencies (Council of State Governments 1993; Kettner and Martin 1995; U.S. General Accounting Office 1996). City governments have also increased the number and types of public services contracted to private organizations (International City/County Management Association 1994). Given this trend, it is not surprising that welfare offices would turn to “intermediaries” to help welfare recipients find employment.

Privatization efforts have had mixed success in reducing government costs and streamlining services (National Academy of Public Administration 1999; Snell 2000). In a study comparing privatized child support services with public agencies in four states, in some cases researchers found that the cost-effectiveness of agencies varied widely with savings achieved, while in other cases costs increased (U.S. General Accounting Office 1996). Kettner and Martin (1993) also found mixed success in the use of performance contracting within human services organizations. In addition, a study conducted by the U.S. General Accounting Office (1997) revealed a number of key factors that contribute to the success of privatizing services, including support from political leadership, attention to the implementation structure, legislative and resource changes that support privatization, reliable cost data, strategies for workforce transition, and effective monitoring and oversight.

Overall, the research examining the privatization of employment services is limited. Most of the current literature on the privatization of services in public welfare is geared more broadly to include all human services organizations and does not focus specifically on privatization of employment-

welfare-related services. The research presented here aims to expand our knowledge of privatization as it relates to welfare reform by:

- describing the characteristics of intermediaries;
- discussing the key decisions local welfare offices have made regarding the use of intermediaries;
- providing in-depth information on the types of services intermediaries provide, the process they use to link welfare recipients with employers, and the challenges they face;
- identifying lessons that can benefit policymakers and other or newly emerging intermediaries and assessing the implications of the findings for future research on welfare employment efforts.

STUDY DESIGN

The devolution of responsibility from the federal government to the states for developing and implementing assistance policies for needy families has spawned a broad range of approaches to transforming the welfare system into a work-based assistance system. To capture the way intermediaries function in these diverse policy environments, we gathered information for this exploratory study through in-depth visits to twenty sites: one urban and one rural in ten different states.

Defining an Intermediary

Given the broad range of organizations that might be classified as intermediaries in any one community, we sought to develop a definition of an intermediary that would allow valid comparisons across communities. After considering several definitions, we established two criteria that an organization had to meet to be classified as an intermediary for the purposes of this study:

- it must provide services that help link welfare recipients with jobs;
- it must have a formal relationship with the welfare office or other administrative entity that has responsibility for moving welfare recipients into the labor market.¹

Although narrow in some respects, this definition makes it possible to gather and compare information on the universe of intermediaries within select communities in a relatively short time frame and with modest financial resources (see box).

We include intermediaries funded with TANF and welfare-to-work (WtW) dollars in this study. TANF employment

What Is an Intermediary?

Intermediary

An organization that has responsibility for linking TANF recipients with jobs through a formal relationship with the state or local entity responsible for the administration of TANF or welfare-to-work employment programs.

Primary Intermediary

An intermediary that operates a job search and placement assistance program targeted to most TANF recipients who are required to find employment.

Secondary Intermediary

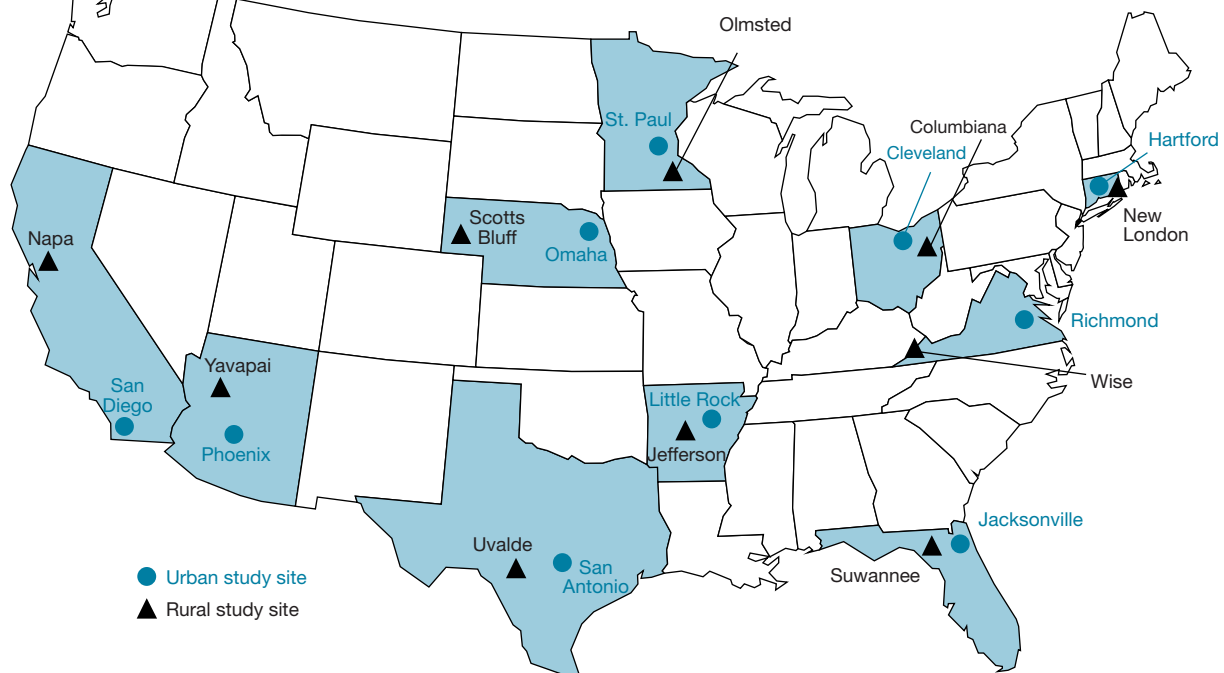
An intermediary that operates a work experience, education, training, supported work, job retention, advancement, or other specialized employment program for a limited pool of TANF recipients.

programs generally are targeted to the entire TANF caseload while WtW programs are targeted more narrowly to hard-to-employ TANF recipients. TANF employment programs usually are administered by the welfare department, although a state or local community can choose to transfer this responsibility to another organization, such as the Department of Labor or a local workforce development board. The WtW program is administered through the Department of Labor at the federal level and through the workforce development system at the state and local levels. In four of the study sites, both programs were administered by the workforce development system; in the remaining sites, TANF employment programs were administered by the welfare department and WtW programs by the workforce development system.

Site Selection

Sites were selected to provide broad regional representation; a mix of large, medium, and small TANF caseloads; different approaches to moving welfare recipients into employment; and a diversity of administrative and service delivery structures. Using these criteria, we selected ten states to include in the study: Arizona, Arkansas, California, Connecticut, Florida, Minnesota, Nebraska, Ohio, Texas, and Virginia (Exhibit 1). Once we selected the ten states, we then chose two communities—one urban and one rural—in which to conduct our analysis. In selecting the urban sites, we chose one of the three largest urban areas in each state. In choosing the rural sites, we limited our pool of potential sites to localities with a

Exhibit 1
Study Sites



TANF caseload of between 500 and 1,000 families at the time of site selection. Whenever possible, we selected a rural site that was close to the urban site. We purposefully selected some rural sites because they had exceptionally high unemployment rates or because they had implemented innovative approaches to using intermediaries. Except for a few of the rural communities, sites were not chosen based on their use of intermediaries.

Data Collection

Information for this study was gathered through site visits conducted between April and August 1999. During these visits, two-person research teams met with staff from the welfare office, an agency from the workforce development system, selected intermediaries, and employers who actively hire welfare recipients through intermediaries. We obtained information on intermediaries with whom we did not interview through meetings with staff from the welfare office and workforce development system, written material collected during our site visits, and an information request sent to individual intermediaries.

Data Analysis

From the site visits, general information about intermediaries was collected and entered into a database containing information on all of the intermediaries in each site. This information falls into four key areas: 1) *program responsibility*, which identifies how program responsibilities are allocated among agencies within the services delivery system, 2) *payment information*, which includes information on how and how much intermediaries are paid for their services, 3) *services*, which lists the types of services intermediaries provide, and 4) *characteristics*, which provides basic data on each intermediary, such as type of agency, funding sources, and the types of clients who are served. In all, the database included information on 120 intermediary organizations.

STUDY FINDINGS

Information gathered from site visits was synthesized into several key findings. In this section, we summarize and discuss

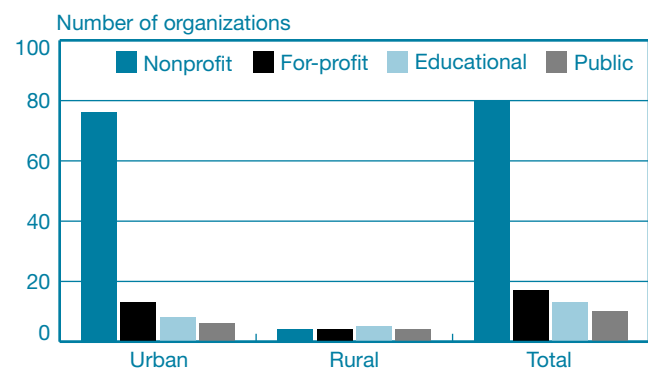
the characteristics of intermediaries, key decisions regarding the use of intermediaries, the implementation of the intermediary function, implementation challenges and lessons learned, and ways researchers and policymakers might expand our understanding of intermediary organizations and the role they play in linking welfare recipients with jobs.

The Characteristics of Intermediaries

A broad range of organizations act as intermediaries for welfare recipients. These organizations include nonprofits, for-profit companies, educational institutions, and government or quasi-government agencies. The organizations that act as intermediaries bring a broad range of expertise to the task of linking welfare recipients with jobs. The overwhelming majority of the intermediaries in the study sites are well-established nonprofit organizations. These organizations account for 67 percent of the intermediaries overall and 74 percent of the intermediaries in the urban sites (see chart). The intermediaries in the rural areas are more equally split among the various types of organizations. While a few sites rely only on nonprofit organizations, most use a mix of nonprofit, for-profit, and public organizations, as well as educational institutions, to link welfare recipients with jobs.

The majority of the nonprofit organizations are of two types: 1) local entities or local affiliates of national organizations (such as the Urban League, Salvation Army, Goodwill) that have a long history of providing employment-related services to disadvantaged populations and 2) organizations with expertise in addressing the supportive service, and sometimes the employment, needs of special populations such as ex-offenders, persons with disabilities, or

Types of Organizations Acting as Intermediaries



persons who speak limited English. Only a few nonprofit organizations are new to the communities in which they provide services or have no experience providing employment services to or working with welfare recipients.

Represented among the for-profit intermediaries are organizations that have been providing employment services to welfare recipients for many years and organizations that are new to the employment service arena. Most of the for-profit intermediaries are large organizations with a national presence, although a few are smaller local organizations. The educational institutions that act as intermediaries include community colleges, adult education programs, and local school districts. The public or quasi-public agencies that act as intermediaries include city governments, local employment and training agencies, and public housing authorities.

For-profit companies account for a relatively small share of all intermediaries in the study sites. However, because most for-profits serve large numbers of TANF clients, they expect to serve almost half of all TANF recipients who are referred to intermediaries for services. On average, the intermediaries included in this study expect to serve 370 TANF clients per year, but the range of clients served is wide, with the smallest intermediary expecting to serve only twenty-five recipients and the largest expecting to serve 4,000. On average, for-profit organizations expect to serve 985 clients, compared with 240 for nonprofits. Forty percent of the for-profit intermediaries in the study sites expect to serve more than 500 clients, compared with only 10 percent of the nonprofit organizations. For-profit organizations are projected to serve 45 percent of the total TANF clients to be served by intermediaries, even though they account for only 15 percent of the intermediaries.

Key Decisions Regarding the Use of Intermediaries

Within a work-based assistance system, a broad range of tasks must be performed to provide families with cash assistance and help them make the transition to self-sufficiency. The primary employment-related services provided to most TANF recipients are case management and job-search and placement assistance. Secondary employment-related services, provided on a more limited basis, include work experience, education, training, supported work, job retention, and advancement programs. In deciding how to use intermediaries to provide these services, local welfare offices or their designees face three key decisions: 1) how much responsibility to transfer to intermediaries, 2) whether to transfer responsibility to a single or multiple intermediaries, and 3) how and how much to reimburse intermediaries for the services they provide. Using

these three key decisions as our framework, we examine the choices the local sites made regarding how to use intermediaries to help welfare recipients make the transition to employment.

How Much Responsibility to Transfer to Intermediaries

Localities transfer to intermediaries various levels of responsibility for providing employment-related services. While some localities transfer responsibility for job-search assistance and case management, others transfer responsibility only for job search and some do not transfer any responsibility. Of the twenty study sites, eighteen transfer some responsibility for providing employment-related services to intermediaries. Due to their smaller size, it is less common for rural offices to transfer responsibility for employment-related services to intermediaries; the two sites that do not transfer any responsibility to intermediaries are both rural sites that provide all employment-related services in-house or rely on existing resources in the community. (Sites were not selected for this study based on their use of intermediaries. Thus, prior to conducting the study, we did not know whether the sites had transferred any responsibility to intermediaries.)

The majority of the study sites—seven urban and five rural—transferred responsibility for case management and job-search assistance to intermediaries. When case management responsibilities are transferred, intermediaries are responsible not only for linking TANF recipients with jobs but also for assessing client needs, working with clients to develop self-sufficiency plans, and linking clients with the resources they need to achieve the goals outlined in their plans. Given the emphasis on shifting the focus of the welfare office from determining eligibility to helping TANF recipients make the transition to unsubsidized employment, it is notable that so many of the sites transferred primary responsibility for providing case management services to intermediaries. When case management responsibility is transferred to intermediaries, welfare office staff often are responsible only for eligibility determination, just as they were under the AFDC program.

Only four of the sites have expanded the role of former eligibility staff to include case management responsibilities. The other sites that have not transferred all responsibility for case management to intermediaries have separate case management staff, usually working in a specialized unit, who provide case management and/or job-search assistance to all or a portion of the TANF caseload. When these units exist, they often function and are treated the same as other intermediaries.

Whether to Transfer Responsibility to One or Multiple Intermediaries

Most of the urban sites, but only a few of the rural sites, transferred responsibility for providing job-search assistance and/or case management to multiple intermediaries. Seven of the urban sites and three of the rural sites transferred responsibility for providing job-search assistance and/or case management assistance to multiple intermediaries. Especially in the urban sites, the number of intermediaries determines how many clients each intermediary will serve. Some sites have a small number of intermediaries that each serve a large number of clients while others have a larger number of intermediaries that each serve a smaller number of clients. In the urban sites, clients are allocated to multiple intermediaries based on geography or a discretionary process, with each intermediary providing the same services to a portion of the TANF caseload. In the rural areas, multiple intermediaries' functions are more specialized, providing employment services to specific subgroups of the TANF caseload or a narrowly defined set of employment services to all TANF clients.

The decision to transfer responsibility to one intermediary or multiple intermediaries has important implications for the range of organizations that act as intermediaries. Generally, when multiple intermediaries are selected to provide services, the range of organizations that act as intermediaries is broader—small-community-based organizations can compete and provide services alongside large for-profits. Especially in urban areas, when intermediaries are required to serve large numbers of clients, many smaller nonprofits do not have the expertise or capacity to compete with large for-profit organizations.

The study sites initially focused their employment-related efforts on increasing their capacity to provide job-search assistance for applicants and recipients who are required to find employment. Now that these services are in place, sites have begun to expand the employment-related services to include options other than job search. These options include short-term training, subsidized employment, specialized services to promote job retention and advancement, and specialized services for the hard-to-employ. Few sites provide all of these services. Instead, individual sites have focused their efforts on a few of these options. Often these services are provided through the Department of Labor's Welfare-to-Work program and operate outside of the primary TANF employment service system. So far, these programs have served a relatively small number of recipients. While some of the intermediaries that provide these more specialized services also provide job-search assistance, most do not.

How and How Much to Reimburse Intermediaries for the Services They Provide

In addition to making critical decisions about how much responsibility to transfer to intermediaries and how to structure the delivery of services at the local level, local welfare offices or their designees must also decide how and how much to reimburse intermediaries for the services they provide. The most common payment structures are cost-reimbursement, where organizations are paid for the costs they incur, or pay-for-performance, where organizations are paid based on their accomplishments. Prior to welfare reform, most welfare offices paid intermediaries on a cost-reimbursement basis. Because there has been a general shift toward developing more performance-based arrangements with contractors, and the stakes are much higher under TANF than under previous welfare employment efforts, there has been more interest among welfare offices in considering which option would work best.

The experiences of the study sites suggest that while a few localities have shifted to performance-based payment arrangements, most still reimburse intermediaries on a cost-reimbursement basis. Some localities combine the two methods of payment, reimbursing the intermediary for part of its costs through a cost-reimbursement mechanism and the remainder through a performance incentive structure. The local sites that rely on cost-reimbursement payment mechanisms often include performance criteria in their cost-reimbursement contracts and evaluate the success of their intermediaries against these criteria.

Critics of pay-for-performance reimbursement mechanisms argue that this payment structure encourages program operators to "cream," that is, to provide services to job seekers who are the most likely to succeed rather than to those most in need of assistance. Critics of cost-reimbursement payment systems argue that program operators get paid even if the services they provide do not produce results, wasting taxpayers' money and reducing incentives to meet high performance standards.

It is too soon to know whether the way in which intermediaries are reimbursed for their services or the amount they are paid influence program outcomes. Welfare offices or other relevant administrative entities that reimburse intermediaries on a cost basis believe that they can demand high levels of performance from intermediaries as long as clear program goals are established and performance is monitored on an ongoing basis. Those that reimburse intermediaries based on performance believe that pay-for-performance systems play a critical role in emphasizing the importance of placing

recipients in jobs, not just engaging them in employment preparation activities. All agree that administering a pay-for-performance reimbursement system is much more complicated than administering a cost-reimbursement system.

Regardless of the way in which intermediaries are reimbursed for their services, there is wide variation in the amount that intermediaries are paid for these services. This variation exists between the sites and between intermediaries within some of the sites. In the eight study sites where we were able to obtain comparable reimbursement data, intermediaries were paid as little as \$355 and as much as \$6,250 per recipient served (see table). Some, but not all, of this variation reflects differences in the services provided. On average, intermediaries that provide only job-search and placement assistance are reimbursed \$1,320 per person, while those that provide specialized employment services are reimbursed an average of \$2,970 per person.

Comparisons across four of the urban sites that used multiple intermediaries to provide primary TANF employment services suggest that there is considerable variation within and between the sites in how much intermediaries are reimbursed, even when they provide similar services. The average per-person reimbursement across the four sites ranges from \$1,045 to \$2,360. The sites with the highest and lowest average reimbursement provide comprehensive services—job-search and placement assistance and case management—to TANF clients, suggesting that differences in the range of responsibility transferred to the intermediaries do not fully account for the variation in the amount they are reimbursed for their services. In three of the four sites, the minimum and maximum payment amounts vary dramatically, even though the intermediaries have responsibility for providing the same services. In one site, the highest-paid intermediary is paid almost four times the lowest-paid intermediary. In sites where payments are comparable across intermediaries, program administrators negotiate a similar price with intermediaries regardless of how much they indicate it will cost to provide services. In sites where there is considerable variation, program administrators accept the price set by intermediaries in their response to the agency's request for bids to provide services.

The Implementation of the Intermediary Function

In a work-based assistance system, intermediaries are an important link in a complex process that starts at the welfare

office and ends when a recipient is placed in a job. Features that distinguish one intermediary from another include the structure of their job-search programs, their ability to link clients with ancillary services, and the extent to which services are provided after a client finds employment. Another important feature that distinguishes one intermediary from another is the approach to job development, especially the ability to establish ongoing working relationships with employers. Key to this success is the development of strong links to, and ongoing communication with, the welfare office or other administrative entity that controls the flow of TANF clients to them. In this section, we examine the process through which intermediaries link welfare recipients with jobs. We start by examining how welfare recipients are linked with intermediaries. We then discuss the services intermediaries provide to prepare recipients for employment and how they identify job openings to place them in employment.

Linking TANF Recipients with Intermediaries

The path that a welfare recipient takes to get to an intermediary ranges from a simple referral from the welfare office to a complex chain of referrals from one intermediary to another. The process of linking welfare recipients with intermediaries is complex and highly dependent on the service delivery structure in which intermediaries operate. As a result, there is considerable variation in the way in which welfare recipients are linked with intermediaries and the ease with which this process occurs. The success that sites have in linking welfare recipients with intermediaries is determined in part by how streamlined the referral process is and how well the different agencies communicate.

Regardless of how much responsibility is transferred to intermediaries, the referral process starts at the welfare office, usually when an eligibility worker determines whether a TANF applicant or recipient is required to look for work (Exhibit 2). The actual transfer of clients to an intermediary ranges from an automatic electronic transfer to a more complicated decision-making process that takes into account client needs and the unique characteristics of intermediaries. In most sites, staff from the welfare office refer TANF clients directly to intermediaries. In a few sites, clients are first referred to the workforce development system and then to intermediaries. In sites where responsibility for case management is transferred to intermediaries, staff from the welfare office make the initial referral to an intermediary, but all subsequent referrals to other intermediaries are made by an intermediary.

To enforce mandatory participation requirements and achieve high work participation rates, the referral process is often tightly defined and monitored, making it difficult for intermediaries outside the primary TANF employment system to receive referrals. In all of the local sites, participation in employment-related activities is mandatory. Most of the sites have developed their referral and client monitoring systems expecting that clients will participate in programs offered by intermediaries directly under their purview. In developing these systems, the organizations responsible for managing TANF employment programs aim to achieve two different goals: 1) to ensure that clients who are mandated to find work have access to job-search and placement assistance and 2) to ensure that the intermediaries to which they have transferred responsibility for providing these services have the opportunity to provide them. In the sites where multiple intermediaries provide job-search and placement assistance, intermediaries generally did not feel that they were competing with each other for clients. However, the situation is quite different for intermediaries providing services other than job search.

In sites where TANF and welfare-to-work employment programs are operated by different entities, WtW intermediaries often have difficulties (over and above those related to eligibility criteria) receiving referrals for TANF clients. In some sites, WtW providers are dependent upon other intermediaries to refer clients to them; in others, they are dependent upon welfare office staff to consider them along with primary TANF employment intermediaries as potential service providers for their clients. Especially in sites where there is excess service capacity, welfare administrators who encourage referrals to WtW providers run the risk of having even greater excess capacity among their own providers.

When the primary TANF employment and the WtW programs are managed by the same administrative entity, it is easier for WtW and TANF providers to receive equal consideration. As WtW intermediaries become more established and their programs more distinguishable from those provided by TANF intermediaries, some of the issues WtW intermediaries currently face may be alleviated.

Reimbursement per Person for Employment Services Provided by Primary and Secondary Intermediaries

Type of Site	Method of Reimbursement	Minimum (Dollars)	Maximum (Dollars)	Average (Dollars)
Four urban sites with multiple intermediaries				
Site 1 (comprehensive services ^a)	Cost	1,900	3,055	2,360
Site 2 (job search and placement)	Performance	1,100	3,995	2,130
Site 3 (comprehensive services)	Cost	935	1,135	1,045
Site 4 (job search and placement)	Performance	580	2,520	2,090
Type of organization ^b				
Nonprofit	NA	580	6,250	1,785
For-profit		635	4,640	2,390
Educational		355	4,775	2,660
Public		1,000	5,000	1,680
Type of services provided (TANF) ^b				
Job search and placement	NA	400	5,000	1,320
Comprehensive services ^a		930	3,055	1,825
Training		355	6,250	2,605
Specialized (hard-to-employ)		1,010	5,000	2,970
Welfare-to-work		745	4,745	3,685

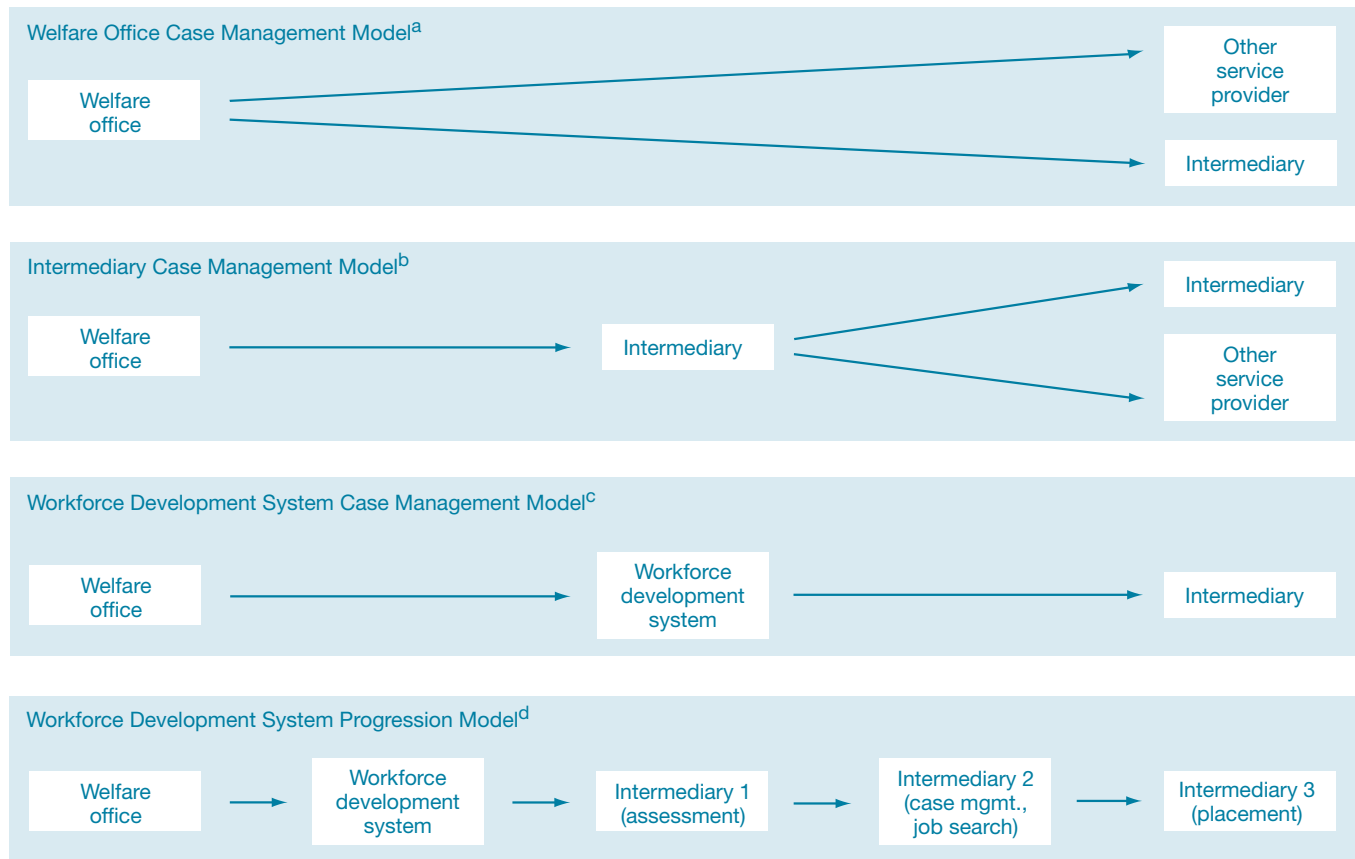
Note: TANF is the Temporary Assistance for Needy Families program.

^aComprehensive services include case management and job-search and placement assistance.

^bBased on data from eight sites: San Diego, Calif.; Napa County, Calif.; Hartford, Conn.; St. Paul, Minn.; Olmstead, Minn.; Cleveland, Ohio; Columbiana County, Ohio; and Richmond, Va.

EXHIBIT 2

Linking Welfare Recipients to Intermediaries: Referral Models in the Study Sites



^aSites: Cleveland, Columbiana County, Jefferson County, Phoenix, Richmond, Scotts Bluff, Yavapai County.

^bSites: Jacksonville, Little Rock, Napa County, Olmstead County, Omaha, San Antonio, San Diego, St. Paul, Suwannee County, Uvalde County.

^cSite: Hartford.

^dSite: New London.

The Services Intermediaries Provide

Intermediaries that provide job-search and placement assistance to welfare recipients differ little in the specific services they provide. These intermediaries do, however, differ in their approach to providing these services and the context in which the services are provided.

In a work-first environment, the primary effort intermediaries are engaged in is preparing TANF clients to enter the labor market as quickly as possible. Thus, most intermediaries that provide job-search assistance and/or case management provide a fairly standard set of services, including assessment, orientation, job-search skills development, and

post-placement assistance. The dimensions on which these programs differ are often quite subtle and include factors such as 1) the extent to which they assess client strengths, needs, and employment interests, 2) the amount of guidance provided to TANF recipients to help them find employment, and 3) the amount of emphasis placed on the development of job-readiness skills and/or addressing job-retention or advancement issues. Intermediaries also are distinguished by their ability to link TANF clients with ancillary services. Intermediaries that provide comprehensive services to disadvantaged families often are able to access a broader range of services for their TANF clients than intermediaries that provide only job-search assistance.

Linking TANF Recipients with Employers

In the current economic climate, it is relatively easy for most intermediaries to link job-ready TANF recipients with employment opportunities. Still, intermediaries rely on a variety of strategies to help TANF clients find employment. An intermediary's success in linking welfare recipients with employment is crucial to the short- and long-term success of the organization. Finding employment for job-ready welfare recipients in the current economic environment is an easy task for most intermediaries; employers are looking for qualified employees and are eager to work with intermediaries who can supply them with job-ready applicants. Intermediaries use a broad array of strategies to link welfare recipients with jobs. For the most established intermediaries, job development often involves filling job orders for employers. In other instances, intermediaries build relationships with employers by inviting them to participate in job fairs and mock-interviewing sessions with job seekers, or by creating internships and work experience programs that allow employers to "test out" clients. Job developers in all but the most established intermediaries also rely on "cold calls" to employers with whom they have not developed a relationship.

Implementation Challenges and Lessons Learned

This research was designed to be exploratory in nature. Thus, it represents a first step in trying to understand which organizations are acting as intermediaries and the role they play in linking welfare recipients with jobs. In this section, we discuss the challenges that the intermediaries in the study sites encountered and present broad lessons that can be gleaned from their experiences.

The Importance of Clearly Defined Roles and Responsibilities

In many of the sites, numerous organizations are involved in providing assistance to TANF clients. Consequently, clearly defined roles and responsibilities and procedures for transferring information between organizations are critical to the successful operation of a work-based assistance system.

Intermediaries are operating in a complex policy and administrative environment. Regardless of how TANF is administered and how much responsibility is transferred to intermediaries, the process of linking welfare recipients with jobs is a shared responsibility. Welfare office staff remain responsible for referring clients to intermediaries, imposing sanctions on clients who do not participate in work-related activities, and authorizing work supports such as food stamps and Medicaid when clients are no longer eligible for cash assistance. When the welfare office and the workforce development system are both involved in the administration of TANF or providing employment-related services to TANF recipients, clearly defined roles and responsibilities and clear procedures for transferring information between agencies are even more critical.

Unfortunately, many state or local automated data collection systems were not designed with intermediaries in mind. As a result, the development of clear roles and responsibilities often requires establishing detailed—and sometimes cumbersome—procedures for transferring information between agencies. As a result, it is an ongoing challenge to develop and maintain a system of communication that provides all involved parties with the information they need and that is not overly burdensome on front-line staff.

Risks in Providing Services to TANF Clients

Intermediaries are operating in a new and changing environment, where the flow of clients is rarely steady and predictable. Some intermediaries are serving more clients than they anticipated, while others are serving less. All intermediaries struggle with high no-show rates among the TANF clients referred to them. When intermediaries enter into a formal agreement with the welfare office or its designee, they do so with the expectation that they will serve a specified number of clients. However, in a rapidly changing environment, it has been difficult to predict accurately how many TANF recipients will need to be served by intermediaries. In some of the urban sites, intermediaries are serving more clients than they anticipated. In the sites with the largest caseload declines, intermediaries are serving far less TANF clients than they anticipated.

Even when intermediaries receive sufficient referrals, they have to account for extremely high levels of nonparticipation. Intermediaries report that they generally can expect only about half of the clients referred to them to participate

in the program. High no-show rates reduce the number of clients an intermediary can serve and create a huge paperwork burden, since clients who do not show up for services usually are referred back to the welfare office for sanctioning. In an effort to reduce the number of clients who do not participate in their programs, a few intermediaries have put outreach activities into place. Outreach activities include calling the client the day before he or she is scheduled to begin participation and sending follow-up reminder cards. Other outreach activities are more intensive, and may include visits to clients at home.

Serving the Hard-to-Employ

As TANF caseloads decline, intermediaries are concerned that there is a mismatch between the limited services they are being asked to provide and the needs of the clients they are being asked to serve. As TANF caseloads decline, many intermediaries feel that they are working with more clients who have multiple barriers to employment. Most intermediaries believe they could do a better job serving these families if they had more time to work with clients and could provide a broader range of services. Over time, it is possible that job-search programs will be redefined to address the more diverse needs of the families remaining in the TANF caseload. There may also be an increasing demand for longer term supported work programs. Given the more specialized knowledge required to address the needs of some families with chronic barriers to employment, it is possible that a new set of intermediaries will be called upon to provide these services. Alternatively, existing intermediaries may begin to collaborate with organizations that have more expertise in providing these more specialized services.

Building on the Strengths of the Local Community

There are a variety of ways to transfer employment-related responsibilities to intermediaries. Given that localities have different resources, needs, and priorities, a service delivery structure that works in one locality may not necessarily work in another. The local sites examined for this study transferred responsibility to intermediaries in a number of different ways. The decisions they made reflected differences in their in-house resources, administrative structure, prior experience with intermediaries, and perceptions of the relative effectiveness of government and the private sector. Based on their early

experience, there is no evidence to suggest that one particular strategy for transferring responsibilities to intermediaries will produce better results than another. Instead, what appears to matter is creating an infrastructure that builds on the strengths of the local community.

It is also important to note that the decisions one makes regarding how much responsibility to transfer to intermediaries can affect the types of organizations that are qualified to function as an intermediary. In particular, when responsibilities are broadly defined and the number of clients to be served is large, nonprofit organizations may be less likely to act as an intermediary than large for-profit organizations with a national infrastructure.

NEXT STEPS: EXPANDING OUR KNOWLEDGE BASE

This study has provided one of the first examinations of the role intermediaries are playing to help welfare recipients find employment. Clearly, intermediaries are an important part of a complex array of actors that are attempting to help welfare recipients find and maintain stable employment. Therefore, their ability to link welfare recipients with jobs may substantially influence the overall success of localities' efforts to reform the welfare system. Especially over the long term, it would broaden our understanding of welfare reform if we explored the role of intermediaries in further detail.

There are no accepted standards on how to measure performance in work-first programs, making it difficult to compare performance across programs. Commonly used measures of performance include program enrollment, program completion, job placement, and job retention. However, even around these measures there is considerable variation in what constitutes "success." In some programs, clients may have to work in a job for a minimum period of time, such as thirty days, before they can be counted as a successful placement, while in other programs, clients may have to work for only one day. Gaining a better understanding of how programs define success and considering the relative merits of various measures is a critical first step in being able to identify the characteristics of successful programs.

Currently, there is no evidence on whether intermediaries with certain characteristics perform better than others. Investing in research to examine this issue could potentially help local welfare offices develop more effective TANF employment service delivery systems. In the current environment, many intermediaries are being asked to provide

the same set of services to welfare recipients. However, intermediaries differ in a number of dimensions that may influence their performance. Key characteristics that may influence performance include 1) the number of clients served, 2) a previous history of providing employment-related services, 3) an expertise serving hard-to-employ populations, 4) the payment mechanism, 5) the payment amount, 6) the type of organization, 7) links to the business community, and 8) the administrative structure in which the intermediary is operating.

Work-first programs—consisting primarily of job-search and placement assistance—are at the heart of most current efforts to increase employment among welfare recipients. As these programs become more established, it would be useful to know whether one work-first approach is more effective than another. Job-search assistance is the core service provided by most primary intermediaries. While these programs are similar in many ways, often there are subtle differences. Some of the dimensions on which these programs vary include 1) the length of the program, 2) the amount of structure, 3) the level of employer involvement, 4) the extent to which life skills issues are addressed, and 5) the length and extent of follow-up. Currently, there is no information available to indicate whether different approaches to providing job-search assistance have any influence on program outcomes. Additional information on what makes a “good” job-search program may help to improve the overall quality of these programs.

CONCLUSION

In many communities, intermediaries provide the primary link between welfare recipients and the paid labor market. Although a service delivery system that effectively links the welfare office, the workforce development system, and intermediaries is in place in some communities, in others an integrated service delivery system is still being created. Given the changing nature of the Temporary Assistance for Needy Families caseload and shifting priorities, the system for providing employment-related services to TANF clients is likely to be in transition for some time. Over the next several years, states and localities will be implementing the Workforce Investment Act, which may encourage some local communities to again rethink how they transfer responsibility to intermediaries. Examining how these transitions take place and how they affect the role intermediaries play in linking welfare recipients with jobs will help to broaden our knowledge of what it takes to create a stable work-based assistance system.

Understanding the implementation of welfare reform is an extremely complex undertaking. Clearly, such implementation cannot be understood fully without taking into account the role intermediaries play in linking welfare recipients with jobs. Because many implementation decisions are being made at the local level, the focal point for many implementation studies is the local welfare office. This study suggests that in some communities, the scope of inquiry may need to expand beyond the welfare office. This is especially true for the analysis of implementation issues that involve significant worker-client interaction, such as assessment practices, the implementation of sanction policies, and efforts to link clients with ongoing work supports such as food stamps and Medicaid. Although we often think of these tasks as within the purview of welfare office staff, it is clear that intermediaries have an important role to play in making sure that clients are aware of what is expected of them and the benefits to which they are entitled.

ENDNOTES

1. In an effort to maintain a focus on intermediaries that link welfare recipients with jobs, we explicitly excluded two potentially large groups of organizations that often are thought of as intermediaries. These are 1) organizations that provide only support services (such as child care, transportation, or legal assistance) and 2) organizations that offer only education or training services without a job-placement component (such as adult basic education and general equivalency diploma programs and some community college education or training programs).

REFERENCES

- Council of State Governments*. 1993. STATE TRENDS AND FORECASTS: PRIVATIZATION, VOL. II: NO. 2. November. Lexington, Ky.
- International City/County Management Association*. 1994. INTERNATIONAL CITY/COUNTY MANAGEMENT ASSOCIATION MUNICIPAL YEAR BOOK 1994: ALTERNATIVE SERVICE DELIVERY IN LOCAL GOVERNMENT, 1982-1992. Washington, D.C.
- Kettner, P. M., and L. L. Martin*. 1993. "Performance, Accountability, and Purchase of Service Contracting." *ADMINISTRATION IN SOCIAL WORK* 17, no. 1: 61-79.
- . 1995. "Performance Contracting in the Human Services: An Initial Assessment." *ADMINISTRATION IN SOCIAL WORK* 19, no. 2: 47-61.
- National Academy of Public Administration*. 1999. PRIVATIZATION 1999, THE REASON FOUNDATION PUBLIC POLICY INSTITUTE'S 13TH ANNUAL REPORT ON PRIVATIZATION. Washington, D.C.: Alliance for Redesigning Government.
- Snell, L*. 2000. CHILD-WELFARE REFORM AND THE ROLE OF PRIVATIZATION. Los Angeles: The Reason Foundation.
- U.S. General Accounting Office*. 1996. "Child Support Enforcement Privatization: Challenges in Ensuring Accountability for Program Results." GAO/T-HEHS-98-22. Washington, D.C.: General Accounting Office.
- . 1997. "Privatization: Lessons Learned by State and Local Governments." GAO/GGD-97-48. Washington, D.C.: General Accounting Office.
- Yates, J*. 1997. "Case Studies on Nonprofits' Involvement in Contracting for Welfare Services." *Welfare Information Network*, October 27, 2000. <<http://www.welfareinfo.org/case.htm>>

The views expressed in this article are those of the authors and do not necessarily reflect the position of the Federal Reserve Bank of New York or the Federal Reserve System. The Federal Reserve Bank of New York provides no warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability, or fitness for any particular purpose of any information contained in documents produced and provided by the Federal Reserve Bank of New York in any form or manner whatsoever.