



**The Use of Third-Party Organizations
To Move Participants into Either Permanent or Transitional Jobs
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Editor's Note: This SIPR Policy Paper examines the ongoing process of welfare reform, especially how programs are using third-party operators to move participants into permanent or transitional jobs. It is the fourth in a series of essays in support of SIPR's project on the Benefits Access Learning Cluster, an effort funded by the Charles Stewart Mott Foundation and managed by Senior Fellow April Kaplan to identify effective employer-based models for raising awareness of and participation in work-support programs and to develop and disseminate knowledge about best practices to employers, benefit-program administrators, human-service agencies, and other important stakeholders.

INTRODUCTION

This paper will explore different strategies in terms of what third-party operators are asked to do in moving participants into permanent or transitional jobs. It will explore contractual and organizational options. It will include innovations from the perspective of how third-party operators have been used.

SCOPE

1. Focus on Major State and Federal Assistance Programs

There are a number of state and federal programs that are work focused. These programs provide cash and other work supports while at the same time require participants to prepare for work and go to work. All of these programs can use third-party organizations to get participants into permanent or transitional jobs. One of the exciting realities is that successful efforts in one program can be duplicated in another. These programs include:

- a. Aid to Families with Dependent Children (AFDC), which was replaced by Temporary Assistance for Needy Families (TANF),
- b. Food Stamps,
- c. General Assistance,
- d. Unemployment Insurance (UI),
- e. Job Training Partnership Act (JTPA), which was replaced by Workforce Investment Act (WIA),

- f. Support Programs (Substance Abuse, Mental Health, Disability), and
- g. Housing.

2. Change in the Use of Third Parties

The use of third-party organizations has evolved over the last 30 years. This has paralleled the dramatic change in the programs themselves, which once exempted most participants from any work requirement and now require virtually everyone to participate. The increased use of third-party organizations has been driven by necessity. However, it also represents a change in thinking about what government can and should do itself. This has been, and continues to be, a learning process. It was fueled by a huge growth in public assistance and the evolution of the Workforce Development System. This triggered a lengthy debate over whether recipients should be required to work. The debate was largely resolved by the passage of federal welfare reform legislation in 1996, which codified that work should be the goal for most program participants. The evolution is chronicled below.

- a. These programs have had some work requirement going back as far as the 1970s and 1980s.
- b. Initially, programs exempted most participants. Those not exempted were put in Job Search or Training.
- c. At first, states relied on government workers for providing job search, job placement and even training services.
- d. Because of large national programs, like those funded under the Wegner Peyser Act, most states had large Job Service bureaucracies with offices throughout the state. As a result, by federal and state design, Job Service ended up being initially a primary provider of work program services.
- e. During the 1980s and 1990s there were two important changes that coincided. The first was the change in societal expectations. The second was related to how services are provided.

- The social contract changed from entitlement to an expectation of participation in activities leading to work and self-sufficiency.
 - A similar social contract emerged for services. They evolved to become more formal: from arrangements to contract; from payments for processes to payments for outcomes; from selected providers (like Job Service) to competitive selection; from government providers to non-profit and private for-profit providers.
- f. Since the enactment of federal welfare reform, the 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), pressure has continued to grow to help move participants into jobs. This has been a major factor influencing the growth of third-party organizations. It included:
- Elimination of exemptions,
 - Expectation that all non-exempt participants will be served,
 - Budget pressure to do more with the same funding level, and
 - Movement to performance goals to Individual Training Accounts for JTPA/WIA.
- g. Over time one of the largest and most difficult changes has been the movement from a largely voluntary program to a mandatory program with consequences for non-participation. Another revolutionary change has been the movement to consumer choice ITAs. These changes have affected government, third-party organizations and participants.
- b. Initially, payment was based on slots. Over time, payments became based on placement in a job and job retention.
 - c. As payments became based on outcomes, one of the big issues to arise was “creaming” which meant focusing most attention on those individuals who could easily get a job.

2. Specialization and Integrated Service Plans

The need for specialization and integrated service plans can be observed everywhere that work program requirements have increased to include all participants. It has been true in the United States, and it is true in Europe. It is also an area where third-party organizations can be particularly helpful. Some programs have been particularly successful in addressing these needs. Other programs still need to do so. The following describes some of the ways that third-party organizations are being used.

- a. As exemptions were eliminated, it became clear that one size does not fit all.
- b. Programs had difficulty serving special groups. These were often characterized as the “hard to serve” or as participants with “multiple barriers.” In many programs, these groups were, in effect, not engaged.
- c. One positive trend has been to use third-party organizations who have a special expertise to integrate movement to work with other social service and medical support needs and to use the systems that address those needs. The following are some examples of third-party organizations with special expertise:
 - Expertise working with participants with disabilities. Many programs started with contracts or agreements with the state Vocational Rehabilitation program. This has had mixed results because of the mandatory order of selection which left many on waiting lists. Another approach has been to contract directly with the Vocational Rehabilitation service providers. With these third-party organizations, the contracts could be set up to meet program objectives rather than the state Vocational Rehabilitation program objectives.
 - Expertise providing treatment to substance abusers or individuals with mental illness or chronic health conditions such as diabetes.
 - Expertise working with specific populations. These populations might include immigrants, non-English speakers and specific groups such as the Hmong community; military veterans; the elderly; at-risk youth, including foster children

By 1996, the programmatic landscape had changed dramatically. This set the stage for an expanded use of third-party organizations. It was preceded by a handful of leaders like the states of Wisconsin and Texas. It has resulted in an unprecedented period of experimentation and creativity.

APPROACH

It is useful to describe some of the different approaches that have evolved for using third-party organizations. This includes both the services provided and the basis for payment. Advantages and disadvantages are detailed below.

1. Job Search and Job Placement

While these continue to be important activities for all programs, in the early years these were the only work activities. The participants being served were those most likely to be employed. While initial programs had limited results, they provided the basis for later changes.

- a. Contracts and agreement were usually with other government entities like Job Service.

who are aging out; sanctioned participants; single parents with children; and returning offenders.

- d. With these complex caseloads there has been a corresponding need for integrated service plans. Sometimes multiple case managers and even multiple programs are involved. If these are not coordinated. They won't be effective and can work at cross purposes.

Several important lessons have been learned. The first is that these services and plans must be mandatory even with individuals who have serious issues. Volunteer programs have been tried, and don't work. The second is that the objective and measure of success is work. It is important that program operators and third-party organizations understand this. For instance, when drug treatment providers are used, employment means to be a part of the criteria for success.

3. Development of Activities Beyond Job Search and Job Placement

As the number of participants subject to work has increased, the range of work program activities available greatly expanded. This, in turn, stimulated a greater variety of third-party organizations serving program participants. It also added to a long debate over whether programs should focus on education or a "Work First" approach.

- b. Many categories have emerged, including: Motivation/Job Readiness/Life Skills, Work (including work experience and transitional jobs), Skills Training, Basic Education and Job Skill Development, and Post Secondary Education.
- c. Third-party organizations have come to provide all of these different categories and (unsurprisingly) to lobby for them. For instance, technical schools in community colleges became major providers of training and have long advocated the training will allow participants to obtain better jobs.
- d. A major debate has been over whether activities should focus on educational development so that participants can get higher paying jobs or on "Work First," which aims at job placement as quickly as possible.

Research has shown that the Work First model has better results, at least over the short and mid-term period. The concept of a social contract changes the whole debate. It is no longer an issue of one or the other. There is an expectation that participants will work as soon as they are able. Government has changed the incentive structure so that participants are better off working than not working and increasingly become eligible for a set of work supports including earned income tax credit, health insurance and others. Government is

now placing more emphasis on life-time learning and on training and activities for working participants to help them to keep working and to advance to better jobs.

As the approach has shifted to Work First, there has been more attention and innovation in work experience, transitional jobs and direct relationships with employers. Programs have not been nearly as successful in their efforts to keep participants working and help them to advance to better jobs. It's not really a matter of doing one or the other but somehow of helping participants to advance while they are working. Third-party organizations have provided some innovations in this area.

4. Contracts and Incentives/Penalties

It is taken some time to realize that contracts or agreements with third-party organizations work the same way with these programs that they work in business or with other programs. It also took time to realize that incentives and penalties are extremely important to successful outcomes.

- a. One of the big lessons is that "you get what you pay for." If government pays for process, it will get process. This may not have anything to do with desired program outcomes. If government wants specific outcomes, then contracts and incentives must be structured to pay for those outcomes. In short, government realized it was not in the best position to provide direct services.
- b. The whole incentive structure for contracts with third-party organizations has changed.
 - Contract payments were originally based on process: the number of training slots, the number of participants in job search. This was not effective.
 - It has moved more and more to payment of carefully defined outcomes which are primarily getting a job, keeping a job and going off of assistance.
- c. Third-party organizations, and particularly private for profit vendors, are in a strong position to operate in an environment which pays on outcomes yet provides them with the flexibility to determine how to achieve the outcomes within the allowable policy parameters of the program.
- d. With job focused outcome based contracts, the third-party organizations have an incentive to sufficiently invest on the front end so that participants get good jobs and stay in them. If they don't make this investment and get the results, they won't get paid.
- e. Use of large prime contractors who have many subcontractors can minimize the number of contracts that government has to manage.

- f. Many different models have emerged:
- There is a range from partially outcome based to 100percent outcome based.
 - Some have competition models when there are multiple third-party organizations.
 - Degrees of responsibility can range considerably. One program may have a third-party organization do a specific function such as drug treatment and job placement for substance abusers. Another program may contract out the entire program to a third-party organization in a city or county area.
 - There are different degrees of financial risks and rewards. The financial frame can vary considerably. Some balance the risk between government and the third-party organizations. Others shift the entire risk to the third-party organizations with a potential for a greater financial reward.

There is now a growing body of experience with many different models of contracts and agreements. This is significant for program managers because it is increasingly possible to predict the outcomes of using a third-party organization when a specific set of incentives and penalties are in place. Moreover, it doesn't seem to matter whether the third party is another government entity, a community organization, a faith-based organization or a private for-profit organization.

5. Innovations with Work Activities

For programs like TANF, there has been growing pressure to engage participants in a restrictive group of "work activities" which are designed to quickly move participants into jobs. These include limited job search, work experience, wage subsidy jobs and limited vocational education. Employment also counts as a work activity since some participants work part-time or at a salary that allows them to continue to receive assistance. As a result of this pressure, many more innovations and choices have developed. These include the following:

- a. Various models for diverting applicants from going onto assistance,
- b. Alternatives for funding and operating wage subsidy jobs,
- c. Government and private "temp-to-perm" models,
- d. Strategies for making work experience more meaningful for participants and more effective (including experience for specific jobs and closer ties to employers),
- e. Integrated approaches, particularly at community colleges, which have targeted training, work experience and transitional jobs

all leading to specific jobs often with a specific employer or group of employers,

- f. Closer ties and working relationships with larger employers (these can be mutually beneficial to participants, employers and program operators),
- g. Making treatment a mandatory work activity and integrating it with work experience, job search and other work activities, and
- h. Innovative applications to groups that were previously not engaged, such as school dropouts and returning offenders.

The Specific Examples section below will provide examples of how programs are using third-party organizations to implement these innovations.

6. Retention and Advancement (lifetime learning)

This is an area of great concern to participants, program managers, advocates and to the general public. A persisting criticism is that participants are placed in low-wage jobs with little chance for advancement. There is a general consensus that programs have not been able to develop effective strategies that help participants to stay working and to have some career path for advancement. Now, because of the social contract and its emphasis on work in exchange for benefits and support, there are emerging some promising strategies that address this important need. At the core of the dilemma is time. How can a working mom with young kids also attend training classes to gain new skills and certifications needed to advance in the work place?

- a. Much training is provided by employers. Some innovative programs focus on employers to make sure that their participants will get skills needed to advance.
- b. Computerized and online distance learning is starting to have promising results in multiple states with working participants.
- c. Competition and contracts can be used to favor third-party organizations and employers who put effort into retention and advancement and achieve results.

SPECIFIC EXAMPLES

Listed below are examples where third-party organizations have been used. These illustrate many of the approaches described above.

1. Transitional/Wage Subsidy Jobs

- a. Oregon's Jobs Plus Program uses Transitional Jobs as an alternative to UI and welfare. With this program, employers are the third-party organizations. This program offers an incentive for employers to hire program

participants and an incentive for participants to work.

This was a very innovative program used for TANF, Food Stamp Employment and Training (FSET) and UI participants. It was a short term on-the-job training program designed to help people move off of UI and welfare. It encouraged private and government employers by subsidizing wages by \$6.50 per hour plus various payroll taxes for up to six months. It is a real job with a real employer and includes an on-site mentor to acquaint them with the job. For participants it is superior to work experience placements and also entitles the participant to claim the Earned Income Tax Credit since it is a wage. Participants are better off than if they had been receiving only cash assistance.

A survey of more than 6,000 employers that used Jobs Plus shows that it was very popular with them because it lowered costs, increased capacity and supported expansion. For the state, there are several positive outcomes. It accelerates the process of getting program participants working and helps send the message that participants are better off if they work. The state calculated that for welfare participants, it saves \$1.17 for every dollar spent on the JOBS Plus program. For the UI program, the state calculated only a \$0.66 savings for every dollar spent. However, when indirect savings in first payments and average duration are included, it appears that JOBS Plus was cost effective for the UI program. Further, employers felt that they could live with a three month subsidy instead of six months.

- b. The city of Baltimore has experimented with several different wage subsidy models. These models work by lowering the risk for employers and thus opening up opportunities for participants. The investment pays off if participants get unsubsidized jobs and go off assistance earlier than they normally would.
- **Grant Diversion**
This is a tool for job developers to market to employers who agree to hire welfare recipients. A Memorandum of Understanding (MOU) is required and payment is limited to up to \$300 per month per employee. The subsidy is limited to 4 to 6 months. Baltimore has used Grant Diversion since 1989 and has developed successful partnerships with Staples; CVS; Stop, Shop and Save; and Phyllis Wheatley Educational Centers. Employers provide entry-level jobs and training. Baltimore pre-screens participants to meet employer requirements. This model is cumbersome to manage for both employers and

Baltimore. Results however were positive in terms of eventual placement in unsubsidized jobs and retention.

In a variation to this model, Baltimore used America Works, a for-profit company, as an intermediary. America Works was the employer of record and was paid up to \$300 per month for each participant and was able to get a matching \$300 if the participant was placed in a job that closed the TANF grant. America Works made agreements with each employer and was able to receive tax credits for eligible participants.

- **Fully subsidized employment for wages paid up to \$9.50 per hour**
This is a new model that reduces administrative burden and increases the incentive for employers to hire welfare recipients who have limited skills and experience. It reimburses the employer for the full wage cost up to \$9.25 for the first 4 months of employment. It withholds a portion of the third and fourth month payment until the fifth month to ensure job retention.
- **Transitional Employment**
This is an existing model that provides up to four months of subsidized public sector employment at \$6.50 per hour for 30 hours. It is available to participants who have not successfully gained unsubsidized employment after intensive job search/job readiness and participation in work experience or community service. The participant's cash assistance is closed and the participant is required to spend an additional 10 hours per week on job-search activity. The participant continues to receive work supports and services.
- **Operation "Fresh Start"**
This is a subsidized employment program for recipients who have received more than 60 months of TANF benefits. This program uses industry specific contracts for the providers (third-party organizations). The providers use grant diversion for up to four months of subsidized employment. The providers are paid on placement in unsubsidized employment and after two months in unsubsidized employment.

The initial experience with the program is that grant diversion is very cumbersome which makes it difficult for the third-party organizations to market the program to employers. The next round of Fresh Start will target the program directly to employers in specific industries and use fully subsidized employment.

- c. Wage Subsidy is a major component in Seattle's Community Jobs Program. It is a good example of a program which requires extensive coordination and direction from the state level and which makes use of the third-party organizations at the local level. It uses TANF Service funds to create and pay for the Community Jobs program (CJ). CJ is a large-scale program with over 215 ongoing slots for Seattle/King County. CJ focuses on the harder-to-serve people after they have gone through Job Search and not obtained employment.

CJ can provide a successful work experience for participants who have not been able to succeed in job search. Participants typically need more time and help with self-confidence, work experience, marketable skills and resolving personal or family issues before seeking unsubsidized work. CJ participants are placed in subsidized temporary positions paid from TANF grant funds. CJ participants get the state minimum wage of \$7.35 per hour and are allowed the standard 50percent wage disregard. The program provides specialized services to address barriers to employment, such as the need for a GED, training, treatment, or job-search help. CJ participants work 20 hours per week at paid employment and work on employment barriers or job search for the remainder of the week. Because it is a paid wage, participants are also eligible for EITC.

The state Department of Social and Health Services (DSHS) refers CJ participants to the state Department of Community, Trade and Economic Development (CTED). CTED coordinates the CJ program and uses contracted providers throughout the state. The third-party organizations, the contractors, included the YWCA and other non-profit agencies.

This program targets the long-term unemployed. One of the difficulties has been in selecting participants who are appropriate for the program and avoiding participants with serious mental health or substance abuse issues that have not been stabilized. The program is very expensive and there are more candidates than available slots. This has led to a reduction in the participation period from nine months to six months.

In spite of these difficulties, the program has been a successful bridge to work for the long term unemployed. Statewide it serves 2,000 participants per year. An average of 60percent of CJ participants successfully transition to unsubsidized employment. For the future, the state is exploring ways to reduce program costs and use additional funding sources such as FSET.

- d. As the Baby Boomers age there are a growing number of people who are over age 55 who are not working and are struggling to support themselves. Some are homeless. Some do not have enough work quarters for Social Security. New York City's Partnership for the Homeless Senior Aides Program targets this problem.

The federal government, through the Older Americans Act spends over \$400 million annually to get older Americans into the work force. The federal government uses Senior Service America, a nonprofit organization in Silver Spring, Md., that channels funds to local organizations such as the Partnership for the Homeless. Senior Service America is one of 18 organizations recently announced by U.S. Secretary of Labor Elaine L. Chao to be part of the Senior Community Service Employment Program (CSEP), financed by a Labor Department grant under the Older Americans Act. This is a very good example of how third-party organizations are used to bring this program down to the local level.

- The Partnership receives over \$500,000 per year for its Senior Aides program through Senior Service America. The Senior Aides program provides 20 hour per week transitional jobs at the state's minimum wage of \$6.25 an hour. All of the participants are 55 or older and are living at or below the poverty level. About 10 percent are homeless. The program serves 85 to 180 older adults each year and 28 to 35 find permanent jobs. For many of the participants the transitional jobs help the participants to realize that they are still marketable. Employers see the merits of older workers. They often have a good work ethic, don't need child care and are reliable.
 - Some of the Older Americans Act funds go directly to New York City, which has made a special effort to identify and prioritize the funds for individuals on Public Assistance who would greatly benefit from the program because they are just short of having enough Social Security quarters. Even if these participants do not obtain permanent unsubsidized work they often can gain enough work quarters to become eligible for Social Security/Medicare and, thus, self sufficient.
- e. Nationally, 600,000 people return to their communities every year after serving state prison sentences. Yet many lack of skills and experience and face great hurdles including a general employer reluctance to hire them. New York City's Center for Employment Opportunities (CEO) offender reentry program serves many of New York's ex-offenders.

National statistics show that two thirds of those released will be rearrested within three years. Re-arrest and re-incarceration are a major public safety issues and are a great public expense. Many studies imply that unemployment is linked to re-incarceration. If true, then efforts to employ returning offenders may help to break this cycle. Returning Offenders face a daunting set of demands that they have to immediately handle. Housing, parole officers, child support, medications, referrals to many scattered agencies are just a few of these. It is not surprising that many fail to get some stability in their life including employment.

The state of New York contracts with CEO to provide a highly structured and work focused reentry program. CEO is an independent nonprofit organization that was created as a demonstration project by the Vera Institute of Justice in the 1970s. Its goal has been to provide immediate, comprehensive, and effective employment services for men and women returning from prison and others under community supervision in New York City. CEO has developed a transitional jobs program called the Neighborhood Work Project which is the core of their program. This core is surrounded with supports and services to help participants to find unsubsidized jobs and to stay employed. The CEO model includes:

- **Immediate Work, Immediate Pay**
People coming home from prison are interviewed, get pre-employment training and job search preparation and are assigned to a transitional work crew. Participants receive a paycheck at the end of their first day of work. Neighborhood Work Projects include maintenance and repair services, grounds keeping and landscaping, and minor construction and demolition for government facilities and other public entities. These are intended to help people develop marketable work habits and skills, along with the self-esteem.
- **Comprehensive Services**
Transitional employment is only a means to get an unsubsidized job. The comprehensive services make sure this will happen. Participants receive job placement and retention services. They have a job coach to make sure they have skills to become job ready. They meet weekly with an employment specialist. CEO also maintains alliances with organizations that specialize in other critical areas such as housing and drug treatments. CEO has built other services into their model. These are not just limited to occupational skill building but

also include connecting with dependent children, parenting skills, conflict resolution and interpersonal communication.

- **Balanced Commitments**
CEO recognizes that formerly incarcerated people have many other commitments. The program is flexible enough to allow participants to balance work with other commitments such as meeting with parole officer, attending drug treatment and paying child support.

Financially, this is a self-supporting effort. Government agencies and institutions and units pay for the work that they receive from the transitional work crews. This pays for the participant's salaries and the CEO operation. According to CEO, statistics show that 60 percent of program participants who are matched with a job developer are placed in jobs. CEO analysis shows that participants who are placed in jobs have lower rates of re-incarceration and commit fewer new crimes.

- f. **Transitional Work Corporation (TWC) of Philadelphia** is a nonprofit organization that was created to administer the transitional employment program in Philadelphia. It provides all client services in-house and includes 10 hours per week of mandatory training and education.

Philadelphia's transitional work program, Philadelphia@Work, was developed through a collaborative effort of the City of Philadelphia, the Commonwealth of Pennsylvania's Department of Public Welfare, the Pew Charitable Trusts, and Public/Private Ventures. Philadelphia@Work is currently funded by the Commonwealth of Pennsylvania (utilizing Welfare to Work discretionary funds), the Pew Charitable Trusts, the Annie E. Casey Foundation, and the U.S. Department of Labor.

Long-term welfare recipients who have been on TANF for 24 months are placed in paid transitional employment at worksites around the city for up to six months. All participants are paid minimum wage (\$5.15) an hour for 25 hours a week of subsidized employment. All participants are placed in subsidized jobs in public or nonprofit agencies by the last day of orientation. The majority of transitional placements are in the clerical, custodial, child care, and health care arenas. Additionally, they must participate in ten hours a week of unpaid training. The program includes worksite case management, professional development activities, job search, job placement, and post employment retention and advancement services.

Once retained in unsubsidized employment, Philadelphia@Work participants are eligible for up to \$800 in retention bonuses. Additionally, participants are eligible for 26 weeks of transportation passes during their retention in unsubsidized employment and additional advanced career training.

TWC also provides extended services through a grant from the state Bureau of Employment and Training. These are advancement services for working participants with income under 235 percent of the poverty level. Services include cash incentives for retention and advancement and funding for Microsoft Office certification, Certified Nursing Assistance Training, Security Licensing, and Janitorial Arts (focusing on general upkeep of electrical devices).

- g. One of the difficult challenges with transitional jobs is funding not only the participant hourly wage but also the services and administrative costs that go along with these programs. These are expensive and can limit the growth of these programs. One creative solution is the use of a temp to perm operation. Wildcat and Hennepin County Temp to Perm is applying this solution to great effect. This solution provides additional dollars and opens up many temporary jobs for Welfare to Work participants that were not previously available. It is a good example of how financial incentives can be beneficial to employers, participants, third-party organizations and government agencies.

- New York City used this in combination with grant diversion and contracts with third-party organizations such as Wildcat Corporation. The idea was to create transitional jobs with other City departments. Participants are paid minimum wage. The diverted grant would be used to cover a part of the hourly wage. The third-party organization would charge the other city departments less than the normal hourly rate for temporary workers. This was all done under a competitive bid process for selection of the third-party organizations. The third-party organization would use the excess from the city departments to pay for its costs to run the program and to pay for case management and job readiness training. Wildcat Service Corporation is one of the third-party organizations that won contracts under this program. It was established as a private not-for-profit agency in 1972 and has grown to be a multi-million-dollar human services, training and employment organization with over 8,500 individuals enrolled in its various programs throughout the year. Participants include welfare recipients, ex-

offenders, prisoners serving in work release programs, former substance abusers, non-custodial parents, crime victims, youth dropouts and delinquents, and Latino populations with limited English proficiency. Wildcat was also able to access other Welfare to Work contracts that it had to provide placement and retention services to help the participants move from temporary jobs to permanent jobs.

- Hennepin County is using Subsidized Work placements. They are funded in a number of different ways. One way is that the state has set up a pool of \$175,000 per year. This is used for the first \$5.15/hour. Employers must cover the amount above \$5.15. This is limited by the size of the pool and employer willingness. It doesn't cover administration and other costs. Hennepin County has developed another way by creating its own staffing service. It provides temporary staffing for county departments by using Welfare to Work participants. The participants are paid minimum wage for a limited time placement. The county departments pay the normal temp wage which is higher. The excess amount is used to pay for administrative costs, training and for case management.

2. Contracting Out the Program

Most of the examples of using third-party organizations are limited to a specific group of participants and a specific part of a program. The examples below illustrate how far this use can go.

- a. Wisconsin Experience with AFDC/TANF and FSET
From 1987 to 1997, Wisconsin ran dozens of welfare reform experiments. One important component to many of these was an expanding use of third-party organizations. This evolution is described below:

- There was a gradual broadening of organizations from Job Service to include county, non-profit community based organizations, and for-profit organizations.
- The state gave local program organizations (mostly counties) the flexibility to subcontract with other organizations.
- Initially, funding was based on caseload size. This was gradually changed as additional funding started to be tied to employment outcomes. Since in the early 1990s, there was not enough employment and training funding to serve all participants, this was an effective way to support the best performing organizations.

- Eventually, the entire program was set up on a competitive model which allowed non-profit and for-profit organizations to be the contracting agency with the state to run the program locally.

At the beginning of its TANF program in 1997, the state was in essence contracting out the entire program on a competitive basis. Some county agencies continued to operate the program but were treated as if they were third-party organizations and lost the right to run the program if they could not meet program standards. Some county agencies improved their levels of performance. Others decided that they could not compete or eventually got out of running the program. Milwaukee County declined to run the program from the start. This has resulted in a healthy mix of county, non-profit and for-profit agencies running the program locally. To increase efficiency, the state has also allowed consortia of agencies to group together to run multiple areas.

Since the beginning of the TANF program, Wisconsin focused on clearly defined work-related outcomes. As a result, it has one of the best performing programs in the country and is a leader in terms of reinvesting benefit savings in child care and other supports for working families.

b. San Diego Experience

On December 16, 1997 the San Diego County Board approved a regional approach for the delivery of CalWORKs Welfare-to-Work services for low-income families with children. This innovative model uses a mix of County-delivered and competitively procured services from the nonprofit and for-profit sectors to deliver services in six geographic service regions. County staff provides services in the Central and North Coastal regions, Catholic Charities in the North Central region, Affiliated Computer Services (formerly Lockheed Martin) in the North Inland and East regions, and MAXIMUS in the South region. Some of the innovative features are described below:

- They elected to break up the county into multiple regions.
- They insisted on using multiple agencies with no third-party organization being responsible for more than two regions.
- Over time, San Diego focused less on process and more on outcomes and has moved to pay points based on employment, work for 6 months and leaving the welfare system.

San Diego has become one of the best performing counties in California. The competition and the increased focus on

outcomes have been effective. One of the most interesting results is that the county-delivered regions have steadily improved and are now at about the same level as the other regions. Thus, competition and exposure to multiple different approaches seem to be good for everyone.

3. Strategies to Minimize Creaming

Creaming has been a persistent problem with work-focused programs. Whether run by government or third-party organizations, the tendency has been to work with participants who are most likely to be successful and to go to work. This became more and more of a problem as contracts and agreement shifted from rewarding process to rewarding outcomes. Some agencies even started to find themselves with less capacity as third-party organizations shrunk to levels where they knew they would be paid. This problem can be addressed as illustrated in the examples below

a. New York City

In the late 1990s New York City revamped its contracts with third-party organizations for employment and training services. At the time it had hundreds of contracts and was suffering from the problems of not having enough capacity and not getting good outcomes in terms of helping participants move to work.

- The city realized that vendors (third-party operators) are very responsive to clear outcome objectives.
- The city reduced the number of vendors that the city directly contracted with and let them have and manage subcontracts with other third parties.
- The city paid by what it wanted out of the contracts.
- The city differentiated between “front-end” vendors and “back-end” vendors. Front-end vendors would be limited to six weeks. This involves purposely creaming those who can most easily get a job. The amount paid per placement should not be as high as the payment for the back-end vendors. This could be done by government staff.
- The back-end vendors have a more mixed, difficult-to-serve group. They each should get a randomly selected group of participants and only get replenished up to their original level when they have placements. Unsuccessful participants go back to the city after a fixed period of time (i.e. six months or a year) and don’t get replenished. Vendors who are not successful across the board won’t get enough new participants to stay in business.
- Vendors were paid based on three specific events: a small amount for assessment, a larger amount for placing someone in a

job for 30 days, and third and fourth amounts (usually the largest) for a person who retains employment for 90 days and then 180 days, as measured by not returning to assistance.

- In a series of meetings and publications, the city made the payment and referral criteria known to the vendors ahead of time. That way, poor performing vendors, drop out without the politically difficult step of firing them.
- Vendors were given an advance based on estimated performance so that they didn't have a cash-flow problem and were thus able to keep staff and keep the doors open.
- The contracts integrated all job training funds subsuming WTW, WIA, TANF, PA, and FSET.

This involved over \$500,000,000 of contracts. The results were good. Overall costs per job placement went down by over 1/3 because the city decided that the payment points would be based on the average cost (from experience) and not the extremes. Capacity went up. More participants were served, including many who, because of creaming, were previously not served at all. Reported and verified job placements increased from 15,000 to 20,000 to over 130,000 per year.

b. Indiana Work Experience

Under the TANF program states have always been required to meet a 50 percent work participation requirement. One of the ideas behind this is that if participants are required to be engaged in work activity, including work, work experience, limited education and limited job search that many would either choose to immediately go to work or would quickly gain the skills through these activities to go to work. As it turned out, TANF also had a caseload reduction credit which reduced the 50percent requirement. Because the national caseload dropped so quickly, most states have had to engage very few participants and could meet the requirement often with just their working recipients.

TANF reauthorization has reset the caseload reduction credit. Indiana is looking at ways to increase its work participation. As is true in most states, Indiana realized that it had a pool of participants who were not engaged in any activity.

One of the places that Indiana looked was at its community work experience (CWE) program. This program was barely being used at all in spite of the fact that it is proven to be one of the most effective activities and that Indiana has a existing group of third-party operators who can place participants in this program.

Indiana decided to quickly increase the use of work experience and was successful in doing so. In two pilot locations, referrals to CWE went from a couple of hundred a month to well over 1,000 per month. The steps Indiana went through provide important lessons for other states.

- Indiana first met with representatives from a diverse group of third-party organizations and with state policy staff to discuss the federal participation rate and the need to increase engagement in CWE. Through this process, state leaders learned that there were many issues on both the state side and the vendor side. The state was not making referrals in a timely manner or imposing sanctions. The vendors were reducing capacity because they were not getting referrals. They found CWE to be complicated and difficult. Instead of investing in CWE, it was easier to keep participants in job search.
- Indiana had a situation where the entire system (state and third-party operators) was creaming and not taking the difficult steps required to increase levels of engagement and increase the participation rate. With this knowledge, Indiana, with the support of their third-party organizations, took a series of actions to change the situation. First, the state issued a policy directive on its intent to increase CWE and addressed many of the issues raised by the third-party organizations: It solved the referral problem, addressed the sanction issue with its staff and sped up the process for providing supportive services (child care and transportation). Second, the state developed mechanisms for monitoring the county staff and the third-party organization staff. Finally, the third-party organizations also agreed to develop CWE slots across the state and to be held accountable.

Indiana is a very good example because within the confines of state law and regulation of existing contracts, and existing third-party organizations, it was able to make modifications to meet new needs. The changes benefited the participants, the state, the counties and the third-party organizations. Through this change, Indiana is addressing multiple issues, including creaming. In addition to the increase in CWE, one of the third-party organizations placed 21 percent of its CWE participants within the first month.

4. Shift of Risk From the Government

Within welfare reform there is an inherent assumption that a concurrent obligation with investment in mandatory work

activities and work supports will result in more participants going to work and in a subsequent drop in the funding needed for cash assistance. Even when there is evidence of this working in other states or other countries, government is often averse to taking any risk. One of the ways that government can implement work-focused welfare reform is by shifting the risk to third-party organizations.

- a. **Baltimore City**
In Maryland, the city of Baltimore has not had enough capacity to place its participants in work activities. In anticipation of the increased demands of TANF reauthorization Baltimore City issued an RFP and has selected several third-party organizations, including America Works, a private for-profit company.

This RFP and contract is significant. It only refers to the “hard to serve” participants who have been unsuccessful in previous job programs, have limited or no previous work history, or, who lack basic work skills. Many have reached or are considered likely to reach the federal five-year time limit for receipt of public assistance. It is a large procurement with the ability to serve more than 3,100 participants through multiple third-party organizations.

This is also significant because of its payment points. In addition to job placement and retention, it also has a payment point for engaging participants in 40 hours of activity per week and in meeting the federal participation requirement of engagement in work-countable activities. It is difficult from the bidder’s perspective. Of course, that should be factored in as part of each bid.

5. Making Work Activities More Effective

The following are innovative and creative efforts involving third-party organizations.

- a. **The Camden Development Collaborative**, a program created by The Fund for New Jersey, developed a community health worker project in Camden, N.J., in conjunction with local health care providers, to improve health outcomes and create jobs. The strategy was to train neighborhood residents, primarily welfare recipients participating in the state's Welfare to Work program, to help Camden residents make healthy choices, use health services more efficiently and adopt self-care practices. Twenty-four local residents completed one of two 12-week sessions; more than half of them have been subsequently employed as community health workers.

This model may be able to be further enhanced to provide the training and a work-experience component.

- b. **New York City Parks Department Work Experience Program (WEP)**
For participants who are motivated and willing, the Parks Department has a special WEP program that incorporates extensive training and on the job experience for a variety of maintenance and other jobs. This has led to the ultimate placement of many participants into unsubsidized jobs in the areas in which they were trained.
- c. **New York City offered training for participants who were at home to care for a disabled family member.** Many were subsequently hired as home health aides and often took in other disabled individuals. This was well received by participants. It allowed them to gain skills and to become a service provider and get off of welfare. The State of Texas replicated this program.
- d. **The Consortium for Worker Education (CWE)** is a private, non-profit agency that provides a wide array of employment, training, and education services to 60,000 New York City workers annually, including incumbent union members, new citizens and dislocated workers. CWE encompasses a consortium of 46 major New York City Central Labor Council affiliated unions, representing over 1.4 million New York City workers. CWE competes for and receives Welfare to Work grants and contracts. It receives a large grant to run the Satellite Day Care (See 8 below), and it is an effective third-party organization because it has a vested interest in making sure that the programs work for participants and the organization itself. CWE’s programs include:

- Child Care for working families with income up to 275 percent of the poverty level,
- Workforce Education,
- Training for entry level health care workers,
- Operation of Parent Resource Centers, and
- Operation New York City’s first One Stop Center (in Queens).

- e. **In New Jersey, families with children under 12 months of age may elect to participate in the TANF Initiative for Parents (TIP) program.** In Burlington County this is run by the Burlington County Community Action Program. In Camden County it is run by the Center for Family Services. The TIP program provides home visits to each family. This is an option to the normal TANF program because it includes workshops on healthy child development, parent-child bonding, positive discipline methods and good nutrition as well as work activities. Participants must be involved in 35

hours per week of activities to remain active and continue receiving TANF benefits.

Camden County has taken this a step further. Home visits are a key part of the program in terms of providing information, recruiting the families and establishing trust. Camden has trained and hired other TANF participants to be home visit workers.

6. Working with Targeted Populations

With targeted populations, third-party organizations bring their expertise and experience, while adding capacity and often innovations and quality.

a. New York City (treatment and rehabilitation)

- Approach to assessment
In many states, programs still use the outdated approach of allowing any doctor statement to identify barriers to work and thus a reason to exempt from work participation. New York City has developed a different approach. It uses a standardized assessment. Instead of identifying barriers, the city performs a functional assessment to identify what a participant can do.

It uses a contracted service for doing the assessment instead of allowing the participant's personal doctor to do it. This provides more consistent treatment of participants. It has increased levels of engagement and work within the context of the activities that a participant can do.

- New York City set up a special program called PRIDE for individuals with medical conditions or disabilities that affect their ability to gain employment. This program was a good example of how third-party organizations with specialized expertise were brought in to work with a specific group of participants. The PRIDE program was, in essence, a separate job center that had many different paths, including wellness, rehabilitation, work experience and SSI application. While in operation, the program served more than 30,000 participants and is being evaluated by MDRC. It has since been replaced by a similar program called WeCARE (Wellness, Comprehensive Assessment, Rehabilitation and Employment).
- New York City partnered with the treatment community to develop a substance abuse Comprehensive Services Model (CMS) to address NYC dissatisfaction with chronic substance abuse treatment. The dissatisfaction was due to: methadone maintenance going on for decades, no secondary treatments, no

focus on work and a culture of dependency. Under the old model, the city purchased treatment beds. Because participants often did not show up, many of the beds were empty in spite of the fact that there were waiting lists.

Under the CMS model, individuals in drug treatment were brought into a special work program. For the participants, treatment became a mandatory work activity with loss of public assistance a consequence for not participating. The program also moved them into training, work experience and other activities as soon as they were stabilized with the treatment.

The treatment providers are no longer paid for empty beds. There are no longer waiting lists for drug treatment. Payments for CMS are 60 percent cost reimbursed and 40 percent based on performance milestones, such as treatment retention, work activity, job placement and retention, or disability and medical treatment.

This is a difficult group. Many have serious medical or psychiatric conditions, mental illness or legal problems, including parole. This is evidenced by the fact that only 45 percent of participants progress to the point where they can be referred to a work activity. Within this context, outcomes for the CMS program have been very positive in terms of the numbers of participants who participate in the program and go to work.

Key lessons learned include:

Keeping participant expectations high,

Moving to non-intensive treatment as soon as possible,

Aligning incentive of clients, treatment providers, vocational providers and case managers, and

Using sophisticated databases to help link treatment and work activity, and direct participant management.

- ### b. Wisconsin and Denver immigrant population
- Both the state of Wisconsin and city of Denver have had tens of thousands of refugees come into their communities. When this happens, there is an immediate challenge to stabilize the families and then to integrate them into the community and get them working. Often large groups have come all at once.

For employment, both of these locations found it very useful to contract with third-party organizations connected to the refugee groups.

- In Wisconsin, there were a number of Hmong associations. Wisconsin contracted with these groups for employment programs services and job placement.
- In Denver, there are a large number of refugees from Africa. Denver contracts with organizations representing African immigrant groups. One of them, the African Community Center of Denver is a program office of the Ethiopian Community Development Council Inc. (ECDC), a community-based organization headquartered in Arlington, Virginia. One of their tasks is to help place refugee families in housing. ECDC receives many donations and has been able to set up a thrift store. It has used the thrift store as a work experience site for the refugee TANF participants. This not only helps meet TANF participation work requirements, but also provides the individuals with work readiness training since most have never worked in the United States. It has also helped the participants learn the English names for the common household items that are in the thrift store.

The use of these third-party organizations has been very positive. They have been highly successful in helping refugee families to settle in the community and to become employed. They also provide a way for the community to have a dialogue with the refugees about the many social, cultural, ethnic and racial issues that they encounter.

- c. Denver Community College and Essex Community College
These two community colleges are helping to redefine the debate about the role of education in employment programs.
 - The Community College of Denver's Essential Skill Program for TANF participants is using paid subsidized employment to move beyond a traditional training program. The program uses job readiness, targeted training and paid subsidized jobs which are related to the training. With this approach, the program has been able to engage participants in federally countable work activities and help move participants into good jobs.
 - In Essex County New Jersey, one of the state's parole halfway houses, Kintock, has established a successful program with the Essex Community College (ECC). Screened individuals are allowed to attend ECC for literacy and other training that is preparatory to work. The individuals feel good about being on a college campus and

become highly motivated. ECC has been very supportive. Already, parolees are asking to go to Kintock so that they can get into the ECC program.

Key agencies have now agreed to set up a one-stop in Newark for returning offenders. These include the city, the county, the Workforce Investment Board, state parole, and state child welfare. Essex Community College has agreed to house the one-stop.

With both of these programs, the participants became highly motivated and repeatedly stated that they never thought they could go to a college. It provides a new environment which reinforces that they can be successful.

- d. New York City (sanctioned individuals)
New York City successfully used faith-based organizations to outreach to sanctioned individuals. Faith-based and community-based organizations can play a very constructive role with participants who have been sanctioned or have been closed for failure to respond. Often these participants are involved with substance abuse or are suffering from depression and isolation, and isolation is often the worst thing that can happen to these participants. A connection can be helpful and can bring them back into the TANF program.

As key members of the community, faith-based groups can do home visits and counsel the individual to try to get him or her to participate. They can also set up a special advocate who can be a link back to the eligibility worker.

The contracts with the third-party organizations can be performance based with a payment for each contact and an additional payment if the participant returns to the program. This work can often be done by storefront churches where a small contract can go a long way. No proselytizing can be allowed. This successful effort was studied by the Rockefeller Foundation. (See "Stepping Out on Faith: New York City's Charitable Choice Demonstration Program" by JoAnn Rock, The Roper Group, October 2002.)

Churches became very cooperative as a result of these types of efforts. This type of effort can help improve the TANF participation rate since some people will start to participate as a result of the home visits. It should be noted that Los Angeles County implemented a similar outreach effort using senior county staff and had very positive results.

7. Working with Employers

- a. Memphis (Fed-Ex)
The Memphis program has an excellent long-

term working relationship with FedEx, which is one of the largest employers in the area. FedEx hires many Memphis TANF participants. Due to the nature of its work, the positions are high-wage, part-time (17.5 hours guaranteed) jobs at a starting salary of \$11.80 per hour. After 90 days, medical benefits are offered at a less-than-\$20/month premium, which includes optical, dental and prescriptions. Most workers in Memphis average 19 to 20 hours per week. FedEx also offers tuition reimbursement. FedEx has a large fleet of planes and most of the work happens on the third shift. There are about 200 openings per month in Memphis.

- b. Camden New Jersey has established a program which is using distance learning for training welfare participants for specific jobs at the local hospital. Camden did this with a strong partnership with the hospital.
- c. Inner City 100
A large percentage of program participants live in inner cities which are characterized by high unemployment rates and fewer job opportunities than surrounding areas. The Inner City 100 recognizes companies which have made a decision to locate in the inner city. It also helps to document the advantages and disadvantages that these companies face.

Now in its ninth year, the Inner City 100 is a national competition to find and rank fast-growing companies in inner cities across America. To qualify for the Inner City 100, a company had to be an independent, for-profit corporation, partnership, or proprietorship (not a subsidiary or division); have 51 percent or more of its physical operations in inner-city areas; have ten or more employees in 1997; and have a five-year operating sales history that included at least six months of sales revenues in 1993, an increase in 1997 sales over 1996 sales, and sales of at least \$1 million in 1997.

The Initiative for a Competitive Inner City (ICIC) is a national not-for-profit organization founded in 1994 by Harvard Business School Professor Michael E. Porter. The ICIC's mission is to build healthy economies in America's inner cities that create jobs, income, and wealth for local residents. ICIC acts to transform thinking, provide cities with a new vision of economic development, and engage the resources of the private sector to accelerate inner-city business growth. ICIC is known for a distinctive market-based approach and for generating cutting-edge solutions. ICIC also brings together community and business leaders to put ideas into practice.

- d. ETA Welfare to Work competitive grants
The US Department of Labor's Employment and Training Administration has supported the

use of third-party organizations, including businesses, through Welfare to Work grants.

A good example is a grant that went to the Marriott International Community Employment and Training Programs. Marriott's model targets hard-to-employ Welfare-to-Work participants across twenty cities in 15 States. Participants receive customized job training and supportive services to address employment and community barriers. The program operates in locations where there are sufficient jobs available for graduates in Marriott facilities. This is a good example of how business invests in its employees and how government can recognize and support that effort.

8. Innovations That Address Benefits, Tax Credits and Administration

- a. New York City Satellite Day Care
An alternative to family day care is satellite day care. This approach was used successfully in New York City, where child care providers were trained by larger Child Care Centers. The providers actually worked for the centers and received backup and insurance through the centers. They were able to provide the child care out of their home or out of the Center. They relied on the center's expertise and tools for the recordkeeping and business requirements. This was managed by CWE (see #5 above) and funded by a federal grant that CWE received. CWE also took advantage of 100 percent federal funding for nutrition workers to make home visits to these providers. To be self sustaining, without direct subsidies, the program would have needed to increase the rate for Family Day Care and for the Child Care Centers. This was considered but was not implemented. Nevertheless, this is an important model that merits consideration.
- b. Employ America Model
Employ America's mission is to "to provide low-income employees working at not-for-profit, for profit, and government agencies as self employed contractors such as Home Health Aides with affordable meaningful benefits programs that will assist them in achieving financial independence; and to provide these organizations with a unique way to realize administrative cost savings while generating additional revenue by hiring the working poor and individuals with barriers to employment." Under this model:
 - Employ America becomes the employer of an organizations low wage employees.
 - Employ America "captures" tax credits and "donates" a percentage back to the participating organization.

- Employees have access to benefits and services, including workers' compensation and unemployment insurance.
- Employees work at the organization and are supervised by the organization.
- Employ America handles all payroll, workers compensation, unemployment programs, tax filings, back office and benefits administration associated with the employment of these individuals.

9. Improving Performance

Performance of third-party organizations can be managed and improved. This requires an active effort by both program and the third-party organizations. The program side needs constantly to evaluate whether its stated outcomes are appropriate and whether there are effective incentives and penalties for the third-party organizations to support the outcomes. Third-party organizations need constantly to review their performance against the outcomes and ensure that they operating successfully within the incentive/penalty structure.

- New York City VendorStat**
New York City uses an active management system called JobStat, which was patterned after a system developed for the New York Police Department called ComStat. For vendors, the version is called VendorStat. The principle is that performance data is published so that everyone can see how they are doing in relation to others. Then, on a regular basis, program staff sit down with the local managers (in this case the vendors) and discuss the results and what they can do to improve. The purpose is to continuously improve performance and get the best results for the city.
- Detroit vendor evaluation**
Detroit's Michigan Workforce Agency (MWA) has more than 40 Work First contractors. Vendors are selected through a competitive procurement process. There are several large contractors, including the "Big Four." The city contracting process is difficult. Often the contract is not finalized until 5 to 6 months after the start date. Contractors have to operate on faith.

Detroit has been increasing requirements to improve vendor quality. For instance, it has specified a low case manager to participant caseload, required certified workforce professionals and required a certified accountant. Detroit holds vendors accountable and reviews past performance. It also sets targets for enrollment, placement, retention, and case closure. Detroit protects against creaming by requiring a high enrollment.

The Detroit MWA uses data driven contracts. The data is captured by the state. Data and reports are used on a monthly basis to measure

vendor performance. The reports are published so that each vendor can see its performance in comparison with the rest.

The Detroit MWA does a mid year review and adjustment based on performance data. Recently, 20 were put on probation and two were cut by 26 percent due to abysmal enrollment. Even though state funds overall were reduced, the best performing were not reduced, while others were reduced 18 percent to 26 percent.

- San Diego competitive model**
San Diego has implemented innovative features to encourage competition and improve performance by:
 - Continuing to use county employees to provide services in two regions,
 - Using a competitive model among public and private providers,
 - Relying on competition, which forces contractors to promise performance,
 - Continuing to use multiple contractors to preserve competition,
 - Using bonus pools to incentivize performance,
 - Focusing less on process and more on outcomes, which translates into improved county employee performance over time, and
 - Paying points based on employment, work for six months, and leaving the welfare system.

Since the initial contract in 1999, San Diego has evolved and updated the payment points in the contract.

These three examples are data-driven, have mechanisms for improvement and require a constant dialog between the program and the third-party organizations.

10. Distance Learning for Training, Retention and Advancement

The growing use of distance learning for program participants is an example of how third-party organizations and their products are helping government to provide a new set of options for training of participants. This is also an example of how educational institutions and foundations can partner with government and private companies to expand a new technology.

- Dallas partnership**
The Dallas Texas Workforce Development Board (WDB) jointly developed a model for Welfare to Work participants with Business Access, a private company. The participants were given a computer, internet access from their home and online courses. This was first developed to be used by working TANF participants who didn't have time to go to training courses but wanted to advance their

skills. It was then expanded to be used by participants who were preparing for work. Results have been positive, with improved job placement, retention and advancement.

- b. New Jersey expansion and pilots with returning offenders
New Jersey has a Career Advancement Voucher program for individuals who have left the TANF program and are working. Business Access is an authorized training provider in New Jersey. The Career Advancement Vouchers are being used to purchase distance learning for these individuals. Through grants from the Sloan Foundation, the Rutgers University Sloan Center on Innovative Training and Workforce Development is working with New Jersey on this effort and has provided technical assistance on distance learning to many other states.

Through grants from the Nicholson Foundation, the Rutgers University Center for Women and Work is working on several projects for using distance learning in the women's prison and for the reentry population in New Jersey.

REQUIREMENTS

1. Procurement

All levels of government have procurement rules for contracts with third-party organizations. There are also often rules and protocols for working with other units of government. Some are straight forward while others are very complex and involve lengthy review processes. These procedures need to be followed and given sufficient time and attention to meet increasing program demands. Agencies need to be creative about using interim solutions while going through the procurement process.

2. Ethics and Work Culture

This is an area of critical importance. Violations of rules of ethics or failure to respect different work cultures can have terrible consequences. Violations can take the entire focus away from the content of the program and can result in severe penalties. Violations often lead to complex and difficult procurement and monitoring rules. Thus, it is particularly important for government and third-party organizations to have the rules and expectations in writing as part of contracts or agreements and to have discussions about them at the beginning of a joint work effort.

3. Practical

There are a set of practical approaches that have proven helpful for using third-party organizations. Specifically, public agencies should:

- a. Carefully think through and write down what the third-party organization is being recruited to do,

- b. Develop a clear payment system based on outcomes versus process or units of service,
- c. Prepare and carry out the procurement process in a way that is open, fair and will result in good choices (it is important to place a high value on ethics, avoiding conflicts of interest and respect),
- d. Require integration across systems to provide needed supports from other partners who deliver those supports,
- e. Develop integrated case management plans across systems,
- f. Lay out requirements, policies, procedures, outcomes and the financial frame for payment,
- g. Continuously monitor performance of the third-party organization and make modifications as needed (monitoring should be against both procedural requirements and against performance standards and outcome measures), and
- h. Ensure that third-party organizations are coordinated and integrated into the overall program flow (this takes constant communication and attention with regular reviews and feedback by contract managers).

BENEFITS

1. Capacity

Government is constrained in its ability to add additional staff. The civil service hiring process is long and cumbersome. These limit the direct services that government can provide. Third-party organizations can be used to fill this gap.

2. Expertise

Programs like TANF, which serve diverse populations, require many different types of expertise. Examples include working with refugees, working with substance abusers and working with disabled participants. It is difficult and expensive for government to develop and maintain this expertise. It is often very cost effective to use third-party organizations that have developed a special area of expertise.

3. Who Benefits?

The examples in this paper show that benefits of using third-party organizations for work activities are widespread.

- a. Third-party organizations benefit states, counties and other agencies engaging them by increasing capacity and bringing expertise. They can become true partners who bring solutions to complex problems and issues.
- b. Third-party organizations supplement and extend the capability of government

employees. They can be competitors in a positive way by increasing the standards and performance levels that are expected of government employees.

- c. Employers benefit in numerous ways. Third-party organizations facilitate making connections, improving preparation for work and doing follow-up to help keep participants working. In some instances, the employers are the third-party organization.
- d. Program participants benefit by having more options for becoming connected to work and more supports once they are working. These examples also show that benefits often extend beyond the job and can include health and stability of the family, which in the long run do affect the participant's ability to keep working.

OUTCOMES

Experience has shown that the use of third-party organizations does not alone guarantee successful outcomes. The outcomes themselves need to be well thought out. If planned and managed properly, the outcomes can be very successful. With proper program design, selection of third-party organizations and constant monitoring, programs can get the outcomes that they want. There is also the flexibility to define different outcomes depending on the program and the participants.

LIMITATIONS AND STRATEGIES TO USING THIRD-PARTY ORGANIZATIONS

1. Limitations

Some states have statutory or regulatory language that makes it difficult to use third-party organizations. Usually this involves complex, drawn-out procurement procedures which make it difficult but not impossible to enter into third-party partnerships.

2. Strategies

Because of federal requirements to engage program participants in work, some state and local program operators are finding themselves in a bind. They need to expand work activities rapidly yet don't have the internal capacity and can't quickly contract with third-party organizations. While this is a management and at times political problem that must be worked out, there are some interesting short-term strategies:

- a. While waiting during a long procurement process, Baltimore used a series of simple, one-time procurements to work with a number of different employment sectors.
- b. All states have approved training providers under the WIA. These are used to provide training on an individual basis and can be used with other funding sources. New Jersey has used this mechanism with its TANF-funded Career Advancement Vouchers for participants who have left TANF cash assistance and are employed.
- c. Procurement laws in most states allow contracting with other public entities without a competitive process. This expedites implementation of new pilots in order to quickly respond to a gap in service or capacity.
- d. The ITA system developed in WIA can also be used in Welfare to Work, FSET and other Workforce Development initiatives. This provides vouchers to individuals for accessing training, job placement and job retention through an authorized list of certified vendors using the existing ITA system and tailoring it to the specific population and services needed.
- e. Finally, state and local agencies can use existing third-party contracts, including those in another state or local agency, as templates for their own stop-gap third-party partnerships.