Executive Summary

The vision articulated above has been expressed repeatedly over the past several decades in Office of Management and Budget (OMB) Circular A-76 and numerous other federal policy directives. Such statements show clearly that our elected officials value competition in the provision of publicly-funded services. Competition is believed to enhance the quality of services, the efficiency of service provision, and the productivity of the service system overall. By providing alternatives, a competitive marketplace also can promote customer choice.

Thus, the use of intermediaries in the workforce development system, a practice that was widespread under the Job Training Partnership Act (JTPA), is now mandated by the Workforce Investment Act (WIA) as well as by policy at the highest level of the executive branch. This policy climate magnifies the importance of the following question:

> *What Are Intermediaries?*
> _____
> *Intermediaries are public or private organizations authorized by local boards to serve Workforce Investment Act customers or perform WIA-related functions.*

How can the workforce development system maximize the effectiveness of service delivery structures that feature intermediaries in key roles?

To begin addressing this question, the U.S. Department of Labor contracted with Berkeley Policy Associates (BPA) to explore current practices related to the use of intermediaries under WIA. For the purposes of this study, an intermediary is defined as any public or private organization that performs WIA functions in service to local boards. Intermediaries may operate One-Stop Career Centers; provide core, intensive, direct training, and youth services; or provide other services for the local board such as monitoring, technical assistance, evaluation, or organizational development consultation.

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Study Goals and Methods

The goals of this study included the following:

1. Assess the role and functions of service providers;

2. Determine the characteristics of intermediaries in the workforce development system;

3. Describe the process by which local areas acquire intermediaries;

4. Identify the contracting and monitoring mechanisms used by local areas; and

5. Highlight the implications of using intermediaries for publicly-funded employment and training programs.

As these goals suggest, this study is mostly descriptive in nature. It does not include a systematic evaluation of different implementation strategies and outcomes, however this study provides a first glimpse of how local boards with significant One-Stop or WIA experience have organized and secured services for their local areas.

In preparation for this study, research staff reviewed existing literature related to the use of intermediaries in public programs, the privatization of public services, and WIA implementation to date, and developed a number of working hypotheses (which are included in Appendix B) to guide this study.

The research project's final report presents the findings from case studies of sixteen local boards across eight states for Program Year 2001 (July 1, 2001 to June 30, 2002). The study team selected the sites according to a number of characteristics: regional representation, variation in population density, early WIA or One-Stop experimentation, and recommendations from DOL regional contacts. Exhibit E.1 lists the sixteen local boards selected for the study, organized by location (state and city). Because the study focused on a purposive sample of only eight states and a total of sixteen sites, our findings are not necessarily representative of WIA implementation in the rest of the country. Nonetheless, the sixteen local areas studied offer insight into some of the challenges and advantages of using different One-Stop structures and providers. Additionally, the lessons learned in these sites may help other local boards as they develop their own local systems.

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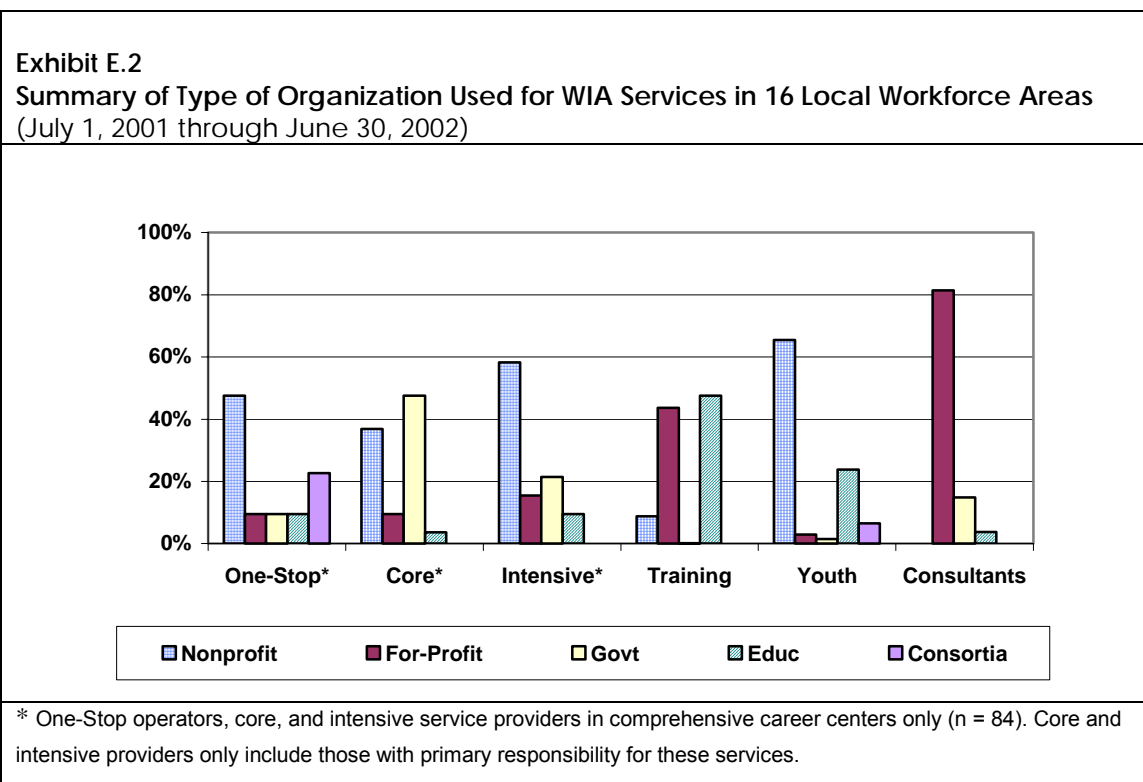|		
Exhibit E.1		
Understanding the Role of Intermediaries under WIA: Study Sites		
State	**Jurisdiction or Largest City**	**Referred to in This Report as:**
Florida	St. Petersburg Tampa	Pinellas County Hillsborough County
Massachusetts	Boston Springfield	Boston Hampden County
Nevada	Las Vegas Reno	Southern Nevada Northern Nevada
New Jersey	Newark Area Paterson	Essex County Passaic County
Oregon	Eugene Area Portland	Lane County Oregon Region 2
Pennsylvania	Erie Pittsburgh	Northwest PA Three Rivers
Texas	Ft. Worth Houston	Tarrant County Gulf Coast
Wisconsin	Green Bay Milwaukee	Bay Area Milwaukee County

WIA Provisions That Affect the Role of Intermediaries

WIA altered many of the policies and program-design features that shape local operations in the workforce development system. The legislation affected state- and local-level governance, funding, performance measurement, systems for integrating and coordinating services, and the direct delivery of services.

Several aspects of WIA have effects on workforce development intermediaries. Some provisions, such as those changing the roles of local boards and mandating the establishment of One-Stop Career Centers, expand the areas of potential intermediary involvement. Other provisions revise the terms that govern interactions between the workforce development system and intermediaries—for example, by requiring the use of vouchers to pay for most training services. Yet other changes influence the types of services provided through the workforce development system and the processes used to deliver them.

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How Local Boards in Our Study Used Intermediary Organizations

Exhibit E.2 shows how the sixteen local boards in our study used intermediary organizations to provide a range of different services under WIA. The exhibit shows that no single type of organization dominates any particular type of service, with the possible exception of consultants, which are almost exclusively for-profit entities. However, different types of organizations do specialize in the provision of certain types of WIA services. Non-profit organizations (both local community-based organizations and large national non-profits such as Goodwill and YWCA) often operate One-Stop centers and provide intensive services, which include case management and career counseling, and youth services. For-profit organizations are most active in the provision of training and consulting services. Government entities (most often the Employment Service) are most likely to operate core (walk-in) services such as job banks and referrals. Educational institutions such as community and technical colleges are the most frequent providers of training services. Subsequent chapters in this report describe in detail how services in each of these categories are provided and also discuss the considerable variation in service provision across the sixteen study sites.

Exhibit E.2
Summary of Type of Organization Used for WIA Services in 16 Local Workforce Areas
(July 1, 2001 through June 30, 2002)

* One-Stop operators, core, and intensive service providers in comprehensive career centers only (n = 84). Core and intensive providers only include those with primary responsibility for these services.

Key Trends and Findings

In the remainder of this Executive Summary, we will describe a number of overarching trends and findings from our research that cut across the various WIA service areas and the different organizations that provide these services. Further discussion of these issues can be found in Chapter 12.

- **As anticipated, the Workforce Investment Act has changed the work of local workforce investment boards to focus on system design and monitoring, and oversight of service providers.**

WIA requires local boards to establish comprehensive One-Stop centers where WIA services are made available. The local boards themselves cannot operate these One-Stops, except with a waiver. This means that the local boards have design, selection, contracting, and oversight roles in the workforce system, rather than providing services themselves. Aside from the requirement to contract out for One-Stop operation and other services, local boards have a great deal of freedom to design service delivery systems that meet local needs. This freedom is reflected in the extensive variation we found in the types of organizations operating One-Stops and providing services, and in the ways in which organizations were selected, contracted, and monitored. Across the sites, the resulting One-Stop systems and service arrangements reflected local needs and resources, as well as specific policy goals of local boards.

- **Local workforce investment systems are perceived as collaborative and cohesive when local boards view monitoring and oversight responsibilities as a partnership between themselves and providers.**

The way in which local boards interact with the agencies they contract to operate One-Stop centers and provide other services affects the cohesiveness and working relationships in the local workforce system. In the sites that appeared to have the most supportive One-Stop systems, local boards emphasize technical assistance over traditional, numbers-based monitoring. This encourages communication between local board staff and the contracting agencies providing WIA services, which strengthens and helps to integrate the local workforce system.

This finding brings into sharp relief the findings from three earlier studies on privatization. First, the GAO (1997) found that enhanced monitoring and oversight of performance plays an important role in making privatization work. Second, Pavetti *et al.* found that interagency

communication was particularly important to establishing and maintaining effective working relationships between welfare agencies and their service intermediaries because the structure of the relationship necessarily involves shared responsibilities across organizations. Third, the National Association of Workforce Boards (NAWB, 2000) noted that because WIA funds are limited and local boards must accomplish their goals largely through organizations over which they do not have direct control, negotiation can be expected to replace management oversight as local boards' main activity. Thus, a collaborative approach to performance monitoring may serve as a means of recognizing the "second hand" nature of the local board's relationship with direct services, and of integrating negotiation into its monitoring processes. The resulting interagency communication may actually result in more effective oversight of intermediaries' performance than traditional methods because of the increased levels of communication between board staff and service intermediaries.

- **Funding for One-Stop operations can enhance system services, but a lack of funding can hamper system development and improvement.**

One-Stops that receive dedicated funding for their operations—distinct from funds for service provision—function better and are more streamlined than One-Stops that have no such funding. In extreme cases, lack of funding for operations can hamper development of stand-alone WIA One-Stops altogether, as was the case in Milwaukee County, where TANF contractors, who are not accountable for WIA outcomes, operated One-Stop centers dominated by TANF clients and services. On the other end of the spectrum, the Massachusetts sites, which receive state One-Stop funding, had some of the strongest and most highly integrated One-Stop systems in our study.

Where One-Stop operating funds are limited, WIA partners assist with the operation of the One-Stops or pay "rent" to help finance the One-Stop through which they reach their clients. These arrangements can become a disincentive for a partner agency to co-locate at the One-Stops, especially if the partner agency is small and financially strapped itself. Also, limited One-Stop operating funds make it difficult for local boards to replace an under-performing One-Stop operator, as start-up costs can be prohibitive.

- **WIA services can be overshadowed when co-located partners have significantly more funding.**

When local boards partner with larger programs, WIA-funded workforce services may be subsumed in the larger service delivery structure operated by these organizations. In states like Florida, New Jersey, Texas, and Wisconsin, where the TANF program is a mandatory WIA partner or funding streams are merged, WIA services may lose their identity within a larger program and outreach to special WIA populations like displaced workers can suffer.

In locations where TANF dominates, respondents report that the emphasis on one program and its customers can jeopardize WIA's goal of universal access.

- **WIA brought new rules and roles for service providers, but most workforce development players remain the same.**

In most of the sites, pre-WIA contractors and service providers continue to play important roles in the local workforce investment systems, even though some of these service providers have taken on new responsibilities. These established partners have extensive workforce experience, highly developed organizational resources, and a competitive advantage to adapt to the changing needs of the workforce development system and remain a dominant force in local systems. This competitive advantage makes it difficult for other service providers to enter the workforce system, especially in smaller local areas. The strong competition from existing service providers, along with barriers such as the need for start-up funding and technical assistance, likely explains the relative lack of new entrants among WIA service providers.

Veteran providers do assume new roles–such as One-Stop operator–and use new marketing methods under WIA. Especially in the provision of training, where many for-profit firms are active, new marketing strategies and custom-designed training courses have enabled providers to create a new niche for themselves. The provision of training is also where WIA has notably increased the number of new providers.

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- **WIA places a premium on innovation and flexibility in the provision of workforce services. As a result, local boards experience a tension between seeking greater flexibility and assuring that One-Stop service delivery is consistent across different organizations and locations.**

The strategies local boards use to operate One-Stops have implications for the flexibility and consistency of services available. In several sites local boards sought to maximize diversity in the workforce investment systems and contracted with multiple One-Stop operators, each representing a segment of the community or offering specific services and resources. This has the advantage of creating a vibrant system with varied approaches to—and strengths in— delivering workforce development services. In such a system, multiple operators experience some competitive pressure and may be able to learn from one another's different approaches, which may foster better performance. However, using multiple One-Stop operators also creates a greater monitoring burden for the local board and a lack of consistency in service delivery across different groups of customers served in different One-Stops.

Other local boards contract with a single One-Stop operator to provide uniform and consistent services across the centers. This may facilitate coordination across the system, reduce the need for technical assistance, limit administrative costs, streamline monitoring and contract management, and give the operator a real voice in developing the One-Stop system. It also helps the local workforce system to present a unified image to the public. However, such an approach does mean that the success of the system is dependent on the performance of a single operator, which magnifies the potential damage of performance issues and makes it very difficult for the local board to switch One-Stop operators.

- **Some–but not all–local players in the workforce development system perceive non-profit organizations as better providers of hands-on services and emotional support than for-profit companies.**

In the selection of One-Stop operators and intensive service providers, local boards and their constituencies,[1] often preferred non-profit organizations over other candidate organizations, especially for-profit firms. The latter were thought to lack sensitivity to the "human side" of the work because of their need to make an operating profit, which also affects the pay and qualifications of their frontline staff. These considerations, together with a lack of familiarity

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[1] In this case "constituencies" refer to board staff, training providers, and other community partners and referring organizations.

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with for-profit provision of case management and similar services caused most local boards to prefer contracting with well-established local non-profits for the operation of One-Stop centers. Such attitudes were not universal, however, and where for-profit firms provided One-Stop services, the differences between non-profit and for-profit service provision were not strongly felt. Indeed, non- and for-profit provider staff were often composed of a common cast of characters that often shifted back and forth between working for non-profit and for-profit service providers in the local area. Also, for-profit organizations appeared especially well-adapted to provide flexible training services in response to local needs and opportunities.

- **A customer-driven system has the potential to substantially increase training choices for WIA customers, and appears to have done so in its early implementation. The requirements for subsequent eligibility and inclusion on the Eligible Training Provider List (ETPL), however, could have detrimental effects on the number of providers included on the list.**

Our site visits revealed that customer choice for training services has increased since WIA was implemented, as facilitated and intended by the Individual Training Account (ITA) system and the accompanying Eligible Training Provider List (ETPL). However, analysis of ITA usage shows that new training providers tend to serve relatively few WIA customers, which causes concern about their ability and commitment to implement performance monitoring, follow-up with trainees as required, and follow through with the application process for continued inclusion on the ETPL. The system has the potential of greatly enhancing the informed training choices for WIA customers, but the administrative burden for participating institutions may limit those choices in the future.

- **Most study states have been unable to fully implement the data management systems needed for meaningful monitoring and oversight, and that meet both state and local needs.**

Most of the states in the study, with the exception of Texas and Florida, have been unable to fully implement effective data management systems. As a result, local board staff often have to design and manage duplicative local tracking systems for their own purposes and for state reporting requirements. The cost of designing, developing, and implementing their own data management systems can present a significant burden on local boards' staff and budgetary resources. A better-integrated system serving both local areas and the state is sorely needed where such a system does not yet exist. Such a system would need to address the different data management and reporting needs of intermediaries, case managers, local board staff, and state administrators.