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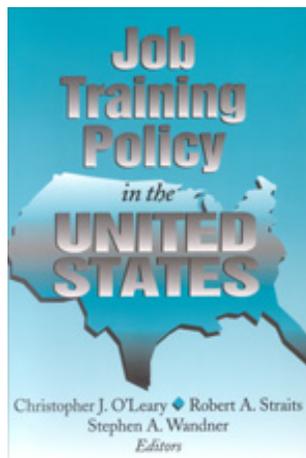
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# The Use of Service Providers and Brokers/Consultants in Employment and Training Programs

Janet O. Javar  
*U.S. Dept. of Labor, Employment and Training  
Administration*

Stephen A. Wandner  
*U.S. Dept. of Labor*



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# 5

## **The Use of Service Providers and Brokers/Consultants in Employment and Training Programs**

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Both public and private intermediaries have played important roles as service providers throughout the history of publicly funded employment and training programs. The Workforce Investment Act (WIA) of 1998 expanded the role of intermediaries participating in the workforce investment system by establishing new one-stop operator roles and excluding local workforce investment boards (local boards) from being direct service providers, unless waivers have been approved.<sup>1</sup> At the same time, WIA introduced a voucher system and state eligible training provider list (ETPL) to the training program, which had varying effects on the availability of training providers to customers. New rules governing how services can be provided and who provides them have changed the mix of intermediaries participating in the system.

Intermediaries that provide services under WIA receive funds from local boards to provide direct employment and training services to customers, or facilitate workforce development in the one-stop environment. Intermediaries serve in a range of capacities: as one-stop operators; core, intensive, or youth service providers; training providers; and brokering or consulting organizations. This chapter identifies intermediaries as falling into four general types of organizations: 1) nonprofit organizations, such as community-based and faith-based organizations; 2) community colleges and other educational institutions; 3) public governmental agencies, such as the state Employment Service (ES); and 4) for-profit companies and proprietary schools. Recent research indicates a great deal of variation and experimentation

with how local boards work with different types of intermediaries in fulfilling WIA responsibilities.

The following section provides a brief background on the history and growth of intermediaries in employment and training programs, from the 1930s through the Job Training Partnership Act of 1982. We then describe the general nature of intermediaries in the one-stop system under WIA implementation, synthesizing findings from other research about local board experiences. We also describe the early impacts of state ETPLs on the availability of different types of training providers during initial and subsequent eligibility. The next section summarizes four intermediary organizations and explores the advantages of utilizing economies of scale to compete in the one-stop system. Finally, we present a summary and conclusions in the last section.

## **HISTORY AND GROWTH OF INTERMEDIARIES PRIOR TO WIA**

The use of intermediaries in public employment and training programs has increased over time since the inception of the workforce investment system. The workforce investment system was introduced in the United States as a public responsibility to stabilize the U.S. economy in the wake of persistently high unemployment rates experienced in the 1930s and the implementation of similar systems in other industrialized nations. The system was created with the implementation of ES and Unemployment Insurance (UI) as federal–state programs.<sup>2</sup> ES and UI had experimented with using the private sector in service delivery; however, that alternative was ultimately rejected, and service delivery for these programs has since remained in the public sector.<sup>3</sup> It was not until the 1960s, when Congress passed the first major legislation to provide extensive job training through the Manpower Development and Training Act (MDTA), that the system would rely heavily also on the private sector to deliver publicly funded services.

The training program under MDTA was federally administered, with training providers subcontracted or contracted directly with the federal government to deliver classroom training to customers. At the onset of this new program, a range of intermediaries, such as commu-

nity colleges, public schools, skill centers, and private schools, were used to deliver training (Levitan and Mangum 1969; Operations Research, Inc. 1972).<sup>4</sup> State ES offices continued to provide labor exchange services to customers, both job-seekers and employers, as a separate program under the Wagner-Peyser Act of 1933. Over time, while other employment and training programs became affected by decentralization efforts, ES and UI continued to function as federal-state programs.

In 1973, the Comprehensive Employment and Training Act (CETA) superseded MDTA and established state and local control in the coordination of services for most of the employment and training programs. Among the changes that were made, CETA required the creation of local "prime sponsors" to coordinate CETA programs. Unlike MDTA, this structure required service providers to compete for funding directly from prime sponsors, a requirement intended to open the market for competition of services (Franklin 1984). This movement of program control from the federal government to localities had a number of results during early implementation: 1) the number of employment and training service providers increased from about 1,440 in fiscal year (FY) 1974 to over 2,400 in FY 1975; 2) prime sponsors became new entities that delivered services, with about 60 percent of the prime sponsors delivering services; 3) prime sponsors shifted away from the state ES as a service provider and transferred contracts to themselves or other organizations; 4) prime sponsors had more flexibility in designing service delivery of the training program; and 5) community-based organizations (CBOs) had significant increases in work and funding in the system (Franklin and Ripley 1984; Snedeker and Snedeker 1978).<sup>5</sup>

The flexibility given to prime sponsors resulted in less utilization of ES to provide labor exchange services for the CETA programs. Unlike its role under MDTA, where ES was the accepted and presumed provider of these services, ES now needed to compete with other organizations to provide the services. Even though some localities continued to contract with ES because they believed it was important, especially in the long run, to maintain a linkage with an established agency that delivered employment services, others took advantage of their flexibility to seek other alternatives. As a result, during FY 1974–1976, ES staff positions decreased by one-quarter when contracts were

awarded to other organizations.<sup>6</sup> On the other hand, training was delivered by many of the same types of training providers as previous years, although prime sponsors became more actively involved in determining the types of training to be offered, and funding levels differed from previous years. Training was more often delivered by public educational institutions than private institutions, with over 90 percent of CETA training funds contracted to public educational institutions.<sup>7</sup> Some localities also began to utilize an individual referral system in place of contracting for group training (Snedeker and Snedeker 1978). CETA changed the nature of service provision as a by-product of shifting to locally administered program operations from federal administration under MDTA.

CETA continued for nearly a decade before the Job Training Partnership Act (JTPA) replaced it in 1982, significantly reducing the federal and state role (Reville and Kerman 1996). Local decision making on employment and training programs went from CETA prime sponsors to JTPA private industry councils (PICs), which required private sector majority representation. Also, greater emphasis was placed on the job training program given the cutback in the Public Service Employment program, which was a major CETA program that focused on job creation.

PICs had the flexibility to administer their own programs, but they generally found that contracting out for the services was a more cost-effective alternative (National Commission for Employment Policy 1994). PICs also chose to contract out if they believed that their role should be strictly in a policy and administrative capacity, and that their ability to manage, monitor, and evaluate programs would be compromised if they also became the service delivery organization.

In the selection of service providers, coordination between the JTPA and ES programs was supported among a number of states and PICs. Because the ES federal budget tended to be stagnant and declining in real terms, ES had an incentive to coordinate and make use of JTPA as a source of additional funding. At the same time, some PICs found that the 15 percent administrative cap for the JTPA programs was insufficient for program management, and ES became a likely choice because they believed ES was cost-effective and well-established within the community.<sup>8</sup> However, a number of PICs also chose not to contract with ES, believing that they could obtain better counsel-

ing and employment assistance services elsewhere for their customers (Westat 1985).

During the 1990s, states and localities experienced shifts in the welfare programs that would later have an influence on employment and training programs. Prior to the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) in 1996, state innovation in the welfare program was supported through state waivers of federal requirements. The use of block grants under PRWORA provided states with a greater deal of flexibility than any other previous legislation. As welfare rolls fell sharply in the late 1990s, the amount of funds available for employment and support services soared, and some of this funding was provided to localities to serve welfare recipients and low-wage workers. In 1997, similar use of grants for the Department of Labor/Employment and Training Administration (ETA) Welfare-to-Work program to assist the “harder-to-serve” welfare recipients provided more flexibility to localities in determining program operation and design than any previous ETA program (Leonard 1999).<sup>9</sup>

The devolved system of Welfare-to-Work—and welfare employment program under state waivers and PRWORA—provided some insight on how more mature systems under WIA might react to increased flexibility and local oversight. In 1999, an intermediary study for the TANF and Welfare-to-Work programs found that most of the intermediaries in 20 localities were nonprofits with established histories in the field. Many were either affiliates of national organizations or specialized in assisting specific populations. Although considerably fewer numbers of for-profit intermediaries served welfare recipients, for-profit intermediaries tended to serve larger numbers of welfare recipients. In fact, the study suggested that for-profit intermediaries served about 45 percent of the welfare population in the study’s localities (Pavetti et al. 2000). The significant role of nonprofit and for-profit intermediaries in the Welfare-to-Work programs is similarly reflected in early program experiences under WIA.

The 1990s also gave rise to federal efforts towards developing a one-stop delivery system, with federal one-stop initiative grants awarded to 50 states for capacity building and planning of one-stops. Initiatives were also being implemented at the state level (e.g., Florida, Massachusetts, and Texas) to undertake further changes to the system. When WIA legislation passed, and local control of programs changed

hands from PICs to local boards, the experiences of planning and implementing a one-stop system among states and localities were quite mixed.<sup>10</sup>

## **THE NATURE OF INTERMEDIARIES IN THE ONE-STOP SYSTEM UNDER WIA**

This section relies on a small number of studies that have examined the use of intermediaries for different types of WIA services: one-stop operations, and core, intensive, youth, training, and brokering/consulting services. To better understand how the system and providers participating in the system have changed from JTPA to WIA, ETA funded a study on service provision among 16 local boards in the one-stop environment (Macro, Almandsmith, and Hague 2003).<sup>11</sup> Analysis in this section uses the results of the study, as well as other key studies: the Private/Public Venture study of 5 local boards (Buck 2002); a study on early WIA implementing states, with site visits to 6 states and 9 local boards within those states (D'Amico et al. 2001); and a study of the Individual Training Account/Eligible Training Provider (ITA/ETP) Demonstration, with site visits to 28 local boards (D'Amico et al. 2002; D'Amico and Salzman forthcoming).

Table 5.1 summarizes information from site visits and research conducted by Macro et al. (2003) of 16 localities within 8 states for program year (PY) 2001 (July 1, 2001–June 30, 2002). The 16 localities included a total of 84 comprehensive one-stop centers and 71 affiliate (e.g., satellite and/or specialty) centers. The local boards for each of these localities were not selected to be representative of the national one-stop system, which (as of September 2003) consisted of nearly 600 local boards, over 1,900 comprehensive one-stop centers, and over 1,600 affiliate centers. However, Table 5.1 provides useful information on the type and mix of intermediaries that were used within the one-stop system.<sup>12</sup>

## One-Stop Operator Services

Local boards have wide discretion in defining one-stop operator responsibilities, such as the division of labor between one-stop operators and organizations providing other services. One-stop operators can be responsible for coordinating with core and intensive service providers, or can serve as the exclusive intermediary for these services. One-stop operators may also subcontract directly with other providers, serve as lead providers, or serve in other capacities designated by their local boards. Local boards make their selection either through a competitive process or various non-competitive processes. The noncompetitive processes include: 1) an agreement with the local board to operate as a consortium or entity of at least three required partners; 2) a waiver by the chief local elected official and governor for the local board to act as the one-stop operator; and 3) certifying, or “grandfathering,” existing service providers as one-stop operators.

Many local boards have opted for continuity of providers without further competition by extending contracts, grandfathering existing providers, or designating consortiums. Of the local boards visited in the early WIA implementation study, half used a noncompetitive process to select consortiums of partners to serve as one-stop operators (D’Amico et al. 2001). Macro et al. (2003) found that half of the local boards in the intermediary study also used a noncompetitive process, but local boards selected consortiums of partners as well as grandfathered existing service providers. Only one local board in the intermediary study requested and received a waiver to serve as a one-stop operator. This differed from the early WIA implementation study, which found that 18.4 percent of the local boards nationwide received waivers (D’Amico et al. 2001).<sup>13</sup>

Risk aversion may be one reason why local boards have chosen not to compete or re-compete services. Competing for a service or changing to a new provider can give local boards new opportunities for improvement, but it can also expose local programs to risk. The period of turnover and transition can be lengthy, and consequences can include disruption of services and the perception among customers and one-stop staff of an unstable system. Services may improve or worsen, costs may increase or decline, all with effects on the number of customers served and the quality of services delivered. Extensive training

**Table 5.1 Mix and Utilization of Intermediaries by 16 Local Workforce Investment Boards, PY 2001  
(July 1, 2001–June 30, 2002)**

Types of providers	FL Region 3		MA Region 1		NV Region 6		NJ Region 1		OR Region 6	
	Hillsborough Cty.	Pinellas Cty.	Boston	Hampden Cty.	Northern Nevada	Southern Nevada	Essex Cty.	Passaic Cty.	Lane Cty.	Region 2
One-stop operators (number of participating comprehensive one-stop centers in parentheses)										
Nonprofit	1 (4)		2 (2) <sup>b</sup>	2 (2) <sup>c</sup>				1 (2)		2 (2)
For profit										
Governmental			1 (1) <sup>d</sup>				1 (1)			3 (5)
Educational		1 (3)								
Consortium					1 (1) <sup>e</sup>	1 (1) <sup>f</sup>				
Local board									1 (1)	
Competitive process used	✓		✓	✓						✓
Core service providers (estimated number of participating comprehensive one-stop centers and satellite/specialty centers in parentheses)										
Nonprofit	1 (5)		6 (6)	2 (2) <sup>j</sup>				1 (1)		2 (3)
For profit										
Government: ES <sup>k</sup>	1 (5)	1 (6)	1 (6)	1 (2)	1 (8) <sup>l</sup>	1 (4)	1 (1)	1 (2)	1 (2)	1 (7)
Other government			1 (2)	1 (2)				1 (1)		
Educational		1 (6)						1 (1)	1 (1)	3 (6)
Local board									1 (1)	
Intensive service providers (estimated number of participating comprehensive one-stop centers and satellite/specialty centers in parentheses)										
Nonprofit			2 (2)	2 (2)	5 (8) <sup>m</sup>	5 (4)	1 (1)	1 (1)	1 (1)	3 (3)

For profit					1 (8)	1 (1)				
Government: ES			1 (1)							
Other government	1 (5)			1 (2)		1 (1)	1 (1)			
Educational		1 (6)			1 (8)		1 (1)		1 (2)	3 (6)
Youth service providers (total number of providers serving entire local workforce investment area)										
Nonprofit	1	2	9		5	1	1		3	5
For profit								2		
Governmental					1			1		
Educational		2			1		9	3		7
Consortium				3		1			1	
Training providers that received an ITA (number of ITAs issued to providers in parentheses)										
Nonprofit	1 (5)	1 (4)	16 (282)	7 (115)	2 (72)	1 (108)	3 (20)	4 (16)		1 (3)
For profit	29 (543)	7 (20)	17 (90)	14 (149)	17 (306)	27 (526)	60 (221)	51 (329)	11 (52)	3 (3)
Governmental										
Educational	10 (1,042)	4 (399)	5 (23)	4 (37)	5 (236)	4 (225)	6 (12)	14 (67)	6 (216)	5 (34)
Total training providers used	40	12	38	25	24	32	69	69	17	9
Total ITAs issued	1,590	423	395	301	614	859	253	412	268	40

(continued)

**Table 5.1 (continued)**

Types of providers	PA Region 2		TX Region 4		WI Region 5		Total numbers	Total percentages <sup>a</sup>
	Northwest PA	Three Rivers	Gulf Coast	Tarrant Cty.	Bay Area	Milwaukee Cty.		
One-stop operators (number of participating comprehensive one-stop centers in parentheses)								
Nonprofit			4 (22)			3 (6)	15 (40)	38 (48)
For profit			1 (7)			1 (1)	2 (8)	5 (10)
Governmental				1 (6)			3 (8)	8 (10)
Educational							4 (8)	10 (10)
Consortium	1 (5) <sup>g</sup>	1 (2) <sup>h</sup>			10 (10) <sup>i</sup>		14 (19)	36 (23)
Local board							1 (1)	3 (1)
Competitive process used	✓		✓	✓				
Core service providers (estimated number of comprehensive one-stop centers and satellite/specialty centers in parentheses)								
Nonprofit	2 (4)	8 (9)	4 (25)	1 (6)	5 (5)	1 (1)	33 (67)	48 (32)
For profit	1 (4)		1 (7)				2 (11)	3 (5)
Government: ES <sup>k</sup>	1 (4)	1 (2)	1 (29)	1 (6)	1 (10)	1 (8)	16 (102)	23 (49)
Other government	1 (4)	4 (2)		1 (2)	1 (1)		10 (14)	14 (7)
Educational					1 (1)		7 (15)	11 (7)
Local board							1 (1)	1 (<1)
Intensive service providers (estimated number of participating comprehensive one-stop centers and satellite/specialty centers in parentheses)								
Nonprofit	1 (4)	10 (2)	4 (25)	27 (7)	6 (5)	7 (8)	75 (74)	75 (51)

For profit	1(4)	1 (2)	1 (7)				5 (22)	5 (15)
Government: ES					1 (3)		2 (4)	2 (1)
Other government		1 (2)		1 (6)	1 (1)		7 (18)	7 (5)
Educational		1 (2)		2 (7)	1 (1)		11 (27)	11 (8)
Youth service providers (total number of providers serving entire local workforce investment area)								
Nonprofit	1 <sup>a</sup>	19	4	9	5	26	91	65%
For profit		1	1				4	3%
Governmental							2	1%
Educational		6		2	1	2	33	24%
Consortium					2	2	9	6%
Training providers that received an ITA (number of ITAs issued to provider in parentheses)								
Nonprofit	2 (8)	2 (2)	1 (10)		1 (22)	13 (328)	55 (995)	9 (9)
For profit	32 (312)	27 (150)	38 (1,158)	19 (251)	5 (20)	45 (838)	402 (4,968)	68 (44)
Governmental				1 (5)			1 (5)	<1 (<1)
Educational	11 (43)	9 (65)	13 (1,372)	9 (207)	18 (1,080)	9 (359)	132 (5,417)	22 (48)
Total providers used	45	38	52	29	24	68	591	
Total ITAs issued	363	217	2,540	463	1,122	1,530	11,390	

<sup>a</sup> Does not add up to 100% due to rounding.

<sup>b</sup> Boston selected organizations that were formed of a collaborative of two or more organizations with a designated lead organization. The organizations consisted of 1) Jewish Vocational Services (nonprofit lead organization), which partnered with the Economic Development and Industrial Corporation of Boston/Jobs & Community Services Department (government); and 2) Goodwill Industries (nonprofit lead organization), which partnered with Dimock Community Health Center and Women's Educational and Industrial Union (nonprofits).

- <sup>c</sup> Hampden County selected a nonprofit organization, CareerPoint, began as a collaborative of local public agencies in 1995.
- <sup>d</sup> Boston's other collaborative organization included the state's Department of Employment and Training as the lead organization that partnered with Action for Boston Community Development (nonprofit).
- <sup>e</sup> The consortium included Truckee Meadows Community College (educational), Department of Training and Rehabilitation (state government), and Nevada Works (Local Board).
- <sup>f</sup> The consortium included Nevada Business Services (nonprofit), S.T. Gregg & Associates (for-profit), Nevada Partners (nonprofit), Vocational Rehabilitation (government) and Employment Service (government).
- <sup>g</sup> The consortium consisted of the Office of Vocational Rehabilitation (government), Bureau of Employment and Career Services (state Wagner-Peyser agency), Greater Erie Community Action Committee (nonprofit), and Northwestern Regional Technology Institute (for-profit). Each of the five one-stop centers also had an additional partner who was the leaseholder. Pennsylvania's State Department of Transportation (government), Community Action Inc. (nonprofit), Warren/Forest Counties Economic Opportunity Council (nonprofit), Meadville Area Industrial Commission (nonprofit), and the Greater Erie Community Action Committee (nonprofit).
- <sup>h</sup> The consortium consisted of the Pittsburgh Partnership (government), Allegheny County Department of Human Services (government), Bureau of Employment and Career Services (state Wagner-Peyser agency, Office of Vocational Rehabilitation (government), and Goodwill Industries (nonprofit). Other nonprofit organizations also served as a partner.
- <sup>i</sup> One of the consortiums for the one-stop centers consisted of ES, Job Corps, Vocational Rehabilitation, county Human Services Department, Goodwill, two nonprofits, state technical college, and two Cooperative Education Services Agencies. The other consortium consisted of ES, Vocational Rehabilitation, county Departments of Human Services and Economic Support, a nonprofit, state technical college, and school-to-work program.
- <sup>j</sup> The government agency of the nonprofit organization delivered core services.
- <sup>k</sup> The Employment Service (ES) is a system of public employment offices that was established under the Wagner-Peyser Act of 1933. This system has also been known by other names, such as the Job Service, the Labor Board, and the Unemployment Office.
- <sup>l</sup> All WIA partners also helped contribute in the delivery of core services.
- <sup>m</sup> All WIA partners also helped contribute in the delivery of intensive services.
- <sup>n</sup> The nonprofit organization subcontracted with three regional organizations.
- SOURCE: Macro, Almandsmith, and Hague. (2003).

to staff of the new organization, and the transitional costs related to changing from one organization to another, can also lead to greater expenses for local boards (Macro, Almandsmith, and Hague 2003).<sup>14</sup> The WIA system has had little experience with turnover, both because of the noncompetitive processes in place and because many new competitive awards have not expired. Macro et al. (2003) reported that when turnover did occur, it generally related to the organizations' inability to handle the fiscal management of operations, which was described as a greater issue for smaller organizations since a line of credit was necessary in order to operate on a cost-reimbursement contract.

Many types of intermediaries, including local boards and consortiums of intermediaries, actively participate as one-stop operators. Table 5.1 shows that a wide range of intermediaries served as one-stop operators, but with different levels of participation. For example, Macro et al. (2003) found that nonprofits were contracted to operate more one-stops than any other type of intermediary.<sup>15</sup> The significant role of nonprofits as one-stop operators was similar to Buck's (2002) findings that nonprofits were used more than any other type of intermediary in the study's five localities. Macro et al. (2003) also found that consortiums of public and/or private organizations were selected to operate nearly one-quarter of the one-stops, with five local boards utilizing this approach.<sup>16</sup> Community colleges, government agencies, and for-profits were selected in a handful of localities. The governmental agencies were generally the local employment and training agencies, and the for-profits were Maximus and Affiliated Computer Services (ACS), formerly Lockheed Martin IMS.<sup>17</sup>

A number of reasons can help explain the types of intermediaries that have emerged as one-stop operators under WIA. For instance, states' policies can affect the types of intermediaries that are selected, such as Nevada requiring the use of consortiums with mandatory partners; Pennsylvania requiring consortiums with public and private entities; and Wisconsin explicitly prohibiting waiver requests from local boards to deliver direct services. Local constraints or policies can also be a factor, such as the perception among the community that nonprofits are more appropriate than others to serve as one-stop operators, for example, a for-profit affiliate in Hampden County (New Jersey) became a nonprofit organization after community pressure to do so.

Unexpected situations can also occur, such as when the Lane County (Oregon) local board requested a waiver to temporarily serve as a one-stop operator after it began to have financial concerns with the non-profit organization it originally selected (Macro, Almandsmith, and Hague 2003). In Montgomery County (Maryland), the one-stop operator (a for-profit organization) declined to re-bid on the contract because it believed there was insufficient funding for operations. As a result, staff of the for-profit left the company to incorporate themselves into a new nonprofit that bid for, and was awarded, the contract (Jacobson 2002).<sup>18</sup> In other instances, new organizations formed when two PIC areas merged into a single WIA local area. One of the former PICs generally became the new local board, while the other often played a role in one-stop operations, for example, in Gulf Coast (Texas), the former PIC of Houston designated itself into a nonprofit organization and became the new one-stop operator; and in the Bay Area and Northwest Pennsylvania, the former PICs either became a part of or worked for the one-stop consortiums.

Another response to the one-stop operator role by some consortiums has been to incorporate themselves from two or more public and/or private entities into single nonprofit organizations. The motivation for incorporating two or more organizations into a single organization included the benefits of hiring personnel so that a definitive line of authority among staff existed, and simplified administration and accounting. This was perceived in some areas, such as Bay Area (Wisconsin) and Hampden County (Massachusetts), as a more practical approach than having the one-stop operator use various administration and accounting systems (Macro, Almandsmith, and Hague 2003).

The one-stop operator role can be a desirable one for many organizations. Local boards have commonly assigned the responsibilities of core and/or intensive service delivery with one-stop operations for competitive solicitations (D'Amico et al. 2001, Macro, Almandsmith, and Hague 2003).

As a result, service providers used under JTPA may find it beneficial to bid as one-stop operators in order to continue delivering services under WIA. Some organizations have also noted that the one-stop operator role is beneficial in that it allows their organization to maintain a presence in the workforce investment system (Macro, Almandsmith, and Hague 2003).

## Core Services

A major difference between services delivered under JTPA and WIA is the “universal access” requirement that is applied to core services. Since core services are not restricted to any special or targeted population, customers are able to access a variety of core services, which can include self-services in resource rooms (e.g., computer access to labor information, automated labor exchange and job search, resume preparation software, self-assessment tools, and fax and telephone services) or staff-assisted services (e.g., labor exchange, job search, assessment, and counseling).

ES continues to serve as a major labor exchange provider under WIA. The selection of ES as the primary provider of core services was evident in 45 percent of the one-stops in the intermediary study, with nearly three-fourths of the local boards selecting ES as the primary provider. Even when ES was not a primary provider, ES played a role in the core service delivery structure among all of the comprehensive one-stops (Macro, Almandsmith, and Hague 2003). The significance of ES, particularly as primary core service providers, was also evident among a majority of the nine local boards in the early WIA implementation study (D’Amico et al. 2001).<sup>19</sup> This is likely the result of the state ES having the legislative and appropriation mandate to provide Wagner-Peyser services in comprehensive one-stop centers, and local boards determining that ES would be useful intermediaries to provide—in whole or in part—these types of services as core services. Local boards can define the role of ES in the one-stop system in various ways, such as by placing core service delivery entirely with ES, as a shared responsibility between ES and other organizations, or as the sole responsibility of another organization, such as the one-stop operator. When ES was not the primary provider of core services, Macro et al. (2003) found that the one-stop operator held primary responsibility for core service delivery, and those tended to be nonprofit organizations.<sup>20</sup>

The important role of ES in providing core services today reflects its expanding role in providing similar “core services” to ES applicants in the years just prior to the enactment and implementation of WIA. For example, in PY 1998, of the 17.3 million total applicants, 63 percent received some reportable services, including 11 percent receiving

assessment services, 36 percent receiving job search services, 2 percent referred to training, and 40 percent referred to employment. During the mid 1990s, ES experienced a large increase in providing “core services,” especially job search assistance, as ES became the primary provider of reemployment services for workers served by the Worker Profiling and Reemployment Service initiative that was enacted in 1993 (USDOL 2000; Wandner 1997).

### **Intensive Services**

Intensive services include more individualized assistance from one-stop staff to help move customers into employment, self-sufficiency, or training. Customers can receive intensive services such as assessment, career counseling, financial management, training assistance, and additional placement services. While local boards can apply for a waiver to deliver direct services, only a small proportion of localities have done so.<sup>21</sup> Instead, nonprofits tend to play a significant role as intensive service providers; for example, Macro et al. (2003) found that nonprofits delivered services to the majority of one-stops across the 16 local boards of the intermediary study.<sup>22</sup>

The extensive use of nonprofits could be explained in part by the fact that local boards often assigned intensive delivery responsibilities to the one-stop operator, who tended to be nonprofits. Many of the organizations had established histories with delivering employment and training services and assisting specific populations, e.g., the local affiliate of the AFL-CIO in Milwaukee and the community college in Lane County assisted the dislocated worker population, and the Wisconsin Correctional Service assisted the ex-offender population (Macro, Almandsmith, and Hague 2003). The lack of such established relationships or prior experience could pose some difficulty for new organizations trying to enter the local market of service delivery.

The quality of intensive services can vary across and within different types of intermediaries, with some intermediaries delivering services that may result in better outcomes. However, there has not been a great deal of research in this area. An experimental study operated by the Kalamazoo–St. Joseph County Workforce Development Board (Michigan) from 1998 to 2000 made use of three nonprofit organizations, Goodwill Industries, Behavioral Foundation, and YOU, to deliver

welfare-to-work services. Each provider had a different philosophy and approach to delivering services, with some providing more intensive services than others to welfare recipients, based on local staff observations. When each organization was funded at the same level per participant, Goodwill Industries was more successful than the other two providers in having welfare recipients become employed for 90 days. Goodwill provided the most intensive services, followed by Behavioral Foundation, and then by YOU. Thus, with respect to achieving employment, Goodwill Industries in this case had an absolute advantage over the other two service providers. Goodwill could better serve welfare recipients whether they were easy, moderate, or difficult in their ability to find employment. Goodwill has a long history working with economically disadvantaged individuals and a philosophy that was highly supportive of individuals. The study found that, because of differing intensity of services provided, the three providers could be assigned participants by their difficulties in finding a job to determine the best mix of participant employment outcomes (Eberts 2002). Thus, better matching clients with the appropriate service providers and services can improve outcome results and cost-effectiveness.

### **Youth Services**

WIA affected youth programs by combining the year-round and summer youth programs into a single program. Additionally, the new combined youth program under WIA is subject to performance standards, unlike the summer youth program under JTPA. While many localities experienced and welcomed the increase in bids for contracts by intermediaries between the first and second year of WIA implementation, some localities predicted a possible decrease of competition from providers due to additional data requirements and services expected from providers without sufficient funding (Macro, Almand-smith, and Hague 2003).

Localities use different approaches to delivering youth services. Many have used multiple types of service providers for their youth population (see Table 5.1). Services may be delivered within the one-stop center by the one-stop operator staff, within the one-stop center by co-located organizations, or in specialized youth or other affiliate centers located outside of the comprehensive one-stop by contracted orga-

nizations. Intermediaries are typically selected through a competitive process with contracts for a one-year duration.

Localities utilized consortiums and various types of single organizations to deliver youth services, but nonprofits delivered a majority of the services (D'Amico et al. 2001). Similarly, in the ETA intermediary study, the majority of youth service providers were nonprofits. Almost one-quarter of the organizations were educational institutions, such as school districts and post-secondary institutions, while governmental entities and for-profits were among the least reported types of intermediaries used (see Table 5.1).<sup>23</sup>

## **Training Services**

WIA legislation affected local training programs in a significant way, by requiring the use of individual training accounts (ITAs) and state ETPLs to provide increased customer choice while holding training providers accountable to performance measures. WIA experience has shown that the mix, availability, and utilization of training providers has changed as a result of these new features. The following section identifies key issues that affect training providers under initial and subsequent eligibility periods of WIA. It also focuses on three types of training providers—educational institutions, nonprofits, and for-profits—that play important roles in the public training program.

### **Early WIA experiences and intermediary responses**

Localities experienced and anticipated changes in the availability and usage of different types of training providers with the transition to the ITA and ETPL systems. The potential loss, rather than increase, of providers has been one of the criticisms of the changes made to the training program. Indeed, in a study of five localities during early WIA implementation, Buck (2002) observed a voluntary loss of CBOs and other nonprofits; for example, Orlando lost all of its CBOs and nonprofits, and Houston lost many of its CBOs likely due to required performance benchmarks.<sup>24</sup> At the same time, however, Boston and Philadelphia both experienced overall increases in providers, many of which were for-profit providers new to the system. Macro et al. (2003) similarly found that most localities experienced an overall increase in training provider choices for customers. This takes into account that

many states waived some, if not most, of the reporting requirements for the initial eligibility period. Few had begun subsequent eligibility, and most localities anticipated that performance requirements would affect provider participation during subsequent eligibility once requirements were enforced.

The prospect of losing a large number of providers once subsequent eligibility began was a concern to many states, including Indiana, Maryland, Michigan, North Carolina, and Pennsylvania. D'Amico and Salzman (forthcoming) found that at least 3 of the 28 localities visited had reported that some training providers refused to participate due to the reporting requirements, and four other localities believed that reporting requirements would adversely affect training providers' participation in the system.

Performance reporting requirements have been identified as potential barriers to the continuing participation of certain types of training providers, especially community colleges and other educational institutions (D'Amico and Salzman forthcoming; Macro, Almandsmith, and Hague 2003). Placement on the state ETPL requires that training providers submit performance and cost information, e.g., completion, placement, retention, employment, and wage information. Providers must also meet WIA performance measures to remain eligible to participate. This requires many training providers to establish new systems of data collection and reporting, which many have considered onerous. Texas, an early WIA implementing state, experienced an initial decline in community colleges in response to the introduction of performance reporting requirements. The programs available to local customers decreased from 8,000 to 1,000 training programs on the ETPL once subsequent eligibility began. Texas was later able to recapture its earlier numbers after it took steps to restore participation of training providers. Other states, such as Oregon and Florida, took similar efforts to coordinate among the community colleges and the workforce investment system for continued participation in the local training programs (D'Amico and Salzman forthcoming).

Despite much of the effort invested into the development of the ETPL and Consumer Reports Systems (CRS), states have for a number of reasons requested waivers to extend their initial eligibility period, thereby delaying subsequent eligibility. As of July 2003, ETA received requests from 27 states for extensions in the initial period of provider

eligibility by waiving the 18-month requirement for subsequent eligibility. Most of the states requested extensions of initial eligibility through June 2004—past the expected WIA reauthorization.<sup>25</sup> In order to relieve information collection by training providers, states are looking at utilizing existing data sources. Some states, such as Texas, are looking at using state Unemployment Insurance (UI) wage records, and Florida is using its database on community college enrollees (Macro, Almandsmith, and Hague 2003).

In addition to data collection, certification became another issue for some states and localities. In these instances, state policy required that training providers also be certified or licensed by the state's higher education commission (or equivalent).<sup>26</sup> In Connecticut, which used noncertified providers under JTPA for class-size training, localities in the state could no longer refer ITA customers to those providers until they became state-certified and approved on the ETPL. In Orlando, none of the CBOs or nonprofits applied for the state ETPL as a result of the locality requiring that providers be certified with the Florida Department of Education (Buck 2002). Georgia, which also imposed a state certification requirement, provided some initial exceptions for WIA participation to noncertified providers if they showed that they had applied for certification (D'Amico et al. 2002).

The decision of training providers not to participate in WIA was made easier by the fact that WIA provides for only a small proportion of the workforce development services and financing around the country. In Texas, the state Education Agency and the state Higher Education Coordinating Board provided at least 40 percent of the workforce development funds in 2000. Within the Texas Workforce Commission, WIA provided only one-sixth of the funding for workforce services in 2000, and relied on other sources, such as Welfare-to-Work grants, Food Stamp program, TANF work programs, and the Employment Service (O'Shea and King 2001). In Philadelphia, the first-year WIA allocation was \$17 million, which was less than one-seventh of the funding for workforce services (Buck 2002).<sup>27</sup> With WIA funds dwarfed by other federal sources, training providers may seek to participate in publicly funded training outside the WIA system.

State and local variation in the application and eligibility process can also be perceived as more burdensome for some training providers. Some states (e.g., Georgia, Michigan, Nebraska, and Pennsylvania)

require training providers to submit applications to a central state office; other states (e.g., California) have training providers submit applications to their own localities; and others (e.g., North Carolina and Texas) have providers submit applications to multiple areas for determination. Additionally, local boards can set up different local performance standards than their neighbors, so long as their policies meet or exceed their states' performance standards. In effect, an approved training provider in one locality does not necessarily translate into an approved provider for another locality, even within the same state. These local variations can be a cumbersome and confusing process for training providers, especially when they serve multiple areas. To create a more "regional" approach to the requirements, some local boards have begun work with neighboring boards to develop consistency in how providers would be used; for example, local boards in Texas have agreements to use providers approved by their neighboring local boards, and the local boards of the Detroit and Atlanta areas are also working towards more consistency in their respective regions (Macro, Almandsmith, and Hague 2003; D'Amico et al. 2002).

In an effort to encourage training providers to focus on improving customer outcomes, some local boards have experimented with alternative methods, such as "benchmarking" payments made to training providers. In Southwest Connecticut, 50 percent of the training fees was paid to a provider when the customer completed the first half of the program, 25 percent of the fees was paid when the customer completed the program, and the remaining 25 percent was paid when the customer entered in employment (D'Amico et al. 2002).<sup>28</sup> In Milwaukee, 10 percent was paid when a customer enrolled, 40 percent was paid when a customer completed the program, and the remaining 50 percent was paid when the customer became employed within 60 days of completing the training program, earned at least \$8 per hour, and retained employment for 30 days. Essex County (New Jersey) also used employment retention as a factor for payment by providing the final 10 percent of the costs to the training provider once the customer retained employment for 60 days (Macro, Almandsmith, and Hague 2003). Different types of training providers may or may not assume this financial risk. CBOs, even if they have a track record for achieving high performance outcomes, may find this payment structure financially unstable and offer their services elsewhere, especially if these

WIA customers are a small proportion of the provider's population and source of revenue. Similarly, other nonprofits and for-profits may simply decide not to participate if they consider the payment structure to be too demanding or unfair, especially when non-WIA customers or other programs are readily available to make full payment of services.

### **Types of training provider participation**

Educational institutions, for-profit/proprietary schools, and nonprofits participate in the WIA training program nationwide, but utilization of each type can vary widely by locality. For example, the important role of community and technical colleges can be seen in Lane County (Oregon) and Pinellas County (Florida), where nearly 60 percent or more of the customers were referred into community colleges, and the Bay Area where more than 90 percent of its customers were referred into technical colleges in PY 2001.<sup>29</sup> On the other hand, community or technical colleges can also be seldom used, such as in Northwest (Pennsylvania), Essex County (New Jersey), and Boston (Massachusetts). Instead, Northwest and Essex counties utilized for-profits and Boston utilized nonprofits a majority of the time in PY 2001 (Macro, Almandsmith, and Hague 2003). Although localities may rely on certain types of providers over others, all three types of providers play an important role for the national workforce investment system.

**Community colleges and other educational institutions.** Community and technical colleges are used for a number of reasons, including the reasonable costs associated with a state-subsidized system, the ability of customers to utilize Pell Grants, strong support from some states for localities and the public educational system to work together, and the availability of a wider range of programs than what is generally offered by for-profits and nonprofits (Macro, Almandsmith, and Hague 2003; D'Amico and Salzman forthcoming). Macro, Almandsmith, and Hague (2003) found that educational institutions played an important role as training providers, receiving a larger percentage of ITAs than either for-profits or nonprofits in the intermediary study. Among all public and private educational institutions, community and technical colleges accounted for over 40 percent of the total ITAs issued by the localities. However, the certification process under WIA has had an

adverse impact on the participation of community colleges. In April 2002, only 35 of more than 100 community colleges in California were participating in the WIA system.<sup>30</sup> In fact, based on early experiences of WIA, community colleges were expected to decrease in WIA participation due to state performance requirements for the ETPL (D'Amico et al. 2001). WIA-funded training customers are a small subset of the colleges' entire student body, but these small proportions can constitute a large proportion of the WIA training population.

Many educational institutions generally believe that they are responsible for "education, not employment," and that focusing on employment is inconsistent with the institutions' goals (Grubb 1996; D'Amico et al. 2002). However, community college perception of a conflict between "education" and "employment" is disappearing. The community college system in the 1990s placed increasing emphasis on workforce development. While continuing to maintain a role in supporting academic students who seek to transfer to four-year colleges, community colleges have aimed to gain an increasing share of the workforce development training market, whether funded by employers or publicly, and thereby provide current and future employees with education, training, competencies, and skills that employers need to maintain high performance in a competitive market environment (Forde 2002). Community colleges in some localities, such as Macomb-St. Clair (Michigan) and Metro Portland, are also tailoring their programs to WIA customers by developing shorter-term courses (D'Amico and Salzman forthcoming).

Community colleges have responded to shortages of skilled workers by providing training directly to workers who came to community colleges on their own or through JTPA and WIA programs. Community colleges also increasingly have developed alliances with firms to provide customized training for incumbent workers, seeking to be a key or principal source of training for employers. Increased emphasis on workforce development has not been in response to expected increases in JTPA/WIA funding, but rather in response to actual large increases in formal employer training occurrences that began in the 1980s and the projected continued increase in the future (Carnevale and Desrochers 1997).

Both JTPA and WIA have put a heavy emphasis on placement. Under WIA, training providers' success is documented by the Con-

sumer Report System. Yet, one study found that the community college system does not have strong placement programs. Community colleges as large as 25,000 tend to have understaffed placement offices consisting of two or three staff. Placement offices tend to put more emphasis on temporary placement during school attendance; as a result, job openings posted by employers are mostly temporary, low-wage jobs for students. There are few openings listed for full-time jobs in areas of study. Placement offices are also perceived by employers as not following up sufficiently or making effective use of employer openings, and when they do follow up, not referring the best candidates for the job. A community college was more effective when its state set a placement goal, had effective co-op programs, and when its placement office made use of job developers to find job openings for students. Placement can also be made by occupational instructors, but few instructors were found to engage in placement activities, and placement is not normally considered part of their job (Grubb 1996).

In the past, community colleges have had limited incentives to collect postenrollment labor force outcome data or serve the disadvantaged, especially without any clear guidance from the state. Community colleges serve students with a wide variety of goals, many of which do not deal with subsequent employment. Also, transfer placement rates of students into four-year colleges has often been considered the “primary measure of success” (Alssid et al. 2002). With weak incentives, postenrollment labor force outcome data can be difficult and expensive to collect. It has also not been a high priority for community colleges because, in most cases, federal, state and local governments have not pushed colleges to collect the data. The coming of performance accountability indicators under WIA and the Carl D. Perkins Vocational and Technical Education Act has changed this situation. While the WIA Consumer Reports System requires that there be records of customer placement, employment, and earnings, the community college system generally does not collect this information. Except in states that have previously emphasized placement as an important outcome for community colleges, little information has been collected that could be used for submitting data for certification for the WIA Eligible Training Provider list. Prior to the enactment of WIA, Florida, Minnesota, and Ohio were among the few states that developed tracking systems using telephone surveys. Based on these sys-

tems, the states developed placement goals of around 70–75 percent. As a precursor to the approach of WIA, some states were testing the use of unemployment insurance wage records, but this was only in its early stages when WIA was enacted (Grubb 1996; Baj et al.1991).

The American Association of Community Colleges (AACC) has responded to the introduction of WIA performance accountability measures by asking for more flexible measures that would allow community colleges to use data they already collect or data that would be easiest for them to collect. Community colleges would like flexibility in what they measure, such as choosing whether the program completion measure was attainment of a degree/certificate, a measured skill, an individual's personal goal, or learning a defined skill. They would also like to choose the method of measurement, such as measuring earnings using unemployment insurance wage records or a wage survey (AACC 2002). This interest in easing the burden of collecting outcome data is understandable given the small incidence of WIA-funded students at community colleges, and it may provide the best available, easily collectible outcome information. However, these changes would also reduce the comparability of data and, therefore, the degree of accountability in training and education programs.

More recently, there has been close coordination of policy between the U.S. Departments of Education and Labor to coordinate the reauthorization of the Perkins Act and WIA. The goal of this policy is to ratify that “community colleges are the engines for workforce development in this country” by “examining ways to enhance the community colleges’ growing role in workforce development” by reexamining federal policies that “inadvertently discourage community college activity in workforce development” (D’Amico 2002).

**For-profit organizations.** Unlike community colleges, proprietary schools tend to be more flexible and have a greater tendency to use open-entry exit programs. They also tend to have shorter, more intensive courses that were commonly perceived to be more appropriate for WIA participants. Proprietary schools often tracked performance for accreditation or for their own internal records. As a result, proprietary schools generally do not have as many concerns with reporting data or outcomes. One-stop staff generally had the sense that proprietary schools provided active counseling and were more experienced and

equipped to manage progress and reporting requirements (D'Amico et al. 2002).

However, not all proprietary schools feel at ease with the transition to WIA. Some proprietary schools that have depended largely on JTPA customers have not been able to transition to the unpredictable flows of customers that came with the new ITA system. Some have begun to market themselves to other non-WIA customers, while others have closed down. These types of proprietary schools, like the CBOs that depended heavily on JTPA customers, are not likely to continue successfully as providers under the ITA system (D'Amico 2002). Additionally, providers that do not offer placement services, or have not been successful in placing customers into employment, are also likely to be at risk during subsequent eligibility (Macro, Almandsmith, and Hague 2003).

**Nonprofit organizations.** Under JTPA, many CBOs held group contracts for classroom training. CBOs are usually established in the localities and specialized with serving specific populations, especially harder-to-serve populations. The use of open competition and vouchers instead of group contracts could affect their participation in the WIA system. For example, CBOs in Boston expected to lose about one-third of their enrollees during the transition to WIA, based on their experiences with vouchers under a previous pilot program (Buck 2002). Other localities also believed that CBOs would participate less under WIA due to the focus on vouchers instead of contracts (D'Amico 2002).

Unlike contracted group training where CBOs could be guaranteed a certain number of enrollees based on their contractual agreement with localities, the use of ITAs could no longer provide such a guarantee. CBOs have observed fluctuations in registered students but have little experience with planning or responding to unpredictable flows. As a result, many small nonprofits with modest budgets can be vulnerable to financial risk when they experience erratic customer flow, which may lead them to discontinue WIA participation (D'Amico et al. 2002; Macro, Almandsmith, and Hague 2003). On the other hand, some CBOs have tried to improve their competitive positions within the WIA training environment by changing the format of their pro-

grams into shorter, more intense programs that are similar to the programs of proprietary schools (D'Amico et al. 2001).

CBOs also have other alternatives if they continue to experience difficulty connecting with the ITA system, such as by offering their services elsewhere, e.g., the welfare system (Buck 2002). CBOs generally have a history with other federal programs that support training for special populations of customers who are harder to serve, such as TANF recipients. Because welfare programs have a larger funding stream than WIA in many localities, and because CBOs are specialized in serving specific populations, CBOs may be able to turn to the TANF system as a source of training customers.

### **Brokering and Consulting Services**

Local boards, one-stop operators, and service providers constantly make operational decisions to improve their management and delivery of services in the workforce development system. Assistance with these types of decisions are offered by brokering and consulting organizations that specialize in working with stakeholders to help them achieve their goals. The Council for Adult and Experiential Learning (CAEL) and the Structured Employment Economic Development Corporation (Seedco) are examples of nonprofit organizations that provide assistance on topics such as capacity building, strategic planning, and program and financial management. CAEL, for example, provides technical assistance with seeking funding and developing partnerships with business, government, labor and higher education (CAEL 2003).<sup>31</sup> Seedco, which is discussed further in the next section, provides technical assistance to small organizations and also helps foster partnerships among stakeholders. Macro, Almandsmith, and Hague (2003) reported that a number of the local boards in the intermediary study contracted with for-profit firms most often for consulting services such as information systems development, research, monitoring services, and marketing and public relations. These intermediaries can play an important role in improving the quality of services and management in the one-stop system.

## UTILIZATION OF ECONOMIES OF SCALE

This section describes the benefits from economies of scale that can assist organizations maintain their competitiveness in the workforce investment system. We then identify four organizations, Goodwill Industries, Affiliated Computer Services, Employment Services, and Seedco, that actively participate in the system.

Larger organizations, regardless of whether they are nonprofits, for-profits, or public organizations, have the ability to consolidate functions and offer to their local offices or affiliates important services that may not be readily available to smaller organizations. These advantages include important access to capital as well as expertise on program and financial management (Winston et al. 2002). National headquarters can devote full-time staff to focus on specific subject areas, such as grantwriting or legislation, and provide technical assistance on program and financial management to the local offices. Local offices can also receive access to listservs, newsletters, policy updates, and conferences (Macro, Almandsmith, and Hague 2003). Additionally, centralized purchasing of supplies and other items, particularly software and hardware for management information systems, can contribute to cost-efficiency.

Financial stability and access to capital can affect an organization's participation with WIA programs. When an organization has a diverse set of funding sources, they are less likely to be affected by changes in WIA funding. For example, Goodwill received \$80–\$90 million in ETA Welfare-to-Work grants and has found that the Welfare-to-Work program is easier to participate in than WIA itself (Crosby 2002). Organizations that are not reliant on WIA can more easily decide to opt in or out of the system. On the other hand, organizations who do not have access to other funding sources can be more vulnerable to WIA changes. Preliminary observations showed that CBOs and for-profit training providers alike were susceptible to folding if they were heavily dependent on JTPA funding but could no longer obtain guarantees of funding from ITAs (D'Amico and Salzman forthcoming; Macro, Almandsmith, and Hague 2003). Also, poor financial management and lack of access to a sufficient line of credit to operate under a cost-reimbursement contract were often issues that resulted in turnover for one-

stop operators (Macro, Almandsmith, and Hague 2003). Although smaller organizations may be more susceptible to these problems, Seedco President William Grinker suggests that developing networks of small organizations can help them achieve similar benefits of the larger organizations (Grinker 1999).

**Goodwill Industries International, Inc.** Goodwill Industries is one of the largest nonprofit providers of workforce development services in the United States, with a mission to serve primarily disadvantaged workers. In 2002, 179 local affiliates served over 500,000 workers, providing services in more than 94 percent of the counties in the country. Goodwill has grown rapidly during a period of shrinking JTPA programs. Local affiliates of Goodwill workforce services are autonomous 501(3c) organizations that operate under local-national agreements. Local affiliates benefit from the Goodwill name and logo, the exclusive use of the local area to operate its retail stores, and a range of services provided by the national office.

In 2000, Goodwill's revenues of \$1.85 billion included \$364 million in workforce development revenues, as grants from government agencies. Goodwill operated 55 temporary services agencies and was the one-stop operator in 19 localities (Goodwill Industries International 2001). More than 60 affiliates provide services to more than 125 one-stop centers. Goodwill provides a range of employment and training services to customers, including placement services, welfare-to-work services, case management, and job readiness (Crosby 2002).

The largest customer for Goodwill's workforce development services is TANF, followed by Vocational Rehabilitation and WIA. The revenue from retail stores provides a majority of the funding (about 80 percent) to deliver employment and training services to customers. WIA funds are a small proportion of Goodwill's public funding sources and are used to supplement revenues generated from the Goodwill stores that are used to subsidize their workforce development activities. WIA is important to Goodwill because Goodwill staff is better linked to customers when they work on-site or closely with the one-stop centers to deliver services (Crosby 2002).

Local affiliates receive a wide array of services from the national headquarters that help them with bidding for services and improving operations. The national headquarters provides grant writing assistance

to local affiliates by making available a certified federal grants administrator and full-time grant writers, sponsoring workshops on grant writing, providing a collection of successful proposals, and offering online tools. The national headquarters or field staff, who may contract with consultants, provide technical assistance on an on-going basis, which can be particularly helpful if new affiliates struggle with service delivery. The benefits of economies of scale are apparent when the national headquarters researches and brokers purchasing deals for items used nationwide, such as computer hardware and software. Goodwill also develops its own software and plans to create a standardized client tracking system with financial data to provide the national headquarters and affiliates with real time data on customers (Crosby 2002).

**Affiliated Computer Services (ACS).** Formerly Lockheed Martin IMS, ACS is one of the leading for-profit organizations that provide workforce development services. ACS is an information technology and business process outsourcing Fortune 1000 company that acquired the Lockheed-Martin IMS unit in June 2001. Lockheed Martin IMS was the workforce development services portion of Lockheed Martin that specialized in welfare and workforce services, child support enforcement, child care management, and electronic toll collection. The unit has about 4,100 employees located in 275 locations, and is now called the “Workforce and Community Solutions” unit of ACS, with headquarters based in Austin, Texas.<sup>32</sup> In 2003, ACS provided services to about 50 local boards and served as the one-stop operator of 103 one-stop centers. In Texas and Florida, ACS was the one-stop operator and organization responsible for core and intensive services, while in California ACS provided services for local areas but did not serve as the one-stop operator (Zeitler 2003).

The ACS headquarters provides assistance to the local office staff in various ways. These include using “train the trainer” sessions and employing subject matter experts to oversee quality and project status. Grant writing is centralized at the ACS headquarters, which relieves local offices from having to devote much of their resources performing the task. Proprietary software and a client tracking system have been developed and are available for local offices, but are not required if the local board prefers to use a different system. Hiring is generally con-

ducted at the local office, but headquarters can provide assistance to the local levels if necessary. Despite the recent acquisition to ACS, the same processes and much of the same staff, in place when the organization was under Lockheed Martin, remain the same under ACS (Zeitler 2003).

ACS has financial and staff resources to provide many of the services that a national nonprofit organization provides, such as technical assistance and consolidated functions in a national headquarters. Unlike Goodwill, which has local affiliates that are autonomous and responsible for their own financial and accounting mechanisms in place, ACS retains overall responsibility for local offices. Since ACS provides numerous services outside of its workforce development unit, it can likely withstand fluctuations, including decreases, in WIA funds because of other funding opportunities. ACS receives funds for workforce development services primarily through WIA, but has seen a decrease in WIA funding over the past few years. TANF is the next largest source of funding for these services. ACS is involved primarily with direct service delivery and limits its involvement to providing management and consulting services to local boards. Few for-profit firms in the ETA intermediary study provide youth services, but ACS plans to expand in this area (Zeitler 2003).<sup>33</sup>

In 2000, Lockheed Martin IMS had \$580 million in revenue, and ACS estimated that it would increase to \$700 million in 2001 (Wakeman and Welsh 2001). The President and CEO of ACS stated, "Our objective is to be premier provider of diversified business process outsourcing services, delivering a full range of services to multiple vertical markets." According to an ACS press release, the company expected a greater percentage of government expenditures to be outsourced due to a "rise in fiscal pressures, changing regulations, and increased accountability . . . to streamline program operations" (Intelligent Transportation System Access 2001).

**The Employment Service (ES).** The ES is a governmental agency with over 60 years of experience providing labor exchange and other services in locations nationwide. Each local ES office is part of a larger state workforce security agency that operates under a national legislative mandate and has experienced a relatively fixed though stagnant funding level. The national office provides information and guidance

about new rules and procedures. Automated labor market information and labor exchange programs provide a national system of labor exchange and labor market information.<sup>34</sup> In addition to the national system, each state ES agency also maintains an automated state labor market information system and has an established network of employers across the state that local offices can access. State ES agencies are able to put in place exclusive hiring agreements with private employers and provide training and capacity building for local offices, with services standardized across localities. Staffing and financial functions are also standardized, and local offices benefit from central purchasing. Another important feature is the state ES agencies' authority to open new local offices in areas that are determined to be in need of ES services.<sup>35</sup> Additionally, WIA regulations mandating ES as a required partner in the one-stop center can provide ES with a physical advantage of co-location within the centers. ES has a long-standing history of providing labor exchange services, and most localities from studies on early WIA experiences selected ES as a primary provider of core services (D'Amico 2001; Macro, Almandsmith, and Hague 2003).

**Structured Employment Economic Development Corporation (Seedco).** Seedco is a national nonprofit intermediary that assists organizations improve in areas such as workforce operations, capacity-building, and performance and financial management. It assists small organizations consolidate functions, such as accounting and reporting, to improve their performance so that organizations can focus on direct service provision. The purpose is to allow small intermediaries to better compete with larger intermediaries through sharing of resources. Seedco also helps nonprofits establish a diverse set of funding sources to become economically sustainable. To further assist with financial independence and stability, Seedco brokers funds for community groups with cash flow needs. Seedco also develops tools, such as the Performance Measurement and Management (PM&M) system, to assist nonprofits measure and manage performance (Seedco 2002).

Seedco has provided technical assistance to numerous organizations, and grants from foundations and the government have helped support these efforts. For example, a USDOL grant was awarded to Seedco to provide assistance to CBOs to increase their participation in

the workforce investment system.<sup>36</sup> Seedco has customers located in twenty states, and Washington, DC (Seedco 2002).

## SUMMARY AND CONCLUSIONS

Intermediaries have greater participation in the system under WIA as a result of new one-stop centers that were created nationwide and local boards being prohibited from delivering direct services. Based on early accounts of WIA implementation, the following summarizes what has been observed of intermediary characteristics and service provision.

### Intermediary Provision of Services

- **Nonprofit organizations and consortiums are generally selected to serve as one-stop operators.** Few local boards decide to deliver one-stop operator services themselves, choosing instead to use a variety of other providers.
- **ES plays a large role in providing core services, especially as a primary provider of the services.** When ES is not the primary provider of core services, this responsibility is usually assigned to the one-stop operators, which tend to be nonprofits.
- **Nonprofit organizations are major providers of intensive and youth services.** Intensive services are often the responsibility of the organization selected as the one-stop operator. CBOs with established histories are generally used to deliver services for specific populations, such as youth, dislocated workers, low-wage workers, and ex-offenders.
- **Certain types of training providers, especially community colleges and smaller CBOs, are reluctant to participate in an ITA/ETPL system, but for different reasons.** Many community colleges are not willing to provide customer data because of the resources needed to collect and maintain information for initial and subsequent eligibility, especially when the WIA customer is a small fraction of the colleges' student population. Community

colleges would prefer to submit data that they have already collected, or data that is easier to collect than the current ETPL requirements. Smaller CBOs, on the other hand, tend to rely more on WIA customers and funding. Because of this, they are more vulnerable to the uncertainties of a voucher system that replaces group-contracted training. These CBOs may find it financially beneficial to diversify and provide training elsewhere, outside of the WIA system.

### **Intermediary Advantages in the One-Stop Environment**

- **Larger organizations, regardless of whether they are for-profits or nonprofits, can have an advantage over smaller organizations when competing for WIA services.** Larger organizations have resources to support full-time staff to specialize in services where smaller organizations may find it difficult to do so, e.g., establish networks with federal government and other stakeholders, provide technical assistance and training, and assist with the bidding process. Larger providers may also better withstand the implementation of a voucher system that utilizes open competition, and are less reliant on WIA funding because they can seek other sources of funding.
- **Small community-based organizations dominate youth services.** More competition (and more choice for local boards) appears to exist among intermediaries for youth services. For-profits are generally not involved in youth services; there may be too much competition from other organizations, or not enough profit.

### **Notes**

The content of this chapter reflects the opinions of the authors and does not represent the policy or positions of the U.S. Department of Labor. We thank John Colborn and Norton Grubb for helpful comments.

1. The term *intermediaries* has been recently defined and applied in the workforce investment system in different ways. In this chapter, we apply a broad definition used by Macro, Almandsmith, and Hague (2003) in an ETA study that referred intermediaries to public and private organizations who receive funding from local

boards to serve WIA customers or perform WIA-related functions. A separate U.S. Department of Health and Human Services study conducted by Pavetti et al. (2000) defined intermediaries as organizations that hold formal relationships with the welfare office (or other administrative entity) responsible for moving welfare recipients into the labor market, including training providers that provide placement services. In *Workforce Intermediaries for the Twenty-First Century*, Leete et al. (2004) broadly define *labor market intermediaries* as organizations that work at various levels of the labor market (such as job placement, training, and support services) to help link individuals to jobs. These would include temporary placement agencies and head hunters, unions, CBOs, nonprofits, governmental organizations, community and technical colleges, vocational schools, and associations. In the same book, Osterman (2004) also considers labor market intermediaries to include Internet job-matching agencies (such as [www.monster.com](http://www.monster.com) and [www.guru.com](http://www.guru.com)).

However, Giloth (2004) distinguishes another set of intermediaries, which he labels as *workforce intermediaries*, as a much narrower subset of organizations under labor market intermediaries. According to Giloth, workforce intermediaries, among other objectives, specifically serve both employers and low-income/less-skilled individuals, create and manage different funding streams, and provide job placement with other services. However, it is the broader definition, and not this narrow one, that we and (other sources) are more likely to associate with the term intermediaries.

2. The Employment Service (ES) is also referred to as Job Service in some states. The responsibilities of ES have evolved over the years as a result of changing legislation and priorities. See National Commission for Employment Policy (1991).
3. See Wandner and Javar (2001) for further discussion of privatization efforts under UI and ES. See Balducchi and Pasternak (2000) for a discussion of the issue of privatization of ES.
4. Employers, state apprenticeship agencies, trade associations, unions, and non-profit community agencies provided most of the on-the-job training (Levitan and Mangum 1969). In an MDTA longitudinal evaluation sample of 10 metropolitan areas, of the 54 training facilities that held contracts funded by the federal government (with some facilities receiving more than one contract), approximately two-thirds were public intermediaries and one-third were private intermediaries. Of the public intermediaries, most were either skill centers or community colleges.
5. Three large CBOs in particular, the National Urban League, Opportunities Industrialization Centers, and SER, significantly increased their work (Snedeker and Snedeker 1978).
6. In FY 1975, 700 ES positions were cut as a result of decreased contracts (Snedeker and Snedeker 1978).
7. This figure does not include Public Service Employment funding.
8. ES also defined cost categories differently than JTPA programs and did not have a 15 percent limit on administrative costs, which may be another factor for why ES was selected.

9. Welfare-to-Work grants were awarded to local governments, local boards, and other entities (such as community development corporations and CBOs, community action agencies, and other private organizations) that applied with a local board or local government.
10. Six states (Florida, Texas, Kentucky, Pennsylvania, Utah, and Vermont) became early implementers of WIA. D'Amico et al. (2001) visited these states and localities as part of their study on early WIA implementation experiences.
11. In developing ETA's Five-Year Strategic Plan for pilots, demonstrations, research, and evaluation for July 2000–June 2005, an Expert Panel meeting was convened to discuss high priority research topics for ETA to focus on in the next five years. The Expert Panel agreed that intermediaries play a large role in the workforce development system, but that little information was known about these entities, and to what extent they were working with local boards in serving the locality's customers.
12. According to figures on January 27, 2003, there were 1,933 comprehensive one-stop centers nationwide, 1,604 affiliate centers, and 591 local workforce investment areas ([www.servicelocator.org](http://www.servicelocator.org)).
13. Results are based on data collected from the Workforce System Information and Evaluation (WSIE) survey (D'Amico et al. 2001).
14. Minimizing staff training and transitional costs, or desiring continuity of staff, are some reasons why former staff may be rehired by the new operator, e.g., the Lower Rio Grande local board (Texas) switched from a for-profit to a nonprofit to serve as the one-stop operator. The for-profit and nonprofit proposals were rated as a statistical tie, but the for-profit had an \$800,000 cost difference for an 8 month period. Interestingly, the nonprofit that hoped to receive the new contract was previously the administrative arm of a private industry council, but had been a separate organization for five years (Lower Rio Grande Workforce Development Board 2002).
15. Nearly half (48 percent) of the comprehensive one-stop centers were operated by nonprofits (Macro, Almandsmith, and Hague 2003).
16. Although collaboratives and consortiums both are associations that band more than one organization together, Macro et al. (2003) distinguishes "collaboratives" from "consortiums" because collaboratives do not consist of at least three required WIA partners.
17. Milwaukee grandfathered the TANF service providers as one-stop operators. The decision to transform existing employment and training service locations into new one-stop centers, and select existing organizations as the one-stop operators or lead operators, has been evident in other localities as well. Consortiums in localities that transformed their existing ES buildings into new one-stop centers often had ES staff act as the lead in the consortium (D'Amico et al. 2001).
18. In this case, Lockheed Martin IMS was the former one-stop operator that decided not to re-compete for the contract (Jacobson 2002).
19. In 7 of the 9 localities, ES was the primary provider of core services (D'Amico et al. 2001).

20. Gulf Coast (Texas) was the only locality that used a for-profit organization (which was also the one-stop operator) to deliver core services (Macro, Almandsmith, and Hague 2003).
21. Only about one-sixth of the local boards nationwide received a waiver to provide core and intensive services, as of October 2000 (D'Amico et al. 2001). In the intermediary study, none of the local boards delivered intensive services (Macro, Almandsmith, and Hague 2003).
22. Intensive services have also been delivered out of affiliate centers, in addition to the comprehensive one-stops. Table 5.1 underestimates the total number of intensive service providers that are used in the one-stop system because it represents those used only in comprehensive one-stops.
23. The two national for-profit companies included Sylvan Learning Centers and ACS (Macro, Almandsmith, and Hague 2003).
24. Boston went from 24 to 34 providers, primarily with the entry of new proprietary schools, but almost one-third of the providers that held contracts under JTPA did not apply. In Charlotte, the number of providers remained the same at 16, but the mix of providers was not the same. Houston experienced a decrease from 120 to 95 providers, and officials believed that this was a result of a voluntary loss of CBO participation due to required performance benchmarks. Philadelphia increased from 56 to 64 providers, with nearly half of all providers being new to the workforce development system (Buck 2002).
25. Seventeen of the twenty-seven states requested to extend the initial period of provider eligibility to June 30, 2004. In fact, several states had submitted second requests to extend their previously approved dates of initial eligibility to a new end date of June 30, 2004.
26. In the ITA/ETP Demonstration report, California, Connecticut, Georgia, Maryland, Nebraska, Oregon, and Pennsylvania instituted these types of state certification or licensing from the state higher education commission, or equivalent (D'Amico et al. 2002).
27. Other providers were the TANF programs (\$70 million), Welfare-to-Work grants (\$25 million), secondary vocational education (\$9.5 million), and a Community Services Grant (\$3.6 million) (Buck 2002).
28. As of October 2002, the Southwest Connecticut local board changed the benchmark payment structure to 50 percent payment when the customer attends the first class, instead of 50 percent payment after the customer attends half of the training program.
29. Other states with an extensive system of technical colleges include Georgia, North Carolina, Texas, and Indiana (D'Amico et al. 2002).
30. Numbers based on April 2002 meeting on WIA reauthorization held in Los Angeles.
31. CAEL also works with localities to improve program services, such as working with Chicago to serve as the Training Assessment and Review Agency in the local ITA system.
32. The ACS company has about 30,000 employees (Zeitler 2003).

33. Although ACS has had youth service contracts since 1996, the effort in expanding these services is fairly new.
34. America's Job Bank and America's Career Kit are part of ES services for nationwide networks. State ES also maintain electronic labor exchange services for the state.
35. The ES office must be affiliated with the one-stop system, serving as either a satellite center, specialty center, or within a comprehensive one-stop center.
36. For more information on this and other grants awarded to Seedco, see "Field-notes," available at [www.seedco.org/about/field/index.html](http://www.seedco.org/about/field/index.html).

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Christopher J. O'Leary  
Robert A. Straits  
Stephen A. Wandner  
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W.E. Upjohn Institute for Employment Research  
300 S. Westnedge Avenue  
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