SETTING UP SHOP

A report on the role of
revenue-generating work projects in the
national supported work demonstration

By Harvey D. Shapiro

Manpower Demonstration
Research Corporation

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The points of view or opinions stated in this document are not intended to represent the official position of policy of the supporting agencies.

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PREFACE

The National Supported Work Demonstration was initiated in 1974 to test the effectiveness of a highly structured, subsidized work experience program in assisting disadvantaged individuals to obtain and maintain regular, unsubsidized employment and reduce welfare dependency and anti-social behavior. The demonstration was originally conducted in 13 cities and focused on four groups: long-term AFDC recipients, ex-offenders, ex-addicts and delinquent, drop-out youths. The research aspect of the demonstration used an experimental methodology for the first time in a large-scale employment program. The final research report, published in 1980, found that supported work was highly effective, in terms of impact and cost-benefit, for the long-term AFDC group; was cost-effective for ex-addicts, as crime rates of participants were substantially reduced compared to that of controls; and was not particularly effective for ex-offenders or drop-out youths compared to existing services those groups might utilize.

The demonstration was funded at the national level by a consortium of federal and private agencies led by the Department of Labor and the Ford Foundation. The local supported work programs were operated by nonprofit organizations set up specifically for supported work, or by semiautonomous units within existing nonprofit organizations or public agencies. The Manpower Demonstration Research Corporation (MDRC), a private, nonprofit corporation, was established to develop and manage the demonstration's operational and research components. National funding to cover part of the cost of local demonstration operations was provided through MDRC; local supported work operators were expected to raise a substantial share of the funds necessary to run the programs from local sources.

Mr. Shapiro's study points out that relatively early in the demonstration, many of the local operators discovered that one way to raise part of the local revenue share required to operate their programs was to charge for the services or products generated by the supported workers. This technique, it was believed, would make them less dependent on government grants; it also added an important air of "realism" to the implementation of the various worksites developed by the local operators. A few operators went so far as to predict their eventual self-sufficiency -- they would need no grants, local or national, to support their operations, but would do so entirely from revenues generated by worksite operations.

The supported work experience makes clear, as common sense would suggest, that running a transitional employment program for the severely disadvantaged is not a financially self-sufficient activity. Although supported work programs have improved their performance considerably in operating revenue-generating worksites since Shapiro collected his data, revenues generated from worksites covered 25 percent of total demonstration operating expenses in 1980, and the most efficient local operations covered at a maximum about 35 percent of their expenses with such revenues. This is a considerable supplement to grant funds, and becomes a useful option to public and nonprofit agencies for raising program monies, but offers little hope of doing without public funds to any substantial degree.

As Shapiro notes, even generating the useful but still modest level of worksite revenues that supported work operations managed did not come easily. Each business-type activity raised issues of technical

knowledge, supervision, production techniques, quality control, marketing, pricing, billing, competition, union wage scales, etc. -- the issues any business must deal with -- in addition to the issues inherent in hiring people with poor work habits, no skills and often significant personal problems. In addition, the supported work program model required that no participant remain in the program longer than 12 months, so any worker who became efficient and skilled enough to help generate considerable revenues at that point made the transition to regular, unsubsidized employment.

Shapiro points out that most of the local operators did not have many of the business skills necessary -- especially in marketing and pricing -- nor did they do a particularly effective job in obtaining those necessary resources from elsewhere in the community. On the other hand, those local supported work operations that were run by businessmen did not, Shapiro notes, do substantially better in raising worksite revenues. In fact, the businessman with the most relevant and successful experience prior to operating a supported work company stated clearly that operating worksites that earn money was important primarily because of the air of "realism" it added to the supported work experience, not because of any possibility it offered for self-sufficiency.

Mr. Shapiro's documentation and analysis of the supported work experience in "doing good while making money" is especially instructive at this time, when local and national grant monies to operate employment programs have been severely reduced, and when the push from Washington is for the private sector to pick up the slack by directly hiring those who would in years past have gone into such programs first as preparation for regular employment. In short, employment programs that want to continue dealing with significant segments of the severely disadvantaged "underclass" must find new sources of revenue; the private sector must continue to make profits and add "doing good" to its agenda.

The supported work experience in generating revenues through the production of goods and services -- conducted over seven years and ultimately in 21 locations -- offers considerable prospect for worksite revenues as a complementary, non-public funding technique and as a programmatic technique to make a subsidized work experience of even more relevance to the ultimate goal of transition to a regular, unsubsidized job. It also indicates, corroborating Shapiro's conclusion in his earlier study, Paying the Bills, that the implementation of effective employment and training programs for those with severe employment handicaps is unlikely without support and active cooperation from all sectors of our society and from all levels of our government. Although the payoff to society from operating such programs is considerable, as the AFDC results show, the job of developing and operating those programs is complex, requires both professional business and social service skills and a level of commitment that transcends partisan politics, public/private sector dichotomies and the different levels of government. Like all tough but worthwhile jobs, there are no quick or simple fixes but only the patient, professional integration and implementation of the various pieces that make the puzzel work. Setting Up Shop elucidates the limits and potential of one of the innovative pieces of the task of increasing underclass employment and reducing welfare dependency.

Gary Walker
Senior Vice President

TABLE OF CONTENTS

SUPPORTED WORK SITES

Location	Sponsoring Agency
Atlanta, Georgia	Atlanta Urban League-PREP
Chicago, Illinois	Options, Inc.
Cincinnati, Ohio **	Cincinnati Institute of Justice
Detroit, Michigan *	Supported Work Corporation
Hartford, Connecticut	The Maverick Corporation
Massachusetts (Boston area)	Transitional Employment Enterprises
New Jersey	
Atlantic City **	Atlantic County Vocational Services Center
Hackensack **	Bergen Supported Work Corporation
Jersey City	Community Help Corporation
Newark	Newark Service Corporation
Trenton **	Trenton Office of Employment and Training
New York, New York	Wildcat Service Corporation
Oakland (Alameda County), California	Peralta Service Corporation
Philadelphia, Pennsylvania	Impact Services Corporation
St. Louis, Missouri	St. Louis Housing Authority
San Francisco, California *	The San Francisco Phoenix Corporation
Washington State *	Pioneer Cooperative Affiliation
West Virginia (5 counties in northwest area of state)	Human Resource Development Foundation
Wisconsin	
Fond du Lac & Winnebago Counties	Advocap, Inc.
Ladysmith **	Indianhead Community Action Commission
Madison **	Community Action Commission for the County of Dane and the City of Madison, Inc.
Milwaukee **	Community Relations-Social Development Commission
Westby **	Coulee Region Community Action Agency
Whitehall **	Western Dairyland Economic Opportunity Council, Inc.

* Discontinued sites.
** New sites after fall 1978.

LIST OF TABLES

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I. INTRODUCTION

To what extent is it possible to do well financially while doing good socially? This question has been of growing interest in the United States in recent years. In the business community, the concern has taken the form of a debate over corporate social responsibility as business firms have been asked to go beyond their traditional economic goals and directly confront the social implications of their actions. Meanwhile, in government and nonprofit organizations, although there has been confidence that much of the work being done is socially useful, many have wondered if socially useful activities could be made self-supporting, thus freeing them from the vagaries of politically charged budgeting and grant-making processes.

The National Supported Work Demonstration may have much to contribute to that inquiry. The local employment and training programs which operated as part of this national demonstration from 1975 through 1978 were testing the effectiveness of an approach called supported work in improving the employment prospects of the hard-core unemployed. But the programs also attempted to generate significant portions of their income by producing and selling goods and services.

This effort to include marketplace transactions in the financing of a social service program had several purposes. It was a way of generating additional funds to help support the demonstration, of course. And beyond that, it would test the programs' capacity to develop sources of support and institutionalize their financing. But selling goods and services also had a programmatic role: it was seen as a way of bringing

the realities of the marketplace into an employment program. Having real customers could help ensure that the programs maintained conditions and standards that resembled the world of work into which supported workers were expected to move.

The results of this effort to generate revenues are the topic of this report. In the following pages, we will first review the elements of the National Supported Work Demonstration and then turn to the role of revenue generation in shaping the demonstration. Finally, we will attempt to assess the effects of revenue-generation goals on the demonstration and examine the future prospects for revenue generation in supported work programs. This report is part of a comprehensive research effort that accompanied the National Supported Work Demonstration.

II. THE NATIONAL SUPPORTED WORK DEMONSTRATION

The National Supported Work Demonstration began operating in 13[1] cities during the spring and summer of 1975, and the demonstration period continued through the end of 1978. The demonstration sought to test the effectiveness of a concept called supported work in improving the employability of several hard-to-employ groups, including ex-offenders, ex-narcotics addicts, long-term welfare recipients, and out-of-school, unemployed youths.

Those enrolled in a local supported work program were put to work in entry-level jobs which featured group work activities and close and supportive supervision. Over the course of this transitional work experience program, the counseling and other supports would gradually be withdrawn so the participants would face more and more of the pressures and stress of the regular job market. After a year to 18 months in the program, participants would then be helped to find a nonsubsidized job in the regular labor market.

The concepts of supported work, an outgrowth of sheltered workshops, had been honed in the late 1960s by the Vera Institute of Justice in New York City. Because of the results obtained by Vera, in the early 1970s the Ford Foundation sought to launch a national test of supported

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1 The original sites were the cities of Atlanta, Chicago, Hartford, Jersey City, Newark, Oakland, Philadelphia, St. Louis, and San Francisco and parts of the state of Massachusetts, Washington, West Virginia, and Wisconsin. In addition to these 13 sites which started operations in 1975, a supported work program in Detroit was added in the spring of 1976 and the existing New York City supported work program was also made a part of the demonstration. In 1977, the San Francisco program was closed.

work to examine its effectiveness under varied circumstances. The Foundation and five federal agencies agreed to provide central national funding to finance a demonstration of supported work,[1] and in mid-1974, the Manpower Demonstration Research Corporation (MDRC) was created to manage the demonstration and oversee a complex research program on the impact of supported work.

Early plans to initiate a national demonstration were developed by Professor Eli Ginzberg of Columbia University, Mitchell Sviridoff, the Ford Foundation's vice president for national affairs, and Ford Foundation program officer William Grinker, who would later be named President of MDRC. In preparation for the demonstration, they cast about for those they knew in the manpower field across the nation whom they regarded as "public entrepreneurs," because the demonstration would require program operators to develop many of the resources they would need to mount their programs.

Sviridoff and Grinker scheduled a meeting for January 24 and 25, 1974, at the Ford Foundation Office in New York City. They invited some 132 people from 60 localities to hear an explanation of supported work, a discussion of plans for a national demonstration, and an invitation for expressions of interest.

During the spring of 1974, soe 40 local and state public or private

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1 The federal agencies were the Employment and Training Administration of the U.S. Department of Labor, the Law Enforcement Assistance Administration of the U.S. Department of Justice, the Office of Planning and Evaluation of the U.S. Department of Health, Education and Welfare; the National Institute of Drug Abuse (also a part of HEW); and the Office of Policy Development and Research, U.S. Department of Housing and Urban Development.

groups indicated a desire to launch local supported work programs. Six-month planning grants were awarded to 19 of these applicants to develop detailed proposals which were to be submitted by December 31, 1974. The proposals were supposed to show not only that the would-be program operators had designed a workable program which would provide a range of work opportunities, but also that they had obtained at least tentative commitments for funding from local sources.

MDRC selected 13 sites for funding early in 1975, and through the spring of that year, the operators of those program put together the pieces of their proposals, prepared budgets and negotiated contracts with MDRC. The programs began operating individually over the first half of 1975. During 1978, as each of the local sites completed their third year of operation, the fourth year contracts with MDRC were all given a uniform expiration date of December 31, 1978, so that the demonstration period officially ended at all sites at the same time. (Most of the programs have continued operating after the demonstration period ended.)

In developing financing plans for the demonstration, MDRC proposed relying on a mixture of funding sources permitting a gradual scaling down of its own support of each site. MDRC served as the financial conduit for the demonstration's sponsors, and provided 75 percent of each site's first year revenues, 50 percent in the second year, 25 percent for the third year, and by the fourth year, in at least some early plans for the demonstration, the central MDRC funding role was to decline to zero as money raised locally replaced the central funding source. As MDRC's financial support declined, the local sites were expected to rely on three other sources of revenue: welfare diversion,

local grants, and service project revenues.

Welfare diversion was a plan under which the welfare payments that would otherwise have gone to welfare-eligible participants in supported work would instead be paid to the program. The supported work program would then use the funds to pay the wages of supported workers.[1]

A second source of revenues was to be grants made to the sites by local public and private sector organizations. Sources of grants might include CETA prime sponsors, the local community development bloc grants, or foundations.[2]

A third source of local funds was to be what MDRC called service project revenues. This represented revenues earned from the sale of goods and services produced by supported workers.

Many education and training programs had a classroom atmosphere. Their enrollees might never produce any products or services. Or if they did, they might be thrown away or given away. Some programs, for example, taught painting skills by having enrollees paint the same classroom wall over and over again. Others might paint a building, without charge to the owner, in order to obtain a learning experience for the would-be painters. Alternatively, some employment and training programs assumed the best learning experiences were provided by on-the-job training situations, in which the trainee was exposed to all the realities of the work place as well as learning how to do a real and specific job.

1 For a discussion of welfare diversion, see Harvey D. Shapiro, "Waiving the Rules: Welfare Diversion in Supported Work," MDRC, 1978.

2 For a discussion of local grants, see Harvey D. Shapiro, "Paying the Bills: The Role of Local Grants," MDRC, 1979.

MDRC sought to use elements of both approaches. It saw a need for the controlled environment of the classroom, but it also wanted the realism of on-the-job training. And it wanted program operators to develop some of their own resources. So MDRC developed the concept of seeking service project revenues, in which local supported work programs would perform real work for real payment.

By operating revenue-generating projects and selling goods or services, a supported work program could accomplish several things. It could, hopefully, generate significant sums to help pay for operating the program. Moreover, it could test the ability of this kind of program to become self-supporting after the demonstration period. But producing a product also had a programmatic purpose. Having to sell something in the marketplace would inject a note of realism to the program. Work would have to meet the standards of a customer, not just the tastes of the program staff. While this might toughen the standards of the program, there was a belief that this would better equip the enrollees to handle regular employment. Moreover, if supported work gained a reputation for high standards, that could enhance the employability of its participants.

But it was clear that a supported work program which attempted to undertake "real" work -- and to be paid for it -- would confront a number of potentially serious problems. A training program which did real jobs could run afoul of both the businesses and the trade unions which already performed the work undertaken by a supported work program; neither business nor labor, after all, would be likely to welcome the arrival of a new competitor which was being subsidized with tax dollars.

Moreover, a supported work program which sought payment for its services would do so with a labor force that was severely limited. By definition, the work force was to be composed of those who had proven themselves unable to find or keep a job for extended periods of time. And this labor force was to be employed in a manner requiring those who had gained the most skills to be "graduated" from the program and replaced by new, untested, and highly troubled workers.

While most small businesses start with a few employees, and change the size of their labor force in response to business conditions, supported work would have to begin its projects full-blown, with large crews that could not be laid off not shifted to part-time work. Instead, the training objectives required that crews be kept occupied with meaningful activities on a fixed schedule.

The pursuit of service project revenues introduced the potential for conflict between two goals in the supported work demonstration. The primary objective of supported work was to provide work experience and training which would improve the employability of program participants. But the program was also proposing to accomplish real work and to generate income. It remained to be seen whether this additional objective was entirely complementary to the primary goal, or whether it would prove to be at odds with it.

This report will focus on the efforts to generate service project revenues at nine supported work sites. The sites included in this report are Atlanta, Chicago, Hartford, Jersey City, Massachusetts, Oakland, Philadelphia, Washington, and West Virginia. Newark, New York City, St. Louis, San Francisco, and Wisconsin have been excluded from this study because they weren't active in generating service project revenues or because their activities were suis generis.

We will first turn to an overview of the revenues generated from service projects and then examine the role of this element of the program in the unfolding of the demonstration.

While the difference between service project revenues and local grants seems clear in principle, the distinctions have sometimes been elusive in practice, since in both cases payments are made to the supported work program and services are rendered by the program. In theory, revenue generating projects are those which resemble marketplace transactions; funds are paid to obtain goods or services. While grants have also called for supported workers to undertake specific work, the difference has been that grants were generally motivated by a desire to achieve some philanthropic or social service goal rather than to simply obtain goods and services. Supported work programs have been involved in a spectrum of transactions that range from pure charity to purely marketplace transactions. In determining which work and which revenues should be considered "revenue generating" projects and "service project revenues," this report will rely on the classifications used by the local supported work programs, based on guidelines developed by MDRC's controllers office.

III. AN OVERVIEW OF REVENUE GENERATION

Generalizations about the revenue-generating work undertaken during the supported work demonstration are difficult to make because revenue generation turned out to encompass a highly diverse set of activities. The nine programs under study collectively launched perhaps 80 different service projects. The nature of the goods and services produced, the scale of the projects, their duration, the buyers, and virtually every other factor varied considerably.

The work performed included printing and painting, construction and demolition, operating restaurants and gas stations, delivering food, packaging chewing gum and industrial parts, microfilming government records, assembling rocking chairs, felling trees, and performing custodian and maintenance services. The work ranged in complexity from Boy Scout and Junior Achievement projects (selling Christmas trees, making pottery) to sophisticated machinery maintenance, concrete casting and intricate construction work. The following list summarizes some of the revenue generating projects undertaken by local supported work programs:

Atlanta, Georgia -- Atlanta Urban League PREP:
*Inventoried government-owned equipment at Morehouse College
*Performed maintenance, rehabilitation and painting at Morris Brown College and the Atlanta Job Corps Center
*Produced cleaning products for the Clean-Rite Products Division of Max Rittenbaum, Inc.
*Provided maintenance services for several Citizens & Southern Bank branches, as well as the Atlanta Urban League

Chicago, Illinois -- Options, Inc.:
*Packaged products for International-Harvester, Stone Container Co., and Freightliner
*Painted and refurbished buildings

Hartford, Connecticut -- The Maverick Corporation:
*Recapped tires
*Built, reupholstered and refinished furniture
*Produced cement forms
*Rehabilitated and painted houses
*Built boats
*Serviced heavy machinery
*Operated a gas station

Jersey City, New Jersey -- Community Help Corporation:
*Operated two restaurants and an in-plant cafeteria
*Delivered food under various government contracts
*Remodeled homes
*Operated a woodshop, a pottery shop and a printshop

Boston, Massachusetts -- Transitional Employment Enterprises:
*Operated a printing shop
*Recycled glass and paper products
*Renovated and remodeled buildings

Oakland, California -- Peralta Services Corporation:
*Sold Christmas trees from a vacant lot
*Operated a gas station and a child-care center
*Recycled paper
*Packaged dry flowers, chewing gum and other products
*Provided contract painting
*Provided janitorial and landscaping services
*Assembled rocking chairs from parts made in the Orient
*Repaired pallets used in loading freight

Philadelphia, Pennsylvania -- Impact Services Corporation:
*Demolished or cleaned and sealed abandoned buildings
*Cleaned vacant lots
*Operated a woodworking shop, a pro shop at a golf couse, and a city-owned stable
*Renovated and painted properties
*Provided janitorial services

Seattle, Washington -- Pivot Corporation:
*Microfilmed documents for government agencies
*Produced several lines of furniture
*Renovated buildings

Morgantown, West Virginia -- Human Resources Development Foundation:
*Provided residential lawn care
*Cleared a 1.5 acre lot, cut up the trees on it, and sold firewood
*Collected items too large for city sanitation crews to remove

*Maintained an apartment complex and hotel owned by a related organization
*Purchased two mobile cleaning units and used them to clean walls, mobile homes and industrial equipment
*Maintained mobile homes
*Prepared and mailed ROTC materials to every secondary school in the country

In addition to the revenue-generating projects created and managed by the nine programs themselves, a number of the programs also generated revenues by "outstationing" supported workers in the plants and offices of other organizations. Massachusetts was probably the most active in selling labor in this manner, but Atlanta and West Virginia also earned revenues by providing supervised supported work crews and individual workers to various organizations.

Some projects, such as Hartford's furniture manufacturing business, went on throughout the demonstration period (and beyond), while other undertakings were brief. For example, Oakland spent two weeks taking light bulbs out of specially labeled cartons for General Electric and repackaging them in regular cartons. West Virginia prepared a mailing to be sent to every secondary school on behalf of the U.S. Armed Forces ROTC program. Some products and services were sold in the open market (e.g., lawn care, painting services, gasoline); some were sold through established industry channels (e.g., furniture made in Hartford and Seattle was sold to dealers); some sold under contracts with a single company or government agency; and some goods and services were "sold" to the supported work program's parent organization (e.g., PREP did custodial work for the Atlanta Urban League). The customers included the general public, government agencies, Fortune 500 companies, and small businesses. The number of supported workers assigned to an activity ranged from a single individual to 50 or more employees.

Indeed, the most significant generalization that emerges from a review of the revenue-generating projects undertaken during the demonstration is that most sites were always running a diverse and evolving list of projects. While some planners envisioned a supported work program as akin to a small firm with two or three lines of business, some of the programs often had a half-dozen disparate operations to manage at any point in time. Some projects were short-lived, and new ones were always in the planning stage.

As shown in Tables 1A and 1B, the 13 original sites generated a total of $9.4 million in service project revenues during the demonstration period. This represented 16.4 percent of the total cost of the demonstration at these sites. The contribution of service project revenues was dwarfed by the $29.7 million from MDRC and the $17.0 million from grants, which included $12.4 million from CETA.

In the first year of the demonstration, service project revenues totaled $1.1 million, representing 13.7 percent of total revenues. During the second year, service project revenues nearly tripled, to $3.0 million, but this was a period during which total demonstration revenues were doubling, so the proportion of total revenues provided by service projects increased from 13.7 percent to only 17.7 percent. That proved to be its peak in relative terms. In the third year of the demonstration, service project revenues reached $3.1 million, representing 15.9 percent of total revenues, and during the fourth year, as the overall size of the demosntration began to decline, service projects generated $2.2 million, or 17.1 percent of total revenues.

TABLE 1-A

REVENUE FOR NINE SUPPORTED WORK SITES BY SOURCE AND CONTRACT YEAR ($000)

Site	Yr.	CETA	Other	Total Grants	Service Projects	Welfare Diversion	MDRC	Total Revenues
Atlanta	1	85.1	0.0	85.1	1.8	0.0	328.4	415.3
	2	198.9	0.0	198.9	5.5	29.4	573.1	806.9
	3	221.9	0.0	221.9	89.1	64.5	485.3	860.8
	4	105.1	0.0	105.1	54.8	29.8	258.3	439.6
Total		611.0	0.0	611.0	151.2	123.7	1,645.1	2,522.6
Chicago	1	11.1	109.7	120.9	19.9	0.0	404.5	545.3
	2	216.3	166.2	382.5	171.2	0.0	878.5	1,432.2
	3	410.3	80.5	490.8	276.0	0.0	1,334.0	2,100.8
	4	218.3	1.2	219.5	250.0	0.0	936.0	1,413.8
Total		856.0	357.6	1,213.7	717.1	0.0	3,553.0	5,492.1
Hartford	1	292.2	0.0	292.2	222.9	0.0	281.2	796.3
	2	507.8	0.0	507.8	611.9	32.4	1,129.8	2,281.9
	3	691.6	501.4	1,193.0	606.8	193.3	1,229.6	3,222.6
	4	505.9	37.0	543.0	379.4	94.5	620.0	1,667.0
Total		1,997.5	538.4	2,536.0	1,821.0	320.2	3,260.6	7,967.9
Jersey City	1	429.4	0.0	429.4	408.3	0.0	568.5	1,406.2
	2	449.0	1.2	450.2	934.1	0.0	1,731.5	3,115.8
	3	826.7	0.0	826.7	457.2	0.0	1,611.0	2,894.9
	4	552.1	0.0	552.1	68.3	0.0	600.0	1,220.5
Total		2,257.2	1.2	2,258.4	1,867.9	0.0	4,511.0	8,637.4
Mass.	1	247.5	116.7	364.2	122.9	0.0	561.4	1,048.5
	2	100.2	265.3	365.4	76.7	20.0	610.0	1,072.1
	3	236.4	45.8	282.2	202.9	83.3	797.0	1,365.5
	4	805.5	500.9	1,306.5	413.3	76.7	714.5	2,511.1
Total		1,389.6	928.7	2,318.3	815.8	180.0	2,682.9	5,997.2
Oakland	1	109.2	33.0	142.3	20.9	0.0	367.4	530.6
	2	37.1	101.6	138.7	297.5	0.0	963.5	1,399.7
	3	249.1	169.3	418.3	367.4	85.3	879.3	1,750.3
	4	116.8	91.8	208.6	230.9	70.3	410.0	919.8
Total		512.2	395.7	907.9	916.7	155.6	2,620.2	4,600.4
Phila.	1	50.0	57.0	107.0	177.2	0.0	379.1	663.3
	2	10.7	58.2	68.9	333.7	0.0	1,031.9	1,434.5
	3	190.9	157.8	348.7	420.3	0.0	481.4	1,250.4
	4.	204.6	116.9	321.5	224.6	0.0	254.0	800.1
Total		456.2	389.9	846.1	1,155.8	0.0	2.146.4	4.148.3
Washington	1	0.0	24.8	24.8	82.9	0.0	530.3	638.0
	2	101.1	53.6	154.7	168.4	0.0	526.7	849.7
	3	170.6	61.1	231.8	163.6	0.0	548.0	943.4
	4	135.6	4.8	140.4	134.7	0.0	360.0	635.1
Total		407.3	144.3	551.7	549.6	0.0	1,965.0	3,066.2
West Virginia	1	0.0	0.0	0.0	30.5	43.1	482.4	556.0
	2	200.0	0.0	200.0	137.5	46.1	435.5	818.9
	3	200.0	0.0	200.0	189.1	59.3	400.0	848.4
	4	200.0	0.0	200.0	155.9	56.1	255.0	667.0
Total		600.0	0.0	600.0	513.0	204.6	1,572.8	2,890.3

SOURCE: Tabulations of data in the supported work site fiscal combined operating reports.

TABLE 1-B

PERCENTAGE DISTRIBUTION OF REVENUES FOR
NINE SUPPORTED WORK SITES BY SOURCE

Site	Yr.	CETA	Other	Total Grants	Service Projects	Welfare Diversion	MDRC	Total Revenues
Atlanta	1	20.4	0.0	20.4	.4	0.0	79.1	100.0
	2	24.7	0.0	24.7	.7	3.6	71.1	100.0
	3	25.7	0.0	25.7	10.3	6.4	56.2	100.0
	4	24.0	0.0	24.0	12.5	6.8	58.8	100.0
Total		24.2	0.0	24.2	6.0	4.9	65.2	100.0
Chicago	1	2.0	20.1	22.1	3.6	0.0	74.2	100.0
	2	15.2	11.6	26.7	11.9	0.0	61.3	100.0
	3	19.5	3.8	23.4	13.1	0.0	63.5	100.0
	4	15.4	0.1	15.5	17.7	0.0	66.2	100.0
Total		15.6	6.5	22.1	13.1	0.0	64.7	100.0
Hartford	1	36.7	0.0	36.7	28.0	0.0	35.3	100.0
	2	22.2	0.0	22.2	26.8	1.4	49.5	100.0
	3	21.4	15.5	37.0	18.8	6.0	38.2	100.0
	4	30.4	2.2	32.6	22.7	5.7	37.2	100.0
Total		25.1	6.7	31.8	22.9	4.0	41.0	100.0
Jersey City	1	30.5	0.0	30.5	29.0	0.0	40.4	100.0
	2	14.4	*	14.4	29.9	0.0	55.6	100.0
	3	28.5	0.0	28.5	15.8	0.0	55.6	100.0
	4	45.2	0.0	45.2	5.6	0.0	49.2	100.0
Total		26.1	*	26.2	21.6	0.0	52.2	100.0
Mass.	1	23.6	11.1	34.7	11.7	0.0	53.5	100.0
	2	9.3	24.7	34.1	7.2	1.9	56.9	100.0
	3	17.3	3.4	20.7	14.9	6.1	58.4	100.0
	4	32.1	19.9	52.0	16.4	3.1	28.5	100.0
Total		23.2	15.5	38.6	13.6	3.0	44.7	100.0
Oakland	1	19.8	6.0	25.8	3.8	0.0	66.4	100.0
	2	2.6	7.3	9.9	21.3	0.0	68.8	100.0
	3	14.2	9.6	23.8	20.9	4.9	50.2	100.0
	4.	12.7	10.0	22.7	25.1	7.6	44.6	100.0
Total		12.8	9.9	22.7	22.9	3.9	65.4	100.0
Phila.	1.	7.6	8.6	16.2	26.8	0.0	57.2	100.0
	2	0.7	4.1	4.8	23.3	0.0	71.9	100.0
	3	15.3	12.6	27.9	33.6	0.0	38.5	100.0
	4	25.6	14.6	40.2	28.1	0.0	31.7	100.0
Total		10.4	9.4	20.3	27.7	0.0	51.7	100.0
Washington	1	0.0	3.9	3.9	13.0	0.0	83.1	100.0
	2	11.9	6.3	18.2	19.8	0.0	62.0	100.0
	3	18.1	6.5	24.6	17.3	0.0	58.1	100.0
	4	21.3	.8	22.0	21.1	0.0	56.7	100.0
Total		13.3	4.7	18.0	17.9	0.0	64.1	100.0
West Virginia	1	0.0	0.0	0.0	5.5	7.7	86.7	100.0
	2	24.4	0.0	24.4	16.8	5.6	53.1	100.0
	3	23.6	0.0	23.6	22.3	7.0	47.1	100.0
	4	30.0	0.0	30.0	23.4	8.4	38.2	100.0
Total		20.8	0.0	20.8	17.7	7.1	54.4	100.0

SOURCE: Tabulations of data in the supported work site fiscal combined operating reports.

There was a considerable variation among the sites in the revenues they generated by selling goods and services. Atlanta, for example, raised only $1,800 in its first program year, and at its peak, in the third year of the demonstration, it generated only $89,100 by selling goods and services. Its total income from service projects during the demonstration period was $151,200.

By contrast, Hartford and Jersey City each raised over $1.8 million in service projects during the demonstration, while Philadelphia generated $1.2 million, Oakland $908,000, Massachusetts $815,000, and Chicago $717,000.

While service project revenues represented 16.4 percent of total demonstration revenues, they provided only 6.0 percent of Atlanta's revenues compared to 22.9 percent in Hartford and Oakland, 21.6 percent in Jersey City, and 27.7 percent in Philadelphia. Several other sites were clustered around 17 percent and 13 percent.

Care must be taken in reaching conclusions about particular sites on the basis of these figures The figures are difficult to interpret, for example, because of size constraints on local sites. MDRC sought to keep programs at certain levels of enrollment for research purposes, and, consequently, if local revenue generation requirements were not met, MDRC might have supplemented its financial commitment to a site in order to help it maintain a certain size which might otherwise not be warranted by the level of funds raised locally through grants and service projects.

In operating a business, of course, a key concern is not simply the volume of sales but the rate of return: while the total volume of revenues is important, it is such yardsticks as the return on equity or assets and the net earnings, that are crucial in many enterprises.

The most straightforward way to measure the financial results achieved by service projects would be to compare costs and revenues. Costs for each project could be defined to include wages paid supported workers involved in the project, plus materials and supplies, supervisory costs, and a relevant portion of the program's overhead costs. Comparing these costs against revenues generated by a project would invariably show a large loss on virtually every project, according to local program directors.

However, many argue such conventional financial measurements are inappropriate in evaluating supported work revenue-generating projects unless the costs of the program's social services for employees are factored out. The benchmark that has been preferred in the demonstration compares "direct project expenses" and project revenues. Direct project expenses are defined to include materials and supplies used in undertaking a project. However, supported worker wages, supervisory costs and overhead are excluded. The reasoning is that wages and supervisory costs would be incurred anyway by virtue of having a supported work program. Thus, the question is what additional expenses are incurred by deciding to undertake a particular revenue-generating project. Typically, these direct project expenses are the materials and supplies needed to equip the supported workers to undertake the project. Under this definition, if direct project revenues exceed project expenses, then the program has a net gain in its financial position. If direct project expenses exceed project revenues, however, then it costs more to undertake the project than to do nothing; it would have been cheaper simply to seek grants

rather than attempt revenue generating projects.

The results obtained by employing that yardstick are shown in Table 2. This table shows that service project revenues at a number of sites did not cover direct project expenses. Those that did show a ratio greater than one tended to be those sites, such as Massachusetts and West Virginia which had moved heavily toward outstationing of supported workers. Outstationing refers to placing supported workers, either individually or in crews, on the premises of a company or agency. Like an on-the-job training program, outstationing involves the supported worker in the regular activities of his or her employer. While the supported work program must provide supervision for those outstationed, the program incurs no expenses for materials or supplies. Thus, direct project expenses are far lower in outstationing than in any revenue-generating project managed and operated by the supported work program itself.

Overall, Table 2 shows that in the second year of the demonstration, service projects cost more to undertake than they generated in revenues. In the third year, however, service project revenues exceeded direct project expenses, and that margin was expanded in the demonstration's fourth year. How these results were achieved and what they mean are the next questions we shall examine.

TABLE II

RATIO OF SERVICE PROJECT REVENUES TO DIRECT PROJECT EXPENSES

Site	Second Contract Year	Third Contract Year	Fourth Contract Year
Atlanta	.16	2.33	2.21
Chicago	.93	1.10	2.32
Hartford	.76	.69	.99
Jersey City	.87	.81	.75
Massachusetts	.47	1.11	1.98
Oakland	1.66	.87	1.00
Philadelphia	.80	1.15	1.01
Washington	1.06	.88	1.17
West Virginia	1.55	3.29	2.62
All 15 Sites	.92	1.10	1.48

Source: Tabulations of the supported work fiscal combined operating reports and status change activity in the supported work Management Information System.

Notes: The ratios shown in this table are the result of dividing total direct project revenues by total service project expenses during each contract year. Expenses are not limited to those associated with projects specifically designed for revenue generation and consequently may be overstated. Nonetheless, the ratios have been used as a benchmark indicating the extent to which revenues cover the costs of materials and equipment and monitoring the change between contract years.

IV. SERVICE PROJECT REVENUE GENERATION AND DEMONSTRATION PLANNING

The need to generate service project revenues was one factor which helped to shape the work projects and local programs that composed the National Supported Work Demonstration. But on the basis of interviews with many of those involved in planning and the demonstration, as well as an examination of assorted planning documents, it seems clear that revenue generation was often a subordinated and blurred component.

During the local planning process that began in early 1974, MDRC issued general guidelines and then gave local planners broad freedom in designing the specific elements of their programs. MDRC's restraint reflected its desire to encourage diversity; that, after all, was the point of mounting a national demonstration. MDRC spelled out the wages to be paid and the broad requirements of supported work -- crew work, close supervision, graduated stress -- but not the content or structure of particular jobs. Guidelines permitted (but did not require) programs to use up to 25 percent of participants' time in assorted ancillary services as long as they were work-related. And MDRC set goals for local revenue generation, but it didn't specify how local funds should be raised. While revenue generation was mentioned as a means of meeting local fund-raising needs, MDRC officials did not delineate any particular role for it, they say.

Beyond guidelines from MDRC, local planners also assumed they could be guided by the Wildcat model. The January 1974 supported work conference in New York included an extensive examination of the Wildcat Services Corporation, the supported work program launched by the Vera

Institute of Justice in New York City. MDRC arranged for Wildcat to organize regional conferences in November 1974 to brief local planning groups, although the MDRC board vetoed a Vera proposal to provide further technical assistance because it might influence local planning too heavily.

From the Wildcat model, local planners say they not only grasped the outlines of supported work but several lessons that weren't explicitly a part of MDRC's guidelines. One of these lessons was Wildcat's heavy reliance on local government grants for funding. Although the Vera Institute's earliest supported work program, the Pioneer Messenger Service, had been run like a small business, charging a fee for its services, when the program was expanded to become Wildcat Services Corporation, the customers were public agencies, which were essentially providing funds in the form of grants.

Within the latitude offered by MDRC, the local planners designed work projects and local revenue-generation plans on the basis of two kinds of considerations: the resources they could muster most easily without engendering local opposition, and their own tastes and experience in employment programs. Jersey City, Massachusetts and Philadelphia had already been developing their own supported work schemes before the national demonstration began to emerge. Others were starting from scratch.

However, the basic concern at all sites was to develop a proposal that MDRC would fund. This meant the proposal had to include jobs in sufficient number and variety. Planners felt the supported work jobs they proposed did not have to exhibit strong links to post-program

placement opportunities, nor did they have to offer strong skills training, but they did have to appear likely to be created. MDRC seemed willing to accept experimentation in the substance of jobs but not speculation on obtaining them.

Planners generally responded by turning to what they regarded as their safest alternatives: government agencies, particularly the CETA prime sponsor. Most of the planners were officials of either city agencies or organizations aided by city agencies, such as the Atlanta Urban League or Oakland's Spanish Speaking Unity Council, and so they called on the city or state for help. Thus, in Jersey City, 125 of the 150 jobs proposed were to be provided by city agencies, and several of the remaining jobs would be at Patrick House, the drug-treatment center that would be operating the program. In Atlanta, the city's chief administrator requested supported work worksites from city departments and obtained commitments for 120 jobs complete with CETA funding. In Massachusetts, planners working for the state's Executive Secretary for Human Services, Peter Goldmark, were able to obtain a state commitment for over a hundred CETA jobs, and when timing caused that to fall through, they were able to get a number of state agencies to commit funds and provide work opportunities.

Several planners also recognized a need and opportunity to turn to nonprofit agencies and businesses, but this was a less familiar world to them and a less certain one. Some planners felt that projecting sales revenues from a business seemed too uncertain; they preferred contractual arrangements, and contracts were easiest to get from local government agencies. Thus, the need to show sufficient job commitments to win MDRC funding approval combined with the Vera model to lead planners to rest their programs heavily on public sector employment and government grants. The planners' individual backgrounds and predilections reinforced that in some cases. Broadly speaking, there were three themes that dominated planning at various sites: production and revenues, program environment, and services performed.

In Hartford, Philadelphia, Massachusetts and Washington, there was a strong emphasis on running businesslike work projects which generated significant revenues. At one stage the Massachusetts program proposed to operate a number of small businesses which might eventually make the program self-sustaining. The program began life with several of these but soon encountered major difficulties related to its statewide concept and funding, and it quickly turned to government grants. Washington planned a large-scale enterprise which would contract with Seattle-area government agencies to microfilm assorted documents. Although the planners were all bureaucrats from the state Department of Social and Health Services, "We thought we were going to be big entrepreneurs," Michael Irish recalls. Irish helped plan the Pivot Program and served as its vice-president.

In Philadelphia, the tone was set by Leon Alexander, founder of the Lower Kensington Environmental Conference (LKEC), which planned and operated the supported work program. Alexander had a strong orientation toward the private sector. He suspected government grants of being both a fickle source of financing and the dubious refuge of "poverty pimps." LKEC had already developed a nascent supported work program which envisioned operating several businesses, and as LKEC developed plans for

an expanded program to be a part of the national demonstration, Alexander's private sector philosophy suffused the planning. According to one LKEC staff member:

> "Wildcat did not provide a replicable model because it was supported with millions of dollars in grants each year. It was not really structured as an ongoing operation. Credibility depends on service revenue and placement."[1]

Thus, the Philadelphia proposal envisioned generating more than half of the program's $400,000 in local revenue requirement from service projects and only $50,000 from the local CETA program.

In contrast to Washington and Philadelphia, in Hartford, program director Dan MacKinnon's emphasis was primarily on tough, businesslike operations, with revenue generation as a concomitant. MacKinnon, who had a career in manufacturing before heading Connecticut's prison industries program, joined Maverick after the planning stage. He quickly discarded the worksites being planned in favor of operations in furniture assembly, tire recapping and other activities, goods and services which were sold to a variety of customers. His major objective, he says, was to develop a program that would have an impact on participants. And to him, this required producing visible products -- like furniture -- and emphasizing the kind of tough standards of punctuality and behavior that he felt enrollees would have to meet in regular jobs. MacKinnon insists he always believed that prospects for revenue generation were decidedly slim in supported work. The work atmosphere was far more important to him than the revenue generated, although he continued to

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1 Lefkowitz, Bernard, "Highlights of Site Activities During the Planning Period of the Supported Work Demonstrations," (MDRC, 1976), pp. 26-27.

launch various revenue-producing businesses.

This put him closer than he might have imagined to a second group of planners, those whose primary concern was designing a program which would be most effective as a work and training experience. For this group, which included people in Oakland, Jersey City and Atlanta as well as other sites, the key concern was developing work habits and skills to improve post-program placement. Thus, in Oakland, the worksites would be marked by group goal setting, crew meetings, and other efforts to make the experience useful and significant. In Chicago, the program model envisioned supported workers moving through a three-stage work experience that began with crew work on the program's own projects, moved to crew work in private industry, and then envisioned stationing individual supported workers in industry, after which they would move on to regular jobs in industry. (This elaborate sequence of experiences was never really implemented.)

A third major concern was the output -- the nature of the services provided and customers served. Thus, the Wisconsin program, planned by the staff of a community action agency, sought work activities which benefited the disadvantaged. This two-county program, many of whose participants were recently released mental patients, helped winterize homes for the elderly and disadvantaged. Similarly, the St. Louis program, all of whose participants were AFDC recipients living in public housing, emphasized building security and day-care projects which served other public housing residents.

In short, while each site was responding to the same guidelines and weighing similar concerns, there were significant differences in basic

perceptions of needs and priorities as well as local resources. MDRC's approach encouraged these differences to be expressed. This, combined with an inability to generate large numbers of jobs in any one activity, resulted in a large and diverse set of worksites. The December 1974 proposals listed 135 potential worksites, and of these, 73 would actually be implemented, while 62 failed to materialize. An additional 97 were planned once the first program year began, and 88 actually started up. Thus, in the first year there were approximately 161 worksites started. While Oakland and Chicago both devoted a considerable number of people and time to painting, most programs had highly diverse worksites so that no single activity accounted for more than a third of participant days in the first year. In one way or another, each program operator chose a priority to emphasize.

In examining the development and implementation of worksites, it seems clear that at most sites, generating revenues was a subordinate and dependent consideration. Most of the planners first tried to develop appropriate and feasible work projects based on their range of experience and contacts, and then they sought to find ways to pay for that work. They recognized the need to raise money locally and accepted service revenue generation as one way to do it, but they most assuredly did not flock to selling goods and services. While there were some who harbored doubts about it, most didn't really oppose such activities, they simply regarded it as a world they didn't know very well, and they preferred to look elsewhere first. Both in the planning stage and in the early operations, four-fifths of the work was with government and nonprofit agencies, and only one-fifth with business firms or individuals.

After the programs had begun operating, however, both program operators and MDRC began to change some of their attitudes toward worksites and revenue generation. As the first year of operation progressed, MDRC sought to expand the size of most programs. It also reminded the sites that it expected a substantially higher portion of costs to be raised from local revenues in the second program year. Meanwhile, Chicago, Jersey City, West Virginia and other programs were encountering cutbacks in local government budgets, forcing them to look for worksites and revenues elsewhere.

As programs began to consider adding revenue-producing sites, however, MDRC staff became concerned about some of the ventures the programs were seeking to develop. Some envisioned excessive outlays for capital equipment, and others seemed to misjudge the size or nature of the market. Consequently, in September 1976, MDRC began to require its advance approval for new worksites. This policy was not formally exercised very often in the second year, or thereafter, but it reflected MDRC's increasing concern with program work and revenue schemes.

Another reflection of MDRC's enhanced role was the creation of SWEDCO (Supported Work Economic Development Corporation). This entity was to convey MDRC's technical assistance to local programs. Set up in the second program year, SWEDCO essentially consisted of MDRC staff member Tom Flood, and one or two others who sought to help identify and develop national and local opportunities to sell goods and services. "We devoted substantial resources to this area," MDRC President, William Grinker, notes.

Initially, SWEDCO spent a good deal of time on "wholesale" strategy.

Since the supported work sites were located in a number of major cities, MDRC staff reasoned, they overlapped with the installations of many major corporations. Thus, it seemed both efficient and effective for MDRC to seek work contracts with major companies. MDRC hoped an executive at the headquarters of a major manufacturer or airline, perhaps, would agree to have his firm purchase goods or services from supported work programs in a number of cities.

"We spent a lot of time on this, but with very little success," Tom Flood recalls. In retrospect, some insist the plan could have been effective in providing sites with large and stable service projects. They argue MDRC should have first developed some connections in the business community to help grease the skids and increase the receptivity to MDRC staff members who had no background, contacts or reputation in the business world. Others endorsed the centralized effort, but say it was misdirected. Homer Kincaid and David Walker of West Virginia, for example, say MDRC should have used its national influence to help local programs get Small Business Administration loans or minority set-aside contracts from government agencies. Still others, including Stanton Barnes, who headed Pivot in Seattle, insist the nature and scale of work undertaken by supported work sites was inappropriate for negotiations on a national basis. Supported work programs generally undertook simple, low-level activities which local managers had the prerogative of arranging, Barnes argues. The scale was too small to be of interest to, or under the direct control of, the senior, central managers SWEDCO sought to approach.

In any case, while pursuing its wholesale strategy, SWEDCO had also been trying to help individual sites generate revenues, and Flood recalls, "An assignment in Atlanta changed our role. It paid off and seemed to make more sense. So then we began to concentrate on developing local skills and seeing what there was." SWEDCO helped localities develop ideas for service projects and formulate plans for carrying them out. By making available technical assistance from SWEDCO and urging it on sites and, most fundamentally, by increasing local revenue requirements, MDRC pushed most sites to show a greater interest in revenue generation.

The most extreme example of MDRC's role was in Atlanta. Program Director Donald Woods says, "You probably wouldn't have had revenue generation in the context of the Atlanta Urban League if it hadn't been an MDRC priority." Indeed, Woods, who joined the program a few months after it began in mid-1975, says he recalls attending a conference of his counterparts from other sites where revenue generation was discussed in December 1975. At that time, he says, service projects simply weren't on Atlanta's agenda.

But in early 1976, with MDRC dispatching consultants and urging PREP to generate more revenues, PREP's advisory committee began to discuss ideas for revenue projects and sent a staff member to inspect service projects in Philadelphia, Newark and Hartford, Woods says. Another PREP staff member had a friend who owned two McDonald's franchises, and that led to the first service project: outstationing two crews in these McDonald's stores. Although this project fared poorly, other efforts at revenue generation followed.

Similarly, West Virginia started out with a funding package that

relied on MDRC, local grants and welfare diversion, but sharp cutbacks in state funding and problems with welfare diversion, combined with MDRC revenue goals, soon created a need to seek service project revenues in the second program year.

As the local programs began to seek more revenue-generating projects, they were also under pressure to accommodate more people in the demonstration. Thus, in planning worksites, Philadelphia director John Macdonald recalls, "The main thing was to do anything to keep a lot of people busy. We were trying to instill the work ethic, so we couldn't say there's nothing to do." As the programs sought to add new service projects, they seldom mounted any truly systematic analysis of alternatives. Instead, they tended to draw on past experiences, connections and brainstorming.

Connections -- people acquainted with members of a program's staff or advisory board -- tended to be crucial in determining service projects at many sites. In Atlanta, as noted, the first service project consisted of outstationing two crews at McDonald's stores owned by a PREP staff member's friend. A proposal to deliver bills for Georgia Power was discussed because an advisory committee member knew a director of the utility. Another committee member knew an executive at Mead Packaging Company, which led to a plan to manufacture wooden pallets for Mead (a plan which never came to fruition). Yet another advisory board member was a college classmate of local entrepreneur Max Rittenbaum, which led PREP to manufacturing cleaning products for Max Rittenbaum Inc.'s Clean-Rite Products Division. Moreover, Atlanta Urban League director Lyndon Wade's ties in the black community helped produce work projects at the

Atlanta Job Corps Center and Southwestern Hospital. PREP also did custodial work for its parent, the Urban League. Sometimes the program benefited from rivalry among connections. After a Citizens & Southern Bank executive on PREP's advisory board arranged a janitorial contract, MDRC staff says a Georgia Trust Company executive also arranged a contract.

In Chicago, work projects with Turtle Wax and Stone Container Corporation developed because executives from those companies sat on Options' advisory board. In Massachusetts, the program arranged to outstation supported workers in Boston's Blue Cross-Blue Shield offices because the chairman of the program's board knew the president of Blue Cross.

In addition to connections, brainstorming seemed the source of many projects. As David Walker of West Virginia put it, "The fact that MDRC was pushing revenue led us to some wild and crazy ideas." In Philadelphia, John Macdonald concluded demolition work was inappropriate for a number of reasons, including the dangers involved and working capital needed. So the program became more deeply involved in the cleaning and sealing of vacant buildings under contracts with the city government. Why this? Macdonald explains:

> "We already had a dump truck, so we needed a project to use it. It fitted in with LKEC's clean-up-the-neighborhood goals plus the guys liked the immediate gratification. Plus it could accommodate large numbers of people, and we needed to occupy people whether or not the project made any money."

Just as Philadelphia sought to find a revenue-generating activity that used its dump truck, other sites also chose work that utilized resources they already had. As microfilming ran into difficulties in

Seattle, and new director Stanton Barnes sought another revenue-generating project, the program was offered 10,000 square feet of oak flooring from a reformatory that was being demolished. A Pivot executive had a friend in the furniture industry who offered to provide advice, so Pivot began manufacturing furniture.

Similarly, when Patrick House, the parent organization of Jersey City's supported work program, lost the funding for its therapeutic crafts program, Community Help Corporation took over the program and its staff, and supported workers were soon making pottery, doing woodworking and operating a small print shop.

Even in Hartford, where the program was run by a businessman, Dan MacKinnon admits the choice of revenue projects was not based on detailed analysis of markets. MacKinnon acquired a gas station, he says, because "it was an easy way to put people to work." He added tire recapping because he had read and disagreed with an analysis that found it inappropriate as a prison industry. Moreover, at a trade show in Boston, MacKinnon found he would be able to obtain recapping equipment on attractive terms. He entered furniture building because he had read about an interesting line of furniture being built by the Nebraska prison system. He entered the upholstery business because an imprisoned upholsterer MacKinnon had met when he ran the state's prison industries program was being released and MacKinnon hired him. MacKinnon got into the cement business because he knew where to obtain surplus cement mixers and forms. While MacKinnon appeared to intuitively grasp the managerial requirements and potential market for each of these undertakings, other program directors did not appear to make such assessments.

There were examples of rigorous analyses of alternatives and selections of projects, but at most sites the planning process was not very detailed.

Once activities were begun, however, some tended to be expanded in ways which capitalized on newly developed expertise. Jersey City had obtained some experience in delivering food under a USDA WIC (Women, Infants/Children) program, so it bid for a school breakfast program. Supported workers made up kits of food, delivered them to schools between 7 a.m. and 8 a.m., and then returned to deliver the WIC supplies in time for lunch. Next, CHC sought to obtain an after-school contract. Once Peralta began packaging one product, it also sought other work in the packaging industry.

In many cases, successfully completed projects led to additional work with the same customer. In Atlanta, for example, a painting project at the Atlanta Job Corps Center led to an agreement to do furniture assembling for the center and then custodial and kitchen work.

In summary, revenue generation was not a major factor in the original planning and early operation of a number of local sites. It began to loom larger mainly because MDRC insisted the sites raise more revenues locally and the local programs felt they could do this by increasing their service project revenues.

Only four sites had a clear sense of the role of revenue generation: Philadelphia, Washington, Hartford and Oakland. Both Philadelphia and Washington started life with a strong belief in their ability to generate substantial sums by selling goods and services. Both programs soon ran into major problems as a result of shortfalls in business revenues. The

Philadelphia program was nearly cut off from MDRC support because of shortfalls in revenue generation, and it remained in the demonstration only because its director began to raise substantial sums in grants. The Seattle program limped along on a very small scale for several years and was merged with another program in Seattle as the demonstration period ended. Thus, the strongest believers in revenue generation ended up serving mainly as a source of cautionary tales to other programs which already harbored doubts about opportunities for service project revenues.

Hartford and Oakland were far less dedicated to revenue generation than Philadelphia and Seattle, but they were the only other sites to have a coherent theory about the role of these revenues. Oakland director Sandy Warren envisioned local grants, particularly from CETA, as financing Peralta's acquisition of skills in a business or trade. And once knowledge had been acquired with a heavy subsidy, then Peralta could seek paying customers. It did this with painting and other work, and Warren envisioned service project revenues as helping to shield Peralta from the vagaries of government grants by providing a measure of financial support and consistency. Warren insisted there were severe limits on the prospects for self-sufficiency, however.

Ironically, perhaps, a major influence in revenue-generating projects was a man who had a low opinion of their prospects. Hartford's original director, Dan MacKinnon, had quickly set up a highly business-like operation inside an old factory in Hartford was visited by assorted dignitaries and featured on national television news. The signal reverberating through the demonstration was that Hartford was onto something.

Ironically, much of what MacKinnon was doing was misinterpreted. He was a firm believer in tough standards and a businesslike setting. However, he says his decision to locate the program in a factory building instead of an office wasn't really a conscious choice. He notes that he had always worked from an office in a factory and later headed a prison industries program which inevitably had to be rather self-contained. Thus, without thinking, he says, he simply put the supported work program in a factory. More importantly, he never had any illusions about the prospects of revenue generation. He thought having real customers would help keep standards high, but he always believed that the supported work labor force had too many problems to ever recoup any significant portion of program costs.

However, many in the demonstration saw only the high level of revenues MacKinnon was generating and the pressure from MDRC to raise more funds. They didn't understand the costs MacKinnon encountered in generating those revenues, nor did they share his understanding of business and his pessimism about the return on supported work businesses. So several sites sought to meet their local revenue requirements by entering a world about which they knew very little.

At some sites, notes Sandy Warren, director of the Oakland program, "We felt we had to learn what supported work was before we started revenue generation." There were strong doubts at some sites, including Atlanta and West Virginia, regarding the ability of supported workers to successfully make and sell anything in truly competitive markets. And, more importantly, there was a very basic lack of familiarity with the business world and the way it operated. While many programs talked about themselves as a "company," not a "program," in fact, staff members were,

and preferred to be, social workers rather than businessmen.

MDRC was urging sites to develop service project revenues even while it was critical of Philadelphia and Seattle for their revenue shortfalls resulting from overly optimisitc forecasts of revenue generation. MDRC staff made it clear they felt "the private sector route" that Philadelphia and Seattle had chosen was "not the way to go," yet other local programs felt they were being urged to move at least part of the way down that path. And many responded with more enthusiasm for revenue generation than MDRC expected, according to Gary Walker of MDRC.

Overall, revenue generation was well down the list of priorities at most sites, but it would still affect the program in many different ways.

V. REVENUE GENERATION AND DEMONSTRATION OPERATIONS

Revenue Generation and Program Participants

Revenue generation was introduced not simply to help finance the demonstration but also to ensure that participants would encounter realistic conditions in the program which would improve the quality of their experience and enhance their employability when they left supported work.

It seems clear that supported work was closer to the real world of work than many work experience programs. At most sites there was a conscious effort to act as if participants were part of a "company," not a "program." Most things were handled in a businesslike manner. Hartford even fielded teams in an industrial basketball league. Having real work to do for real customers strongly enhanced this realism.

Above all, it ensured that supervisors wouldn't relax the realism at their convenience or say it didn't matter. A facade would not have sufficed, insists Michael Irish of Seattle: "If it's a game, the smart supported worker will figure it out. You've got to let them know it's not a giveaway. They see through you, so you must play it straight." But as Richard DeCrescenzo, of the Jersey City staff, says, "We're not creating a fiction when we say you've got to do something." At many supported work projects things seemed to matter because they did matter. Supported workers knew that customers had deadlines or that they might send work back to be redone if it was not done right.

Moreover, having real customers not only gave a rationale for tough standards, it also helped diffuse or transfer hostilities. Sensitive

supported workers could believe their supervisors were simply doing their jobs in making sure customer standards and schedules were met; they weren't imposing their own standards on the workers.

The same kind of discipline was imposed on the program's management, of course. Like the workers, they couldn't cut corners without incurring the wrath of customers. And observers at both the local sites and at MDRC found that the measurement of costs and revenues in service projects provided a kind of objective measure of program status and activities that was often absent from other kinds of training activities.

However, some program executives argue there were occasions when the desire to sell goods and services contradicted the social service goals of supported work. Indeed Homer Kincaid and David Walker of West Virginia insist there is an inherent and insuperable conflict between revenue generation and the supported work model. The conflict emerges when customer demands threaten to subject supported workers to more stress than they may be prepared to face. Thus, a service project might fall behind schedule or face a rush order. The proper businesslike response would be to speed up production or schedule overtime or add another shift. For those well along in supported work programs, this could be a useful experience, an encounter with yet another of the realities of the workplace. But newcomers to supported work might suddenly find themselves facing more stress than they were equipped to handle. There was simply no assurance that business demands would necessarily run in accordance with the supported work programs' efforts to manage the level of stress encountered by each worker.

Atlanta learned this in its first service project, when it stationed two crews in McDonald's restaurants. On the third day, absences among regular employees meant supported workers were unexpectedly required to wait on customers and use cash registers, without proper training or evaluation of their skills in such activities. Similarly, at Southwestern Hospital, PREP was supposed to clean a room a day, but if a crew member was absent, Director Donald Woods explains, "That meant the others had to work harder. And they stayed as long as it took to get the job done."

In Oakland, Peralta got a contract to package a novelty chewing gum for a small manufacturer. Peralta assigned a crew of five persons to the project, but the product's sales boomed, and Peralta quickly had to increase its staffing to 40 as it frantically sought to keep pace with demand. Before it had managed to cope with that pressure, demand for this novelty item collapsed, and Peralta had to cut its staffing back to a single five-person crew. Later, the manufacturer went bankrupt. Of that rollercoaster ride Director Sandy Warren says, "This was tough for supported workers. They felt unwanted. We lost a lot of people that way."

David Walker of West Virginia argues that service projects "put pressure on us and we put pressure on the workers." Thus, in Seattle, Pivot found it was failing to generate grants at the rate projected, which increased its need for revenue from its microfilming business, so, former Pivot vice president Michael Irish says, "we said to hell with training. We just set goals for rolls (of completed microfilm) and had incentives to produce faster." But Irish says, "If we don't train and counsel, why have supported work? The program should help those who need

help. Otherwise we should just say it's a job."

Each of those kinds of problems provided a valuable lesson to supported workers equipped to learn it, but the lesson could be counterproductive for new supported workers who were still getting acclimated to the rigors of holding a job.

In short, selling goods and services clearly presented a benefit -- an assurance of real-world standards. But some believe it also introduced tension in the running of the program. Contrary to Kincaid and Walker, there probably was no inherent and inevitable conflict or contradiction. In large measure the requirements of selling goods and services added precisely the kind of realism that was sought. But that was beneficial only up to a point. Beyond some point, a conflict emerged between business goals and supported work programmatic goals. Whether or not such a conflict emerged, however, depended on how well the program managed its work and workers. Good management could do much to keep the pace of work on an even keel amid a variety of external disturbances.

Revenue Generation and Program Management

From the point of view of local program operators, the need to generate revenues by selling goods and services extended what they regarded as a impossibily broad mandate. Program directors felt they were simultaneously responsible for running a work experience and training program, serving as fundraisers and grantsmen, dealing with federal and MDRC monitors, and meeting MDRC research requirements. To add to this, the responsibility to create, launch and manage small businesses struck some as expecting too much.

And indeed it was. It seems clear that a major problem in the generation of service project revenues was a lack of skilled management. The supported work labor force clearly presented severe limits and major problems. Within this context most of the supported work program managers lacked sufficient business management skills and many did not recognize that they needed such skills.

Most of those heading supported work programs had experience in managing social service programs and may well have been good at it, but they lacked any experience in running a business. Yet starting and operating a small business -- which was essentially what a supported work project was to be -- is quite difficult. The overwhelming majority of small businesses launched in the U.S. each year fail, and many others take years to succeed. A key element in the success or failure of a small business is its management. Business success is not all luck by any means; there is a body of knowledge and a set of skills that are needed to operate a business, no matter how simple that business appears to be. Yet the supported work programs often lacked the experience necessary for even seemingly simple businesses.

Perhaps the classic example of the problem came in Oakland's first year, when Peralta decided to sell Christmas trees as its first service project. It seemed simplicity itself. What is there to know about the Christmas-tree business? The selling season is obvious, so the program only needed trees and a lot -- and Peralta already had a vacant lot in Hayward, California. But the project was a disaster. It turns out there _are_ things one needs to know about the Christmas-tree business.

For example, in Oakland many people buy their Christmas trees in the evening, on the spur of the moment, while riding in their cars. That

means a sales lot must be open at night and located on a major thoroughfare to gain maximum exposure to potential customers. Peralta's lot was poorly sited for this project, however. Moreover, when Peralta's staff realized the lot would have to be open in the evenings, it was quite disruptive of the program and exhausting for the staff. It required staff members to work at night to provide supervision at a site 25 miles from Peralta's offices. Finally, supported workers employed at night had days free, leaving them in the company of precisely the kind of daytime idlers the program sought to avoid. The project turned out to be a major undertaking and barely recouped the cost of the trees, Warren says.

There are numerous other stories of supported work revenue-generation plans which failed to recognize some basic requirements of their industry, much less the subtleties. Jersey City had a pottery showroom located in a place without any pedestrian traffic, so the goods were seen only by friends and relatives of those in the program who made a special effort to ferret out the showroom. In Seattle, management failed to foresee that some documents to be copied contained red ink that would not show up in the black-and-white microfilming process. They also neglected to develop a quality-control system to catch supported workers who increased their output by randomly skipping pages of documents they were supposed to be microfilming. In Chicago, the program obtained several packaging contracts and lost them because it couldn't complete the work.

The managerial weaknesses were reflected in every level of decision-making affecting revenue-generating projects. A forthcoming paper on program implementation report that when MDRC's research staff examined various worksites, they found that "the more complex worksites were much more likely to have operating problems." This is reflected in Table 3. The managerial problems, however, extended from the basic ability to direct and coordinate individual worksites to broader questions, including the question of whether or not to be engaged in particular revenue-generating projects.

It's clear that running supported work revenue-generating projects created complex managerial issues. As Kemper and Moss note:

> "...the operator of such a program has no one to imitate. The manager of a private firm often enters a market in which existing firms' operating procedures provide models for organizing the production process and marketing output. Their performance provides a ready standard of comparison. Because few such models and standards exist for a public employment program, program managers face greater uncertainty about the effects of their decisions and how to judge their performance."

In addition, they note,

> "Business firms receive a relatively clear signal in terms of profits if they produce efficiently, and perhaps even more convincing is the signal they get if they don't produce at minimum cost."[1]

The signals were quite unclear for supported work managers: To what extent should they pursue traditional business goals and to what extent traditional employment and training goals? What was the tradeoff and where should they settle?

While there was uncertainty as to just what goals they were to pursue, it's clear that insofar as they were seeking traditional business

1 See Peter Kemper and Philip Moss, "Economic Efficiency of Public Employment Programs," in John L. Palmer (ed.) Creating Jobs: Public Employment Programs and Wage Subsidies, (Washington, D.C.: The Brookings Institution, 1978) pp. 86, 291.

TABLE III

PERCENTAGE DISTRIBUTION OF PARTICIPANT DAYS AT WORKSITES REPORTING OPERATING PROBLEMS BY OVERALL INDEX OF OPERATING RISK/COMPLEXITY

Level of Operating Risk/Complexity	Worksites with Problems Reported	All Worksites
Low	24	46
Moderate	59	44
High	18	9

Source: MDRC unpublished data on characteristics of supported work worksites.

goals, they did not always pursue them in the most skillful, efficient or effective ways.

As noted, they did not aproach the selection of service projects with any systematic analysis of alternatives. Moreover, once they had decided to enter a field, they generally lacked the detailed knowledge of the industry or market that comes from having a history of involvement in an industry. Their own network of contacts was not in industry but in government and social service organizations. They didn't know firsthand what to sell to whom and how, and had to rely on conections and friends and neighbors. The first director in Chicago managed to arrange a number of contracts, despite his unfamiliarity with the industries his program entered. However, he had spent several years with the city government and was plugged into the network of politicians and business and labor leaders which worked together in governing Chicago. Moreover, he had spent 15 years in sales and marketing for a major grocery chain.

While the Chicago director's background in government and sales may help to explain his relative success in obtaining a number of service contracts, it may also help explain the problems the program had in meeting the terms of those contracts. He had no experience in production and this is where the program foundered. Many other sites also had limited managerial depth in organizing and carrying out production. They lacked the skills to maximize efficiency or be innovative. Customers sometimes had to show the program how to do the work. Program personnel weren't able to appraise costs well. In Hartford, Dan MacKinnon found an opportunity to rebuild machinery, but he had no industrial engineering staff, he says, so "we didn't know what to charge." He settled on a sum

which the customer quickly accepted. Later comparisons by MacKinnon suggested his price had been far too low. When an importing firm proposed that Peralta in Oakland assemble rocking chairs that had been imported in knocked-down fashion from the Orient, Robert Abodoca of the Peralta staff says, "We negotiated a price and said we'll try it for 75 chairs and then see if the price is right."

At the level of first-line supervison in many service projects, the program had capable people. For example, journeyman craftsmen headed many construction and painting projects. While supervisors were occasionally a problem, the real weakness was at the level of senior managers, managers who dealt with issues of coordination and strategy and planning. And that level of management was important because, although supported work programs were opening small businesses, they were big small businesses. As Tom Flood notes, assigning 20 supported workers to painting projects could make the supported work program as big as any 50-year-old painting contracting firms.

Yet there was a dearth of those with relevant small business experience in managerial positions in the demonstration. As noted, Chicago's first director had been involved in marketing for one of the nation's largest grocery chains. Oakland's director had an M.B.A. but no business experience. Washington's original director was an ex-offender and ex-pilot; his successor, had an M.B.A. from the Harvard Business School, but his business experience had centered around advertising and sales for a Seattle broadcasting company. Hartford's first director had extensive experience in manufacturing and prison industries, but his successor came from a marketing background with large companies.

Several other directors had no business training at all. Homer Kincaid of West Virginia came out of the labor movement and had some of the union professional's suspicion of business managers. Donalds Woods of Atlanta had a background in social work. In Jersey City, Father Francis Schiller, who created and led the program, was a priest who had run a drug treatment center and was a politico of some note in Hudson County, New Jersey.

As for MDRC, neither its staff nor its board of directors contained anyone with any significant experience in business, either large or small. Although MDRC assumed an enlarged role in shaping revenue-generating projects after the first program year of the demonstration, MDRC staff, like local program managers, could bring intelligence to any analysis of a service project, but no specific business background.

On paper, the ideal program director would seem to have been the second director of Chicago. Early in his career he started a small manufacturing company, ran it successfully, and then sold it and spent a number of years in social welfare and philanthropic work. But he also showed the dangers of putting too much faith in business experience, for he had great difficulties in managing the program and dealing with his board of directors and MDRC.

Given the diversity of service projects, it appears no local program could afford to employ managers who had experience in all the industries the supported work programs entered. As it became clear that management was a major need in revenue-generating projects, there have been two responses from local sites: to limit the need for management and to obtain consultants with managerial skills.

After Peter Cove became head of the Massachusetts program, he concluded that a supported work program could not maintain enough management talent on its payroll to operate a series of ventures, even relatively simple ones. His response was to eliminate the revenue-generating projects, such as the print shop, TEE had long operated. Instead, he moved vigorously in the direction of outstationing workers in assorted companies and public agencies in the Boston area. Cove contends this not only has financial attraction but removes an impossible managerial burden from the supported work program. TEE can supervise supported workers outstationed in 14 companies, he says, but it could never manage a dozen enterprises of its own.

Others have sought to borrow the management they needed. Hartford's Dan McKinnon was the first to do this. Perhaps because he had business experience, he recognized that he lacked the knowledge to run the particular enterprises he was launching, so, he says, "In each business, I had a guy who knew what he was doing." He hired a consultant to learn the furniture business from the Nebraska prison system and develop a similar operation in Hartford. He entered upholstery, he says, largely because he could hire a good person to run it. He employed commission salesmen to handle the marketing of Maverick's products and, beyond that, he frequently sought the advice of other business executives. "There are so many sources of help," he says. Pivot, the Washington program also called on people in the furniture industry to help the program design its facilities and sell its products.

But most sites started with the attitude of CHC in Jersey City, which decided to enter the remodeling business by bidding on a contract to refurbish Jersey City's city hall. In retrospect, Jersey City staff members say they're thankful they didn't get the job. Experience, and the admonitions of SWEDCO, slowly began to impress upon local sites the value of experienced management. In Oakland, Peralta brought in a business school professor to offer advice on improving the efficiency of its bubble gum packaging process as customer demands for increased output strained the program's capacity. Later, Peralta took MDRC's advice and sought to hire a retired engineer or consultant to help it analyze its packaging operations. Peralta and several other sites also were able to obtain advice from other companies in the same industry as well as from customers. But customers sometimes gave self-serving advice. Moreover, as Robert Abodoca says of many of Peralta's small business customers, "They were new and didn't know any more than we did."

Generally, the supported work programs relied too heavily on their own limited skills and neglected the vast range of opportunities to avail themselves of paid consultants or free advice from retired or volunteer experts. Precisely because most program managers lacked numerous acquaintances in the business world, they generally didn't ask for or receive the kind of volunteer assistance that many companies would be willing to offer.

In short, starting a new business is a difficult task with a lengthy learning process. Supported work programs sought not only to start small enterprises, but to start several at once, to start them with large numbers of workers, and to utilize a difficult labor force. This represented a decidedly difficult job for a supported work program manager particularly since most of them had no experience in the businesses they

were launching nor, often, in business in general. Thus, it is not altogether surprising that the business end of these quasi-businesses often floundered.

Revenue Generation and Program Customers

The broad range of revenue-generating projects undertaken by the supported work programs attracted a broad and diverse group of customers. Some were unlikely to know the source of the products or services they were buying. This was certainly true of many who frequented gasoline stations operated by supported workers in Hartford and Oakland and who bought furniture from the dealers distributing products made by supported workers in Hartford and Washington. Other customers knew quite well who they were buying from, but overall there was a range of contracts from sweetheart deals to transactions done at the going rate to deals won at terms highly unfavorable to supported work. Relationships ranged from those seeking to support the program to those completely uninterested in anything but business.

One category of customer that was conspicuous by its general absence was big business. The number of Fortune 1000 companies that dealt with supported work programs was highly limited. Invitations to sit on the board of the local supported work program probably account for the contracts that supported work obtained from Turtle Wax and Stone Container in Chicago and Citizens & Southern Bank in Atlanta. Beyond these firms, the list of big businesses that bought goods or services from supported work programs includes International Harvester in Chicago and Union Oil, General Electric and Westinghouse in Oakland. Peralta ran into its General Electric contract somewhat accidently, when its job developer visited the firm's plant and was asked if by chance Peralta could take care of a small packaging chore. The work with G.E.'s light bulb division led to a similar assignment for Westinghouse.

SWEDCO launched a discussion between IBM and the Jersey City program, but while IBM provided training to the Community Help Corporation, supported workers ended up repairing typewriters under contract with a Jersey City repair firm, with no direct relationship to IBM.

What explains the dearth of large companies among supported work customers -- particularly since so many big companies have a variety of affirmative action and charitable programs which might be expected to show an interest in supported work? One problem was the caution of big business when confronted with the supported work population. When the Oakland program was negotiating with Union Oil to obtain a contract to operate a service station, Peralta found that Union Oil had tried a station staffed by ex-offenders and had some money stolen. Union Oil executives told Peralta they were worried about tarnishing their reputation. The question of selling gasoline to a single service station, which happened to be leased by Peralta, eventually went to the board of directors of Union Oil, and the company sent a representative of the board to visit the program for several days. When an agreement was finally signed, Peralta was required to put up a $5,000 bond, which Peralta staff members say is not a common practice for Union Oil stations.

Union Oil's caution and concern for its reputation was emulated by big companies in the Seattle area, according to Stanton Barnes, former director of Pivot. He had no success in obtaining contracts from such

companies as Weyerhauser and Boeing, although a Boeing philanthropy donated funds to finance equipment for Pivot. In New York, executives from both Chemical Bank and NBC sat on Wildcat's board of directors, but few job slots were obtained for supported workers through these associations.

While big business involvement with supported work was marked by caution and concern, it seems clear that a major reason for the lack of contracts with big companies was the lack of effort by supported work. While SWEDCO sought to arrange contracts with major companies nationally, local supported work programs tended to approach small companies rather than large ones. A major constraint on supported work's penetration of the Fortune 1000 was a lack of suitable spokesmen or proper introductions. Both MDRC and the local programs lacked contacts in the big business world. Although supported work made itself widely known in the worlds of federal policymaking, social work and philanthropy, little effort was made to introduce the program to big business organizations, nor was any business executive of national stature involved with the demonstration in any meaningful way.

A large number of private sector customers for supported work goods and services were small businesses. Indeed, the archetypical service project often seemed to be a project done for a relatively new small business under a contract negotiated at market prices (or less) and with work performed under market conditions (or worse).

These small businesses generally just happened to get introduced to someone connected with the local supported work program. Cold calling seldom generated any business for supported work, nor did small businessmen show up without having heard about supported work from a business associate.

Small businessmen were interested in supported work because the programs would perform tasks they needed to have done at competitive prices. As Robert Abodoca of the Oakland program notes, "They had no interest in supported work at first, and it never worked to our advantage. Small businesses just wanted the best deal. We have to explain the program so they know about crew meetings and things like that, and they have high anxiety at first."

Small businesses were too small, too marginal, too precarious in many cases to deal with supported work as charity. They bargained hard, and, in some cases, they seemed rather pleased that they could negotiate a deal on their own terms because of the inexperience or eagerness of supported work program managers. They found supported work attractive not only because it performed work at competitive prices, but also because it left them free of administrative responsibilities involved in operating their own production facilities. Cost savings and administrative ease were also cited by firms in the Boston area as the chief attraction of accepting outstationed supported workers.

If the supported work program failed to perform satisfactorily, as in Chicago, businesses would take their business elsewhere. If the work was done right and on schedule, more business would be brought to the program. Indeed, in the case of Ben Bond of Sun Season, a packager of dried flowers in Oakland, Peralta has assumed so much of his production that, he says, "I'm locked in." He would find it difficult to take his business elsewhere.

While business considerations alone prompted the establishment of the relationship with supported work, once small businesses got involved, they tended to take an interest in the program in a casual way and become willing to provide help in spreading information about the program. In Jersey City, an officer of the typewriter repair firm which contracted with CHC offered to serve as the program's spokesman in arranging placements in the typewriter repair industry. CHC staff members say he was also eager to discuss supported worker problems as well as progress on his contract at the monthly reviews he held with CHC. But basically, while small business wished the programs well, they did so only as long as the programs did their jobs.

Beyond their need to drive a hard bargain, small business customers presented two problems for supported work programs. One was that many were themselves new to the industries and processes in which they were involved. Thus, they weren't able to provide the kind of managerial advice that some sites clearly needed. A second problem with small business customers was that their needs tended to be unstable. By virtue of being small factors in small markets, many of the small businesses involved with supported work found their needs tended to fluctuate in response to demand, or seasons, or ability to get work done elsewhere. This meant supported work programs could not easily make plans on the basis of their small business contracts. The extreme example of this problem was that cited earlier in Oakland, where Peralta packaged a novelty bubble gum item throughout its boom and bust period and went from five to 40 to five to zero supported workers in a brief period of time.

The relationships between supported work programs and government agencies were varied. Some were purely business. In Philadelphia, Impact Services became a major factor in the business of cleaning and sealing abandoned buildings for the city government simply because it was the low bidder on a number of contracts. Its appearance in the bidding broke up a cozy relationship among existing bidders who had kept prices at high levels, according to John MacDonald of Impact Services Corporation. "Nobody gave us anything just because we're nice," he says.

In Jersey City, CHC won several food delivery contracts because it was the low bidder. But after a new mayor was elected, replacing the incumbent who was closely associated with CHC, the program staff says it was told not to bid on its contracts in the future. Moreover, CHC staff members say city officials also urged a local business to terminate a contract under which CHC operated the company's cafeteria.

In a number of cities, local government officials had helped launch the supported work program and kept it supplied with grants from CETA and other local sources. On some occasions they supplemented these funds with service projects. Generally, however, the supported work programs say they had to be competitive with other sources in order to get and keep the business. Thus, microfilming contracts in Washington and tire recapping contracts in Hartford were won without competitive bidding and government contracts were arranged without any hard selling, but the program staffs believed they had to keep their prices and services in line in order to keep the contracts.

Both public and private sector customers credited supported work with bringing a greater enthusiasm and cooperative spirit to their work than regular sources. However, supported work programs were also fre-

quently cited for bringing less skill and experience than other producers to negotiating sessions and to approaching the work.

While public sector customers were generally familiar with programs involving the disadvantaged or the hard-core unemployed, there was more concern among private sector customers. Exposure to supported work did not seem to change the views of many businessmen toward the supported work target population, and program staff were obliged to assure certain customers that the workers were not a major threat to the life and property of the customers.

Revenue Generation and the Position of Supported Work in the Community

When revenue-generating projects were being planned as a part of the supported work demonstration, there were hopes that the production of usable goods and services might provide public relations benefits for the programs, but there was also concern that service projects might engender opposition from business and labor on the grounds that government funds were being used to compete with them. Ultimately, it appears that supported work projects did not garner important public relations benefits but they generally avoided or ameliorated opposition at most sites.

Familiarity with supported work programs is quite limited in most communities. While manpower professionals are well acquainted with the program, others are unlikely to understand it or to differentiate it from other CETA and employment programs. The fact that it does real work or generates some of its own revenues has made an impression on some of those who have hired supported workers, but there seems to be very limited knowledge of the details of the program.

The fear that business and labor might complain about subsidized competition was not unwarranted. However, the problems that arose with local businesses have generally been diffused quite quickly.

In Oakland, when Peralta opened its Union Oil station, it offered a good deal of service at a time when California gas stations were moving toward self-service, and it also set its gasoline prices above the going rate. By consciously identifying itself as a high-price/high-service gas station, Peralta not only hoped to employ more people than other gas stations but also to segment the market and differentiate itself so it wouldn't appear to be competing with other gas stations. Nonetheless, a Union Oil gas station about a mile away complained about the new competition. A Union Oil executive explained to the station owner that traffic patterns were such that virtually none of his business was likely to be lost to the Peralta station. Moreover, Peralta director Sandy Warren met with the troubled station owner, and eventually he even agreed to advise Peralta in running its station.

In Hartford, after Maverick began recapping tires, a representative of the Connecticut Tire Dealers Association called on MacKinnon to complain about this subsidized competition. But Maverick asked a member of Congress to appeal to the tire industries' national trade association and it, in turn, asked its Connecticut affiliate to drop its complaints. Maverick soon joined the state tire dealers' association and became a part of the industry.

Meanwhile, in Seattle, local microfilming companies complained about Pivot's entry into the industry. Pivot officials and an MDRC staff member met with these companies and argued that they were doing work that

would not otherwise be undertaken, or work that would not have gone to commercial firms. Eventually, the microfilming companies began to provide technical assistance to Pivot, according to Michael Irish.

The ability to diffuse potential conflicts with local businesses at these three sites and elsewhere resulted from several factors. Supported work program managers and members of their boards of directors were quick to explain their plans to companies in the same industries and even seek their help. Moreover, supported work programs sometimes argued that they were undertaking work that would not otherwise be done, such as small-scale renovations or painting jobs for property owners with limited funds. When they were competing head-to-head with regular businesses, supported work programs insisted they were taking only a minute share of a highly fragmented market. Supported work tried to participate in industry activities and be one of the boys, particularly in Hartford.

Supported work also benefited from its involvement in markets which tended to be highly fragmented and even ill-defined. New entrants were less noticeable when the industry was already characterized by frequent entrances and departures of competitors. By remaining tiny factors in fragmented markets, supported work presented a challenge too vague to arouse much ire, particularly when it confronted industries too diffuse to mount effective organized opposition.

Supported work programs also took pains to develop good relations with local labor unions. From the outset of demonstration planning in 1974, careful efforts were made to ensure that local programs involved unions so that job creation efforts would not engender union opposition. If local unions concluded that supported work was doing work that union members otherwise might have performed, local and even national political problems could develop.

Although unions were consulted at many localities during the planning periods, problems still arose at certain worksites -- including those supported by grants rather than fees. In Oakland, for example, Peralta reached an agreement with the painters' union to permit it to renovate vacant public housing units. But Peralta failed to contact the Building Service Employees Union, which balked at permitting supported workers to enter the projects, since it had jurisdiction over them. Peralta responded by redeploying supported workers to landscaping and grounds maintenance work outside the projects.

In Hartford, Dan MacKinnon agreed to collect waste paper for recycling in the city of West Hartford. The city's public employees protested that city crews had collected waste paper until a budgetary crisis forced the collection to stop. MacKinnon quickly cancelled the proposed project and apologized for considering it. Most sites sought to avoid undertaking activities in which workers who had previously done such work had recently been laid off.

Supported work revenue-generating projects generally enjoyed good relations with the labor movement. Much of its production work was in labor-intensive industries which weren't unionized. The principal interaction with unions occurred in the building trades areas. Here, the potential for conflict was diffused in several ways.

Union representatives were asked to join the advisory boards at many sites. Philadelphia, for example, had the president of the local building trades council on its board. These union representatives were then

charged with explaining supported work to local union officials when supported work enterprises appeared to be treading on union territory.

A second tactic was to meet with union leaders and reach agreement on the kind of work to be done. In Hartford, Jersey City and Oakland, program managers discussed the kind of painting and rehabilitation work they could undertake without offending the unions. The programs avoided large-scale jobs and generally worked on projects that would otherwise be done by non-union crews. Although Peralta specialized in painting, the program acceded to the painters' union request not to paint its own headquarters building because it was traditionally done by a union crew. Thus, while Peralta crews painted elsewhere, union members painted its building.

Some unions benefited from the existence of supported work because several programs involved in the building and construction trades provided jobs for union members as supervisors.

The general strategy was to consiciously avoid areas which seemed likely to arouse union opposition and, as one program staff member said, "to stroke the unions." According to Stanton Barnes, the Washington program found "the carpenters' union loved us" after Pivot helped refurbish a building associated with a charity of particular interest to a union leader.

In short, a combination of vigilance, self-effacement and accommodation helped keep conflict with business or labor from interfering with the operations of the supported work programs.

VI. PROSPECTS FOR REVENUE GENERATION

Interviews with those involved in the National Supported Work Demonstration suggest revenue generation turned out to be a bit of a disappointment as a source of revenue and a nuisance in the eyes of some program operators. But it also seems clear that revenue-generating projects made a valuable contribution to the program standards and provided a useful test of program managers by making it possible to detect poorly managed worksites.

After more than four years of experience, what lessons does the supported work demonstration offer those interested in revenue-generating projects? What can be said of the prospects and limits of this mechanism in supported work? What can one expect of efforts to combine a social service program with the sales of goods and services in the marketplace?

It seems clear that the prospects for a supported work program generating higher levels of revenues would be very good, but the prospects for recouping significantly larger portions of project expenses are decidedly more guarded because of the economics of supported work and of the industries in which supported work programs have operated.

There seems to be a strong potential for generating much larger sums because the programs generally did not approach revenue generation systematically and aggressively in most cities. They remained tiny factors in the markets they entered, and they left many potential markets untapped. A few of the industries supported work has entered have been peculiar to their locales, such as dried flower packaging in Oakland or furniture manufacturing in Seattle and Hartford. Most sites, however,

entered the kinds of small businesses found anywhere in the country. If two programs could operate service stations, why not the others? If two could perform packaging services, why not the others? That is not to say that those who entered these fields have always prospered, but neither have they conclusively demonstrated that any lines of business are unsuitable. The point is simply that there are clearly new markets in fields other programs have tried, not to mention the whole range of untried activities.

There are also clearly potential extensions of current activities. Packaging a few products could lead to a variety of other packaging work. Indeed, precisely such an extension and expansion is needed in order to achieve economies of scale and a development of more experienced management. Oakland recognized the prospects for extention of its packaging work and contacted a paper manufacturer to provide information on Peralta's services. It perceived that this supplier of packaging materials could be crucial in matching sellers of packaging services like Peralta with buyers. Other sites might seek to extend their services in similar ways.

There are not only a variety of industries which supported work might attempt to enter, there are equally broad prospects for outstationing supported workers. In metropolitan areas, there are hundreds of employers who are potential hosts for a supported work crew. In short, with the exception of the sparcely populated, highly dispersed and very poor areas served by the West Virginia program, one can imagine a wide range of additional service projects for various programs.

To demonstrate that possibilities for service project revenues exist, of course, is hardly the same as showing that these sources can actually be tapped. But there is good reason to believe that much more revenue could be gained from an aggressive and systematic approach to the market. Many service projects have been the outgrowth of brainstorming sessions or connections -- deals arranged by members of a program's board or staff. Supported work needed to do for revenue generation what it has done for job development: let trained staff members systematically analyze the most evident alternatives and find new ones. And just as a successful job development effort turns up leads that eventually yield repeat business, so successful revenue development could have a snowballing effect as customers bring in more tasks and new customers. The sites recognize all this. As the directors from both Oakland and Chicago noted in separate interviews, "The easiest part is getting contracts."

But if supported work programs were willing and able to generate significantly higher levels of service project revenues, many would find themselves in the situation of a retailer doing a land office business in umbrellas purchased at wholesale for $6 and sold at retail for $4. By most accounting standards, supported work programs have lost money on many of the revenue projects they've undertaken. Supported work programs must ask whether or not they can recoup greater portions of their costs from service projects and, if not, they must ask if such projects are worth pursuing on other grounds.

To operate at a loss is eminently acceptable if other goals are being achieved. Indeed, any revenues can be seen as a useful offset to expenses that are being incurred to operate a social service program. But it is worth examining the extent to which supported work can and

should recoup a greater portion of its costs in revenue-generating projects. As Kemper and Moss note, it is not "necessarily desirable to have a high level of productive efficiency in a public employment program, since it may only come at the expense of the other program objectives." But, they add, "it is desirable, however, to design the program so that productive efficiency is as high as possible for any given level of performance with respect to the other program objectives."[1] In short, for the operators of supported work, as well as for the participants, the lesson is that a job worth doing is worth doing as well as possible. The potential for improving the financial return on service projects -- and the level of efficiency that financial return may measure -- is well worth exploring.

Most of the markets supported work programs enter typically have a number of small sellers competing for business. Economic theory suggests this competition will drive prices down to low levels, barely covering costs.

While supported work programs find themselves in markets in which they can win business only by working at the market price, the programs' costs of producing goods or services far exceeds that market price for several reasons. The low wages are unlikely to be much less than those paid by its competitors. Yet supported work overhead expenses are dramatically higher. In such fields as demolition or packaging or custodial work, supported work competitors typically have a tiny manage-

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1 See Peter Kemper and Philip Moss, "Economic Efficiency of Public Employment Programs," in John L. Palmer (ed.), Creating Jobs: Public Employment Programs and Wage Subsidies, (Washington, D.C.: The Brookings Institution, 1978) p. 287.

ment structure, seedy facilities and a tight budget. The supported work program has a large staff to support its social service, intake, counseling, education, and placement activities. It has elaborate accounting resources to handle the extensive reporting and auditing requirements of its assorted funding sources. It must deal with a major research program focusing on its activities. So it has a top-heavy management.

Even if this overhead were not allocated to service projects, supported work could not work at market prices because the supported work program has additional constraints on both its labor and its management.

A regular employer can assume many of his or her workers will improve with experience, and can give certain tasks to the best workers. By contrast, the supported work labor force not only requires a good deal of supervision and has more limits, but also, its best workers keep leaving. Those who have the most experience in the program, who have the best skills and work habits, and who have reached the point of handling the greatest level of stress are those who are likely to soon leave the program. They will be replaced by new, untested and highly troubled recruits to supported work, who will inevitably require new training and be less efficient than those they replace.

The supported work labor force is not only likely to be less efficient because of turnover, but also to offer less flexibility. A typical small business might start with a couple of working owners and a spouse who pitches in on weekends. It hires a few employees at a time, and it puts them on overtime if work picks up. If orders slacken, it lays people off or cuts back their hours. Those who can't do the job are quickly fired, and training time is restricted by attempting to hire

those who have already acquired relevant skills. While there are any number of warmhearted, benevolent and generous small employers, the sweatshop is hardly unknown in small business circles.

But the supported work program _cum_ small business starts a project with a large group of employees whose hours are fixed by programmatic considerations. The programs are hardput to add people for peak workloads or to lay them off. Particularly for the retarded, a group added on a small scale after the official end of the demonstration, there are programmatic reasons to keep people at the same tasks and worksites for long periods. Supported work programs also have reasons to shy away from overtime, second shifts and weekend work. A departure from the normal workday is often undesirable because the supported workers will find only idlers to associate with during their leisure hours. Overtime can present problems by creating too much stress, while crew meetings and counseling cut into work hours and decrease total productivity. Moreover, managers have little incentive to find labor-saving devices -- since then they would just have to find other things for the supported workers to do.

Thus, for a variety of reasons, the productivity of a supported work labor force is inordinately likely to be lower than that of regular employees -- including those workforces whose members are little different from the supported work population.

Just as there are limits on the labor force, there are limits on the supported work projects' management. As has been noted, a major problem in service projects had been a lack of managers familiar with the business, whether it be selling Christmas trees or running a print shop or a furniture factory. Thus, whatever the merits of the labor force, the projects have often lacked the ability to get the best use of the resources at their disposal. They haven't had the depth of knowledge to find new markets for existing lines of business or to create better ways of doing the work. Customers have had to come in and tell the program how to do the job; this has sometimes suited the customer well, but perhaps not the program. At the extreme, as in Chicago, the program simply couldn't do the work it contracted to do. Given these constraints, it's not surprising that supported work service projects have showed poor financial results by any conventional measure.

It seems clear that improved management is crucial to improving the efficiency of supported work service projects, since the skills and quality of the labor force is essentially a given. The programs should not be seeking better workers nor trying to hold onto the best ones longer; there are already enough employment and training programs which are "creaming." Instead, supported work must utilize its labor force more effectively. This requires better management, not simply in the day-to-day supervision of the work force but in the broader examination of markets and work processes.

Many sites recognized this. Homer Kincaid of West Virginia, for one, says if he had it do to over again, he would have used more outside expertise rather than rely so heavily on in-house planning. Programs should be seeking expert assistance in their business operations from paid consultants, recent retirees, executives on loan, or academics. Let those who know an industry tell supported work how its program should function in that industry. The supported work staff, to be sure, must

evaluate the advice in the light of the programmatic goals of supported work. But program operators must recognize that there is a body of knowledge required to shape the management of a business, and most of those operating supported work programs don't have that knowledge. In Seattle, a furniture manufacturer operates profitably using many former supported workers and producing similar products. Supported work should find out what it is that this furniture manufacturer knows that the program doesn't know, and they should incorporate what is appropriate into supported work. Supported work needs to be as sophisticated in management science as it is in social science.

In addition to improving the management of existing projects, supported work must approach the development of new revenue-producing projects with greater care. More rigorous analysis of worker capabilities and market prospects should replace the brainstorming and reliance on connections that has characterized the selection of so many service projects. Better planning is needed not only to find more suitable projects, but to ensure that they don't operate in isolation. Instead of undertaking an unrelated series of activities, supported work might seek to capitalize more on existing strength and to find activities using similar processes but having different kinds of cyclicality. Then, if demand for one product slackens, supported workers can easily turn to producing another product. A lack of sufficient work has marred several lines of business, including packaging. Greater effort is needed to see that business is developed and processes are understood before a project is launched.

In seeking new revenue-generating work projects, it is tempting to seek more remunerative lines of business, in which profit margins are wide enough to leave more room for the higher operating costs of a supported work program. But it is difficult to envision appropriate activities. In contrast to the highly competitive labor-intensive industries in which supported work programs have typically become involved, there are many industries with wide profit margins. But they tend to be either capital-intensive or dependent on highly professional employees, or both. Supported work has had neither the capital to buy expensive equipment nor the skilled manpower to operate them successfully.

The Hartford program seemed to benefit from the $40,000 worth of equipment it employed in tire recapping. However, there are numerous reasons to doubt the ability of supported work to undertake more complex and hence remunerative work projects. Kemper and Moss warn that

> "...the problems of managing a production process that requires substantial nonlabor inputs may be especially difficult with extremely disadvantaged workers. The supervisory requirements for these types of projects are likely to be high. Intensive and skillful supervision, knowledge of specific production processes, and the capacity to relate to target group members are all needed. In addition, the match of individual workers to jobs is likely to be more difficult in projects having higher skills requirements."[1]

Thus, although it seems easy to say that supported work ought to seek more remunerative lines of business, these lines of business are remunerative precisely because they require skilled workers, capital equipment, and sophisticated management, and all three have been in short supply in supported work.

It is hard to find a panacea project, something overlooked that

1 Ibid.

will generate large sums as well as suit the enrollees well. Instead, supported work may well have to stick to fairly simple projects. The basic need is to develop and manage these projects more carefully.

In examining existing and potential revenue projects, there is a tendency to think in terms of creating quasi-small businesses producing goods and services. However, financially, the most attractive revenue-producing projects have been those which outstationed workers on the premises of a business firm or government agency. The axiom in business is that one ought to concentrate resources in the area where the rate of return is best, yet outstationing has seemed to many in the demonstration to be alien to the concept of supported work, as well as different from the conventional notions of service projects.

In the outstationing model, the business or service project undertaken by the supported work program is to operate a personnel agency or to serve as a supplier of labor. The program is paid to select, train and supervise one or more crews of workers who are placed on the premises of the host organization. The crew might provide services, such as maintenance, or be part of a production process. The supported work program receives a flat fee for each hour of work provided. The program uses the funds to pay the supported workers' wages and fringe benefits and to pay its own supervisors. The host company is freed of the need to recruit, select, train and, to some extent, supervise employees. The supported work program is freed of the expense costs of overhead, materials and supplies needed to occupy the employee. The program can keep a crew busy without having to heat and illuminate and equip a facility. The supported work supervisor shares his duties with the host company's own supervision. It is attractive financially for both sides, and it is clearly the most remunerative service project on an ongoing basis.

In addition to the financial attractions of outstationing, its advocates see several additional benefits. One, according to Peter Cove, is that running service projects "adds unnecessary complications." As noted, the management of projects had proven difficult for supported work programs. By contrast, outstationing puts business decision-making in the hands of a host company which presumably knows what it's doing. Supported work program staff concentrates on what it knows how to do -- shape the work experience and provide support -- while the company management concentrates on how to make widgets.

A second attraction is that outstationing mixes supported workers with regular employees and not simply with the problem population of supported work. Thus, this may make it easier for supported workers to take on the habits and style of those productively employed.

Finally, there is the prospect of rollover: By formal agreement or by the simple fact of becoming known quantities, supported workers often get hired by host companies at the end of their stint in the program. For the company, it means having a chance to see a worker in action, to know his or her strengths and weaknesses, and thus be assured they will be suitable employees. For the employee, too, it is an easy transition to becoming a regular employee where he has already worked, in contrast to the stress of going to work at a new job at a new place with new people, which usually marks the end of enrollment in supported work.

Opponents of outstationing agree that it certainly permits cutting

per-person costs and offers other advantages, but they argue there is a specific content to supported work, including peer group support, close supervision and graduated stress. They say it may not be possible to do this on someone else's premises. "We like our people coming here. In outstationing, they're all spread out," says Philadelphia's MacDonald. "We get people to continue training and education by being here." In a host company, such services may be harder to provide. Moreover, the basic level of stress and work may be dictated by the company's needs, not those of the supported worker. Yet control over the work environment and supervision of the worker is necessary to do supported work. To be willing to give that up, it is suggested, is to deny the need for supported work.

Whatever the merits of the case, it seems clear there is increasing acceptance of outstationing at many sites. This is not only an expedient response to the ease of running a program with a high degree of outstationing; it also reflects some changes in thinking. Sandy Warren, director of the Oakland program, has been among those who subscribed most fully to the theories of supported work. He says the "historical view" has been that it was not possible to run a true supported work progam with the workers outstationed. However, during the summer of 1979, he toured a number of other supported work sites, and now he says, "I'm rethinking it." He says he saw "supported workers flourishing by being with regular workers," and he concluded it was possible to provide appropriate supervision. "You can overcome the problems and set it up right," Warren says.

While there seems to be a growing acceptance of outstationing in supported work, even its most ardent supporters agree it is not suitable for all supported workers. Many people, after all, are in the program because of socially unacceptable or deviant behavior and an inability to work. Having been unsuccessful on their own, they can hardly be expected to go to work successfully at a host company immediately after being signed up for supported work. Thus, no matter what the substantive or economic merits of outstationing, there must be a period during which supported workers learn rudimentary work habits and behavior under intensive supervision, and that period must be conducted under the auspices of the supported work program.

Thus, outstationing is not a perfect substitute for work projects managed by the supported work program itself. It is a supplement and an adjunct. In-house projects will be needed for all of the supported workers part of the time and for some of the workers all of the time that they are in the program.

Regardless of a program's enthusiasm for outstationing, substantial numbers of employees will spend substantial amounts of time working under the program's auspices, and revenue-generating projects must be developed for them.

Moreover, diversity has been a useful element of supported work. While it may have been difficult for program managers to operate a dozen worksites at one time, it served the participants well by providing them with diversity in the kind of work they can undertake. This diversity is worth continuing. Different modes of work as well as different worksites should continue to characterize the programs.

Whatever the balance chosen between outstationing, projects supported by grants, and revenue-generating projects managed by the program, the latter can continue to play a valuable role for supported work. They improve the quality of the program and provide a test of the program's management. Steps should be taken to improve the rate of return on these projects by analyzing new projects more thoroughly and managing existing ones more professionally.

Supported work should recognize that service project revenues are a limited source of income but a valuable part of the program, and therefore they warrant being taken more seriously. They have made the program more real and businesslike for participants. Their management should be more real and businesslike as well.

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