

Jewish Community Center—Federation Relations: New Directions in a Changing Environment: Comment on Aizenberg—Rosen Proposals

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Overview

The relationship between the Federation and its system of agencies is constantly evolving in response to changing economic and social environments. These changes involve all Federation agencies and are not limited to the Jewish community center. Aizenberg and Rosen provide some interesting ideas for this new dialogue.

A number of their suggestions are useful and should be reflected in any good communal process. However, many seem focused on the issues of the past rather than directly confronting the "new trends" that really will shape our future relationship. The proposed contractual approach seems "legalistic" rather than "businesslike," especially at a time that business increasingly stresses the importance of flexibility and innovation in achieving business success. This is not to say that each community shouldn't clearly define the "rules of the game" around budgeting, fund raising, capital campaigns, agency autonomy, and accountability or even agency involvement in the administration of personnel benefit programs. These relationships should be defined, but the pattern developed by each community will need to reflect *local* community conditions.

Key Issues

The Rosen and Aizenberg article does, however, also raise two broader

issues that require close examination. These issues are: *the nature and limits of agency autonomy in relation to Federations' need for accountability*; and *the degree to which Federations should "freeze" traditional service delivery patterns and refrain from funding programs similar to those provided by Centers in other institutions, particularly synagogues*. This paper will argue that Federations must support and nurture the concept of *agency autonomy*, while also maintaining agency accountability and strengthening the "system of service" concept. It will also suggest that this increased autonomy will carry with it a responsibility for greater self sufficiency on the part of agencies.

In addressing the concept that Federations should fund only Centers in program areas traditionally associated with the Center movement this paper will suggest a less limiting and more open approach. The development of flexible new approaches that include both Centers and other institutions in new strategies is essential, particularly in the very challenging area of Jewish continuity and education where creativity and synergy are essential to success.

Key Trends Affecting Federation—Agency Relations

The relationship between Federations and agencies must be viewed in the context of significant trends that have emerged over the last 20 years. These changes include: a growing awareness

of new or recently discovered needs within the community, many of which seem to require major commitments of community leadership and resources; significant growth in non-Federation income at Federation agencies; increasing affluence within the Jewish community; a possible decline in government funding; and the privatization of social service.

Increasing Communal Need

The best understood of these trends is increased Jewish communal need. Economic dislocation has affected many communities, bringing with it unemployment, underemployment, and economic hardship. The Jewish community is also challenged by significant increases in the numbers of frail elderly along with new or newly discovered client groups including single parent families, the chronically mentally ill, the retarded and the handicapped, all demanding increased service from the Jewish community. The community is also facing the same social problems that are confronting all Americans, including divorce, drug abuse and alcoholism.

Perhaps most importantly, the Jewish community is now engaged, as it has been for many years, in a major effort to develop new programs and resources to deal with the threat that assimilation and intermarriage pose to Jewish survival in America. This last challenge brings with it increased demands for funds for Jewish education and Jewish continuity programs including requests for significant funding for Jewish education and informal educational program at congregations.

Growing Ability of Jews to Pay the Full Cost of Services

A second important trend that is less well understood is that Jews are increasingly capable of selecting and paying for

high quality, attractive programs. While trends vary from city to city and there are many poor Jews requiring subsidized service, there are also far more college educated Jews, more Jews with advanced degrees, more two-income families, and therefore, more people in the Jewish community with discretionary income than ever before. The growing ability of Jewish consumers to pay for service affects all of our agencies but none more than the Jewish Community Center.

Growing Non-Federation Income at Agencies

While Federations throughout the country are increasing their campaign capacity, an analysis of agency growth patterns will show that their budgets are increasing at a far more rapid rate than Federation subventions. In Cleveland, the 1963-64, Federation subvention represented 37.3% of agency budgets (excluding hospitals and schools) while that percentage declined to 21% by 1983-84.

At the same time, government income increased from 17% to 50% while fees and other income declined more modestly from 37% to 25%. More surprisingly, perhaps, from 1978-79 to 1983-84, including most of President Reagan's first term in office, government funding actually increased from 44% to 50% of agency income. Clearly, over the last 20 years, the growth in government funding has allowed some agencies to shift from Federation to a significant dependence on government funds, while allowing Federation to move some of its resources to non-government funded agencies.

The Decline in Government Funds and the Privatization of Social Service

Most recently, two new trends have emerged in agency funding patterns.

First, government funds have declined or leveled off in some cities for some agencies, forcing a shift to consumer and market-oriented income sources. At the same time that Federation agencies moved out to challenge "for profit" businesses on their turf, the "for profit" enterprises entered agency turf with a whole range of well financed, and well marketed social services. Jewish family service agencies, for instance, found themselves competing with former workers who had left to set up their own private practices; homes for the aged have long competed in a free market with proprietary nursing homes; and Jewish community centers ran head-long into competition with "for profit" adult education institutions, health clubs and spas, tennis clubs and a range of other services. These two trends, the decline in government funding and the "privatization of social service," are creating major challenges for Federation agencies and for the organized Jewish community.

Implications for Agency Service Delivery and Community Building

Taken together, these trends are creating a shift from government income sources to greater dependence on the sale of services to clients and members who can afford to choose from a variety of attractive alternatives. As a result, agencies must maintain their traditional, high quality services, while at the same time, increasing marketing efforts and entrepreneurship, or face a declining client base as the "competition" increasingly "skims" their full-pay clients. But why worry about that part of the Jewish community which can, after all, afford to pay for services? Clearly, if agencies don't attract Jews with the ability to pay for service (a majority of the Jewish community), they will lose a significant part of their "full pay"

clientele and as a result, unit costs will skyrocket, and income will fall. Because most campaigns probably won't be able to take up all the slack, agencies will have less income to pay for the best staff or for marketing efforts and the quality of service will inevitably suffer, leading to further abandonment of Jewish agencies by the upper middle-class and well-to-do. In the end, this may produce, at best, a two-tiered system of service for Jews with the affluent buying high quality, well-marketed services in the "for profit" sector and poor Jews receiving whatever help the community can afford to give in deteriorating agencies.

In addition to providing services that will be affected by these trends, it's also important to remember that Federation agencies play a vital *community building* role by serving as a focus for communal life for Jews of all socioeconomic levels. The absence of most of the Jewish community from Federation agencies would therefore prove devastating to our sense of community — perhaps inflicting serious damage on the entire Federation enterprise. It's therefore, essential that agencies offer high quality, *well-marketed* services, *both* to increase income that might be used to support services for Jews who can't afford to pay *and* to continue serving the vast majority of Jews who can afford to pay for service.

While these trends affect all our agencies, they may be particularly significant for Jewish community centers, which have a key community building role in Federation's system of services. In addition, Jewish community centers are more dependent on non-government, self-generated income than any other Federation agency, and many Centers have in fact pioneered strategies to develop and market high quality services that also reflect their social work values and Jewish commitment. On the other

hand, Centers vary greatly in their dependence on Federation-United Way resources, with Federation-United Way income ranging from less than 15% to around 70% of agency budgets. While, of course, different Centers have to deal with different economic realities in their local communities, on the whole these differences may be more related to the ability of local community centers to develop and market innovative services than on the environment in which Centers find themselves. Taking advantage of all the opportunities in this new environment may represent one of the most important challenges facing Centers today.

Impact on Federation/Agency Relations

Clearly, the nature of the dialogue between Federation and its agencies, and particularly between Federation and Jewish community centers, should focus on these strategic trends. Currently, however, the nature of the dialogue more closely parallels the thrust of the Aizenberg and Rosen paper; that is, we manage to spend most of our time worrying about operational details rather than planning to meet the strategic challenges of the future.

Increasing Agency Autonomy within a System of Services

These trends have a number of broad implications for Federation/agency relations. First, there is a significant need to strengthen and clarify the concept of agency autonomy within a strong and flexible system of services. Agencies must be autonomous, flexible, and creative in order to survive in the new, more competitive environment consisting of an open market for health and social services, shifting funding opportunities, "for profit" competition, and

rapidly increasing community need. A heavy emphasis on central planning as opposed to more autonomous units can't work in our business any more than it can work in the Soviet Union.

Rosen and Aizenberg began to address this issue when they suggested that "the Center board of directors has the right of self-determination. This includes final determination on its own budget lines including the salary level it will pay all of its employees." Unfortunately, the issue is far more complex. Certainly, Federations will have to get used to the idea that in many agencies, particularly Centers, Federation funding represents a smaller proportion of agency dollars than ever before and that the access of agencies to those "outside" dollars will depend on their ability to make market-oriented business decisions. We may not like the idea that a particular gymnastics or ceramics instructor is paid three times the salary of a social worker, but we must recognize that as long as they attract members and generate profit (within the context of the agency's overall mission), the Center must be free to compete in a free market for top quality staff. If they don't, the Center movement will face mediocrity and decline. Federation leadership needs to be able to accept that *charitable* dollars are not subsidizing these services but that *on the contrary* the profits generated by these services are subsidizing the "charitable" (social service and Judaic) work of the Center, while drawing thousands of Jews into a Jewish environment. Accepting this reality will help Federation leadership accept the increased budgeting autonomy that agencies will need in order to survive.

This autonomy, however, also places a number of demands on Centers. They have a *responsibility* to maximize self-generated funds to ensure that Federation funds are *not* used to subsidize service that could be self-supporting or

profitable if Centers had the freedom and *creativity* to appropriately develop and market them. While many Centers *are* developing market-oriented approaches and some can't because of the nature of their clientele, others have a long way to go and will need to move rapidly to maximize their potential.

Paradoxically agencies also have to recognize that even as outside funding grows, the need for Federation funding will continue and even increase so that Centers and other agencies can have: a firm base upon which entrepreneurial services can be built; risk capital for new endeavors; and funding for services for new populations in need; or for Judaic programs that can't be self supporting. Since Federation funding will continue to be an essential component of agency income, Federations will need to continue to have access to line-by-line agency budgets. While agency self-determination should be the rule, Federations must retain the final word in some situations. In truth, contributors simply won't provide the kinds of funding agencies need without knowing that there is clear accountability for the money they contribute. Moreover, Federations cannot and should not make allocations to any agency "based on an agreed-upon formula or percentage" as Aizenberg and Rosen suggest. Federations have a clear responsibility to tailor allocations to changing communal needs, funding new services as required by a dynamic Jewish community. While agencies generally move swiftly to meet changing needs and reallocate resources on their own, Federations must retain the right to shift funding patterns when absolutely necessary.

Plainly, these circumstances create a conflict: agencies need flexibility while Federations need input and must insist on accountability for charitable dollars. Clearly, this issue needs further analysis, and there are no simple answers, but it's

entirely possible that both sides will simply need to live with this ambiguity. A greater understanding of these new dynamics will, however, help each side increase its sensitivity to the other so that we can help each other confront our challenges in a world that's becoming far more competitive, both for consumer dollars *and* for charitable contributions.

*Increased Federation Strategic Planning
Role and Decreased Operational Planning
Involvement*

Since agencies must have the greatest possible latitude on day-to-day *operational* decision-making as they move to respond to changing needs, shifting consumer demands and a range of funding sources, it's vital that Federations place an ever greater planning emphasis on longer-range strategic planning. Currently the relationship between Federations and agencies focuses far too much attention on *operational details*—generally related to budgeting—and far too little attention on mutual *strategic opportunities*. This emphasis sometimes creates a negative relationship where agencies ask for resources that Federations can't provide, while Federations try to over-control the details of agency budgets. In reality, we might all be better off spending our time focusing our attention on how we can work together as a system of services to enhance the ability of our agencies, and particularly of Jewish community centers, to increase self-generated funds of all kinds and to create strategies as a system of agencies to meet the social and educational needs of our communities better.

Federations can, for example, work through their statewide offices to maximize increasingly scarce government funds for agencies. More importantly, perhaps, Federations can identify

opportunities through which agencies can increase their program quality, "market penetration," and self-generated funding capacity through interagency cooperation and networking. While interagency cooperation isn't *always* cost effective, there are significant opportunities for networking and collaboration that can lead to increased access to new markets, risk capital, programmatic resources, and/or involvement of lay or professional leadership with needed skills for *all* the agencies involved in joint efforts. In Cleveland for example, this kind of interagency synergy in the development of home care services for the frail elderly has long been a goal of Federation and agency efforts. Clearly, the combined resources of a Jewish hospital, two Jewish nursing homes, a Jewish community center, a Jewish family service and a Jewish vocational service could be an important asset in meeting and overcoming the significant "for profit" competition now entering this field. Most recently, the Jewish Community Federation of Cleveland has taken important steps to bring all the affected agencies together to apply for a "Living at Home" grant (a national project of a number of national and local foundations), while local agencies, working independently, have also been planning on a bi-lateral basis to develop some of the same kinds of relationships. Federation's role must continue to be to highlight the intersection of community need and agency self-interest to help agencies work together to share resources and access to markets to meet the challenge of "for profit" competition better.

In addition, Federations can encourage entrepreneurial activity at agencies by providing or helping agencies find grant or loan monies for the start-up costs of programs that serve the needs

of the Jewish community and at the same time have the potential for generating income. This special funding might also be needed for creative marketing strategies and expanded agency budgets for marketing and advertising.

Other examples of the kinds of strategic roles Federations must increasingly play include:

- 1) Focusing agency and community attention on unmet needs requiring a Jewish communal response.
- 2) Facilitating initiatives requiring a significant degree of interagency cooperation, especially by highlighting their potential benefits to the agencies, as well as to the community as a whole.
- 3) Tracking demographic, market, funding, and government trends that cut across agency lines and that may affect agency initiatives including opportunities for entrepreneurial activity.
- 4) Working with agencies to strengthen the campaign as the means to maintaining the financial base they require.
- 5) Helping agencies keep sight of their Jewish mission as they move rapidly to take advantage of emerging opportunities, some of which will be outside the Jewish community.
- 6) Supporting agency efforts to find, recruit, and train the best possible lay leadership—lay leaders capable of taking advantage of entrepreneurial opportunities, while maintaining a close working relationship with the Federation and the community as a whole.
- 7) Integrating Federation and agency leadership to help develop leaders who understand both the individual agency and the community as a whole. This will be essential in

creating a relationship based on a shared vision of community building which will be essential in the new, more ambiguous environment described above.

**Expanding Opportunities for
Congregational Funding While
Expanding the Role of the JCC**

Focusing on jointly pursuing new opportunities rather than creating restrictive rules might also be helpful in examining the issue of Federation funding for congregations. In fact, we believe that our approach to this challenge provides a good illustration of a number of the issues we've already raised, including: the need for Federation to be able to allocate resources to take advantage of strategic opportunities and to meet emerging needs; the importance of interagency approaches and synergy in a rapidly changing environment; and the importance of Federation providing a strategic perspective on communal problems.

The Aizenberg-Rosen paper correctly points out that Federations are providing or considering providing limited funds for congregational activity. Congregations are a gateway to Jewish life for the majority of America's Jews. They directly educate *over 70%* of youngsters who receive a Jewish education and while more than half of America's Jews don't *currently* belong to a congregation, most demographic studies have shown that the vast majority of Jews do join congregations and retain their membership while their youngsters attend congregational schools. Given the necessity of helping congregations become as effective as they can be in the field of Jewish education and continuity and Federation's key role in coordinating and supporting these programs (along with agencies like bureaus of Jewish

education and Jewish community centers), it's fruitless for Centers to ask that Federations preclude any funding relationship with congregations. Jewish continuity and survival are just too important an issue to allow "turf" issues to block this kind of discussion or action.

Once again, we believe it would be far more productive for Jewish community centers to ask how they can work cooperatively with Federations and congregations to deal with the challenge of ensuring Jewish continuity. Centers have a critical role to play in this process, and many do. Congregations can certainly benefit from the group work and informal Jewish educational expertise of Centers. These skills may be the critical element in creating far more effective educational environments for children, teens, and families at congregations. Centers can and should be partners with congregations in training and supporting congregational youth workers; providing settings and group work expertise for congregational retreats and camp experiences; and perhaps, even creating after-school day-care programs on site in congregational settings. In fact, the most important element of the Centers' mission in strengthening Jewish continuity described so well in Jewish Welfare Board's Commission on Maximizing the Jewish Educational Effectiveness of Jewish Community Centers, may well be in its collaborative work with congregations. Clearly this will mean expanding the Center role beyond its walls and Federations will of course need to be a partner in helping develop the resources for congregations and Centers alike to implement these kinds of programs. This will, however, become increasingly possible as membership programs at Centers become increasingly self supporting leaving Federation subvention for programs for special needs populations or programs

of interest to the broader community, such as congregational initiatives.

Relationship Not Rules are the Key

On the whole, the success of our overall enterprise depends on relationships rather than rules, and, in this regard, the changes required are attitudinal rather than contractual. The underlying concept that defines Federation-agency lay and professional relationships must shift to "mutuality" based on a shared vision of community building, rather than "independence/control." Federations must accept the fact that agency growth and creativity depend on agency ability to act with greater operational autonomy. Without growth and creativity, agencies may lose the ability to deliver quality services to those in need *or* to attract affluent Jews to agency services. Any diminution of agency excellence will inevitably lead to a loss of both clients and committed, quality, lay leadership. These losses would have a negative effect on the community

building function of the entire system of services.

Similarly, agencies must accept the community building role of the Federation including the sometimes time consuming process needed to create consensus around either Federation or agency initiatives. Without the Federation process and the broad base of leadership and community vision it creates, agency leadership will "dry up" and much of the strength as well as the Jewish purpose of the agency may be diminished.

In truth, Federations and Jewish community centers need each other more than ever in the new, more competitive environment in which they find themselves. Maintaining agency autonomy while maximizing opportunities for strategic cooperation will not be easy and will require greater communication and sensitivity than ever before. The key to success will be an open dialogue between Federation and Center leaders out of which even greater opportunities for future growth and creativity will emerge.