

## Economic Concerns in Jewish Communal Service\*

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The present administration in Washington has reportedly grown weary of the standard "on the one hand — but on the other hand" ploy of the economists; it is looking for more definitive answers to economic questions. So far this precision has eluded our national leaders and it is doubtful that Jewish communal service leaders should expect more. Therefore, while this assignment was accepted with reluctance, it was also with the comfort in knowing that, when it comes to economics, no one knows *the answer* and probably not even *the question*. It is with this lack of precision that this paper will reflect a bit about some selected economic highlights of our Jewish communal enterprise, the effect of inflation both domestically and in Israel, the recent experiences in our campaigns, and the resultant "crunch" in our ability to provide human services. The last part of the paper will present some suggested responses.

The Jewish "gross national philanthropic product" (JGNPP)<sup>1</sup> is a term which describes the aggregate value or cost of Jewish communal services. It included annual contributions to campaigns, service payments, and governmental funds. The best estimate for recent years is that this sum has reached the impressive figure of about \$2.8 billion. [About 50 percent of that is income to the Jewish

hospitals, much of which is third party payments (government and private insurance); of the balance, about one-third is comprised of contributions to the local Jewish community campaigns, and two-thirds is made up of other income, such as United Way, government grants, fees from users and clients.] Among local services without benefit of major government payments the biggest "income producers" are the synagogues and Jewish education; the centers, camps, and youth services. The smallest income producers are family service, child care and Jewish vocational agencies.

While these absolute numbers are substantial, it is also clear that we have been in a period of dynamic growth. [The JGNPP almost doubled from \$1.5 billion in 1970 to about \$2.8 billion in recent years (1975-76). Almost all fields of health, social services and educational programs have grown in income. In the same period Jewish Federations increased their aggregate annual fund-raising results from almost \$300 million to \$475 million; Federations increased their allocations (together with the deployment of United Way funds allocated to Jewish agencies) to local services by over 50 percent in the period to a total of over \$90 million; every field of service (other than health) shared in this increase of some \$30 million in a five-year period.]

A substantial growth factor has been the Jewish philanthropic support of Israel's human needs. The United Jewish Appeal receives the single largest allocation from the Jewish community campaigns and these have grown from about \$196 million in 1970 to \$320 million in 1975. (These figures do not reflect

the extraordinary 1974 campaign in the aftermath of the Yom Kippur War).

The income of our hospitals and institutions for the aged has grown very substantially, mainly from third party payments and particularly government funds. A recent study<sup>2</sup> indicates that the great bulk of the government support of Jewish agencies takes the form of these third party payments to our Jewish hospitals and homes for the aged, which in 1973 amounted to \$539 million. The homes for the aged are an excellent example of the way in which government funding has increasingly become a factor in Jewish communal service. In 1962 government funding represented 35 percent of the budgets of a selected group of Jewish homes for the aged studied; by 1973 it had grown to 66 percent of their budgets. The same study indicated that government support of Jewish agencies (excluding hospitals) grew more than 600 percent from \$17 million in 1962 to \$108 million in 1973.

In short, the Jewish communal service system is a large and diverse economic unit, which has grown dynamically over the years and particularly in the last decade to the point where it would be almost unrecognizable to its pioneers and founders. But we have not been spared growing pains.

The single greatest economic problem besetting Jewish communal services is inflation, the silent but unrelenting enemy of real growth. In effect inflation has meant that we have had to run faster just to stand still in the provision of our services. According to Goldberg, "the rise in local allocations of 117 percent during this decade would be closer to a rise of 30 percent after adjustment for changes in the price level."<sup>3</sup> Put a bit differently, allocations by Federations and United Ways to

local agencies increased by 50 percent in the period 1971-1975; during the same period the consumer price index rose about 33 percent thereby eroding much of the growth and reducing the value of hard won increased campaign contributions. Moreover, Jewish community campaigns in effect will have experienced zero growth in the post Yom Kippur War period (since 1974) while the consumer price index advanced from 161 in 1975 to about 190 in March, 1978, which means of course that the campaigns have not even held their own in terms of *real* dollars.

One of the problems in achieving greater campaign income is that inflation has put an additional burden on the individuals who comprise the Jewish population. In recent campaigns it has become clear that many contributors who give under \$500 as their annual contribution are having great difficulty in increasing their gifts. For those on modest salaries and other relatively fixed incomes, every dollar has been earmarked and frequently such persons do well to give the same as in the prior year. To solicit their contributions on the basis of the effect that inflation has on the agencies, is to them the final irony of a personal economic problem. On the other hand it is this solid "middle class" group that increasingly needs the help of our Jewish family agencies, camps, Jewish community centers, etc. In other words, inflation has created both a problem of producing increased giving to the annual campaign by the masses of contributors and on the other hand a situation in which those very persons need more and more service for which they are less and less able to pay.

The rate of inflation in Israel makes that of the United States pale almost into nonexistence. Israel's currency has been able to purchase less and less goods and services and has plunged many families — especially immigrant families — below the poverty line. Israel's middle-class faces a depressing inflation rate which has jumped from ten percent in 1972 to 38 percent in 1977. As Jewish communal service leaders it is impor-

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<sup>1</sup> The source for this term and much of the financial data which follows is from S.P. Goldberg, *Jewish Communal Services Programs and Finances*, The Council of Jewish Federations and Welfare Funds, September, 1977. (eighteenth edition)

<sup>2</sup> Background paper for the Sidney Hollander Colloquium, Alvin Chenkin, "Government Support of Jewish Sponsored Agencies in Six Major Fields of Service, 1962-1973," Council of Jewish Federations and Welfare Funds, April, 1976.

<sup>3</sup> Goldberg, *op. cit.*, p. 46.

tant for us to understand that our Israeli brothers and sisters are also a part of our collective responsibility; that our domestic system of health, social service and education, despite its substantial problems, is in better economic condition than that of Israel. For example, in this last year the Jewish Agency budget for immigration and absorption was cut by \$10.7 million; for higher education, by \$20 million; for agricultural settlements, by \$25 million; for immigrant housing, by \$16 million.<sup>4</sup>

This double-edged problem — the overseas shortfall and the domestic crunch — is brought about by recent campaign results and excessive inflation; as a consequence Federations have faced a dilemma in the division of funds raised. Allocations to the UJA grew from about \$240 million (75 percent to the total raised) in 1967 to about \$300 million (65 percent of the total raised) in 1976 for an increase of about 25 percent over the ten years; allocations for all other purposes grew from about \$81 million in 1967 to about \$160 million in 1976 for an increase of almost 100 percent in that period. UJA still receives the bulk of the money raised (in the ratio of two to one); however, in recent years at least some of the large city Federations have felt forced to relieve some of the pressure of local needs by slightly shifting the ratio of support in favor of local services. The main difficulty is that the economic pie that must be cut up has been too small, too small for services now being provided and much too small to encompass the inevitable new services which will emerge in response to new needs. This responsiveness is the sine qua non of a vital Jewish communal movement.

It is apparent that the organized Jewish community is a large and complicated economic entity. Its effective functioning requires highly trained personnel with excellent social work skills embedded in both Jewish and general humanitarian values. In addition it is

<sup>4</sup> *Israel at Thirty — the Critical Difference*; The United Jewish Appeal, 1978.

necessary that there be sophisticated management people with the capacity to set clearcut objectives, evaluate cost benefit ratios, seek out more efficiencies, and in general do a better job of squeezing every last ounce of value from every scarce dollar spent. This means that beyond our core personnel, we will be seeking other disciplines to join our management teams; it means adjusting our attitudes and developing a management focus paralled to our human service focus; it also means that agencies will be required to compete in the labor market for the very best social work, management and financial people in order to function at their economic best.

In this perspective, what are the most likely initiatives that should be taken to move us ahead? How can we adjust our carefully developed human service programs to the economic realities? Can we manage our resources so as to fund more and more high priority services?

The most important initiative is to assure that our Jewish community campaigns are successful in raising every possible dollar. We believe that far more money is available and would be raised if the story were better told and if the techniques were even more effectively employed. While inflation has had negative effects, it has also produced larger — although illusory — “numbers” for most economic units. The sales and earnings numbers of many businesses are inflated by at least the rise in the consumer price index; salaries and other forms of income earned by many of our contributors have also been inflated. But community campaigns have yet to share fully in this new “wealth” created by both inflation and greater productivity and reflected in our current “national Jewish net worth.” One special opportunity worthy of mention is that which exists in the “sunbelt” cities. There is an almost revolutionary demographic change taking place in the Jewish community with the movement of persons — sometimes the most affluent persons — from the northern urban centers which historically comprised the strength and the population of

the national Jewish community to the so-called “sunbelt” cities. As this move takes place we must be sure — as a national Jewish community — to take it into account both in fund-raising and in the amount and kind of services provided.

Another opportunity is the Jewish community endowment fund which is the fastest growing repository of Jewish dollars. The latest available figure on the value of the endowment funds of 47 reporting Jewish Federations is about \$223 million which resulted in grants that totalled about \$20 million for 1976.<sup>5</sup> In the figure, Federation and agency endowments should increase in geometric proportions; there is a new understanding on the part of the contributing public of the potential in endowments. The new tax laws make this a desirable way to give money. An important aspect of endowment fund economics is our ability to manage sizable investment portfolios. An increase of one percent in the yield on the Federation endowments noted earlier would produce an additional \$2.2 million. It will be equally challenging to generate the program ideas that represent innovation, creativity and path-finding — the *raison d'être* of the endowment gift.

The result of United Way campaigns should grow dramatically in the period ahead. The United Way of America has developed a “Program for the Future” which has the objective of raising the achievement of the United Way nationally from the present approximately \$1 + billion to a projected \$3 billion by 1985. The Jewish community should make every effort to persuade the United Way of the importance of the services which it sponsors. Preferably this should be done by the Federations; in some cases the individual Jewish agencies will undertake the effort. This is a great reservoir of potential support because United Ways increasingly have come to respect and understand the quality and

<sup>5</sup> “Status of Federation Endowment Funds - 1976,” Council of Jewish Federations and Welfare Funds, June, 1977.

quantity of service given by the Jewish agencies in fields of work which have gained higher priority among these United Ways. And there should be room here to grow. United Way support of local Jewish community services grew from about \$17 million in 1966 to about \$23 million in 1975 for about a 38 percent increase. In the same period of time, the consumer price index increased by almost 66 percent, meaning that in real dollars we actually lost considerable ground. Or, put another way, support of Jewish activities eligible for United Way support increased by \$32 million from 1966-1975 of which \$26 million came from Jewish Federations and \$6 million from United Way.<sup>6</sup> As these figures are interpreted, as our services are seen as increasingly relevant, and as United Way campaigns continue to grow, the Jewish agencies should be able to do much, much better.

While caution should be exercised as to the nature of the programs for which government funding is sought and the conditions and responsibilities with which such grants are encumbered<sup>7</sup>, careful scrutiny nonetheless should be given to *appropriate* opportunities for governmental funding. There may be no better example than the great forward movement in many Jewish communities toward independent housing for the aged. Here, the government's dollars and the Jewish community's experience in meeting the needs of the aged are almost a perfect blend. Under “section 202/8” programs, it is possible to secure 100 percent financing for apartment housing for the elderly which can be rented by qualified older persons through the payment of 25 percent of their income for rent. This represents an enormous government subsidy to the poor and near poor; for the social security recipient and others in the Jewish community it may well represent the difference between

<sup>6</sup> S.P. Goldberg, *op. cit.*, p. 46.

<sup>7</sup> For elaboration of this subject see author's paper, “Issues in Public Funding of Jewish Communal Services,” *Journal of Jewish Communal Service*, Vol. LIV, No. 1 (1977), pp. 13-8.

economic life and death. In 1977 alone, Jewish Federations and related agencies secured almost \$70 million of such construction financing with rent subsidies that will amount to some \$83 million over the life of the mortgages.<sup>8</sup> There are other appropriate government opportunities among which the CETA programs can be counted.

The suggestions made so far for coping with the economics of Jewish communal service have probably met with a favorable reception by the reader. It is relatively easy to applaud the idea of raising more money in the Jewish community campaign, the endowment fund, the United Way, and government. There may be more difficulty with the next series of suggestions which emphasize possibilities for restructuring and reevaluating the way in which funds are allocated and the structural relationships of agencies for the purpose of most effectively delivering human services. The purpose of these suggestions is to highlight the fact that economic problems will be resolved only by securing more resources and, with equal zeal, finding ways to use them better and on behalf of meeting the most important needs.

Over the years Jewish community patterns of allocating to local services have shifted only gradually. Formal programs of priority setting have been avoided, in the main — probably wisely so. It is unlikely that there will be enough money available to meet all the needs in the foreseeable future. Therefore, we should develop a more managed approach to the allocation of resources even, if necessary, by dropping traditional but lower priority services in favor of high priority, new, innovative and perhaps more relevant programs.

One approach to this is a technique that has been called "modified budgeting" by the Jewish Community Federation of Cleveland. This planning and budgeting program rests on the assumption that a portion (for Cleveland this is 90 percent of the prior year's

<sup>8</sup> Information supplied by the Washington office of the Council of Jewish Federations and Welfare Funds, May 4, 1978.

allocation) of the Federation's subvention to an agency is almost guaranteed and will be used to maintain the existing pattern of service. But an additional portion — in Cleveland's case, the amount that exceeds 90 percent of the previous year's allocation — would be spent on programs (priorities) determined by the Federation and the agency together.

The agency presents two budgets to the Federation for a given year: the first budget is a representation of the services to be given if the agency were to receive only 90 percent of the previous year's allocation. That budget would include the least administrative and overhead cost possible, and beyond that would include only the most important programs of the agency, whether new ones in response to emerging needs or more likely old ones which cannot be set aside. This budget is practically guaranteed by the Federation to the agency. In addition the agency submits a supplemental budget which includes lower priority items to whatever extent the agency wishes to develop them. To the extent that funds are available the Federation finances the items in this supplemental budget and, if the campaign results are highly successful, it is conceivable that most of the items in the supplemental budget would be funded. Each program in the supplemental budget must be justified and a dollar value ascribed to it; the Federation, through its planning process which includes representatives of the agencies, evaluates all the items in all the supplemental budgets and rates them according to their relative importance.

At a minimum this process brings into sharp focus for the agency and for the Federation each program operated by every agency; it forces a careful evaluation process both by the agency and the Federation; it brings into clear perspective the relative importance of various community needs; and it highlights the effectiveness of various agencies. It also assures that a serious shortfall or a highly successful campaign would not propel the community's program into a state of economic

or service disarray.

Another strategy for adjusting to the times is appropriate mergers of agencies to create more effective economic units capable of delivering the same or better service at lower cost. The economic objective is to merge the functions of small or medium size agencies into larger administrative units with the result that a smaller proportion of total expenses is utilized for administration and overhead, and a greater proportion on human services. There are also potential disadvantages to mergers which may lead some to believe that on balance it is best to accept the present organizational pattern of community agencies and "leave well enough alone." It is no longer possible to accept this latter attitude; while the efficacy of each potential merger should not be prejudged, each having to be evaluated on its own merits. It is nonetheless an economic necessity to look for mergers that would be appropriate in the terms defined above. Some have suggested rules of thumb which, for example, call for the justification of continued independent operation of any agency whose budget is less than \$500,000. This is based on the assumption that in order to open the doors of an agency, provide it with administrative staff, and handle the overhead, there are not sufficient funds available within the parameters of the \$500,000-or-less budget to enable a meaningful quantity of service to be delivered with a reasonable cost benefit ratio. Of course this course would be

applicable mainly in the larger cities.

Finally, while it seems obvious, philanthropic agencies should be even more cost-conscious in order to convert money spent on *things* to money that can be spent on *services*. Whether through joint purchasing, central accounting, better space utilization, reduction in energy use, or the myriad of other possibilities; this kind of vigilance should command a high priority.

The economics of Jewish community life and of Jewish communal service are changing rapidly. The ravages of inflation, unemployment, energy shortages, imbalance of trade, etc., demand constant readjustment by all of America including Federations and their agencies. In some cases this readjustment will be nothing more than fine-tuning an already effective and efficient program. In other respects there may be a need for substantial change; communal planners should be wise enough and statesmanlike enough to recognize that such change is the only assurance of a continuing capability to meet their responsibilities. Jewish communal service has shown a remarkable flexibility and capacity for adaptation and should continue to do so.

Communal workers have an exciting period before them and one in which there will be a great premium on creativity and competence. Based on past performance, there is every reason to believe that they will meet the challenge.