Final Report

EVALUATION OF THE
DEPARTMENT OF
ECONOMIC SECURITY

PROGRAM EVALUATION DIVISION
Office of the Legislative Auditor
State of Minnesota
EVALUATION OF THE
DEPARTMENT OF
ECONOMIC SECURITY

PROGRAM EVALUATION DIVISION
OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MINNESOTA

March 31, 1980
PREFACE

This is the second report of the Program Evaluation Division on the Department of Economic Security. The first report was issued on May 14, 1979. It was prepared to give the Legislative Audit Commission a preliminary assessment of efforts to implement the 1977 legislation that created the department and achieve the reorganization goals established by the department's first administration. Because of further interest the LAC directed us to continue our study and issue a second report. However, it was understood that even a second report could not give a final assessment of the reorganization because the department continues to be in a period of transition. In fact, we wish to note that during the course of our latest research the department's current management began to reassess and modify some of the original reorganization goals, a process that will undoubtedly continue.

To the degree that judgments can be made at this point our assessment of the department's reorganization efforts is in many respects favorable, though some specific findings are critical. We were particularly encouraged by the willingness of the department to cooperate in our evaluation. We wish to thank Commissioner Middleton and his staff for their assistance. They reviewed a draft of this report and made many helpful suggestions. We hope that the report will contribute constructively to the department's efforts to complete the reorganization.

Our study of the department was conducted by Roger Brooks and Marie Scheer, who jointly researched and wrote this report. They have also developed supporting documents, including three staff papers, on special components of the study. These materials are available from the Program Evaluation Division.

James Nobles
Deputy Legislative Auditor
for Program Evaluation

March 31, 1980
The Program Evaluation Division was established in 1975 and does studies at the direction of the Legislative Audit Commission (LAC). The division's general responsibility, as set forth in statute, is to determine the degree to which activities and programs entered into or funded by the state are accomplishing their goals and objectives and utilizing resources efficiently. A list of the division's studies is at the end of this report.

Since 1979, the findings, conclusions, and recommendations in Program Evaluation Division final reports and staff papers are solely the product of the division's staff and not necessarily the position of the LAC. On completion reports and staff papers are sent to the LAC for review and are distributed to other interested legislators and legislative staff.

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TABLE OF CONTENTS

EXECUTIVE SUMMARY ix

INTRODUCTION 1

I. HUMAN SERVICE REORGANIZATION IN MINNESOTA 4
   A. Proposals for Change
   B. Legislative Action
   C. Organizing the New Department
   D. Present Structure of the Department of Economic Security

II. IMPLEMENTING THE REORGANIZATION PLAN 17
   A. Initial Reorganization Objectives
   B. Phase One Objectives
   C. Phase Two Objectives
   D. Phase Three Objectives

III. FIELD OFFICE COLOCATION 48
    A. Colocation Policy
    B. Impact of Colocation on Field Office Costs and Space

IV. SERVICE DELIVERY 60
    A. Vocational Rehabilitation
    B. Job Service
    C. Balance of State/CETA
    D. Unemployment insurance

V. LEGISLATIVE BASELINE CRITERIA 75
    A. Administrative Costs
    B. Space and Staff Inventory
    C. Time Required for Client Services
    D. Time Required for Client Self-Sufficiency

VI. STAFF ATTITUDES AND MORALE 81
    A. Employee Morale
    B. Attitudes Toward the Merger
    C. Acceptance of Organizational Change

VII. PATTERNS OF CLIENT PROGRAM USE 88
<table>
<thead>
<tr>
<th>TABLE OF CONTENTS (continued)</th>
</tr>
</thead>
<tbody>
<tr>
<td>VIII. CONCLUSIONS</td>
</tr>
<tr>
<td>APPENDICES</td>
</tr>
<tr>
<td>PROJECT DOCUMENTS</td>
</tr>
<tr>
<td>STUDIES OF THE PROGRAM EVALUATION DIVISION</td>
</tr>
</tbody>
</table>
LIST OF TABLES

1. Progress of the Department of Economic Security in Achieving its Reorganization Objectives 18
3. Survey of Department of Economic Security Field Office Space-sharing as Specified in Department Guidelines 53
6. Percent Change in Area and Cost per Square Foot for Department of Economic Security Field Offices, 1977-1979 58
7. Division of Vocational Rehabilitation, Number of Cases Served per 100,000 Population, 1974-1978 62
8. Division of Vocational Rehabilitation, Expenditures by Categories, 1974-1978 63
9. Division of Vocational Rehabilitation, Cases and Successful Rehabilitations per Counselor, 1974-1978 64
10. Division of Vocational Rehabilitation, Average Cost per Successful Rehabilitation, 1974-1978 66
11. Job Service Productivity by Individuals Placed and Placement Transactions per Staff Year Worked, FY 1975-1979. 67
12. Job Service, Average Cost per Individual Placed and per Placement Transaction, FY 1977-1979 69
13. Selected CETA Program Statistics for Minnesota Governmental Prime Sponsors, 1975-1979 70
15. Unemployment Insurance Division--Indicators of Performance and Promptness, 1976-1979 73
LIST OF TABLES (continued)

16. Average Time Spent on Selected Unemployment Insurance Activities, 1976-1979 74
17. Administrative Expenditures, 1977-1979 77
LIST OF FIGURES

1. Organization of Human Services Programs in Minnesota Prior to 1977 Reorganization 6

2. Recommended Organization for Human Services Programs 8


5. Department of Economic Security Summary of Programs and Budgets 15

6. Structural Organization of the Business and Financial Services Office 21


8. Employee Attitudes Toward the Reorganization of the Department of Economic Security 85

EXECUTIVE SUMMARY

This report presents our analysis of the creation and structural reorganization of Minnesota's Department of Economic Security. Our major findings and recommendations are summarized below in each of the following areas:

- **Reorganization Objectives:** What progress has been made in implementing the reorganization objectives set by the department in 1977?

- **Field Office Colocation:** What impact has colocation had on field office rents and space utilization? Has colocation led to a sharing of facilities and better program coordination?

- **Service Delivery:** What has been the impact of reorganization on the efficiency of service delivery in the department?

- **Administrative Efficiency:** What has been the impact of reorganization on administrative costs, staff and space utilization, and the efficiency of program service delivery?

- **Staff Morale:** What has been the impact of reorganization on staff morale?

- **Client Program Use:** What has been the impact of reorganization on the patterns of client use of programs administered by the department?

The Department of Economic Security was created in 1977, bringing into a single administrative structure all of the state's employment and job training programs. The purpose of the reorganization was to eliminate administrative duplication, improve consumer access to services, and encourage policy coordination among human service programs.

Programs administered by the department include Job Service, Unemployment Insurance, Vocational Rehabilitation, Work Incentive, Work Equity, Balance of State/CETA, and Statewide CETA coordination. Approximately two-thirds of the department's 2,500 employees provide direct services to the public in field offices located in 63 communities throughout the state. Nearly 90 percent of the department's $98 million budget came from federal sources in FY 1979. An additional $200 million was collected from Minnesota employers of which $160 million was paid out in unemployment benefits.
A. REORGANIZATION OBJECTIVES

Recognizing that any organization periodically reassesses its goals, as well as its strategies for achieving its goals, there was legislative interest in ascertaining what actions the department has taken relevant to its original reorganization plan. The department has made progress, particularly over the past six months, in meeting its original reorganization objectives. It has, for example, created a Policy and Planning Office, begun to consolidate personnel functions, and developed plans to decentralize and reorganize the department's field operations. In addition, it has moved to streamline its administrative structure by transferring most program support functions out the commissioner's office.

Nevertheless, the department is behind its original timetable for reorganization. Out of 40 specific objectives scheduled to be reached by mid-1979, the department has fully completed just 16 and partially completed 17. The department has made no progress on seven objectives.

Among the objectives not accomplished or accomplished only in part are:

- the consolidation of department research functions,
- the use of a uniform cost accounting system throughout the department,
- the development of a consolidated staff training plan,
- the consolidation of the department's personnel functions,
- the development of a department-wide client information system, and
- the development of a procedure ensuring consumer input in department decision making.

The department's inattention to specific objectives has prolonged fragmentation in its administrative structure, precluded an effective system of cost controls, and delayed the implementation of steps to coordinate program policies. We recommend merging those program support activities, such as research and personnel functions, that are still fragmented. This will enable the department to offer consistent support across all programs and to begin providing the administrative links among units that are needed to coordinate programs. In addition, we recommend that the department conduct an overdue study of its cost accounting and devise a means of linking the federal and state systems it now uses or adopt
a single system. Adopting a uniform cost accounting system throughout the department will make it easier for management to assess department activities and exercise effective control.

In many respects, the department's programs continue to operate independently of each other. Client information systems are separate and rely on two different computer systems. Program planning is not coordinated across units so that the department's specialized missions, such as improving job placement for the handicapped, have received little attention. Client intake at field offices, including application procedures and eligibility determination, is not coordinated across programs. We recommend that the department coordinate its client information systems, develop liaisons among the programs for planning, and devise common intake procedures at field offices. These steps will enhance the department's capabilities for serving the multiple needs of clients and move the department beyond a mere collection of autonomous programs.

B. FIELD OFFICE COLOCATION

Out of 30 communities where field office colocation is possible, only 14 have actually merged offices. Since 4 sites were already collocated in 1977, only 10 new sites have been added since the department's creation. Local planning, including coordinating lease expiration dates and finding suitable space, has been more difficult than originally anticipated. In addition, the department has not adequately studied the colocation process and, aside from issuing policy guidelines for colocation, has not demonstrated to field office managers why colocation should receive high priority.

Our survey of colocated field offices has revealed that relatively little sharing among programs has resulted from the process so far. Only about half of all sites share lunch rooms, restrooms, supply areas, or equipment workspace, although the department's guidelines require such sharing when offices collocate. One reason why sharing is not more widespread is that colocation has generally meant placing offices side-by-side under the same roof rather than in a common suite of offices.

Our study of field office leases suggests that colocation has resulted in little, if any, space savings. Moreover, offices which have colocated now pay rental rates 40 percent higher than in 1977, as opposed to a 24 percent increase in rates for offices which have not become colocated.

We recommend that the department conduct further study into the actual effects of colocation on service delivery, space sharing, costs, and coordination among programs. A pilot project should be conducted to experiment with more cooperative colocation arrangements. The most successful results of this project could then be applied to other sites.
C. SERVICE DELIVERY

Some people anticipated that reorganization would improve the efficiency of service delivery in the department; others expected that reorganization would lead to a decline in services. Although we lack the historical perspective to discern long-run trends, there is no firm evidence that the department's reorganization has significantly affected the performance of Economic Security programs.

The Vocational Rehabilitation program, for example, still ranks among the best in the nation in the number of cases served and in the cost of its administrative overhead. Its overall standing has not changed significantly since 1977.

Job Service productivity is highly dependent on local labor market conditions and difficult to evaluate in a national context. However, there is evidence of an increase in program productivity. For example, the number of placements per staff year has risen since the department's merger.

The performance of Balance of State/CETA has roughly paralleled that for the other nine CETA prime sponsors in Minnesota. However, the percentage of participants who entered regular employment dropped somewhat more quickly between 1977 and 1979 for Balance of State clients than for those in other CETA programs. On the other hand, administrative costs have risen less sharply for the Balance of State unit than for the other prime sponsors.

Unemployment Insurance program funding and staffing are directly tied to economic conditions, causing dramatic fluctuations in workload and productivity over a period of years. However, Department of Labor appraisals of Minnesota's program suggest that, while some services are delivered more promptly than in 1976, overall program performance has changed little in recent years.

The department's reorganization has not affected program content, nor apparently, has it significantly affected program performance. There is no evidence that reorganization has caused a decline in services.

D. ADMINISTRATIVE EFFICIENCY

The department has apparently not achieved the five percent reduction in administrative overhead required by the legislation creating the department. The department's method of cost accounting did not permit effective and reliable monitoring of administrative costs. But it does show that the proportion of all funds
spent by the central administrative offices has risen since 1977 while that spent by field offices has declined. The department has devised a new method of tracking expenditures by transaction rather than locality and established a new baseline for future reference. We consider this a step forward.

Space and staff inventories conducted by the department show that administrative offices now occupy two percent more space than in 1977 while field offices occupy 12 percent more space than in 1977. The total number of staff has remained unchanged since 1977, but the number of employees in technical and managerial classes has increased while the number in service, office, and craft classes has declined. The department has not trimmed its administrative staff by five percent as required by the Legislature.

We observe overall improvements in the time required to deliver services satisfactorily to clients, but since the reorganization has not directly affected program policies or procedures, it seems likely that the observed changes owe more to the general improvement in the labor market over the past three years than to benefits arising from the department's reorganization.

E. STAFF MORALE

There is evidence that low morale exists among a significant minority of employees of the department. Our confidential survey of nearly 300 employees revealed that personal job satisfaction is fairly high, but three out of ten employees say they are dissatisfied with their careers in the department. Moreover, when asked directly how they would assess morale among co-workers, more than four out of ten say it is low. In comparing our survey results with those obtained from another independent study in 1976, we conclude that morale has probably always been lower in the Department of Economic Security than in most other state departments. However, negative job attitudes have apparently not increased among Economic Security workers over the past three years.

Although morale has not dropped since the merger, most employees do not think the merger improved employee attitudes. Only a third think the merger was "a good thing", while more than half think it hurt morale. Many respondents made strongly negative comments about the merger, most mentioning salary discrepancies between the divisions, an expanding departmental bureaucracy, or other factors which affected them personally. Relatively few respondents volunteered comments indicating that client services had suffered as a result of the merger.
F. CLIENT PROGRAM USE

According to client program data supplied to us by the department, the proportion of Economic Security clients who are simultaneously enrolled in more than one departmental program did not increase between 1977 and 1979. Over the past three years, a constant proportion—about 19 percent—has been enrolled in more than one program. This means that client sharing has not increased among Economic Security programs since the merger, despite the department’s efforts to coordinate programs, colocate field offices, and improve client referral systems.

Most surprisingly, cross-enrollments were low between Job Service and Unemployment Insurance programs. Some UI claimants, such as those temporarily laid off, are not required to register with the Job Service. Only about 40 percent of all claimants actually appear in the Job Service records.

We recommend that the department review its client intake and referral procedures. Better information on programs and eligibility requirements should be made available to clients and to program staff. Finally, we recommend that the department conduct validation studies to determine the accuracy of client data and to improve the data collection process. In addition, the department should refine the client sharing analysis we have done and monitor cross-enrollments on a periodic basis.
INTRODUCTION

In 1977 the Minnesota Legislature created the Department of Economic Security, merging the Governor's Manpower Office, the Department of Vocational Rehabilitation, and the Department of Employment Services. The purpose of the reorganization was to bring the state's employment and job training programs into a unitary structure to eliminate administrative duplication, improve consumer services, and encourage policy coordination. According to a reorganization plan developed by the department in January 1978, the transition to a consolidated administrative structure was to be substantially completed by mid-1979.

This report is a follow-up to a study conducted by the Program Evaluation Division in the spring of 1979. The earlier study criticized the department for its failure to carry out its reorganization plan in a timely fashion. It also found that,

There has been little real consolidation of policy-making authority and, to a significant degree, the department's divisions continue to operate as separate entities.

While the report did not find evidence that service delivery had suffered as a result of the reorganization, it did conclude that it was too early to "judge the outcome of the reorganization and the success of the new department."

Continuing legislative interest in the progress of the Department of Economic Security prompted a further investigation into the department's reorganization. Although we still lack the time perspective required to judge the ultimate success or failure of the new department, we agree that monitoring the department's progress is an important function. We had several objectives in preparing this report:

- to recapitulate the events which led to the creation of the department;
- to indicate the department's progress in carrying out its own reorganization objectives;

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• to provide information on key aspects of the reorganization which have been inadequately studied;
• to determine what impact, if any, the reorganization has had on program performance;
• to make recommendations for department action to improve the outcome of reorganization; and
• to provide insights into the process of government reorganization which might be useful in future reorganizations.

In the chapters that follow, and in our supplementary documents, we hope to provide information which is useful to the Legislature and to the management of the department.

In Chapter I we review the legislative and executive branch actions which led to the creation of the department and describe the department's current structure. Much of this material is further developed in a separate document which places Minnesota's experience in a national context.¹

Chapter II presents our status report on the department's progress in carrying out its original reorganization objectives. Our discussion of many of the 45 objectives includes specific recommendations for further administrative action.

We devote special attention to field office colocation, one of the department's key objectives, in Chapter III. We examine whether colocation has resulted in a sharing of facilities and a reduction in costs. Our staff paper on colocation explores these matters in detail.²

Chapter IV analyzes the impact that reorganization has had so far on client service delivery; Chapter V is an update of our earlier analysis of the department's performance on certain legislatively-designated criteria. We report on employee morale and attitudes toward the reorganization in Chapter VI. A full report on employee attitudes can be found in a supplementary document.³

¹Program Evaluation Division, Office of the Legislative Auditor, State Human Services Reorganization: Comparing the Minnesota Experience, by Marie Scheer (March 31, 1980).
²Program Evaluation Division, Office of the Legislative Auditor, Colocation of Field Offices, by Marie Scheer (March 31, 1980).
Finally, Chapter VII examines evidence relating to the patterns of cross-enrollment among clients of Economic Security programs.
I. HUMAN SERVICE REORGANIZATION IN MINNESOTA

On December 1, 1977, the newly created Minnesota Department of Economic Security began full operation. The date marked the culmination of a long and sometimes rancorous struggle to reorganize the human service delivery system in the state. It also marked the opening of a new chapter in the effort to improve and coordinate the operation of those programs.

The general impetus for this type of reorganization stems, in part, from an increase in the number of government programs—some initiated by the states, others by the federal government for the states to administer. As a result of this proliferation of programs, many states have found the old structure for administering programs inadequate. Similar programs have often been administered by different agencies, resulting in fragmentation, duplication, and public confusion. This is particularly true of human service programs—those designed to alleviate social ills in the areas of employment, training, health, poverty, and corrections. Government programs in these areas have multiplied since the mid-1960s.

For many states, the response to this situation has been to reorganize human service programs into a structure that would promote coordinated planning, budgeting, service delivery, and reporting. The general assumption has been that consolidation and improved management practices will result in more efficient service delivery and less bureaucracy.

As many as half of the states have undertaken some form of human service reorganization. Many, like Minnesota, have merged similar programs into consolidated agencies. The outcome of these efforts is only now coming into clear focus. As one independent study has emphasized, structural changes "cannot be measured in terms of how they have automatically changed the entire system or 'achieved service integration,' but in terms of the integrative steps they have taken." In all probability, there are short-term and long-term costs and benefits with any reorganization. A full assessment of such efforts requires a perspective lengthened by the passage of time and broadened to include the many layers of government affected.

A. PROPOSALS FOR CHANGE

Major reorganization of human services in Minnesota first occurred in 1977, but the concept had been studied for nearly 10 years:

In 1968, a study of government in Minnesota reported that confusion in the overall structure of state agencies caused problems for the consumer in locating needed services.1

In 1969, a legislative subcommittee found a striking lack of integration in the welfare service delivery system in Minnesota.2

In 1972, the Governor set up the Office of Program Development to study the delivery of human services in the state and the Human Services Council to advise him on policy issues concerning human services.3

In 1975, reports issued by the Office of Program Development and the Human Services Council called for service integration. Both drew attention to unevenness in the allocation of administrative responsibility across governmental boundaries, fragmented planning, and the absence of central direction for policy and management.4

Finally, in 1975, the Office of Human Services (OHS) was established to develop a specific proposal for the "reorganization of the delivery of state and local human services."5 The OHS conducted a functional analysis of the state's human service programs. Figure 1 shows the human service agencies included in the OHS study. Three criteria were used to determine which programs might benefit from being clustered together:

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2Lynn, State and Human Services, p. 190.


5Minnesota Laws (1975), Chapter 434, Section 2, Subdivision 24; and Office of the Governor of Minnesota, Executive Order No. 114, July 9, 1975.
FIGURE 1
ORGANIZATION OF HUMAN SERVICES PROGRAMS
IN MINNESOTA PRIOR TO 1977 REORGANIZATION*

• What programs shared a common purpose or mission?
• What programs shared common work activities?
• What programs had common personnel systems or shared employees?

The OHS examined whether these clusters made sense given the experiences of other states and given the various program and funding ties to different agencies in the federal government. As shown in Figure 2, the OHS recommended "the consolidation of the human services agencies and their programs into the management structure of two new state departments--Economic Security and Health and Social Services."

The chief goal of this reorganization was to improve overall services to clients and to eliminate administrative duplication. The OHS argued that agencies created according to the functional dynamics among human service programs could better achieve that goal than the old agencies. In its report, the OHS recommended the adoption of specific objectives by the new agencies in order to ensure that the reorganization achieved its purposes. Among the objectives relevant to the proposed Economic Security agency were:

• To facilitate client access by moving toward a unified local delivery system--common client intake and colocation of program staff in a "one-stop service" setting for state-administered programs.
• To improve the provision of services to persons with multiple problems.
• To develop a single organizational focus for identifying and addressing policy issues; staff activities should include long-range planning and analysis, research and evaluation, operational analysis, and inter-governmental liaison.
• To integrate the administrative support functions of each program unit into a common administrative support unit.
• To integrate computer systems.
• To integrate and simplify the client intake and eligibility process.

According to the OHS report, achievement of these objectives would produce more than simple structural change. It would also foster a "redirection of resources toward those areas which deserve priority," improve "client application and eligibility intake," strengthen "the state-county human services partnership," and facilitate the "participation of advisory and consumer groups in broad state policy-making."

Late in 1976, after 18 months of study, the OHS report was submitted to the Legislature. Providing a specific outline for a major restructuring of human service programs in the state, it quickly became the focus of legislative action.

B. LEGISLATIVE ACTION

The proposal of the Office of Human Services would have merged nine state agencies into two new departments: the Department of Health and Social Services and the Department of Economic Security. A bill to create the former department failed to win preliminary legislative support and died in committee. However, the proposal for a Department of Economic Security was introduced, debated, and finally passed by the full Legislature on June 2, 1977. An important amendment, requiring the department to collect certain baseline data on costs, space used, staffing patterns, and other criteria which could be used to monitor the department's progress, was added to the bill before final passage. In addition, the proposal to include Welfare's Income Maintenance programs was dropped.

The merits of the bill, as well as the basic concept of reorganization, had been vigorously debated. Opponents included those who supported an autonomous Department of Vocational Rehabilitation. Previous legislative action had transferred Vocational Rehabilitation programs from the Department of Education and created a separate department. It was scheduled for full implementation in mid-1977. Now those plans had been superseded and Vocational Rehabilitation was again to be incorporated in a larger administrative structure. Some questioned whether the emphasis on jobs of the Economic Security agency would subsume the rehabilitative focus of the Vocational Rehabilitation programs. Supporters of the bill, however, were attracted by the prospect for greater administrative efficiencies and program coordination.

Some legislators saw cost containment as one of the virtues of the bill they had passed. However, OHS had not promoted reorganization as a method of saving money. From the start, it was envisioned as a means of reallocating resources and improving program planning and service delivery.

1 Ibid., pp. 15-16.
2 See Appendix B.
The new department merged three separate agencies: The Governor’s Manpower Office, which included the state’s CETA and OEO programs; the Department of Employment Services, which had administered the Job Service and Unemployment Insurance programs; and the Department of Vocational Rehabilitation. The legislative process had limited the scope of human service reorganization in the state since it left intact all of the existing agencies which administered health and social service programs. But the Department of Economic Security was a reality and it was to present an ample challenge to the skills of government managers.

C. ORGANIZING THE NEW DEPARTMENT

Between July and December 1977 the foundation was laid for the new department. The funding provided by the Legislature enabled the new commissioner to hire several of the Office of Human Services staff, giving a sense of continuity to the initial planning stages of the reorganization. These people were instrumental in developing an agenda for the transition period and organizing task forces and field visits to build consensus for the reorganization.

There were three separate federal funding sources for the new department: the Department of Labor, the Community Services Administration, and the Department of Health, Education, and Welfare. Up to this time there had been little state intervention in program management, so agreements had to be established between state and federal agencies. In addition, federal agencies had to reach agreements among themselves on several fiscal and organizational issues involved in the merger. In many instances these agreements were new ventures and was no precedent existed to guide the participants.

One problem was to work within the guidelines established by federal agencies. HEW, for example, has developed specific requirements preventing a total integration of Vocational Rehabilitation programs in a state umbrella agency:

The law requires that there be an organizational unit devoted solely to Vocational Rehabilitation..., with responsibility and authority for carrying out the vocational rehabilitation program of the state.... Further, all decisions affecting eligibility, the nature and scope of, and the provision of vocational rehabilitation services must be made through the VR unit.

However, these requirements do not preclude the "centralization at
the state agency level of certain routine administrative functions,
often described as staff or support functions. These include house­
keeping, bill paying, data processing, accounting, and routine
personnel processing. Potential conflicts with federal regulations
arise when key policy decisions are made by units other than the
state VR unit.

From the beginning, the department's management consid­
ered it advisable to move through the early stages of reorganization
at a slow and deliberate pace. Some staff feared that job status
and seniority would be lost, that relocation would mean more
 cramped quarters, and that individual program missions would be
engulfed by general department goals. The strategy chosen for
managing these concerns was to establish task forces to concentrate
on each transition issue. Six task forces were created: (1) com­
munication, (2) space and facilities, (3) fiscal, (4) personnel, (5)
organization and management, and (6) information systems. These
task forces were comprised of persons from the affected agencies
and from other areas of state government. Participation, however,
was limited to a relative handful of department employees.

In its first report to the Legislature, the Department
presented a plan for reorganization, detailing 45 specific depart­
mental objectives whose accomplishment would, in effect, bring
about the reorganization. These objectives drew heavily from the
departmental reorganization objectives recommended by the OHS. It
is important to recognize that although the department became
formally operational in December 1977, the full transition to a func­tionally
merged entity would not be complete until these depart­
mental objectives were achieved. Most of the objectives were sched­
uled for completion by mid-1979, but it soon became apparent that
the original timetable would be difficult to meet. Figure 3 shows
the structure of the department in December 1977.

In Chapter II, we evaluate the success of the department
in meeting its reorganization objectives.

D. PRESENT STRUCTURE OF THE
DEPARTMENT OF ECONOMIC SECURITY

The Department of Economic Security is currently one of
the state's largest governmental units. Among state agencies, it
employs more full-time workers than all except Public Welfare and
Transportation. Further, only Public Welfare, Transportation, and
Education expend more public funds. The many programs adminis­
tered by the department are complex and varied. But according to
the department, all are linked by "one prime objective which serves

\[1\] Ibid.
FIGURE 3
DEPARTMENT OF ECONOMIC SECURITY, DECEMBER 1, 1977

GOVERNOR

- Governor's Council on Employment & Training

COMMISSIONER

- Vocational Rehabilitation Consumer Advisory Council
- Prime Sponsor Manpower Planning Council
- State Employment Service Advisory Council
- Veteran's Employment Service (Federal)
- Legal Services/Assistant Attorney General

DEPUTY COMMISSIONER

PERSONNEL SERVICES

- Labor Relations
- Affirmative Action
- Personnel Services
- Training

OFFICE OF THE COMMISSIONER

- Policy & Planning
- Consumer Advocacy
- Public Information & Education
- Statewide CETA Coordination
- Economic Opportunity

MANAGEMENT SUPPORT DIVISION
- Assistant Commissioner

EMPLOYMENT & TRAINING DIVISION
- Assistant Commissioner

UNEMPLOYMENT INSURANCE DIVISION
- Assistant Commissioner

VOCATIONAL REHABILITATION DIVISION
- Assistant Commissioner

- Business & Financial Services
- Data Processing Services
- Research & Statistical Services
- Library Services

- BOS Prime Sponsor (CETA)
- Employment Service/WIN
- Outstate Unemployment Insurance
- Work Equity Program
- Program Support

- Tax Branch (including investigation)
- Benefits Branch (including Metro Unempl. Insurance)
- Appeals Branch
- Second Level Appeals Section
- Budget & Analysis Section

- Client Services
- Long-Term Sheltered Workshops/Rehabilitation Facilities
- Disability Determination (Social Security)
- Program Support
both job seekers and employers: self-sufficiency for Minnesotans.\textsuperscript{1}

The department is the state's principal jobs, training, and unemployment relief agency. It administers several programs funded by the U.S. Departments of Labor and Health, Education and Welfare, including the Job Service, Unemployment Insurance, Vocational Rehabilitation, and Comprehensive Employment and Training Act (CETA) programs. In addition, it now administers U.S. Department of Energy Weatherization and Fuel Assistance programs. Two-thirds of its 2,500 employees provide direct services to the public in field offices located in 63 communities throughout the state.

In FY 1979,\textsuperscript{2} the department had an overall budget of nearly $98 million. In the current fiscal year, with the addition of weatherization and fuel assistance funds, that budget is expected to exceed $180 million. In 1979 approximately 89 percent of these funds were received from federal sources while the remainder came from the state---most in the form of matching funds. An additional $160 million was collected by the department from Minnesota employers and paid to Minnesota workers in the form of unemployment insurance benefits.

The original organizational structure of the department was shown in Figure 3. Subsequently, several units in the Commissioner's Office were reassigned to the Management Support Division. In addition, the Deputy Commissioner's post has been eliminated, leaving four Assistant Commissioners, each heading a separate division, directly under the Commissioner. The department's current structure is illustrated in Figure 4; its programs are summarized in Figure 5.

1. EMPLOYMENT AND TRAINING DIVISION

The department's Employment and Training Division employs just under 1,000 workers and spent just over $58 million in FY 1979. Since approximately 95 percent of its funding comes from the U.S. Department of Labor, the major activities of the division are determined at the federal level.

This division administers a variety of job-related programs offering assistance to individuals and employers: job referral, job training, selection of qualified individuals for employers, and vocational counseling. These programs include the Job Service, Balance of State/CETA, Work Incentive Program (WIN), and the Work Equity Project (WEP).


\textsuperscript{2}References are to federal fiscal years, October 1 through September 30.
FIGURE 4
DEPARTMENT OF ECONOMIC SECURITY, MARCH 1, 1980

GOVERNOR

Governor's Council on Employment & Training

COMMISSIONER
Advisory Councils

EMPLOYMENT & TRAINING DIVISION
Assistant Commissioner
- Job Service
- Balance of State/CETA
- WIN
- WEP

UNEMPLOYMENT INSURANCE DIVISION
Assistant Commissioner
- Payment Administration
- Appeals
- Revenue Administration

VOCATIONAL REHABILITATION DIVISION
Assistant Commissioner
- Basic Client Services
- Inter-Agency Rehabilitation Services
- Rehabilitation Services for Social Security Recipients
- Special Projects
- Long-term Sheltered Employment and Work Activity
- Disability Determination
- Client Advocacy
- Comprehensive Services for Independent Living

MANAGEMENT SUPPORT DIVISION
Assistant Commissioner
- Business & Financial Services
- EDP Management
- Research & Statistical Services
- Policy and Planning
- Community Support
- Public Information & Education
- Personnel
- Equal Opportunity Programs

Basic Client Services
Inter-Agency Rehabilitation Services
Rehabilitation Services for Social Security Recipients
Special Projects
Long-term Sheltered Employment and Work Activity
Disability Determination
Client Advocacy
Comprehensive Services for Independent Living
Business & Financial Services
EDP Management
Research & Statistical Services
Policy and Planning
Community Support
Public Information & Education
Personnel
Equal Opportunity Programs
**FIGURE 5**

**DEPARTMENT OF ECONOMIC SECURITY SUMMARY OF PROGRAMS AND BUDGET**

<table>
<thead>
<tr>
<th>DIVISION</th>
<th>PURPOSE</th>
<th>CLIENTELE</th>
<th>BUDGET</th>
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</table>
| **EMPLOYMENT AND TRAINING** | To provide employment-related assistance to individuals and/or employers through the following programs: | - Comprehensive Training and Employment Act (CETA)  
- Job Service (JS)  
- Work Incentive Program (WIN)  
- Work Equity Project (WEP) | - Clientele includes individuals who are (a) employed but seeking new jobs or different employers; (b) underemployed and seeking more skilled jobs; and (c) unemployed and seeking jobs or training to qualify for jobs. | Actual FY 1977: 37,850,500  
Actual FY 1978: 46,582,200  
Actual FY 1979: 58,175,060  
Estimated FY 1980: 57,596,641 | All programs are funded by US/DOL. WIN requires 10 percent local/state matching funds. WEP and WIN are administered jointly with DPW. |
| **UNEMPLOYMENT INSURANCE**  | To collect payments from public and private employers in Minnesota to finance benefits paid to those persons who meet the various eligibility requirements under state and federal law. Approximately $160 million in benefits were paid to Minnesotans in FY 1979. | - This program covers 97 percent of waged and salaried employees (about 1.8 million workers) and more than 82,000 private and public employers. | Actual FY 1977: 8,957,400  
Actual FY 1978: 9,546,300  
Actual FY 1979: 6,836,891  
Estimated FY 1980: 11,383,000 | Funded through a tax on employers distributed through the US/DOL. |
| **VOCATIONAL REHABILITATION** | To administer vocational rehabilitation programs which provide services, resources, and support to persons with physical and mental disabilities. Programs include:  
- Basic client services  
- Services for specific populations  
- Sheltered employment opportunities  
- Advocacy services and other services | - Clientele includes persons with physical and mental disabilities that result in vocational handicaps and who are likely to become employed after receiving DVR services. | Actual FY 1977: 20,257,100  
Actual FY 1978: 21,740,700  
Actual FY 1979: 20,920,185  
Estimated FY 1980: 29,442,352 | Funded by US/HEW. The basic program is required to have a 20 percent match for federal dollars. The special programs are 100 percent federally funded and the sheltered employment programs receive varying levels of state and local support. |
| **MANAGEMENT SUPPORT**     | To provide management direction and efficient, responsive administrative support to all operating units and programs within the department. Programs in this division are those which may affect all divisions. They include:  
- Management and Department Support  
- Statewide CETA coordination  
- Labor Market Information  
- Statewide Economic Opportunity (including weatherization and fuel assistance programs) | - Clientele includes the department's program managers and all employees. | Actual FY 1977: 9,320,700  
Actual FY 1978: 20,755,700  
Actual FY 1979: 11,752,907  
Estimated FY 1980: 81,771,543 | Statewide CETA Coordination is funded by US/DOL, Older Americans Act, and Supplemental State Funds (i.e., Governor's Grant and Displaced Homemaker).  
Statewide Economic Opportunity is funded by Federal Community Services Administration and State Matching Funds.  
Labor Market Information is funded buy US/DOL. |

** Estimates for FY 1980 were taken from the Budget Expenditure Encumbrance Report 2/07/80.
2. UNEMPLOYMENT INSURANCE DIVISION

The department's Unemployment Insurance Division employs nearly 675 workers and spent nearly $7 million in FY 1979 to provide almost $160 million in benefits to unemployed Minnesotans. Outside the Twin Cities metropolitan area, Unemployment Insurance services are offered through Job Service field offices.

Funds to administer the programs are supplied by the federal government. Money used to pay out benefits comes from payroll taxes on more than 82,000 private and public employers in the state. About 92 percent of all employees in the state are eligible for unemployment insurance benefits.

3. VOCATIONAL REHABILITATION

The Vocational Rehabilitation Division administers programs designed to help disabled persons acquire gainful employment. Employing more than 450 workers, most in 33 full-time field offices, the division spent nearly $21 million in FY 1979. Approximately 75 percent of these funds are supplied by the U.S. Department of Health, Education and Welfare; the rest comes from the state general fund.

Vocational Rehabilitation programs include Basic Client Services, Interagency Rehabilitation Services, Rehabilitation Services for Social Security Recipients, Long-term Sheltered Employment and Work Activity, Disability Determination, and Comprehensive Services for Independent Living.

4. MANAGEMENT SUPPORT DIVISION

The department's Management Support Division employs approximately 400 workers and spent just under $12 million in FY 1979. The addition of the Weatherization and Fuel Assistance programs will increase the division's budget this year to more than $81 million. All of these funds are from federal sources.

The division's major function is to provide direction and support to all operating units and programs within the department. Major subunits include offices with responsibilities for research and statistics, policy and planning, personnel, financial affairs, and computer services. In addition, Statewide CETA coordination is managed in this division.
II. IMPLEMENTING THE REORGANIZATION PLAN

In its first report to the Legislature, the Department of Economic Security outlined a comprehensive plan for implementing the merger. Drawing inspiration from the December 1976 report of the Office of Human Services, the plan sought to divide the process of reorganization into discrete tasks. Each task was scheduled for completion by a specific target date, moving the department toward its ultimate goal.

Presented in January 1978, the plan consists of 8 initial reorganization objectives slated for completion by June 30, 1978 and 37 subsequent departmental objectives to be achieved by the end of a three-phase period in mid-1981. Although the department came into existence as a legal entity at the end of 1977, it cannot be considered a fully reorganized and consolidated structure until the major objectives are completed. In the meantime, the department carries on its work as a transitional structure, something more than the sum of its parts, but not yet the entity that was envisioned by the Office of Human Services and, perhaps, the Legislature.

In this chapter we review the department's progress in meeting its objectives. This updates the analysis we began last year. Where appropriate, we comment on the department's successes or failures in achieving its objectives and make recommendations for further action. Although it is difficult to summarize a department's activities on so many fronts, we think that significant progress has been made in many areas. Table 1 summarizes our assessment of the department's 45 reorganization objectives. Of those scheduled for completion to date, 16 have been successfully completed, 17 have been completed in part, and 7 have not been completed. Five additional objectives are slated for future completion. The department is behind its original timetable for reorganization, but there is evidence that the department is well on its way to achieving most of its central reorganization objectives.

A. INITIAL REORGANIZATION OBJECTIVES

The first group of objectives set by the department are, in some ways, the most central. Scheduled for completion by June


2See pp. 7-9.

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30, 1978, they address the problems of creating integrated support services and planning department-wide functions. Of the eight objectives in this group, six involve merging previously separate support service offices or creating new ones. As the following detailed analysis shows, three objectives have been satisfactorily completed, and four others are in progress or have been partially completed. No progress has been made on the eighth objective, that of integrating the department's research function.

1. INTEGRATE THE EXISTING PERSONNEL ACTIVITIES FOR THE DEPARTMENT AND ORGANIZE INTO A PERSONNEL OFFICE. LABOR RELATIONS IS A NEW FUNCTION TO BE ADDED IN THE ORGANIZATION, AND AFFIRMATIVE ACTION AND STAFF TRAINING WILL BE STRENGTHENED.

a. Findings

This objective is currently being implemented. The office has been formally consolidated but is not yet functionally integrated. The department reports that it will hire a personnel director and move the three sections to a central personnel office by late spring 1980. Merger of the three sections is expected to accomplish the following:

- establish uniform policies and procedures so that personnel activities are conducted in a consistent and routine manner;
- introduce a "generalist approach" to office management in order to provide rural areas with a contact person for personnel matters;
- reduce duplication of forms and record keeping, and possible savings in total office space needs; and
- maintain an office ratio of 1 staff person per 100 employees.

It is also expected that affirmative action and third-level union grievance hearings will be assigned to this office. Specific activities such as this will be managed on a functional basis.
b. Discussion

This objective was to have been completed by June 1978. Until recently, management reluctance to appoint a director delayed the effective merger of these functions. Meanwhile, the three personnel offices have operated independently of one another, performing essentially the same functions in different locations. We recommend that the department integrate the offices and work to resolve the inefficiencies caused by the delay.

2. INTEGRATE THE EXISTING FISCAL AND BUSINESS MANAGEMENT ACTIVITIES FOR THE DEPARTMENT AND ORGANIZE INTO A BUSINESS AND FINANCIAL MANAGEMENT OFFICE. SPECIAL ATTENTION WILL BE GIVEN TO AN ORGANIZATION DESIGN THAT SUPPORTS THE DEVELOPMENT OF AN INTEGRATED DEPARTMENT BUDGET.

a. Findings

A new Business and Financial Services Office was created in February 1979, merging most of the business and financial functions of the department. The new office represents an integration of the Administrative and Fiscal Services Divisions from the GMO, the Fiscal and Office Services from the Department of Employment Services and the Fiscal Office from the Department of Vocational Rehabilitation. The Administrative Services Office from DVR was not transferred, reflecting the concern of DVR staff and administration that the procurement function should be kept closely linked to client services. Figure 6 shows the current organization of the integrated office.

The merger was implemented in four stages, beginning during the department's transition period in the summer of 1977:

1. Fiscal Task Force (July 1977 - October 1977). This task force, set up by the commissioner to begin planning for the integration of the separate business offices, included representatives from each division and from the transition staff. The main problem was determining how best to fund the department's overhead while keeping within the guidelines mandated by each federal funding source. Working with federal personnel, the task force produced an "indirect cost plan" which received formal approval from the department's lead funding agency, the Department of Labor.

2. Business and Financial Subcommittee of the Organization and Management Task Force (January 1978 - June 1978). This group conducted a functional analysis of the tasks then performed by the separate business offices to deter-
FIGURE 6
STRUCTURAL ORGANIZATION OF THE BUSINESS AND FINANCIAL SERVICES OFFICE (August 1979)

Director

Management
Analysis

Subgrant Technical
Assistance

Financial
Services

Central Administrative
Services

Field Support
Services

Subgrant Services

Client Operations

Budget, Systems
and Analysis

General Accounting
mine the best organizational structure for the new, integrated office. No formal proposal emerged from this subcommittee, but their work identified key personnel and potential problem areas.

3. **Consolidation of Financial and Business Management Offices** (August 1978 - January 1979). In August 1978 the separate business offices were formally consolidated. A management team was established and a process for functional integration was devised.


Except for VR procurement, the new office performs all of the functions of the previously separate offices. In addition, it prepares a consolidated budget for the department. Moreover, a new management analysis unit has been created to work toward standardization of the department's internal procedures. A subgrant technical assistance unit has been established to provide financial training and technical assistance to subgrantees and contractors under CETA, Community Services Administration, and the Department of Energy.

In December 1977 the total staff of the separate offices was 100; in August 1979 the staff of the new office was 98, although no claim is made by department staff that the two person reduction has resulted from the reorganization. The old offices used approximately 10,314 square feet of space; the new office uses 9,863 square feet, a savings of 451 square feet.

a. **Discussion**

On the whole, this office appears to be functioning efficiently as a merged unit. However, an examination of the office's procedures and practices was beyond the scope of our study and we are, therefore, unable to comment on them. The merger of this unit proceeded relatively smoothly and it might well serve as a model for merging other functional units within the department.

3. **INTEGRATE THE EXISTING PUBLIC INFORMATION AND PUBLICATIONS FUNCTIONS FOR THE DEPARTMENT AND ORGANIZE AN INFORMATION AND EDUCATION OFFICE.**
a. Findings

This objective has been accomplished. A central office for Public Information and Education was established in July 1978. Each division appoints a liaison to work with the office on matters specific to their programs, and this group meets for larger projects such as the annual reports. The office consists of five staff persons.

The responsibility of the office is to produce informational materials which are intended for the general public. Other more specific materials, such as labor market information, are produced elsewhere. The amount and scope of the work has expanded and now includes annual reports, updating informational materials for the divisions, preparing news releases, and contracting for audio visual presentations. In addition, the office publishes a bi-weekly department newsletter, the ECHO.

b. Discussion

Because of its responsibility for informing the public of available services, this office is an essential component of the Department of Economic Security. We recommend that the work of this office continue to have a high priority. In addition, as we recommend elsewhere, this office should prepare a brochure for clients explaining the services and eligibility requirements for all Economic Security programs.

4. DEFINE AND STRUCTURE THE POLICY AND PLANNING FUNCTION FOR THE DEPARTMENT. ACTIVITIES TO BE STUDIED FOR POSSIBLE INCORPORATION INCLUDE: A) POLICY DEVELOPMENT; B) FISCAL AND BUDGET PLANNING; C) RESEARCH AND LABOR MARKET ANALYSIS; D) PROGRAM EVALUATION; E) SPECIAL PROJECTS; AND F) ORGANIZATIONAL DEVELOPMENT.

a. Findings

This objective has been achieved. The Office of Policy and Planning was established in July 1979. The staff of four professionals and one secretary is funded through a variety of sources: one staff member is on loan from Vocational Rehabilitation Division and one is funded through the Intergovernmental Personnel Act. Other support is received from CETA four percent discretionary funds. The unit was not in existence at the time of the last budget request, but is expected to be a line item for the next biennium. The staff is centrally located and reports to the Assistant Commissioner for Management Support.

1 See below, p. 94.
The unit's present responsibilities, as reported by the department, are consistent with the original objective. The department reports that the Office of Policy and Planning:

- develops policy on issues that concern the entire department, and coordinates policy when it varies between divisions;
- helps organize the budget document and writes supporting narrative which is consistent with department goals and policies;
- uses data from the Research and Statistics Division in recommending changes in service delivery;
- conducts evaluations on how programs within the department are functioning as a unit. Most programs are federally funded and have requirements for fiscal accountability;
- carries out studies of special projects as assigned. Examples are: Data Privacy Act, Welfare Reform, Legislative Liaison, Department Seminars, and Manpower Planning; and
- determines needs for resources and technical assistance necessary to implement the department's long range organizational goals.

b. Discussion

Formation of the Office of Policy and Planning fulfills the department's objective. This unit is fairly new and its responsibilities are ambitious. More time is needed to determine how effective it will be. We endorse department plans to have this office assess the progress of reorganization and determine its impact on the department as a whole. In addition, we think that federal program reviews should be monitored by this office to obtain a comprehensive assessment of department strengths and weaknesses. However, since the review function may involve assessments of the Management Support Division, we recommend transferring this unit to the Commissioner's Office to maximize its objectivity.¹

5. DEFINE AND STRUCTURE THE CONSUMER ADVOCACY FUNCTION FOR THE DEPARTMENT.

¹See also, pp. 44-45.
a. Findings

This objective has been accomplished in part. In April 1978 the Office of Client and Employee Advocacy was established. It was conceived as a complaint office which would also handle the department's affirmative action program. Over the past year and a half it has handled approximately fifty complaints per quarter, about two-thirds of which have been client complaints and the remainder employee complaints. Consumer problems encountered in the Vocational Rehabilitation program have been handled separately by an independent ombudsman project.

Originally designed to monitor client interests, the office has fulfilled only part of its mission. It has not developed and promoted "a system of feedback from clients in the areas of service delivery and program development," nor has it coordinated "all existing consumer operations" in the department. Instead, much of the office's activities have focused on developing an affirmative action program, training new employees, and conducting EEO compliance reviews.

Reflecting this shift in its original focus, the office has been renamed the Office of Equal Opportunity Programs. Its concern with other problems has left the department without a centralized consumer advocacy function.

b. Discussion

We recommend that the department reassess its consumer advocacy services and develop a procedure by which consumer complaints may be effectively processed and consumer interests represented in department decision making.

6. STUDY THE NEED FOR A DEPARTMENT-WIDE INFORMATION SYSTEMS FUNCTION AND ORGANIZATION. ACTIVITIES TO BE INCLUDED IN THE REVIEW ARE DATA PROCESSING, METHODS AND PROCEDURES, SYSTEMS DEVELOPMENT, AND LIBRARY SERVICES.

a. Findings

This objective has been completed in part. Beginning with the creation of a task force in 1975, the Department of Employment Services developed a long-range plan for Electronic Data Processing (EDP). Central to this plan was the Employment Security Automation Plan (ESAP) which would provide centralized hard

and software, a statewide network of several hundred remote video display devices, and a capability to store and retrieve on-line Job Service and Unemployment Insurance client information.

In August 1979 a formal agreement for implementing ESAP was signed by the Department of Economic Security and the Employment and Training Administration of the U.S. Department of Labor. The agreement included provisions for a Job Service Matching System designed to directly improve client services and an Unemployment Insurance System which would provide a central office tax accounting system and a statewide system for processing benefits. On August 6, 1979 supplemental budget requests totalling $4,633,799 were approved for these systems by the Department of Labor.

ESAP was scheduled to begin operations at the beginning of 1980, with full installation completed by August 1980. The department holds out the possibility that CETA and Vocational Rehabilitation programs which currently purchase computer services from the Department of Administration Information Systems Bureau, may be eventually integrated into this statewide system, but no planning to accomplish this has occurred.

Library services are presently unconsolidated. Major collections of reference volumes, research reports, and documents exist in the Research and Statistical Services Office at 390 N. Robert, in the OEO Offices at 160 E. Kellogg, and in the Capitol Square Building at 550 Cedar. At the Capitol Square facility the Vocational Rehabilitation program rents library services from the Department of Education. The department's space allocation plan includes a merging of all but the Vocational Rehabilitation library, which it will leave at its present location.

b. Discussion

Implementing the department's ESAP system is expected to significantly improve the coordination of client data for the Job Service and Unemployment Insurance programs. It also should reduce the time needed for applicant processing in the field offices and reduce the chance for errors. We recommend that the department further study the possibility of linking all programs into this new central computer system and take steps necessary to minimize the current fragmentation of data processing services.

In addition, we endorse the department's plans to merge its library holdings. The department should continue to purchase library services for Vocational Rehabilitation from the Department of Education since its services are far more sophisticated than those which could be provided by the Department of Economic Security in the near future.
7. STUDY THE NEED FOR A DEPARTMENT-WIDE RESEARCH AND STATISTICAL REPORTING FUNCTION AND ORGANIZATION.

a. Findings

Although a detailed proposal for reorganizing and consolidating the research units in the department was completed in January 1978, no action has been taken to bring together or coordinate the activities of those units. The largest research unit in the department is the Research and Statistical Services Office, which serves the Job Service and Unemployment Insurance programs. With a current staff of 65, this office develops labor force statistics, compiles labor market information in six field offices (Duluth, Moorhead, New Ulm, Rochester, St. Cloud, and St. Paul), and reports on benefit payments and the status of the Unemployment Insurance Fund. In addition, this office is responsible for supplying data on Job Service and Unemployment Insurance program statistics to the U.S. Department of Labor. Data compiled by the Office are used by business, industry, labor, and government in Minnesota to monitor economic conditions in the state. Several publications, including the Review of Labor and Economic Conditions (circulation: 5000), are produced regularly by the office.

Smaller units in the Vocational Rehabilitation, Statewide CETA, and Balance of State/CETA offices compile statistics on program performance as required by federal agencies. There is little, if any, duplication of function among these separate offices.

b. Discussion

It is unlikely that there would be a significant financial savings were these functional units consolidated. Nevertheless, consolidation would facilitate more cooperative discretionary research strategies within the department as a whole. We think it is advisable to link the question of research office consolidation to the issue of computer system capabilities. If and when the CETA and Vocational Rehabilitation programs are included in, or linked with, a department-wide computer system, serious consideration should be given to research office consolidation.

8. STUDY THE NEED FOR A REVISED FIELD OPERATIONS ADMINISTRATIVE STRUCTURE BASED ON STANDARD ADMINISTRATIVE BOUNDARIES, CHANGES IN FIELD SUPERVISION, COLOCATION OF OFFICES AND DECENTRALIZATION OF DECISION-MAKING.
a. Findings

This objective is still unattained although significant progress is evident. The department reports recent developments in revising the field operations administrative structure:

- plans for standard administrative boundaries are being made and will probably result in 7 Job Service districts and 5 Vocational Rehabilitation districts (2 will overlap);
- colocation of field offices continues to be a department goal and several new sites are anticipated in the near future; and
- decentralization of decision making and changes in field supervision are components of the "area service team" approach. Administrative responsibility increasingly will be delegated to the district and office managers. The line of accountability remains from the office manager to the district manager to the assistant commissioner.

b. Discussion

We recommend that the department conduct further study into the actual effects of colocation on service delivery, space sharing, and coordination among programs. The costs and benefits of colocation are still largely unknown. Our project paper on colocation of field offices notes that while colocation is an important component of the reorganization, there has been little study of its actual effects. We recommend a pilot colocation project to determine what combinations of services are most effective and how the problems associated with colocation can be overcome. We think such a project is needed to determine what efforts might be taken to improve service delivery and increase field office efficiencies.

B. PHASE ONE OBJECTIVES

The following 20 objectives constitute the first of three phases in the department's reorganization plan. Although all were scheduled for completion prior to June 30, 1978, only half have been fully completed to date. No progress has been made on two objectives--studying whether Vocational Rehabilitation can be incorporated into the SESA cost accounting system and developing a consolidated staff training plan.
1. FINALIZE AN AFFIRMATIVE ACTION PLAN AND SUBMIT TO THE DEPARTMENT OF PERSONNEL - BY JANUARY 27, 1978.

a. Findings

This objective was accomplished on schedule. An Affirmative Action Plan was submitted to the Department of Personnel in January 1978. The Department of Economic Security was the first state agency to have an approved affirmative action plan. A second plan, required by the Department of Personnel, is in draft form.

b. Discussion

No recommendation.

2. DEVELOP A SPACE UTILIZATION PLAN FOR THE DEPARTMENT'S ADMINISTRATIVE OFFICES AT 390 NORTH ROBERT STREET--BY MARCH 1, 1978.

a. Findings

After considerable delay, some significant action has been taken on this objective. The location of various offices in the department is basically the same today as it was when the department's merger took place at the end of 1977: the programs representing the old Department of Employment Services (Job Service and Unemployment Insurance) are still at 390 N. Robert, Vocational Rehabilitation is still two miles away at 444 Lafayette, and Balance of State/CETA is still several blocks away at 160 E. Kellogg. Some unit personnel have expressed concern that this dispersion of units is an obstacle to effective management and coordination, while others welcome the relative autonomy that this permits.

In 1979, a Space Planning Task Force was established to study the problem. In December 1979 the task force issued a preliminary plan for consolidating virtually all of the department's administrative offices at 390 N. Robert and at the adjacent Farm Credit Bank Building (now under construction). Only the weatherization and fuel assistance programs would remain at the E. Kellogg site. The plan would increase the average space per employee to an amount close to the 150 square feet recommended by the Department of Administration. This would result in an overall increase in net usable space from the current 110,000 square feet to nearly 132,000 square feet. If approved by the U.S. Department of Labor, the department's chief funding agency, the plan would be completed by the end of 1980.
b. Discussion

Although overall costs would increase if this plan is implemented—the department is requesting nearly $500,000 from the Legislature for remodeling alone—it would allow the department to consolidate its offices as originally envisioned. The department's space utilization plan is still incomplete, but we strongly endorse the department's intention to colocate and consolidate its offices. This action will improve intra-agency communication, reduce unnecessary duplication, and enhance the opportunities for program coordination.


This objective was completed on schedule.

4. BEGIN CLIENT ENROLLMENT INTO THE WORK EQUITY PROGRAM DEMONSTRATION PROJECT AT ONE PILOT SITE--BY MARCH 1, 1978.

a. Findings

This objective has been achieved. The Work Equity Project (WEP) demonstration began enrollment at its first site, St. Cloud, four months later than anticipated because of delays in the adoption of Department of Public Welfare Rule 63. Subsequently, project offices have been established in Mora, Montevideo, and St. Paul. At each site the WEP office is colocated with the CETA prime sponsor which runs the program. By September 1979, the program had served a total of 3,170 clients at all sites combined.

Service operations are scheduled for completion by March 1981; a final report will be submitted to the U.S. Department of Labor by June 1981. The program is being closely monitored for the Department of Labor by a private consulting firm, Abt Associates, whose first interim report was issued in July 1979.1

b. **Discussion**

Reaction to the WEP demonstration has been generally positive, but the preliminary findings of the Abt evaluation described problems as well as successes. For example, the Abt report noted that,

- WEP "has been able to create sufficient numbers of public jobs for its clients thus far. In fact, public jobs are going unfilled."

- "Only 17 percent of Work Equity clients have participated in the Community Work Projects (the major job creation component) as opposed to the project goal of 50 percent."

- "The several agencies involved in the Work Equity Project have not been merged into a consolidated administrative structure. The administration of the project is effectively in the control of the CETA prime sponsors who operate the project locally."

- "Only some twenty percent of the client sample knew that Work Equity guarantees a job."

Abt Associates is continuing the evaluation of this program and should provide helpful direction for future action at the federal level.

5. DEVELOP A DEPARTMENT COMMUNICATIONS POLICY AND PROCEDURES--BY APRIL 1, 1978.

This objective has been achieved. The department's communication policy is included in the Policy and Procedures Manual developed by the department at the end of 1979. The policy sets forth responsibilities of individual employees and outlines proper procedures for presenting public information about the department.

6. DEVELOP GOALS AND GUIDELINES FOR COORDINATED AND POSSIBLE JOINT SYSTEMS DEVELOPMENT WITHIN THE DEPARTMENT, INCLUDING SUPPORT OF FIELD OFFICES--BY APRIL 1, 1978.
a. Findings

The department has acquired a new and larger computer capability from the U.S. Department of Labor and has begun to implement the Employment Security Automation Plan (ESAP). This system will eventually provide centralized hard and software, establish a field office network linked by remote terminals, and permit statewide storage and retrieval of Job Service and Unemployment Insurance client information. Installation of hardware at selected field offices has already begun.

However, ESAP is designed to include only the Job Service and Unemployment Insurance programs. Vocational Rehabilitation and Balance of State/CETA currently purchase all of their computer services from the Information Services Bureau (ISB) of the Department of Administration. Little attention has been devoted to the possibility of extending the department's EDP system to include these additional programs, although a Vocational Rehabilitation user committee has been established to study whether such incorporation is desirable.

b. Discussion

As we have suggested elsewhere, the resolution of this issue affects the ability of the department to carry on an efficiently coordinated discretionary research program. We recommend that the department develop a plan to coordinate the department's information systems in a way that is cost-effective and that provides a uniform means of gathering, processing, and analyzing data.

7. DETERMINE WHETHER COMPUTER SERVICES OWNERSHIP OR PURCHASE FROM THE DEPARTMENT OF ADMINISTRATION IS MORE COST EFFECTIVE FOR DESIRABLE IMPROVED SYSTEMS CAPABILITY--BY APRIL 1, 1978.

a. Findings

This objective has been achieved. On March 21, 1977 the Department of Administration submitted a plan to consolidate and centralize the department's automated data processing functions in the Information Services Bureau (ISB). This plan would have transferred all computer processing services and all application development and maintenance services to ISB. The department would have retained key entry and production control, as well as its electronic accounting machines and application review functions. ISB's cost projections reflected the assumption that the department would have to acquire a larger and more expensive computer if the functions were retained within the department.
The department reacted coolly to this proposal, claiming that timely attention to client needs required an efficient in-house operation. In addition, the department felt that it was important to retain the capability of responding quickly to frequent federal software modifications.

An analysis of this centralization proposal, including a cost determination review, was conducted by the U.S. Department of Labor. In its report, issued in June 1978, the Department of Labor concluded that it was more cost beneficial for the department to retain its own computer functions. The report estimated a savings of almost $5 million over a five year period if the department could acquire a larger computer from another state employment services agency.

In February 1979 the department succeeded in acquiring a larger computer (an IBM 370-155) from another state, sending its old computer (an IBM 360-50) to a third state. Funds for transportation and installation of these machines were provided by the Department of Labor, which retains title to both computers.

Nearly all employment service agencies in other states have computer arrangements similar to those worked out by the Minnesota Department of Economic Security. However, these in-house arrangements exclude the Balance of State/CETA and Vocational Rehabilitation programs, whose computer services are provided largely by ISB.

b. Discussion

Since the department has been able to acquire data processing equipment as needed from the U.S. Department of Labor at no direct cost to the state, the decision to retain a computer system within the department seems preferable to proposed alternatives. We recommend that the department take steps to include Vocational Rehabilitation and CETA within this in-house system or find alternative means of coordinating the gathering, processing, and analysis of data.

8. DESIGN A MANAGEMENT AND OPERATIONS REPORTING SYSTEM FOR THE COMMISSIONER--BY APRIL 1, 1978.

a. Findings

The Research and Statistical Services Office prepares a monthly statistical synopsis of the department's activities. This summary includes indicators of job openings filled, CETA enrollments, Vocational Rehabilitation caseloads, Unemployment Insurance benefits paid out, and other relevant data. So that the depart-
ment's progress can be determined, statistics for the previous year are included.

In addition, the Budget and Financial Analysis Office supplies the commissioner with a monthly status report on the department's funding sources. Although this practice antedates the department's merger, the monthly report now provides comprehensive financial information on all of the programs administered by the department.

b. Discussion

No recommendation.


This objective has been achieved. The Business and Financial Services Office has responsibility for developing the department's budget and spending plans.


a. Findings

This objective has been achieved in part. Two policies pertaining to this goal are incorporated in the draft of the department's revised Affirmative Action Plan:

1. "A policy statement will be provided to recruitment sources and organizations working with protected classes with a letter encouraging referrals and applications. Further effort will be made to encourage other state departments to ensure that all vendors and contractors who may be doing business with the Department be advised of the policy."

2. "It shall be the responsibility of the Managers and Supervisors to inform persons or organizations doing business
with the Department that this Department only will do business with those who agree to comply with the Equal Opportunity Policy."

The Office of Federal Contract Compliance in the U.S. Department of Labor evaluates certain federal contracts, with an emphasis on large, usually private, contracts. The Department of Economic Security has not been included in these evaluations to date, and, according to the contract compliance office, will not be in the future except in response to specific complaints.

b. Discussion

Beyond the general policy statements quoted above, the department has no affirmative action plan for dealing with vendors and sub-grantees. Moreover, while the department may not have the responsibility to monitor and enforce affirmative action plans, neither does it have a clear understanding of who does. We recommend that the department pursue this objective.


a. Findings

This objective has not been achieved. The department has not conducted the formal study this objective calls for.

Two cost accounting systems are available to the department. The State Employment Service Agency (SESA) cost accounting system is provided through the Department of Labor. Before the department was established, both Job Service and Unemployment Insurance were on this system. CETA and Community Services Administration programs have been incorporated into the SESA system since the merger. Vocational Rehabilitation has remained on the Statewide Accounting System (SWAS) which is provided through the Minnesota Department of Finance.

b. Discussion

Maintaining two cost accounting systems within the de-
partment tends to perpetuate program autonomy. SWAS is based on client activity or workload, while SESA is based on a time charge. Aggregating these data is difficult at best, rendering department-wide reports, audits, and evaluation studies complex and hard to interpret.

Administrative efficiency suffers when multiple cost accounting systems are used in an organization. Since most Economic Security programs report to the U.S. Department of Labor, the SESA system seems a logical cost accounting system for the whole department. Many details, however, would have to be worked out, including devising a way of making SESA compatible with the State-wide Accounting System for state reporting. In addition, such an arrangement would have to be approved by HEW and the state Department of Finance.

We recommend that the department fulfill its objective and conduct a formal study of this issue to determine the cost of maintaining two systems and the possibilities of using a single cost accounting system or linking state and federal systems. The study should compare the relative costs and efficiencies of each system. This study should be completed by September 1980, after which a final resolution of this issue should be made.

12. PROVIDE AN EFFECTIVE PROCESS FOR CONSUMER INPUT INTO DEPARTMENT POLICY AND PROCEDURE DECISION MAKING, AND FACILITATE APPROPRIATE ADDITIONAL LEVELS OF CITIZEN INVOLVEMENT—BY JUNE 1, 1978.

a. Findings

This objective has been achieved in part. As noted earlier, the department has established an Office of Client and Employee Advocacy and there is a separately funded ombudsman project for Vocational Rehabilitation clients. But both of these have served as complaint offices instead of vehicles for consumer input into department decision making. Moreover, the former unit has been transformed into an Office of Equal Employment Opportunities which focuses on affirmative action rather than consumer input.

In addition to several special purpose advisory groups, three statutory citizen advisory councils act as sounding boards for policy decisions within the department: the Governor's Council on Employment and Training, the Advisory Council to the Department of Economic Security, and the Division of Vocational Rehabilitation Consumer Advisory Council. All three councils existed prior to the merger in 1977, but none is designed or equipped to provide input from current recipients of program services.
b. Discussion

We recommend that the department reassess its consumer advocacy services and develop a centralized procedure by which consumer complaints may be effectively processed and the interests of those currently receiving services represented in department decision making.


This objective was completed.

14. COMPLETE A SURVEY AND PREPARE GOAL RECOMMENDATIONS FOR FIELD OPERATIONS CHANGES. AREAS TO BE INCLUDED ARE ADMINISTRATIVE BOUNDARIES, FIELD STRUCTURE AND SUPERVISION, ACCESSIBILITY OF SERVICES, COLOCATION, AND POSSIBLE JOINT ACTIVITIES--BY JUNE 1, 1978.

a. Findings

This objective was partially completed by the scheduled date. Developed by a task force, the department's Colocation Policy Guidelines established policies and procedures for colocating field offices. The guidelines do not address the other issues specified in the objective. However, the department has developed a plan for standardizing administrative boundaries and for establishing "area service teams" to coordinate local service delivery.

b. Discussion

This important objective has been neglected until recently. The department has made some progress in colocating field offices during the past two years. Out of 30 potential sites, at least partial colocation has occurred at 14.1 Still lacking are efforts to determine how the process of colocation can be facilitated and the resulting arrangements made more successful. As suggested elsewhere in this report, a pilot project should be conducted to experiment with more cooperative colocation arrangements. The more successful aspects of these experiments could then be applied to other sites.

1See Appendix A.
15. ASSESS THE NEED FOR AND FEASIBILITY OF ALTERNATIVE SCHEDULES OF WORK TO BETTER SERVE CLIENTS AND TO ASSIST EMPLOYEES IN MEETING BOTH WORK AND HOME DEMANDS--BY JUNE 1, 1978.

a. Findings

This objective was accomplished on August 15, 1978. The department initiated a pilot program making the state's "flex-time" policy available to most of its employees through December 1978.

A "Summary Report on Flex-Time Evaluation," based on a survey of almost 1,400 employees, was issued in January 1979. According to the survey, 82 percent of the respondents recommended, or strongly recommended, that flex-time be continued. Only eight percent opposed flex-time. Accordingly, the policy has remained in effect.

b. Discussion

The survey showed that flex-time had little effect on the amount of supervision, coordination of schedules, and work quality. We recommend a follow-up study to determine the extent of employee support for this policy after a longer trial period.


a. Findings

This objective has not been accomplished. For FY 1980 two separate staff training plans were submitted as required to the Minnesota Department of Personnel. One covered employees of the Vocational Rehabilitation Division and the other covered employees in the Job Service, Unemployment Insurance, and Management Support units. No plan was submitted for Balance of State/CETA.

A consolidated training plan has not yet been developed for the department, resulting in some duplication in the kinds of training programs offered by the various programs in the department. A common training policy was adopted for the department, however, in September 1978, bringing the department into line with state policy on rules for training and reimbursement rates for outside training. The adoption of this common policy, advocated by the Department of Personnel, resulted in fewer unrestricted training opportunities for Vocational Rehabilitation employees. Although it did not come about directly as a result of the merger, many Voca-
tional Rehabilitation employees blame restricted training opportuni-
ties on the merger.

The department indicates its intention to develop a consol-
didated annual training plan for FY 1981. To accomplish this, con-
sultation among the department's training officers must occur before
federal grant application deadlines on April 1, 1980.

b. Discussion

We endorse the department's intention to accomplish this
objective soon.

17. DEFINE GUIDELINES AND A PROCESS FOR DEVELOPING
COORDINATED STATEWIDE EMPLOYMENT, TRAINING, AND

a. Findings

This objective was achieved as of October 5, 1979. On
that date the department established a Policy and Procedures Manual
which is intended to communicate information of department-wide
significance. The divisions still retain responsibility for developing
and communicating specific program policies. The manual requires
an ongoing process for developing new policies, updating old ones,
and eliminating those which are obsolete.

b. Discussion

We find the manual to be a valuable source of information
for employees and a useful means of integrating department policies.
We recommend continuation of this effort, with wide distribution of
the document to ensure employee awareness.

18. ASSIST THE DEPARTMENT OF PERSONNEL IN DETERMINING
THE DESIRABILITY OF COMBINING AND REVISING DEPART-
MENT OF ECONOMIC SECURITY PERSONNEL CLASSIFI-

a. Findings

A classification study is presently being conducted which
will fulfill this objective. The study, based on a procedure devel-
oped by Hay Associates, includes seven phases designed to obtain maximum participation of department employees. The phases are:

1. re-write of position descriptions by all employees,
2. clarification of position descriptions by other employees who have been selected and trained for this task,
3. evaluation of 30 percent of the position descriptions for standardization and rating purposes,
4. review by the commissioner,
5. recommendation to the Department of Personnel,
6. implementation by the department, and
7. an appeals process, if requested by the employees.

b. Discussion

We commend this ambitious effort. When completed, the study is expected to resolve some of the long-standing employee concerns about classification levels and salary inequities. Extensive employee participation is expected to contribute toward acceptance of change.

19. REDEFINE RESPONSIBILITIES AND REPORTING PROCEDURES OF FIELD PERSONNEL TO ENHANCE DECENTRALIZATION OF OPERATIONAL DECISION MAKING; DEVELOP ACCOUNTING PROCEDURES TO FACILITATE DECENTRALIZATION—BY JUNE 30, 1978.

a. Findings

This objective was not accomplished on schedule, but efforts are currently underway to decentralize budgeting. The department established a task force which found that the SESA cost accounting system could accommodate decentralized budgeting. Accordingly, the department is implementing a plan to increase local office control over budgeting. When this plan is fully implemented, reimbursement for non-personnel items, such as supplies and rent, will be made from local office budgets.
b. Discussion

We commend this effort and anticipate that decentralized budgeting will strengthen local office management.


This objective has been accomplished.

C. PHASE TWO OBJECTIVES

Twelve additional objectives constitute the second phase of the department's reorganization plan. Scheduled for completion prior to June 30, 1979, relatively few of these objectives have been fully and satisfactorily achieved. For example, the department has not set up joint executive meetings, developed a cost improvement program, developed a procedure for job placement for the handicapped, nor prepared a state employability policy statement. Only two of the original twelve objectives have been fully implemented.

1. SET UP QUARTERLY JOINT EXECUTIVE MEETINGS WITH OTHER DEPARTMENTS WITH WHICH ECONOMIC SECURITY SHARES POLICY AND OPERATIONS RESPONSIBILITY IN EMPLOYMENT, TRAINING, VOCATIONAL REHABILITATION, AND FINANCIAL ASSISTANCE AREAS, IN ORDER TO COORDINATE POLICY AND PROGRAM PLANNING--BY JUNE 1978.

a. Findings

This objective has not been achieved, although a limited number of meetings have been held among assistant commissioners of Economic Security and the Department of Public Welfare. In addition, middle-level managers have met frequently on joint concerns such as welfare reform and fuel assistance. So far, these meetings have not resulted in a formal coordination of inter-agency policy or program planning.
b. **Discussion**

Particularly in light of the department's aim to establish "area service teams" of field personnel—eventually including local staff from welfare, vocational education, and health programs—we recommend pursuit of this objective, including meetings among the Departments of Economic Security, Public Welfare, Education, Health, and Energy.

2. **DEVELOP TENTATIVE LEGISLATIVE PROPOSALS IN ALL PROGRAM AREAS--BY SEPTEMBER 1978.**

This was accomplished in time for the 1979 legislative session.

3. **INITIATE A COST IMPROVEMENT PROGRAM THROUGHOUT THE DEPARTMENT--BY OCTOBER 1978.**

a. **Findings**

Although the department has participated in cost reduction programs initiated by the Governor's Office and by the Department of Administration, it has not developed its own cost improvement program.

b. **Discussion**

We think there may be opportunities for cost reductions when administrative and field offices are colocated. These opportunities include the possibility of sharing space and office equipment and reducing support staff through consolidation. As we discuss in Chapter III, there is little evidence that the department has taken advantage of these opportunities when they have arisen. We therefore recommend that the department study the implications of administrative and field office colocation, establish a set of guidelines for cost improvement, and monitor their implementation.¹

¹See also pp. 28, 37, and 43-44.
4. DEVELOP A FORMAL PROCEDURE, WHICH CAN BE SUBMITTED TO THE GOVERNOR FOR ISSUANCE AS A STATEWIDE DIRECTIVE OR EXECUTIVE ORDER, FOR COOPERATION ACROSS PROGRAMS AND AGENCIES TO FACILITATE JOB PLACEMENT FOR HANDICAPPED PERSONS—BY OCTOBER 1978.

a. Findings

No progress has been made in achieving this objective. A liaison between Vocational Rehabilitation programs and CETA has been established to improve the department's employment services to the handicapped, but more comprehensive plans have not been developed.

b. Discussion

We recommend that the department set up a task force including participants from Vocational Rehabilitation, the Society for the Blind, CETA, Job Service, and other relevant programs to develop a plan for achieving this objective.

5. PREPARE AN INTEGRATED DEPARTMENT BUDGET FOR THE NEXT BIENNium—BY OCTOBER 1978.

This objective was completed.


a. Findings

This objective is partially completed. The department's "Colocation Policy Guidelines," July 1978, set forth a strategy for implementing colocation policy, part of which included the goal that "by July 1980, all outstate leases in any one community will expire on the same date." The department can give no assurance that this goal will be met in the near future.

The guidelines also state that "these negotiations will be guided by a statewide colocation site plan that is to be developed by October 1978." The site plan has not yet been developed.
b. **Discussion**

We recommend that the department conduct further study into the actual effects of colocation on service delivery, space sharing, and coordination among programs.\(^1\) We further recommend that the department prepare a detailed site plan and strategy for colo­cat­ing the remaining field offices and for modifying those sites already colocated.

7. ESTABLISH CRITERIA AND TECHNIQUES FOR MONITORING AND EVALUATING PROGRAMS ON AN ON-GOING BASIS, AND ESTABLISH A PLAN FOR PERIODIC EVALUATION OF ECONOMIC SECURITY PROGRAMS AND FUNCTIONS--BY OCTOBER 1978.

a. **Findings**

This objective has not been carried out as originally envisioned. The department established an Office of Policy and Planning in the Program and Management Support Division in July 1979. An important function of this office is to conduct periodic assessments of the department's progress in developing a smooth working relationship among the organization's various units.\(^2\) No assessments have yet been conducted, but the office anticipates that they will consist primarily of subjective analyses based on sample surveys of department employees. The office has produced a year-end review of department activities for presentation to the Legislature.

In addition to the department's efforts, the federal agencies which fund Economic Security programs conduct regular program reviews based on program and financial data supplied to them by the department. These reviews, sometimes conducted as often as monthly, are required as part of the funding procedure and are often standardized across the country. However, they are designed primarily to ensure fiscal accountability rather than to provide thorough evaluations which measure the impact of program services on client needs. Moreover, they do not include assessments of the impact of one program on others.

b. **Discussion**

Since the department's funding is largely federal, it is appropriate that reviews and evaluations of the department's programs should be initiated by, and addressed to, the appropriate

\(^1\)See also pp. 28, 37, and Chapter III.

federal agency. However, the structural organization of the department—in this case the merging of like programs into a single unit—is a state responsibility, and the analysis of the success or failure of those arrangements ought to be the concern of the department and the Legislature.

For these reasons, we think that an in-house evaluation unit which focuses on studying the impact of reorganization and the functioning of the department as an organizational unit is a proper use of department resources. We endorse the department's plans to assign this function to the Office of Policy and Planning. However, since the function may involve assessments of activities of the Management Support Division itself, we recommend placing this unit in the commissioner's office to maximize its objectivity.

8. PREPARE A STATE EMPLOYABILITY POLICY STATEMENT THAT ENCOMPASSES JOB OPPORTUNITY AND STABILITY, EMPLOYMENT AND TRAINING, VOCATIONAL REHABILITATION AND OTHER JOBS PROGRAMS—BY DECEMBER 1978.

a. Findings

This objective has been deferred by the department. The original intent of this objective was to develop formal linkages among state agencies so that available services could be provided to unemployed workers.

b. Discussion

We encourage pursuit of this objective through executive meetings among relevant state agencies as well as through the "area service team" approach proposed by the department.

9. ORGANIZE THE DEPARTMENT'S DELIVERY SYSTEM TO ENSURE THAT CLIENTS WHO ARE NOT JOB READY ARE AFFORDED THE OPPORTUNITY TO RECEIVE NECESSARY EMPLOYABILITY SERVICES (TRAINING/RE-TRAINING) WITHIN BUDGETARY LIMITS—BY JANUARY 1979.

a. Findings

This objective has been achieved in part. Specific programs within the department, such as CETA, the Work Incentive Program (WIN), the Work Equity Project (WEP), and Vocational Rehabilitation, provide training services to eligible applicants.
b. **Discussion**

We recommend a more careful look at the pool of applicants to ensure that all, not just those who fit into specific programs, have the opportunity for training or re-training.

10. **ARRANGE FOR BARRIER-FREE ACCESS FOR PERSONS WITH HANDICAPS TO ALL STATE FACILITIES AND RENTAL PROPERTIES UNDER THE DEPARTMENT'S JURISDICTION.**

a. **Findings**

This objective is scheduled for completion by June 30, 1980. Accessibility standards are enforced when new field office leases are negotiated. Current state policy requires that if rental space is not accessible to the handicapped, provisions must be made for modification within a specified period of time. The department reports that 80 percent of its field offices are currently accessible or scheduled for the necessary modifications.

b. **Discussion**

We recommend continuation of this effort.

11. **MAINTAIN AND IMPROVE THE AFFIRMATIVE ACTION PROGRAM SO THAT THE DEPARTMENT BECOMES A "MODEL EMPLOYER"--BY JUNE 1979.**

a. **Findings**

This objective is being implemented. The department organized an Affirmative Action Committee in 1978 to develop the state's first department-level affirmative action plan. A revised plan, required by the Department of Personnel, is currently in draft form.

The committee has also worked to study protected-class recruitment, job retention, and EEO training.

b. **Discussion**

We recommend that the department continue these efforts.
12. COMPLETE THE WORK EQUITY PROGRAM DEMONSTRATION, PHASE DOWN OPERATIONS, COMPLETE FINAL REPORTS, DEVELOP OPERATIONAL RECOMMENDATIONS FOR PHASE 3 IMPLEMENTATION--BY JUNE 1979.

This objective is now due for completion by June 30, 1981. As a result of additional funding, the WEP demonstration was extended for an additional year.

D. PHASE THREE OBJECTIVES

The department's third reorganization phase is less specific than the first two. Scheduled for completion by the end of the department's first full biennium on June 30, 1981 and "succeeding bienniums", the phase consists of five broadly stated objectives to accomplish "improved service delivery" at lower costs (after adjusting for inflation).

Since these objectives are not slated for completion until next year, we only list them here.

1. THE DEPARTMENT SHALL DEVELOP AND ESTABLISH A STATEWIDE COHESIVE DELIVERY SYSTEM WHICH ADDRESSES THE NEEDS OF EMPLOYERS AND JOB-SEEKERS FOR THE STATE OF MINNESOTA.

2. DEVELOP A PROCEDURE FOR COOPERATION AMONG STATE AGENCIES AND ACROSS PROGRAMS FOR THE EFFECTIVE COORDINATION OF JOB-TRAINING AND PLACEMENT ACTIVITIES FOR ALL CLIENTS.

3. INCREASE COORDINATION OF BENEFIT PAYMENTS AND JOB-TRAINING AND PLACEMENT PROGRAMS WITH VETERANS PROGRAMS, WORKERS COMPENSATION, VOCATIONAL AND POST SECONDARY TRAINING, FEDERAL INCOME INSURANCE PROGRAMS AND ECONOMIC DEVELOPMENT PROGRAMS.

4. THE COLOCATION AND FIELD OPERATIONS CHANGES PLANNED AND INITIATED IN PHASES 1 AND 2 WILL BE COMPLETED.

5. DECENTRALIZE DECISIONS, INSTALL COMPUTER TERMINALS IN THE FIELD, AND STABILIZE ORGANIZATIONAL UNITS TO RESULT IN BUDGET ALLOCATIONS BASED ON UNIT COSTING OF FIELD BUDGETS AND STAFF, EQUITABLE DISTRIBUTION OF CLIENT SERVICE ALLOCATIONS BASED ON CLIENT NEEDS, AND FASTER RESPONSE TO THOSE NEEDS.
III. FIELD OFFICE COLOCATION

Colocation means placing "two or more units in close proximity so as to share common facilities." Historically, the concept of colocation was a practical solution for best use of space and resources long before it was known by that name. There are mutual benefits to be derived from shared occupancy, whether the occupants complement each other or not. Economies of scale can be found in reduced heating and cooling costs, shared hallways and entryways, and combined maintenance and upkeep expenses.

Most industrial parks and office buildings are based on the idea of shared locations to reduce overhead expenses. In addition, convenience to the consumer is increased by clustering services. Neighborhood shopping malls which house a variety of shops are known to draw more customers than one store standing alone.

Colocation of human services has developed from this philosophy. The rationale is that since services offered are similar, and consumers of one human service typically use others as well, colocation of these services should decrease administrative costs and increase consumer convenience.

While colocation appears to be a natural arrangement, it must be remembered that there are many barriers that prevent it from just happening. Facilities which are suitable for every program's needs may be difficult to find. Even then, staff of different programs may have trouble agreeing on a specific location. For example, Job Service may want a location in the downtown area in the belief that the number of walk-in clients would increase, while other programs may be less enthusiastic about such a site. Because different agencies have different preferences and needs, voluntary colocation can be fraught with complications.

The 1976 Office of Human Services study proposing a Department of Economic Security recommended that programs offering job training and placement should evolve toward a unified delivery system, and that this should be achieved by colocating services in "one-stop" settings. These centers would include the job training and placement programs offered by Job Service, Balance of State/CETA, and Vocational Rehabilitation.

The study offered two major reasons for recommending colocation to create one-stop service centers:

1. Webster's New Collegiate Dictionary, 1977. However, the spelling of this term is not, at present, fully standardized. As you will see in portions of this paper, Department of Economic Security literature spells the work with a hyphen: "co-location." Others prefer "collocation."
First of all, this kind of local delivery system will improve client access to services as a result of the colocation of job training and placement services in a single local office. Secondly, colocation will foster the development of strong inter-program staff relationships as the necessary steps are taken to develop the mechanisms and procedures for the unified delivery approach.  

The Office of Human Services proposal for colocation of field offices envisioned a high degree of integration between the various programs. Under its plan, individual programs would be combined to offer a common reception and intake point for consumers, who would then be referred to the appropriate program. The rationale for this approach was that the client would be less concerned about the title of the program which is funding the service than the opportunity it offers for achieving the goal of economic self-sufficiency.

The recommendation for full coordination of Department of Economic Security programs was based on two assumptions. One is that many clients are multiple users of the services. This was not actually substantiated, so it was unknown whether this group comprises a large or small percentage of all clients. The second is that there was a lack of interaction between programs, preventing easy client referrals between programs. This assumption was not substantiated either, so it was not known how much improvement could be expected or how to measure changes in referrals. We address these questions in Chapter VII.

Legislation establishing the department did not mention colocation. Any colocation activities undertaken by the department are a matter of department policy and are not in response to any legal mandate, although colocation is compatible with the broad legislative intent in setting up the department.

A. COLOCATION POLICY

Colocating Economic Security field offices has been a slow, complex process. Out of 30 communities where field office colocation is possible, only 14 have actually merged offices. Since 4 sites were colocated at the time of the merger, the department's

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1Office of Human Services, A Strategy for Change, p. 49. The original proposal would also have included the Income Maintenance Division, Department of Public Welfare.

2See Appendix A for a list of all field offices.
record since 1977 consists of 10 sites. Table 2 shows the 14 collocated field office sites.

Field office colocation requires arranging for concurrent lease expiration dates, finding suitable space for new offices, and ensuring that all facilities comply with state and federal standards for handicapped accessibility. Local planning can be a complex and politically sensitive task because of concerns about program integrity and loss of identity in the community. All of these tasks have proved to be more difficult and time-consuming than originally anticipated by the department.

The department's commitment to colocation was formalized in its report to the Legislature in 1978. As we saw in Chapter II, the following objectives relating to colocation were stated in that report:

- **Reorganization objective for completion by June 30, 1978.** Study the need for a revised field operations administrative structure based on standard administrative boundaries, changes in field supervision, colocation of offices, and decentralization of decision making.

- **Departmental objectives for completion by June 1, 1978.** Complete a survey and prepare goal recommendations for field operations changes. Areas to be included are colocation and possible joint activities.

- **Departmental objective for completion by October, 1978.** Prepare a statewide site plan and strategy for colocation of field offices.

- **Department objective for completion by July 1, 1979; June 30, 1981 and succeeding bienniums.** The colocation and field operations changes planned and initiated in Phase 1 and 2 (above) will be completed.

As stated, these objectives call for written products—a "study" of the need for reorganization, a "survey" of goals; and a "statewide site plan" for colocation. These documents have not been produced. Instead, a memo from the commissioner on July 10, 1978 presented "Colocation Policy Guidelines" whose objectives were:

- Easier and more efficient client access to services, and

- Efficient administrative support of services by elimination of duplication.
TABLE 2

DEPARTMENT OF ECONOMIC SECURITY
FIELD OFFICE COLOCATION SITES
MARCH 1980

<table>
<thead>
<tr>
<th>Location</th>
<th>Year</th>
<th>Colocated</th>
<th>JS/UI</th>
<th>DVR</th>
<th>CETA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marshall</td>
<td>1972</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>1</td>
</tr>
<tr>
<td>Minneapolis (Pilot City)</td>
<td>1972</td>
<td>2</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mankato</td>
<td>1975</td>
<td>X</td>
<td>3</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Owatonna</td>
<td>1975</td>
<td>X</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Fairmont</td>
<td>1977</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bemidji</td>
<td>1978</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hutchinson</td>
<td>1978</td>
<td>X</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Moorhead</td>
<td>1978</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>St. Paul (Metro Square)</td>
<td>1978</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wadena</td>
<td>1979</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brainerd</td>
<td>1979</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Winona</td>
<td>1979</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Fergus Falls</td>
<td>1979</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Ulm</td>
<td>1979</td>
<td>X</td>
<td></td>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>

JS/UI = Job Service/Unemployment Insurance
CETA = Comprehensive Employment Training Act
DVR = Department of Vocational Rehabilitation

1. Also has CETA office, not colocated.
2. Job Service only.
3. Also has DVR office, not colocated.
The memo defined colocation as:

the physical consolidation of separate offices and programs into a single facility. Colocation provides the potential opportunity for utilization of common space (e.g., lobby or reception area, testing and conference rooms, supply rooms, employee rooms, restrooms, etc.). Colocation does not require integration of staffs, although in a colocated situation common staff for certain office administrative activities could be an advantage and the feasibility of such a change may be explored. Colocation does not imply the use of program generalists, and should not diminish program integrity and visibility. Current lines of program authority for Job Service, WIN, Vocational Rehabilitation, and Balance of State CETA programs will be retained. Unemployment Insurance claims service will continue to be provided outstate through selected Job Service Offices.

The guidelines make it clear that colocation entails a requirement that certain space be shared among participating programs. Other space is supposed to be shared where possible. We conducted a survey of field offices that were colocated as of July 1, 1979 to determine how space is currently used and how much sharing of space actually occurs. The results of our survey are summarized in Table 3.

The survey indicates that the department's colocation projects have not resulted in the kind or degree of sharing that was originally anticipated. In discussions with individuals at the sites, several points emerge as critical to successful colocation:

- Whether the colocation site was a move for all programs or merely an expansion of one office to make room for the others. This is a matter of "turf" and is important in the day-to-day decision process. The idea that some staff "belongs" in a building, while others are "newcomers," may be eliminated by selecting a totally new site. It may be more costly to move all programs, but the long range effect may be worth the extra expense.

- The leadership qualities and general attitudes of individuals in charge of the local offices is a critical ingredient. While these individuals are basically within the same salary range, there are still perceived differences based on education and experience. There were indications that it was difficult for these individuals to meet together and work out conflicts--in part, because of these perceived differences.
<table>
<thead>
<tr>
<th></th>
<th>REQUIRED</th>
<th>PREFERRED</th>
<th>OPTIONAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bemidji</td>
<td>Yes</td>
<td>Partial</td>
<td>Partial</td>
</tr>
<tr>
<td>Brainerd</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Fairmont</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Hutchinson</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Mankato</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Marshall</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Minneapolis (Pilot City)</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Moorhead</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Owatonna</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>St. Paul (Metro Square)</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Wadena</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Winona</td>
<td>Partial</td>
<td>Partial</td>
<td>Partial</td>
</tr>
</tbody>
</table>

INTERVIEW RESPONSES:

"Yes" indicates that there is sharing of space.
"No" indicates that there is no sharing of space.
"Partial" indicates that there are some shared areas and some separate areas.
"NA" Does not apply.
The assistance available from the main office in working through management decisions is important for individuals in each program to feel fairly treated. When an impasse is reached at the local level, there should be an objective resource available to negotiate a mutually satisfactory decision. Some situations require a neutral party to interpret policy and intent which was not clear at the local level.

While the field offices often have valid reasons, such as physical layout, for not following the guidelines, it is clear that the main office has been unsuccessful in ensuring compliance with its guidelines policy.

B. THE IMPACT OF COLOCATION ON FIELD OFFICE COSTS AND SPACE

We collected data from the department's lease files to determine the effects that the department's colocation policy has had on rental rates paid and space used by field offices.

The information collected from each lease file included cost per square foot, total square footage, and total rental cost for July 1 of 1976, 1977, 1978, and 1979. It was necessary to gather some of the information through interviews with the Manager of Field Support Services, especially regarding colocation sites where there were separate leases. We received assurance that lease files would be more complete in the future due to staff and organizational changes.

Some field offices do not have formal leases with a fixed charge for a certain amount of space. Instead they are based on agreements of exchange between the central program office and schools, hospitals, institutions, and vocational technical centers. In addition to the 121 leased field offices, the department maintains approximately 48 such non-leased offices. Only field offices with formal leases are included in our cost and space analysis, primarily because there is no instance of colocation between leased and non-leased field offices.

Table 4 shows the changes which occurred between 1976 and 1979 in the average space used and rental rates paid by Economic Security field offices. Overall, space used by field offices has increased on the average by nearly 13 percent over the four year period; the average cost of that space has risen by more than 35 percent.

In Table 5 we show how area and cost have changed for field offices in each program area. Vocational Rehabilitation offices used, on the average, slightly less space in 1979 than in 1976.
TABLE 4


<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Area (Sq. Ft.)</td>
<td>2,319</td>
<td>2,367</td>
<td>2,526</td>
<td>2,619</td>
<td>+12.9%</td>
</tr>
<tr>
<td>Average Cost Per Sq. Foot</td>
<td>$4.35</td>
<td>$4.67</td>
<td>$5.21</td>
<td>$5.89</td>
<td>+35.4%</td>
</tr>
<tr>
<td>Number of Field Offices</td>
<td>97</td>
<td>109</td>
<td>113</td>
<td>121</td>
<td></td>
</tr>
</tbody>
</table>
**TABLE 5**

**ECONOMIC SECURITY FIELD OFFICES:**
**AVERAGE SPACE AND COST PER SQUARE FOOT,**
**1976-1979, BY PROGRAM**

<table>
<thead>
<tr>
<th></th>
<th>JS/UI</th>
<th>VR</th>
<th>CETA</th>
<th>JS/UI</th>
<th>VR</th>
<th>CETA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1976</td>
<td>2,787</td>
<td>2,074</td>
<td>1,251</td>
<td>$4.36</td>
<td>$4.46</td>
<td>$4.17</td>
</tr>
<tr>
<td>1979</td>
<td>2,987</td>
<td>1,995</td>
<td>2,384</td>
<td>$5.79</td>
<td>$6.00</td>
<td>$6.08</td>
</tr>
</tbody>
</table>

Percent Increase

+7.2%  -3.8%  +90.6%  +32.8%  +34.5%  +45.8%
On the other hand, taken as a group, CETA offices almost doubled in size during the same period. This increase reflects, in part, the overall expansion of CETA programs in the Balance of State region. In addition, Table 5 shows that average rental rates have increased slightly more for the CETA offices than for those of the Job Service/UI and Vocational Rehabilitation programs.

In order to determine the influence that colocation might have had on field offices area and costs, we separated all field office leases into three groups:

1. offices that were already colocated in 1977 and remained so in 1979,
2. offices that were not colocated in 1977 nor in 1979, and
3. offices that became colocated some time between 1977 and 1979.

Groups 1 and 2 were field offices whose colocation status remained unchanged between the two dates. Field offices in Group 3 changed their colocation status. All field offices that were discontinued or came into existence between these dates were eliminated from our analysis.

We examined the changes in office space and rental costs for each of these groups of field offices. Table 6 shows that the group experiencing the greatest increase in costs per square foot was the group whose colocation status had changed. The group with the least increase in costs was that which included field offices already colocated at the time of the merger. The groups differed little in the amount of space used by each.

These data suggest that colocation has resulted in little, if any, space savings. This is not surprising in view of our earlier finding that colocated offices, on the average, share very few common facilities. Our data also suggest that colocation is more costly in this initial phase, but that over the long-run those costs may diminish. Changing rental status is, not surprisingly, an expensive proposition at the outset. A new landlord may ask for a higher rental rate than one who has rented facilities to a field office for a long time. Moreover, the need for colocating offices to find sufficiently commodious offices, especially in small communities, may limit the number of potential sites and may signal landlords that field office managers have little room for bargaining over price.

Our data suggest that colocation has not saved the department space or money. However, there is evidence that in the long-run colocation may result in economies. In Chapter II we have recommended a pilot colocation study to determine the best ways of
# TABLE 6

PERCENT CHANGE IN AREA AND COST PER SQUARE FOOT FOR DEPARTMENT OF ECONOMIC SECURITY FIELD OFFICES 1977 - 1979

<table>
<thead>
<tr>
<th>Field Office Groups</th>
<th>Area (Percent Increase)</th>
<th>Cost/Square Foot (Percent Increase)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group 1: Colocated both 1977 and 1979</td>
<td>9.6%</td>
<td>11%</td>
</tr>
<tr>
<td>Group 2: Never Colocated</td>
<td>12.2%</td>
<td>24%</td>
</tr>
<tr>
<td>Group 3: Colocated 1979, but not 1977</td>
<td>11.9%</td>
<td>40%</td>
</tr>
</tbody>
</table>
saving space and money. In any case, the long-range financial effects of colocation will not be known for several years.
IV. SERVICE DELIVERY

Our inventory of reorganization objectives in Chapter II shows that nearly all of the reorganization activity originally planned for the department was limited to program support services. The program delivery systems themselves, funded by and answerable to federal authority, were not a target of reorganization.

Nevertheless, just as home remodeling may affect a homeowner's quality of life, government reorganization may influence the quality and character of client services. In some states which have undergone human services reorganization, structural change may have adversely affected the delivery of services to the public. In a separate staff paper we have detailed some of the difficulties encountered in states such as Florida and Arizona, where the creation of a human services "super-agency" may have been responsible for a decline in the quality of client services. In other states, reorganization may well have contributed to an improvement in services, while in still others no impact at all is discernable.1

The goals of reorganization in Minnesota were to improve the accessibility and responsiveness of services, ensure planning and procedural coordination among programs, and develop a fully integrated administrative and management structure while maintaining existing levels of service.2 In this section we seek to address the last of these goals. Although the measurement of service "levels" or "quality" is elusive, we have collected data on service delivery which may bear on this question.

There are several major problems in drawing conclusions about the effect of the department's reorganization on service delivery. The first concerns the matter of causality. Many variables may influence the performance of a government program over time. Since it is impossible to sort out these variables and isolate the influence of structural change, our conclusions about the impact of the reorganization on program performance must remain speculative.

Second, we lack the historical perspective required to discern long-run trends in the performance of Minnesota's Economic Security programs since the merger. The legislation creating the new department was enacted in the summer of 1977; the department became fully operational in December 1977. Since federal FY 1978 began in October 1977, the first full fiscal year under the new department was FY 1979. Given that program statistics are commonly reported on a fiscal year basis and that there is a significant lag time in reporting such data, this gives us, at best, only one year

1See our paper on State Human Services Reorganization, Chapter III.

of program statistics for the reorganized department. These problems, in addition to the fact that much of the planned reorganization has not yet been implemented, render any analysis of the impact of reorganization tentative.

Finally, we found that comparative program data useful for our purposes were difficult to obtain. Some data are collected in response to federal reporting requirements, but even these data are frequently unsuitable for meaningful tracking of program performance over time. Data are sometimes compiled differently from one year to the next. In 1976 the federal fiscal year was shifted from a July 1 starting date to October 1, so that FY 1976 data cover five quarters of program activities. Finally, data from other states are often unavailable or not in a form enabling comparisons with Minnesota.

Care should be taken, therefore, in interpreting the indicators of Minnesota Economic Security program performance presented below.

**A. VOCATIONAL REHABILITATION**

The program for which the most useful performance data are available is Vocational Rehabilitation. The U.S. Department of Health, Education, and Welfare publishes annual statistical reports on program performance for all states and territories. An analysis of these data does not support a conclusion that the performance of Minnesota's Vocational Rehabilitation programs has declined since the reorganization. In some respects, these data suggest that Minnesota's relative performance has improved. Table 7, for example, shows that while the total caseload per 100,000 population has declined nationally and in the state, Minnesota's national caseload ranking has actually increased since 1976. By 1978 the state's program ranked 12th nationally and 1st in the region.

In addition, administrative overhead for Minnesota's Vocational Rehabilitation program is much lower than that for other states' programs. Direct administrative expenditures as a proportion of all program expenditures were 6.4 percent in 1974 and just 4.4 percent in 1978. Table 8 shows that Minnesota's national and regional ranking has dropped significantly since 1974. A low ranking indicates that overhead is relatively low.

On the other hand, Minnesota's standing has declined in the number of cases and successful rehabsulations per counselor. On these measures of productivity, Minnesota's ranking has slipped since 1974, but a close examination of Table 9 suggests that the decline began long before the department's 1977 reorganization.

Tables 7 and 9 both provide evidence that Vocational Rehabilitation productivity has declined in the nation as a whole as well as in Minnesota. One common explanation for the drop is that
# TABLE 7

**DIVISION OF VOCATIONAL REHABILITATION**  
**NUMBER OF CASES SERVED PER 100,000 POPULATION--1974-1978**

<table>
<thead>
<tr>
<th></th>
<th>USA Cases Per 100,000</th>
<th>Minnesota Cases Per 100,000</th>
<th>Minnesota National Ranking</th>
<th>Minnesota Regional Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Federal FY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1974</td>
<td>565</td>
<td>775</td>
<td>16</td>
<td>1</td>
</tr>
<tr>
<td>1975</td>
<td>537</td>
<td>723</td>
<td>18</td>
<td>1</td>
</tr>
<tr>
<td>1976</td>
<td>522</td>
<td>693</td>
<td>17</td>
<td>1</td>
</tr>
<tr>
<td>1977</td>
<td>498</td>
<td>708</td>
<td>13</td>
<td>1</td>
</tr>
<tr>
<td>1978</td>
<td>470</td>
<td>677</td>
<td>12</td>
<td>1</td>
</tr>
</tbody>
</table>

1 Minnesota's ranking out of 54 states and territories in 1974, 55 in other years.

2 Minnesota's ranking out of the six states in Region V (Wisconsin, Illinois, Indiana, Ohio, Michigan, Minnesota).

### TABLE 8

**DIVISION OF VOCATIONAL REHABILITATION**

**EXPENDITURES BY CATEGORIES — 1974-1978**

<table>
<thead>
<tr>
<th>Federal FY</th>
<th>Minn. Total Expend. (000s)</th>
<th>Administration</th>
<th>Counseling &amp; Placement</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>% USA</td>
<td>% Minn.</td>
<td>Rank¹</td>
</tr>
<tr>
<td>1974</td>
<td>$14,257</td>
<td>7.0%</td>
<td>6.4%</td>
<td>32</td>
</tr>
<tr>
<td>1975</td>
<td>$13,639</td>
<td>7.2%</td>
<td>6.6%</td>
<td>36</td>
</tr>
<tr>
<td>1976</td>
<td>$13,818</td>
<td>8.2%</td>
<td>6.2%</td>
<td>41</td>
</tr>
<tr>
<td>1977</td>
<td>$14,672</td>
<td>8.1%</td>
<td>4.0%</td>
<td>50</td>
</tr>
<tr>
<td>1978</td>
<td>$14,909</td>
<td>8.3%</td>
<td>4.4%</td>
<td>51</td>
</tr>
</tbody>
</table>

1 Minnesota's ranking out of 54 states and territories in 1974, 55 in other years.

2 Minnesota's ranking out of the six states in Region V (Wisconsin, Illinois, Indiana, Ohio, Michigan, Minnesota).

TABLE 9

DIVISION OF VOCATIONAL REHABILITATION
CASES AND SUCCESSFUL REHABILITATIONS PER COUNSELOR
1974 - 1978

<table>
<thead>
<tr>
<th>Fed. FY</th>
<th># in Minn.</th>
<th># in Minn. USA</th>
<th>Nat'l Rank¹</th>
<th>Region Rank²</th>
<th># in Minn.</th>
<th># in Minn. USA</th>
<th>Nat'l Rank¹</th>
<th>Region Rank²</th>
</tr>
</thead>
<tbody>
<tr>
<td>1974</td>
<td>247</td>
<td>136</td>
<td>3</td>
<td>1</td>
<td>57</td>
<td>41</td>
<td>6</td>
<td>1</td>
</tr>
<tr>
<td>1975</td>
<td>154</td>
<td>116</td>
<td>6</td>
<td>2</td>
<td>33</td>
<td>31</td>
<td>17</td>
<td>2</td>
</tr>
<tr>
<td>1976</td>
<td>149</td>
<td>110</td>
<td>7</td>
<td>1</td>
<td>28</td>
<td>28</td>
<td>19</td>
<td>3</td>
</tr>
<tr>
<td>1977</td>
<td>140</td>
<td>107</td>
<td>9</td>
<td>1</td>
<td>28</td>
<td>27</td>
<td>17</td>
<td>3</td>
</tr>
<tr>
<td>1978</td>
<td>133</td>
<td>109</td>
<td>11</td>
<td>2</td>
<td>23</td>
<td>29</td>
<td>32</td>
<td>5</td>
</tr>
</tbody>
</table>

¹Minnesota's ranking out of 54 states and territories in 1974, 55 in other years.

²Minnesota's ranking out of six states in Region V (Wisconsin, Illinois, Indiana, Ohio, Michigan, Minnesota).

severely handicapped clients comprise an increasingly significant proportion of the total caseload handled by these programs. Since severely handicapped clients require a more intensive commitment of program resources, overall productivity has declined. However, that explanation does not account for Minnesota's declining rank in cases and successful rehabilitation per counselor, since the number of severely handicapped served dropped by 19 percent from 1977 to 1978 in Minnesota while it increased 10 percent in the nation as a whole.¹

Finally, Table 10 indicates that the average cost per successful rehabilitation has increased substantially since 1974 in Minnesota. But Minnesota's national and regional cost rankings were about the same in 1978 as in 1974, indicating that Minnesota's relative position has changed little.

Taken together, these data suggest that Minnesota's Vocational Rehabilitation program performance ranks above average in the region and in the nation as a whole. Given the nature of these data and the lack of a significant time perspective, we cannot conclude that the reorganization of the Department of Economic Security had a discernable effect on program performance as we have measured it.

B. JOB SERVICE

Job Service productivity is difficult to evaluate. The program's effectiveness in making placements, one measure of productivity, is largely dependent on labor market conditions which vary monthly and by location. In addition, different methods of keeping client records and compiling data make state to state comparisons over time somewhat risky.

However, data supplied to us by the U.S. Department of Labor suggests that Minnesota's overall productivity by staff year worked has increased significantly since the 1977 reorganization. Table 11 shows that the state rose from 17th in the nation in 1977 in the number of individuals placed per staff year worked to 5th in 1979. Table 11 also indicates that Minnesota's ranking in the number of placement transactions per staff year worked has risen from 20th in 1977 to 8th in 1979. On both measures, the state has consistently ranked first or second in the region. Although these data do not take into account the changing labor market conditions in the state or nation, we may conclude that if reorganization had any effect on Job Service productivity, it was not dramatically negative.

¹Out of 5,247 successful rehabilitations in Minnesota in 1977, 2,465 were severely handicapped; out of 4,250 in 1978, 1,990 were severely handicapped.
**TABLE 10**

**DIVISION OF VOCATIONAL REHABILITATION**

**AVERAGE COST PER SUCCESSFUL REHABILITATION**

1974 - 1978

<table>
<thead>
<tr>
<th>Federal FY</th>
<th>Total Caseload</th>
<th>Successful Rehabili-tations</th>
<th>Average Cost</th>
<th>Minnesota National Ranking</th>
<th>Minnesota Regional Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>1974</td>
<td>28,693</td>
<td>6,204</td>
<td>$2,298</td>
<td>34</td>
<td>5</td>
</tr>
<tr>
<td>1975</td>
<td>27,130</td>
<td>5,775</td>
<td>$2,361</td>
<td>41</td>
<td>6</td>
</tr>
<tr>
<td>1976</td>
<td>26,007</td>
<td>4,743</td>
<td>$2,913</td>
<td>34</td>
<td>6</td>
</tr>
<tr>
<td>1977</td>
<td>26,681</td>
<td>5,247</td>
<td>$2,796</td>
<td>42</td>
<td>6</td>
</tr>
<tr>
<td>1978</td>
<td>25,254</td>
<td>4,250</td>
<td>$3,508</td>
<td>29</td>
<td>5</td>
</tr>
</tbody>
</table>

1Rehabilitation costs based on Sec. 110 (Rehabilitation Act) expenditures.

2Minnesota's ranking out of 54 states and territories in 1974, 55 in other years.

3Minnesota's ranking out of the six states in Region V.


66
### TABLE 11

JOB SERVICE PRODUCTIVITY BY INDIVIDUALS PLACED AND PLACEMENT TRANSACTIONS PER STAFF YEAR WORKED  
FY 1975 - 1979

<table>
<thead>
<tr>
<th></th>
<th>Individuals Placed per SYW(^1)</th>
<th>Placement Transactions /SYW(^2)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Minn.</td>
<td>Minn.</td>
</tr>
<tr>
<td>Federal FY</td>
<td>USA</td>
<td>Minn.</td>
</tr>
<tr>
<td>1975</td>
<td>129</td>
<td>136</td>
</tr>
<tr>
<td>1976</td>
<td>149</td>
<td>162</td>
</tr>
<tr>
<td>1977</td>
<td>172</td>
<td>200</td>
</tr>
<tr>
<td>1978</td>
<td>197</td>
<td>251</td>
</tr>
<tr>
<td>1979</td>
<td>199</td>
<td>263</td>
</tr>
</tbody>
</table>

\(^1\) Number of individuals placed per year of staff time worked.  
\(^2\) Number of placement transactions per year of staff time worked.  
\(^3\) Minnesota's ranking out of 53 states and territories.  
\(^4\) Minnesota's ranking out of the six states in Region V (Wisconsin, Illinois, Indiana, Ohio, Michigan, Minnesota).  

**SOURCE:** U.S. Department of Labor.
Reliable cost data over a long period are not available. Nevertheless, data for 1978 and 1979 suggest that Minnesota's average cost per individual placed and per placement transaction ranks among the lowest in the region and in the nation. Table 12 shows that Minnesota's average costs increased between 1978 and 1979 at about the same rate as those for the nation as a whole.

C. BALANCE OF STATE/CETA

To indicate the relative performance of the Balance of State/CETA program, we have obtained program data from the department on all ten Title I CETA prime sponsors in Minnesota. As we have noted earlier, the Balance of State unit is the only prime sponsorship administered by the Department of Economic Security. Although labor conditions vary significantly from one area of the state to another, producing a variable effect on CETA productivity, statewide CETA data provide perhaps the most useful basis for marking the progress of the Balance of State unit.

Table 13 presents statewide/CETA prime sponsor program data; Table 14 presents Balance of State program data. A comparison of these tables suggests that from 1975 through 1979 Balance of State program performance has roughly paralleled that for the ten Minnesota prime sponsors taken as a whole. However, between 1977 and 1979, the percentage of terminated participants who entered regular employment dropped from 36.9 percent to 26.5 percent. In the same period all of the state's prime sponsors combined experienced a lesser drop from 31.4 percent to 28.2 percent. In addition, the average cost per participant was about the same for Balance of State as it was for the combined prime sponsors in 1977. But by 1979 the average cost had increased to $1,909 for the Balance of State unit but only to $1,739 for all prime sponsors combined.

On the other hand, administrative costs as a percent of all program costs have risen somewhat less sharply since 1977 for the Balance of State unit than for the ten prime sponsors. As with the other program components these data taken together present a mixed picture. However, based exclusively on these measures of performance, it is not possible to conclude that the department's reorganization has had an adverse effect on Balance of State costs or performance.

D. UNEMPLOYMENT INSURANCE

Unemployment Insurance program funding and staffing are directly tied to economic conditions, causing dramatic fluctuations in
### TABLE 12

**JOB SERVICE**

AVERAGE COST PER INDIVIDUAL PLACED AND PER PLACEMENT TRANSACTION FY 1977 - 1979

<table>
<thead>
<tr>
<th>Cost per Individual Placed$^1$</th>
<th>Cost /Placement Transaction$^2$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minn.</td>
<td>Minn.</td>
</tr>
<tr>
<td>$127.36$</td>
<td>$99.44$</td>
</tr>
<tr>
<td>$135.43$</td>
<td>$104.49$</td>
</tr>
</tbody>
</table>

1. Cost calculated by dividing number of individuals placed (ES grants only) into total ES costs including allocated AS-T and NPS costs but excluding costs for special projects, Labor Market Information (LMI), and immigration.

2. Calculated in same manner as Cost per Individual Placed, but by dividing placement transaction.

3. Minnesota's ranking out of 53 states and territories.

4. Minnesota's ranking out of the six states in Region V (Wisconsin, Illinois, Indiana, Ohio, Michigan, Minnesota).

**SOURCE:** U.S. Department of Labor.
TABLE 13
SELECTED CETA PROGRAM STATISTICS
FOR MINNESOTA GOVERNMENTAL PRIME SPONSORS, 1975-79

<table>
<thead>
<tr>
<th>Federal FY</th>
<th>Total Participants</th>
<th>Terminated Participants:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>% Entering</td>
<td>% Employment</td>
</tr>
<tr>
<td>1975</td>
<td>37,615</td>
<td>15,895</td>
<td>30.4%</td>
</tr>
<tr>
<td>1976</td>
<td>88,056</td>
<td>76,721</td>
<td>19.9%</td>
</tr>
<tr>
<td>1977</td>
<td>56,942</td>
<td>41,616</td>
<td>31.4%</td>
</tr>
<tr>
<td>1978</td>
<td>68,521</td>
<td>49,180</td>
<td>30.7%</td>
</tr>
<tr>
<td>1979</td>
<td>61,970</td>
<td>46,806</td>
<td>28.6%</td>
</tr>
</tbody>
</table>

1 Including Balance of State/CETA.

2 Preliminary, subject to change with 4th Quarter Final Settlement on Financial Status Report.

3 For Titles II-B, III, and IV only. Titles II-D and VI utilized administrative cost pooling for second half of FY and this data is currently unavailable. This inflates administrative costs.

SOURCE: Minnesota Department of Economic Security, Office of Statewide CETA Coordination.
TABLE 14
SELECTED CETA PROGRAM STATISTICS
FOR MINNESOTA BALANCE OF STATE PRIME SPONSOR, 1975-1979

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Participants</th>
<th>% Entering Number</th>
<th>% Other Employment</th>
<th>% Non-Positive</th>
<th>Total Costs</th>
<th>Cost per Participant</th>
<th>Admin. Costs as % of Total Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1975</td>
<td>11,235</td>
<td>3,919</td>
<td>15.1%</td>
<td>37.0%</td>
<td>$11,283,661</td>
<td>$1,004</td>
<td>16.6%</td>
</tr>
<tr>
<td>1976</td>
<td>18,805</td>
<td>14,403</td>
<td>19.4</td>
<td>65.0</td>
<td>$26,082,080</td>
<td>$1,387</td>
<td>8.4</td>
</tr>
<tr>
<td>1977</td>
<td>15,212</td>
<td>11,272</td>
<td>36.9</td>
<td>48.1</td>
<td>$20,377,118</td>
<td>$1,340</td>
<td>12.8</td>
</tr>
<tr>
<td>1978</td>
<td>18,334</td>
<td>13,725</td>
<td>28.0</td>
<td>49.0</td>
<td>$32,664,660</td>
<td>$1,782</td>
<td>10.1</td>
</tr>
<tr>
<td>1979</td>
<td>17,108</td>
<td>12,488</td>
<td>26.8</td>
<td>53.1</td>
<td>$26,944,984¹</td>
<td>$1,909</td>
<td>14.2²</td>
</tr>
</tbody>
</table>

¹Preliminary, subject to change with 4th Quarter Final Settlement on Financial Status Report.

²For Titles II-B, III, and IV only. Titles II-D and VI utilized administrative cost pooling for second half of FY and this data is currently unavailable. This inflates administrative costs.

SOURCE: Minnesota Department of Economic Security, Office of Statewide CETA Coordination.
workload and productivity over a period of years and making it difficult to evaluate the relative efficiency of a program's service delivery. Nevertheless, the U.S. Department of Labor has developed an Unemployment Insurance quality appraisal system, utilizing several specific measures of service delivery accuracy and promptness, which can be used to compare over time Minnesota's performance with that of other states. Table 15 shows how Minnesota's program has fared over the past four years. There are certain inconsistencies in the manner of compiling data from one year to the next and the 1976 and 1977 reporting periods overlap somewhat, but these data suggest that service delivery efficiency has changed only slightly in most areas. In each of three areas, however, services are delivered more promptly than before the merger.

The data in Table 16 are drawn from the department's cost model system. They show that the average time spent by Unemployment Insurance employees on selected key activities has not changed in a consistent pattern over the past few years.
### TABLE 15
UNEMPLOYMENT INSURANCE DIVISION--INDICATORS OF PERFORMANCE AND PROMPTNESS, 1976-1979*

<table>
<thead>
<tr>
<th></th>
<th>Initial Claims--Intrastate</th>
<th>Appeals</th>
<th>Status Determination</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Performance^1</td>
<td>Promptness^2</td>
<td>Performance^3</td>
</tr>
<tr>
<td></td>
<td>Minn. % Rank</td>
<td>Minn. % Rank</td>
<td>Minn. % Rank</td>
</tr>
<tr>
<td>1976</td>
<td>.5% 2/34 NA</td>
<td>78.0% NA NA</td>
<td>96.4% 4/30 NA</td>
</tr>
<tr>
<td>1977</td>
<td>1.3% 17/50 2/4</td>
<td>82.0 23/39 1/2</td>
<td>68.6 31/49 5/5</td>
</tr>
<tr>
<td>1978</td>
<td>1.4 27/50 2/5</td>
<td>87.8 21/46 2/4</td>
<td>91.7 18/48 2/5</td>
</tr>
<tr>
<td>1979</td>
<td>.3 NA NA NA</td>
<td>90.8 NA NA NA</td>
<td>NA NA NA NA</td>
</tr>
</tbody>
</table>

*Data refers to calendar years; there is some overlap between 1976 and 1977. Rankings indicate Minnesota's position relative to all jurisdictions for which data are available.

1Confirmed errors per 100 cases. Department of Labor maximum standard: 3 percent.

2Percent of first payments made within a state standard time period (14 or 21 days). Department of Labor desired level of achievement: 80 percent in 1976 and 1977, 83 percent in 1978, 87 percent in 1979, and 90 percent in 1980.

3Percent of appeals cases receiving 80 percent or more of the total possible points from an appeals evaluation. Department of Labor desired level of achievement: 80 percent.

4Percent of appeals cases issued within 30 days. Department of Labor desired level of achievement: 60 percent.

5Percent of employer liability status determinations receiving 95 percent or more of the total possible points from a performance evaluation. Department of Labor desired level of achievement: 95 percent.

6Percent of employer liability status determinations made within 180 days. Department of Labor desired level of achievement: 80 percent.

## TABLE 16

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial Claims</td>
<td>61.0</td>
<td>73.2</td>
<td>74.6</td>
<td>69.3</td>
</tr>
<tr>
<td>Weeks Claimed</td>
<td>8.4</td>
<td>8.4</td>
<td>8.7</td>
<td>8.9</td>
</tr>
<tr>
<td>Non-Monetary Activities</td>
<td>66.8</td>
<td>43.5</td>
<td>43.3</td>
<td>43.7</td>
</tr>
<tr>
<td>Appeals</td>
<td>347.3</td>
<td>371.6</td>
<td>387.0</td>
<td>457.8</td>
</tr>
</tbody>
</table>

**SOURCE:** Department of Economic Security
V. LEGISLATIVE BASELINE CRITERIA

As noted in Chapter I, the legislation creating the Department of Economic Security requires the commissioner to prepare an annual report indicating the department's performance on certain baseline criteria. In January of each of the last three years the department has prepared a "Report to the Legislature" which, among other things, has responded to the legislative requirement. In this chapter, we review the department's account of its progress on these baseline criteria and, where appropriate, supplement departmental data with our own.

The legislation requires baseline data on six broad measures; four of these are discussed below. In one area, ensuring "a procedure for consumer input into the department," we think improvements can be made, as we have already shown. In another area, providing ratios of clients served to "the total staffing of the department and the department's annual budget," we have concluded that useful information can be gathered only by considering each program separately. As we noted in our status report on the department in 1979,

meaningful ratios are difficult to calculate by department or by division since programs are not consistent from year to year and the proportion of general administrative overhead which ought to be assigned to each division is speculative. Determining the best measure of "clients annually served" presents additional difficulties.

Accordingly, we have provided ratios of clients to staff and clients to money spent in a program by program format earlier in Chapter IV.

A. ADMINISTRATIVE COSTS

The department has had difficulty in calculating the total "cost of administration versus funds directly expended towards client services" as required by legislation. As we have suggested,

1 See Appendix B.
2 See pp. 24-25 and 36-37.
3 Program Evaluation Division, Report on the Minnesota Department of Economic Security, p. 27.
this difficulty stems largely from the department's use of two cost accounting systems, the U. S. Department of Labor's SESA system and the state Department of Finance's Statewide Accounting System. The use of these two systems makes it difficult to aggregate departmental costs and to identify with accuracy and consistency "administrative" versus "client" costs. The crux of the problem has been the department's inability to reduce its accounting to functional tasks. The department could ascertain where employees spent time but not what specific tasks were being performed.

Accordingly, in its first two reports to the Legislature, the department had to consider all central office expenditures as "administrative" costs and all field office expenditures as "client" costs. This procedure meant that UI employer services offered from the central offices were counted as "administrative" functions while field office management services were counted as "client" functions. Table 17 shows the department's reporting based on these criteria. By this accounting method, it appears that "administrative" expenditures have increased somewhat since 1977.

For FY 1979 the department made adjustments in its cost accounting systems which enabled it to uniformly track expenditures by function. This was not done before 1979 so comparisons with previous years are not possible. But this new system does allow the department to better monitor expenditures on administrative line items and should permit better cost controls. Using these modified accounting procedures, the department estimates that its "administrative" costs amounted to 6.3 percent of all department expenditures in FY 1979.

Legislation requires the department to reduce administrative costs by five percent by January 1980. The department concedes that it did not meet this goal, but it cannot accurately determine how administrative costs have fluctuated. In any case, the pressures of inflation over the past three years have made this a difficult goal.

B. SPACE AND STAFF INVENTORY

The department has conducted a detailed space inventory as required. This inventory shows that the department's administrative offices occupy 129,744 square feet, up 2.6 percent from 1977. According to the department, field offices occupy a total of 402,137 square feet, up 12.0 percent from 1977. Our own study of field office leases, shows that space rented for field offices total 316,872 square feet, an increase of 23 percent since 1977. Reflecting inflationary influences common to the economy as a whole, overall cost per square foot for office space has increased approx-

1See pp. 35-36.
TABLE 17

ADMINISTRATIVE EXPENDITURES, 1977-1979

<table>
<thead>
<tr>
<th></th>
<th>FY 1977</th>
<th>FY 1978</th>
<th>FY 1979</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Departmental</td>
<td>$294,017,800</td>
<td>$253,025,600</td>
<td>$252,340,500</td>
</tr>
<tr>
<td>Expenditures (including UI and CETA benefit payments)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administrative</td>
<td>$16,280,100</td>
<td>$18,137,600</td>
<td>$20,597,055</td>
</tr>
<tr>
<td>Expenditures</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administrative</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenditures as a</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percent of Total</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Departmental</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenditures</td>
<td>5.5%</td>
<td>7.2%</td>
<td>8.2%</td>
</tr>
</tbody>
</table>

approximately 22 percent since 1977. Our analysis of the effects of colocation on field office costs appears in Chapter III.

According to the state Department of Personnel, the total number of staff has remained virtually unchanged since 1977. However, the numbers of employees in the technical and managerial classes have significantly increased during this period while those in service, office, and craft classes have declined. Table 18 summarizes the department's staffing by occupational group. It is readily apparent that the department has failed to trim its administrative staff complement by the five percent required by the Legislature by January 1980.

C. TIME REQUIRED FOR CLIENT SERVICES

The department's methods of reporting on client service activities are determined by federal agency reporting requirements. Since each agency defines its reporting requirements differently, there is no uniform reporting format. Still, state law requires the department to identify "the average lapse time clients experience from their initial contact with the department until they are satisfactorily enrolled in a program, referred, or discharged." The Job Service and WIN programs report the average time spent by staff with clients. In 1977 it took an average of 9.74 hours for Job Service staff to counsel, test, and place clients. In 1978 it took an average of 7.67 hours. Most of the observed reduction occurred in counseling time. WIN clients were also served more quickly in 1978 than in 1977. Staff spent an average of 26.30 hours in counseling, testing, and placing clients in 1977 and 25.07 hours in 1978. Most of the reduction was in the time required for client placement. However, the department does not report the total elapsed time spent, on the average, from initial contact with clients to final placement.

For the Unemployment Insurance program, the department reports significant progress in serving clients quickly. In 1977, 82.0 percent of its claimants received their first benefit payments within 14 days. In 1978 the proportion increased to 87.8 percent, and in 1979 it rose to 90.8 percent. In addition, a greater proportion of appeals are now decided within 30 days. Only 30.0 percent were decided this quickly in 1977, while 55.0 percent were decided within 30 days in 1978. U.S. Department of Labor standards call for a 60 percent decision rate within 30 days.2

---

1 About 10 percent for administrative offices and 27 percent for field offices.

2 See Table 15.
### DEPARTMENT OF ECONOMIC SECURITY
#### EMPLOYEE OCCUPATIONAL GROUPS, 1977-1979

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Manager</td>
<td>21</td>
<td>33</td>
<td>32</td>
<td>+ 52.4%</td>
</tr>
<tr>
<td>Supervisor</td>
<td>320</td>
<td>327</td>
<td>348</td>
<td>+ 8.7%</td>
</tr>
<tr>
<td>Professional</td>
<td>968</td>
<td>991</td>
<td>993</td>
<td>+ 2.6%</td>
</tr>
<tr>
<td>Technical</td>
<td>61</td>
<td>120</td>
<td>136</td>
<td>+122.9%</td>
</tr>
<tr>
<td>Office/Craft</td>
<td>766</td>
<td>658</td>
<td>641</td>
<td>- 16.3%</td>
</tr>
<tr>
<td>Service</td>
<td>61</td>
<td>31</td>
<td>36</td>
<td>- 41.0%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>2,197</strong></td>
<td><strong>2,160</strong></td>
<td><strong>2,186</strong></td>
<td>- .5%</td>
</tr>
</tbody>
</table>

---

1 Excluding part-time and seasonal employees.

**SOURCE:** Department of Personnel, as reported in Department of Economic Security, Report to the Legislature, 1980.
For the Balance of State/CETA program, elapsed time from initial client contact to enrollment declined sharply from 1977 to 1979. In 1977 an average of 27 days elapsed, dropping to 25 days in 1978 and to just 19 days in 1979.

Finally, the department reports that Vocational Rehabilitation clients are served only slightly more quickly than they were in 1977. The average time spent by clients from their initial contact with the department to enrollment in a satisfactory program dropped from 3.7 months in 1977 to 3.5 months in 1979.

We observe overall improvements in the time required to deliver services satisfactorily to clients. But the reasons for these improvements are unclear. The department makes no claim that the 1977 reorganization had a direct effect on service delivery. It seems likely that the observed changes owe more to the general improvement in the labor market over the past three years than to any administrative benefits resulting from the department's reorganization.

D. TIME REQUIRED FOR CLIENTS TO ACHIEVE SELF-SUFFICIENCY

The average time that it "takes each department to enable clients to obtain economic self-support through competitive employment" is a relevant consideration for measuring the efficiency of all programs within the department except the Unemployment Insurance program. Nevertheless, the department supplies data on this variable only for the Balance of State/CETA and Vocational Rehabilitation programs. The average time required for clients in the former program to attain economic self-sufficiency declined from 108 days in 1977 to 86 days in 1979. But in the Vocational Rehabilitation program the average time increased from 30.9 months in 1977 to 33.3 months in 1979.
VI. STAFF ATTITUDES AND MORALE

In October 1979 we conducted a survey of employees of the Department of Economic Security in order to determine the level of employee morale in the department as well as to discover what employees think about the merger that created the department. This survey was prompted, in part, by our finding in April 1979 that more than half of the members of the department's citizen advisory councils that we contacted said that the merger had hurt morale in the department. Council members singled out morale as the item most negatively influenced by the reorganization. In addition we anticipated that a survey of department employees could provide insight into the changes brought about by the merger from the perspective of those who have tried to implement it and make it work.

Our sample was selected from the computerized files of the Minnesota Department of Personnel, using a random sampling technique. Of the 401 employees who were mailed questionnaires to their home address, 299 (about 75 percent) responded. With this sample size, our results are subject to a sampling error of plus or minus 6 percent.

A. EMPLOYEE MORALE

Our survey was designed to permit comparisons with an independent study of state employee attitudes conducted in 1976 by Professor George Milkovich of the Industrial Relations Center at the University of Minnesota. Milkovich surveyed employees in 15 state agencies, including the Department of Employment Services, one of the agencies which was merged in 1977 to create the Department of Economic Security. An analysis of this previous study shows that employees in the Department of Employment Services consistently ranked lower in self-expressed worker satisfaction and job commitment than employees in most other state agencies. For example, just 54 percent of Employment Services workers said that they were satisfied with their jobs, while 61 percent of all state employees

1Our Staff Paper, Staff Morale and Attitudes Toward Reorganization: A Survey of Employees of the Department of Economic Security, reports on the results of our survey in much greater detail than is possible here.


1George T. Milkovich and Gwen Palmer, Report of Employee Attitudes Toward Careers: Preliminary Analysis; (Minneapolis: University of Minnesota Industrial Relations Center, 1976), mimeographed.
were satisfied. In addition, only 38 percent of Employment Services workers were satisfied with their government careers, compared with 52 percent for all state employees.

In our study we find that, although there are still many dissatisfied employees, both job and career satisfaction have risen slightly among Economic Security employees since 1976. Figure 7 shows that satisfaction is higher today, even when we limit our comparisons to those current employees who work in divisions of the department equivalent to the old Employment Services department. Of all employees in our sample, 66 percent express high job satisfaction, and 43 percent express high career satisfaction.

Job and career satisfaction is highest today among employees of the Vocational Rehabilitation program. It is lowest among workers in the Management Support Division and those who work in the central administrative structure of the department.

While many more employees profess personal job satisfaction than dissatisfaction, Economic Security workers tend to describe morale as low in the department. More than 42 percent think that morale is low among their co-workers, compared with just 25 percent who think it is high. Employees most frequently describing co-worker morale as low include those in the Balance of State/CETA and Job Service units; employees less frequently describing morale as low include Vocational Rehabilitation and Unemployment Insurance workers.

Taking these data in their entirety, we conclude that low morale exists among a significant minority of employees in the Department of Economic Security. Based on a limited comparison with earlier data, we think that low morale may be a persistent problem among many Economic Security employees. However, employee attitudes toward their jobs and careers have improved over the past three years.

B. ATTITUDES TOWARD THE MERGER

If no further evidence were available, we might be tempted to conclude that the merger has improved employee attitudes in the department. But many events over the past three years might have affected employee attitudes toward their jobs: a new state administration, departmental and program changes unrelated to the merger, and the general effects of the economy, to name a few. In our survey, we tried to find out what employees think about the merger and how it affected their jobs.

Relatively few employees in our sample say that the merger has changed much in the department. For example, fewer than 20 percent of those who had been at their job for at least two years report that the merger increased their day-to-day contact
FIGURE 7


SELF-DESCRIBED JOB SATISFACTION

<table>
<thead>
<tr>
<th>Year</th>
<th>High</th>
<th>Medium</th>
<th>Low</th>
<th>Department</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>1976</td>
<td>54%</td>
<td>24%</td>
<td>23%</td>
<td>Employment Services 1</td>
<td>178</td>
</tr>
<tr>
<td>1979</td>
<td>63%</td>
<td>21%</td>
<td>16%</td>
<td>Economic Security (parts equivalent to 1976 Department of Employment Services)</td>
<td>211</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>High</th>
<th>Medium</th>
<th>Low</th>
<th>Department</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>1979</td>
<td>66%</td>
<td>19%</td>
<td>15%</td>
<td>Economic Security</td>
<td>298</td>
</tr>
</tbody>
</table>

1 Data from Milkovich.

SELF-DESCRIBED CAREER SATISFACTION

<table>
<thead>
<tr>
<th>Year</th>
<th>High</th>
<th>Medium</th>
<th>Low</th>
<th>Department</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>1976</td>
<td>38%</td>
<td>27%</td>
<td>35%</td>
<td>Employment Services 1</td>
<td>178</td>
</tr>
<tr>
<td>1979</td>
<td>42%</td>
<td>28%</td>
<td>30%</td>
<td>Economic Security (parts equivalent to 1976 Department of Employment Services)</td>
<td>211</td>
</tr>
<tr>
<td>1979</td>
<td>43%</td>
<td>26%</td>
<td>30%</td>
<td>Economic Security</td>
<td>297</td>
</tr>
</tbody>
</table>
with employees in the other programs brought together in the department. Many respondents volunteered the observation that the formal merger of the department has not resulted in much real reorganization.

Even so, sentiment against the merger is often expressed by many employees. Most employees are unconvinced that the merger was a step forward for the department as a whole. Only 32 percent think that the merger was "a good thing," while 39 percent disagree. Negative comments focused primarily on what were perceived to be inequities between the divisions in salaries, job classifications, and working conditions. Others, especially those in the Vocational Rehabilitation Division, believe that the merger makes their program less visible to the public. Relatively few respondents, however, offered comments indicating that client services have suffered as a result of the merger.

More than 52 percent agreed that the merger hurt morale in the department; only 28 percent disagree. Many of the same persons expressing the opinion that morale is low think that the merger was harmful to morale. This is particularly true of Balance of State/CETA and Management Support workers. About a quarter of all respondents say the merger reduced their opportunities for promotion or professional training. Only 9 percent think that the merger helped their division reach its overall objectives. Figure 8 illustrates employee attitudes toward the merger.

The merger was cited by many respondents in explaining the department's relatively low morale. However, it is difficult to determine whether these comments are evidence that the merger hurt morale or whether the merger is simply a "scapegoat" for broader, more general job dissatisfaction. In other words, had the merger never occurred, these or similar grievances might be cited just as frequently by department employees. What we can say, however, is that many morale problems are blamed on the merger—rightly or wrongly—by employees in the department. When asked about the general impact of the merger, no one volunteered the opinion that the merger helped morale.

Overall job and career satisfaction may be higher today than in 1976, but it seems clear from our survey that the merger does not account for the increase. Without the merger, the rise in worker satisfaction might have been even higher.

C. ACCEPTANCE OF ORGANIZATIONAL CHANGE

In its 1976 report which recommended the creation of the Department of Economic Security, the Office of Human Services predicted that as a result of reorganization,
FIGURE 8

EMPLOYEE ATTITUDES TOWARD THE REORGANIZATION
OF THE DEPARTMENT OF ECONOMIC SECURITY

<table>
<thead>
<tr>
<th>Statement</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Merger &quot;was probably a good thing&quot;</td>
<td>32%</td>
<td>29%</td>
<td>39%</td>
</tr>
<tr>
<td>Merger &quot;hurt morale&quot;</td>
<td>52%</td>
<td>20%</td>
<td>28%</td>
</tr>
<tr>
<td>Merger hurt &quot;opportunities for in-service or professional training&quot;</td>
<td>22%</td>
<td>31%</td>
<td>47%</td>
</tr>
<tr>
<td>Merger &quot;made it easier for my division to reach its overall objectives&quot;</td>
<td>9%</td>
<td>41%</td>
<td>50%</td>
</tr>
</tbody>
</table>

1 Excluding those employees not with the Department of Economic Security at the time of the merger. Adjusted sample size was 260.
there will no doubt be apprehension, confusion, and concern on the part of many of the affected departmental employees. There will need to be a great deal of attention and effort spent to orient all employees to the new department, keep them informed, and maintain or boost morale. This effort is critical in ensuring that employee productivity and therefore client service levels are at least maintained.

Some studies of organizational change have suggested that employee acceptance of change hinges on the sense of personal participation felt by employees in making decisions related to the organization. According to these studies, two kinds of employee involvement can increase worker acceptance of organizational innovation:

- early and continuing participation in group discussions focusing on the goals that are sought through change and the alternative ways of reaching those goals, and
- genuine input in the process of deciding what changes are to take place and how they are to be implemented.

Especially in large organizations, it is often difficult for management to provide these kinds of opportunities for involvement to all employees. In addition, particularly with reference to governmental organizations, decisions about what changes are to take place are frequently made outside the department. Nevertheless, these kinds of employee involvement in the process of change are always possible to some degree.

Although the management of the Department of Economic Security did set up several task forces in mid-1977 to give advice on various aspects of the reorganization, the total number of employees involved was small. Moreover, task force participation was limited to supervisory or professional staff. The vast majority of department personnel did not have an opportunity to select representatives for decision-making committees since the management itself selected task force participants.


In addition, the department management did obtain employee opinions on physical plant changes and office decorating ideas, but made no further attempt to solicit employee attitudes concerning the merger. Hence, the management had no systematic means of knowing about employee concerns or grievances. This amounts to a missed opportunity to involve employees in planning and implementing organizational changes which affected them. If many employees profess low satisfaction with the department today, and if Economic Security employees have a low opinion of the merger which created their department, this lack of involvement undoubtedly was--and continues to be--a contributing factor.
VIII. PATTERNS OF CLIENT PROGRAM USE

Underlying the Office of Human Services' proposal to create a Department of Economic Security was the assumption that Economic Security programs were functionally interrelated. The OHS asserted that there were many "clients with multiple problems needing more than one service." Placing the administration of those services under one roof, both at the central management level and the field office level, was designed to help coordinate program planning and make it easier to refer clients from one program to another. Colocating field offices was proposed to increase convenience for clients requiring the services of more than one program.

But the OHS did not actually measure the number of clients who used the services of more than one program. Based on an analysis of eligibility requirements for human services programs, it concluded that there was a significant potential for client sharing among the programs:

Virtually all clients eligible for VR (Vocational Rehabilitation) and WIN (Work Incentive) program services are CETA-eligible. There are a significant number of WIN clients who are eligible for VR services. Almost all IM (Income Maintenance) and all UI (Unemployment Insurance) clients are eligible for CETA services. Since employment services are available to all clients at their request, these services are therefore available to all program clients.²

Yet there was no evidence marshalled to support the assumption that there were, in fact, large numbers of clients who used the services of more than one program. If there were few such clients, the rationale for merging economic security programs would be somewhat weakened since the increment in convenience to clients would be minimal.

Of course, it would still be true that coordinating programs, improving the referral system, and colocating field offices would make it easier for those clients who were eligible for the services of more than one program to find out about other programs and to benefit from them. Merging the administration of programs, then, might be expected to increase the incidence of clients using the services of more than one program.

²Ibid., p. 46.
Nevertheless, the Office of Human Services did not examine the patterns of client program use or provide any statistical baseline which might have been used to measure the impact of the reorganization on client program use. In addition, although interest in the issue has been expressed by department managers, the department itself has not taken steps to determine whether program coordination and colocation have improved the client referral system.

We judge this an important evaluation issue, worthy of careful analysis. Accordingly, we have tried to determine the extent to which programs within the department share clients. In doing so, we sought to establish:

- whether the pattern of client program use, per se, justifies the merging of those programs currently within the department, and
- whether the department's reorganization and subsequent program coordination has led to an increase in the numbers of clients who use the services of more than one program.

The potential for client use of more than one program is not the same as actual client cross-enrollments. It seems reasonable to assess the success of the department in making its programs more widely available to eligible participants.

To accomplish our aim, we sought access to the official client records for each of the department's major programs: Job Service, Unemployment Insurance, Balance of State/CETA, and Vocational Rehabilitation. In addition, we wanted client data from Rural Minnesota CEP, a CETA prime sponsor not administered by the department, in order to compare the extent of direct cross-enrollment. Our method was to conduct a computer-assisted match of clients in each of the programs, using social security numbers as the unique means of identifying individuals. This method enabled us to count the number of programs in which specific individuals were enrolled. We requested access to program records for three federal fiscal years: 1977, 1978, and 1979.

The department, however, felt constrained to protect the confidentiality of its clients and declined to grant us direct access. After some negotiations, we were able to reach a compromise agreement. The department agreed to conduct the analysis according to our specifications. The responsibility for all computer manipulations, including the actual matching of clients across programs, was left with the department. The department then provided us with summary counts on computer tape. These tapes did not include information identifying program clients. Although this arrangement did not permit us direct control over the research, we felt it could still produce valuable information.
We had hoped to include in the analysis all individuals who had received Economic Security program services during each of the three years. However, the method of selection used by the department counted Unemployment Insurance clients in the year in which their applications were filed, even though they might have received services from the program during part of the next year. In addition, because of the method of recording intake dates, all UI clients who made claims in the first week of FY 1979 appear on the 1978 summary tape. There are other minor variations in the ways that the data were collected and compiled, but in all cases the variations applied equally to the three years under analysis.

Table 19 summarizes the data on client enrollments as supplied to us by the department. Data for Job Service, Unemployment Insurance, and Vocational Rehabilitation are statewide; those for Balance of State/CETA and Rural Minnesota CEP are limited to the areas served by each respective prime sponsor. These data, which the department estimates are subject to a four percent "human error," show the number of clients who appeared in the client records of one or more programs. By totalling the numbers for all cross-enrollment combinations, we can obtain a grand total representing all individuals who received any service from any DES program in 1977.

The data in Table 19 show that in 1977 more than 85,000 different individuals received services from more than one Economic Security program. This represented 19 percent of all Economic Security clients. It is apparent that there was some program interaction and client sharing in 1977, but whether it was enough to justify the Office of Human Services recommendation to merge program administrations is difficult to say.

Particularly interesting in these data is the number of Unemployment Insurance claimants who were simultaneously registered for the Job Service. In 1977 this number represented just 41 percent of Unemployment Insurance clients. Some persons who receive UI benefits, such as laid off workers and those who use trade union placement services, are not required to register with the Job Service. But the department estimates that these individuals probably account for only 30 to 40 percent of those who receive Unemployment Insurance benefits.

It is not clear why more Unemployment Insurance claimants do not appear in the Job Service client files. One possible explanation is that for one reason or another not all Job Service clients are entered into the computer record system. A feature of the method of keeping track of clients before 1978 resulted in an

1 The region covered by Balance of State/CETA includes the non-metro southern half of the state, plus the northwest. That covered by Rural Minnesota CEP is the north central part of the state.
TABLE 19
CLIENT ENROLLMENT PATTERNS AMONG ECONOMIC SECURITY PROGRAMS, FY 1977-1979

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<thead>
<tr>
<th></th>
<th>1977</th>
<th>1978</th>
<th>1979</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job Service only</td>
<td>236,816</td>
<td>253,151</td>
<td>242,265</td>
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<tr>
<td>Unemp. Insurance only</td>
<td>97,556</td>
<td>88,124</td>
<td>88,218</td>
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<tr>
<td>Voc. Rehabilitation only</td>
<td>27,245</td>
<td>26,636</td>
<td>24,234</td>
</tr>
<tr>
<td>BOS/CETA only</td>
<td>-------</td>
<td>3,657</td>
<td>2,698</td>
</tr>
<tr>
<td>Minn. CEP only</td>
<td>109</td>
<td>724</td>
<td>1,301</td>
</tr>
<tr>
<td>JS-UI</td>
<td>71,165</td>
<td>64,959</td>
<td>60,160</td>
</tr>
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<td>10,259</td>
<td>10,213</td>
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<td>-------</td>
<td>6,088</td>
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<td>JS-CEP</td>
<td>106</td>
<td>967</td>
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<td>UI-VR</td>
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<td>166</td>
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</tr>
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<td>UI-CEP</td>
<td>15</td>
<td>55</td>
<td>77</td>
</tr>
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<td>JS-UI-VR</td>
<td>2,847</td>
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<td>805</td>
</tr>
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<td>JS-UI-CEP</td>
<td>20</td>
<td>226</td>
<td>359</td>
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<tr>
<td>JS-VR-BOS</td>
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<td>482</td>
<td>452</td>
</tr>
<tr>
<td>JS-VR-CEP</td>
<td>13</td>
<td>75</td>
<td>191</td>
</tr>
<tr>
<td>JS-BOS-CEP</td>
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<td>8</td>
<td>11</td>
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<td>UI-VR-BOS</td>
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<td>UI-BOS-CEP</td>
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<td>VR-BOS-CEP</td>
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<td>JS-UI-VR-CEP</td>
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<tr>
<td>UI-VR-BOS-CEP</td>
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<td>-------</td>
<td>-------</td>
</tr>
<tr>
<td>JS-UI-VR-BOS-CEP</td>
<td>-------</td>
<td>1</td>
<td>-------</td>
</tr>
<tr>
<td>TOTAL</td>
<td>447,479</td>
<td>460,705</td>
<td>441,316</td>
</tr>
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</table>
underreporting of some groups of Job Service clients. If this was a widespread phenomenon, it might, in part, account for the unexpectedly low level of client sharing we observe between Unemployment Insurance and Job Service at least in 1977.

Our evidence indicates the proportion of cross-enrollments among all programs did not increase over the three-year period we studied. Figure 9 shows that the proportion of all Economic Security clients enrolled in more than one program had actually declined slightly by 1979. This suggests that client sharing has not increased among Economic Security programs since the merger, despite the department's attempts to coordinate programs, colocate field offices, and improve client referral systems.

Ironically, the program in our study which was not a part of the Department of Economic Security--Rural Minnesota CEP--had the highest level of client interaction with Economic Security programs. Moreover, it has steadily risen over the years since the merger. By 1979, 74 percent of all Minnesota CEP clients were simultaneously enrolled in one or more Economic Security programs. Part of the reason for this high rate of interaction may be the fact that all CEP field offices are colocated with Department of Economic Security field offices.

Taken as a whole, we find these data perplexing. One rationale for the creation of the Department of Economic Security was that a significant number of persons were shared as clients of Economic Security programs. We have found that only one out of five clients in 1977 was enrolled in more than one Economic Security program. Among the goals of the new department were increased coordination among Economic Security programs and improved client referral systems. The department has no reliable data on how many of its clients are actually eligible for more than one Economic Security program. But if the referral systems had improved in the first two years of departmental operations, we might expect client sharing to have increased. In fact, it has declined slightly.

One explanation for the relatively low rate of client sharing is that client referral systems have remained largely unchanged since the merger. Each program has its own application form and intake procedure. Devising a common application form may present some problems. For example, to accommodate all program requirements, more data would have to be collected than is now necessary. This would be cumbersome and a waste of time for those clients not eligible for more than one program. But program eligibility determination always requires gathering information which may later prove unnecessary. Moreover, for clients who are eligible for more

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1 A validation survey conducted by the department, including a hand count of application forms, revealed that in one Job Service field office in 1977, 38 percent of all veteran applicants were not entered into the computer record system at the time of the survey. In a letter to the Department of Labor regional office, the department explained that the "applicants in question were being withheld until they had reportable activity other than registration."
FIGURE 9

CLIENT ENROLLMENT PATTERNS AMONG ECONOMIC SECURITY PROGRAMS, FY 1977-1979*

Proportion of all clients who were enrolled in only one Economic Security Program.

<table>
<thead>
<tr>
<th>Year</th>
<th>Proportion (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>80.9%</td>
</tr>
<tr>
<td>1978</td>
<td>81.0%</td>
</tr>
<tr>
<td>1979</td>
<td>81.9%</td>
</tr>
</tbody>
</table>

Proportion of all clients who were enrolled in two or more Economic Security Programs.

<table>
<thead>
<tr>
<th>Year</th>
<th>Proportion (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>19.1%</td>
</tr>
<tr>
<td>1978</td>
<td>19.0%</td>
</tr>
<tr>
<td>1979</td>
<td>18.1%</td>
</tr>
</tbody>
</table>

*Not including Rural Minnesota CEP clients.
than one program, the current system requires that the same basic information be compiled separately at the point of intake for each program. This, too, is time-consuming.

We think the department should thoroughly review its client intake and referral procedures. Such a review should consider better means of screening clients for multiple program eligibility and coordinating or consolidating application procedures. We recommend that the department publish a short brochure informing clients about Economic Security programs and helping them determine their eligibility. Where possible, colocated offices should provide common reception facilities for all programs. Non-colocated offices should provide information, including maps, directing clients to the locations of other Economic Security offices.

In addition, the department can do more to ensure that program staff are fully knowledgeable about the services of all Economic Security programs and the requirements for client eligibility. Vocational Rehabilitation and Balance of State/CETA have established a liaison to study how their mutual client referral procedures can be improved. We think that similar liaisons should be established between each of the programs to study ways of increasing program and procedural coordination. Periodic workshops for program staff might help to increase mutual understanding of program goals and joint problems.

Finally, we recommend that the department conduct validation studies to determine the accuracy of client data and to improve the data collection process. We think the department should refine the client sharing analysis we have done and monitor cross-enrollments on a periodic basis.
VIII. CONCLUSIONS

Generally, the results of this study re-confirm the findings of our preliminary report of last year. Many of the department's principal reorganization objectives, scheduled for completion by mid-1979, remain to be achieved. The department has not altered its commitment to reorganize, but the process of change has been slow and fitful.

Progress has been made in centralizing many support services, but joint program planning and coordination remains an elusive goal. Some program independence is desirable. In any case, it is inevitable, because the primary direction and funding for Economic Security programs originates from different agencies at the federal level. Still, inter-program rivalries should not deflect the energies of program staff from their goals of service to the public. Moreover, finding creative ways of serving the public should take precedence over the preservation of program isolation for its own sake.

Reorganization has altered some of the lines of authority within the department and modified the structure of program support services. It has not affected program content, nor, apparently, has it affected program performance. There is no evidence that reorganization has caused a decline in services.

At the same time, reorganization has not increased the rate of client referrals from one program to another. In part, this may be due to the fact that field office intake procedures remain largely as they were prior to the organization.

Colocation of Economic Security field offices has occurred at 14 of 30 potential sites. But colocation has meant placing offices side-by-side; it has not resulted in functional coordination. In most instances, colocation has involved little actual sharing of facilities or space. In addition, field offices that colocate generally require more space and pay more rent, at least in the short-run, than those which have not colocated.

Restructuring a large organization is a complex task, requiring skilled management and teamwork. The Department of Economic Security has experienced some unavoidable difficulties in reorganizing, such as the lengthy leadership transition resulting from the 1978 election. But we are concerned that the department's reorganization, which should have been largely complete nearly a year ago, still occupies such a significant portion of the department's agenda. No organization, if it wishes to fulfill its mission successfully and efficiently, should remain in a state of organizational flux for more than two years.

The department has made progress in recent months. We urge the department to rededicate itself to its remaining agenda for change so that its full energies can be applied to serving the public.
## APPENDIX A

**DEPARTMENT OF ECONOMIC SECURITY**

**COLOCATION STATUS OF LEASED FIELD OFFICES**

**JANUARY 1980**

<table>
<thead>
<tr>
<th>City</th>
<th>JS/UI</th>
<th>VR</th>
<th>CETA</th>
<th>Colocation Status</th>
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</thead>
<tbody>
<tr>
<td>Albert Lea</td>
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<td></td>
<td></td>
</tr>
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<td></td>
<td>Colocated</td>
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<tr>
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</table>
APPENDIX A (continued)

DEPARTMENT OF ECONOMIC SECURITY
COLOCATION STATUS OF LEASED FIELD OFFICES
JANUARY 1980

<table>
<thead>
<tr>
<th>City</th>
<th>Leased JS/UI</th>
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<th>Leased CETA</th>
<th>Colocation Status</th>
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JS/UI = Job Service/Unemployment Insurance
VR = Vocational Rehabilitation
CETA = Comprehensive Education and Training Program
Sec. 28. EFFECTIVE DATE. Subdivision 1, Section 1 is effective July 1, 1977.

Subd. 2. The remaining sections are effective upon appointment of the commissioner, provided that former departments, or agencies shall continue to exercise their functions, powers and duties which are transferred by this act until the commissioner of economic security notifies the commissioner of administration that the department of economic security is ready to commence operation. A joint conference of three house governmental operations committee members appointed by the speaker and three senate governmental operations committee members appointed pursuant to the rules of the senate shall meet to review a report submitted by the commissioner of economic security on or before January 1, 1978. The report shall clearly define all existing operating conditions and specific improvement objectives in terms of quantitative, qualitative and time factors. It shall further set forth a reorganization plan utilizing the L.E.A.P. report format. The report shall include, but not be limited to:

(a) Budget figures from each department affected identifying the cost of administration versus funds directly expended towards client services.

(b) An inventory of each department to determine:

1) Total floor space utilized, categorized by:

(i) Functional use, warehousing, office space, etc.

(ii) Specific location and number of square feet.

(iii) Cost per square foot, identifying leased versus state owned facilities.

2) An organizational list by:

(i) Job code and the number of people per code.

(ii) Specific assigned locations per each employee, identified by code, assigned to the department.

(c) Identification, by department, of the average (late time clients experience from their initial contact with the department until they are satisfactorily enrolled in a program, referred or discharged.

(d) Identification of the average time it currently takes each department to enable clients to obtain economic self support through competitive employment.

(e) Identification, by department, of the ratio of the total number of clients annually served by the department as compared to the total staffing of the department and the department's annual budget.

(f) Identification of the estimated cost of the reorganization and any projected savings achieved by the reorganization in excess of a required five percent reduction in administrative cost and administrative staff by January 1, 1980.

(g) Develop a procedure for consumer input into the department. The commissioner of economic security shall submit similar formatted progress reports to the house and senate governmental operations committees each January 1 thereafter.

The budget for the department of economic security shall be so constructed to permit the progress reports to identify and compare the operating effectiveness before and after reorganization.

The report shall clearly identify each pre-reorganization element, with a comparison to the current budget and activity survey. In addition, each cost and functional item listed must identify the commissioner's goal for the item, together with the time expected to achieve the goal.

Approved June 2, 1977.
LIST OF PROJECT DOCUMENTS

The following documents constitute the work products of our study of the Minnesota Department of Economic Security. They are available to the public and can be obtained from the Program Evaluation Division, Office of the Legislative Auditor, 122 Veterans Service Building, Saint Paul, Minnesota, 55155, 612/296-8315.


5. Colocation of Field Offices by Marie Scheer (March 31, 1980).
STUDIES OF THE PROGRAM EVALUATION DIVISION

Final reports and staff papers from the following studies can be obtained from the Program Evaluation Division, 122 Veterans Service Building, Saint Paul, Minnesota, 55155, 612/296-8315.

14. Department of Personnel (Follow-up Study), June 1979.
15. Board of Electricity, January 1980.