
A REPORT ON

THE MINNESOTA

DEPARTMENT OF ECONOMIC SECURITY

PROGRAM EVALUATION DIVISION

OFFICE OF THE LEGISLATIVE AUDITOR

MAY 14, 1979

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# PREFACE

This report is the result of a preliminary study of the Department of Economic Security by the Program Evaluation Division. It was prompted by a request for an evaluation proposal by the Subcommittee on Topic Selection and Review of the Legislative Audit Commission on March 23, 1979. This document is a supplement to the proposal.

The background research and writing of this report were done by Roger Brooks and Marie Scheer.

# INTRODUCTION

On December 1, 1977, the newly created Minnesota Department of Economic Security began full operation. The department was created by the legislature six months earlier, merging the Governor's Manpower Office, the Division of Vocational Rehabilitation, and the Department of Employment Services. The intent of the reorganization was to bring employment and job training programs into a single structure to encourage policy coordination, discourage program and administrative duplication, and combine services for improved consumer accessibility.

The target date for concluding the department's transition to an administratively integrated operation is July 1, 1981. Since the department is only halfway through this transition, it is too early to judge the outcome of the reorganization and the success of the new department. This document serves only as a progress report and does not attempt to evaluate the overall impact of the reorganization.

Briefly stated, our study found that although many positive steps have been taken, the broad aims of the merger are still unattained. Our observations include the following:

- There is little evidence that the reorganization has had any significant impact on service delivery.
- The department has not yet significantly consolidated policy-making authority.
- In many respects, the divisions of the department continue to operate as separate entities.

- The department's limited experience with collocation of field offices suggests that generally anticipated space and cost savings may not materialize.

- The goal of achieving 5 percent reductions in administrative costs and administrative staff may not be reached by January 1980 as required by law.

- There is a widespread belief that the merger has stirred animosities within the department and increased a long-standing employee morale problem.

# I. LEGISLATIVE HISTORY

The last decade has witnessed significant changes in the structure of state governments in America. The impetus for these changes has been the proliferation of government programs--some initiated by the states themselves but most initiated by the federal government for the states to administer. Many of these are "human services" programs, designed to alleviate social ills in the areas of employment, health, poverty, and corrections. By 1979 at least 20 states had initiated plans to restructure their human services programs.

Minnesota's reorganization activities began with the enactment of the Human Services Act of 1973 which, among other things, allowed counties to establish human service boards and jointly administer health, welfare, and corrections programs. This meant that one program structure could serve a number of counties, encouraging program integration during the early planning stages and increasing the likelihood of greater cost savings and mutual use of resources.

This experience at the county level prompted action at the state level. The Office of Human Services was established in 1975[1] to study state human service agencies and to submit to the 1977 legislature a state human services reorganization plan. The

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[1] Minnesota Laws 1975, Chapter 434, Section 2, Subdivision 24; Executive Order 114, July 1975.

resulting proposal[1] envisioned two umbrella agencies: a Department of Health and Social Services (encompassing health, social services, corrections, aging, and developmental disability programs) and a Department of Economic Security (encompassing employment, job training, vocational rehabilitation, and income maintenance programs). While proposals for both of these new departments were introduced in the 1977 legislature, only that for the Department of Economic Security received serious consideration. As proposed by the Office of Human Services, this department would merge the Governor's Manpower Office, the Division of Vocational Rehabilitation (from the Department of Education), the Department of Employment Services, and the Bureau of Income Maintenance (from the Department of Welfare).[2]

The chief goal of this merger was to improve overall services to clients and to eliminate administrative duplication. The Office of Human Services specified several broad goals which could be achieved through reorganization, including:

- establishing a single organizational focus for coordinating employment and income policies;
- facilitating client access by collocating program staff in a "one-stop service" setting;
- improving services to persons with multiple, related problems;
- improving opportunities for job training for clients seeking job placement;

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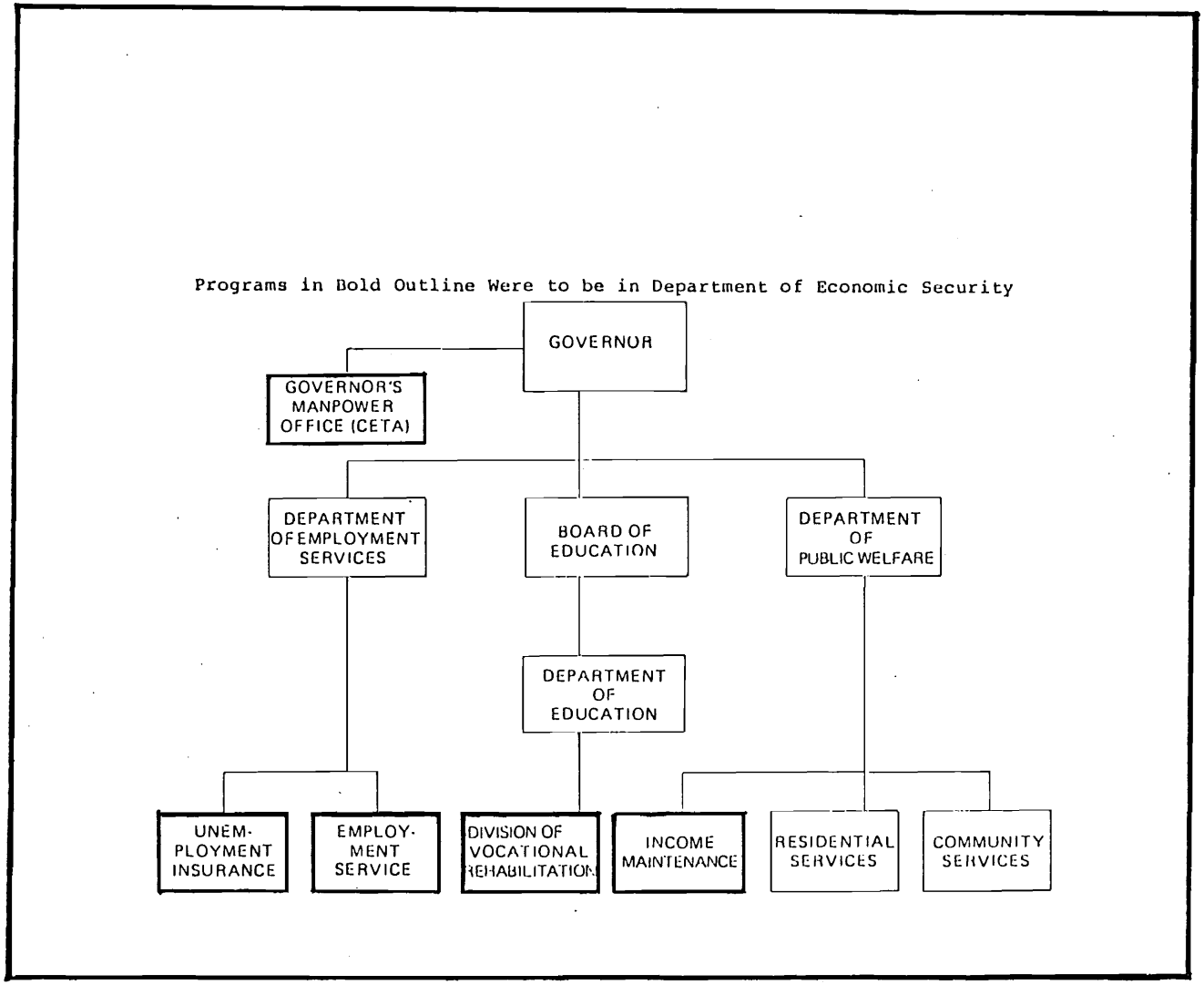
[1] Minnesota Department of Administration, Office of Human Services, Human Services in Minnesota: Economic Security and Health and Social Services, A Strategy for Change in State Government, December 1976.

[2] See Figure 1.

FIGURE 1


Programs in Bold Outline Were to be in Department of Economic Security
GOVERNOR
GOVERNOR'S MANPOWER OFFICE (CETA)
DEPARTMENT OF EMPLOYMENT SERVICES
BOARD OF EDUCATION
DEPARTMENT OF PUBLIC WELFARE
DEPARTMENT OF EDUCATION
UNEM-PLOYMENT INSURANCE
EMPLOY-MENT SERVICE
DIVISION OF VOCATIONAL REHABILITATION
INCOME MAINTENANCE
RESIDENTIAL SERVICES
COMMUNITY SERVICES

- coordinating planning at both state and local levels; and
- facilitating joint use of specialist staff through collocation.

In committee hearings during the 1977 legislative session, these goals were cited by supporters of the merger as the chief rationale for reorganization. At the same time there was concern that a merger might create a bureaucratic structure difficult to coordinate and less efficient in delivering services than the original structure, which, although fragmented, had administered programs high in quality. The experience of other states, particularly Arizona, was said to show that there have been problems with similar reorganizations. Special objections were raised by the Division of Vocational Rehabilitation which by law was to become a department-level entity in mid-1977.

The concerns of some legislators about whether the merger would decrease duplication and improve services were addressed in an amendment to the reorganization legislation.[1] This amendment required the new department to collect certain baseline data against which the success of the newly merged department could be judged. It further specified that the new commissioner submit to a joint conference committee by January 1978 a report which would clearly define all existing operating conditions and specify improvement objectives. Thereafter, the commissioner was to "submit similar formated progress reports to the house and senate governmental operations committees each January 1."

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[1] Minnesota Laws 1977, Chapter 430, Section 28, Subdivision 2.

This legislation, as amended, was passed into law, establishing the Department of Economic Security, effective July 1, 1977.[1] An appropriation of $150,000 enabled the commissioner to organize the new department, which went into full operation on December 1, 1977.

[1] The Bureau of Income Maintenance was excluded from the final legislation.

## II. SUMMARY OF ORGANIZATION AND BUDGET

The Minnesota Department of Economic Security has approximately 2,500 employees and had an overall budget in FY 1979 of more than $115 million. About 91 percent of this budget is funded from federal sources, much of it on a matching basis with state funds.

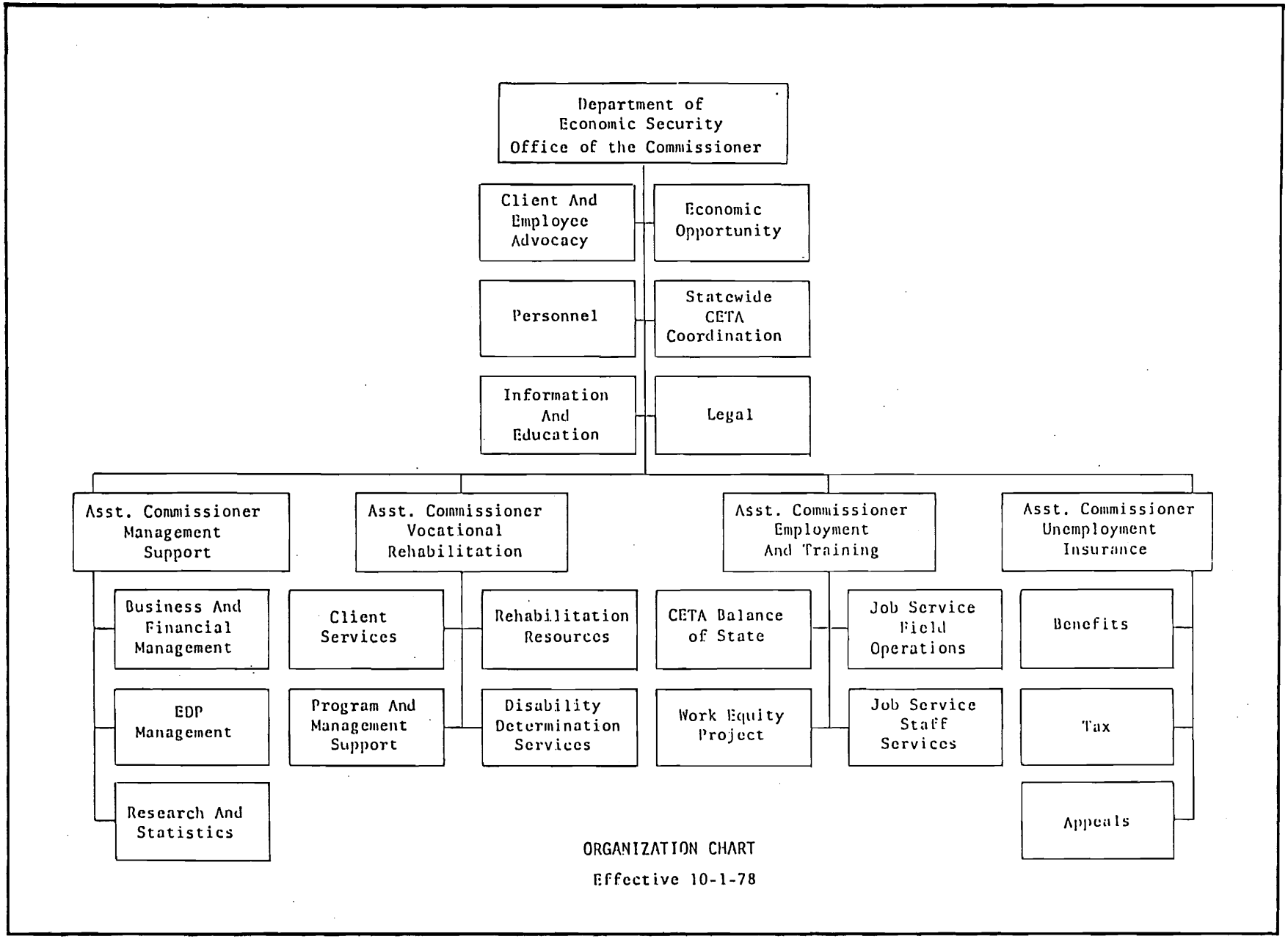
The department has field offices in 36 communities around the state from which direct services are offered to clients through several programs, including CETA, Vocational Rehabilitation, Job Service, and Unemployment Insurance. The central administration of the department, in St. Paul, is organized into four major divisions, each headed by an assistant commissioner. Figure 2 shows the organizational structure of the department; Table 1 summarizes the department's programs.

### A. MANAGEMENT SUPPORT DIVISION

The major responsibility of this division is to provide direction and support to all operating units and programs within the department. This division includes the department's financial management and research and statistics functions. In addition, most of the activities of the commissioner's office are budgeted through this division.

The commissioner's office is the center of administrative decision making for the department. Certain programs and special projects have been assigned directly to this office in

FIGURE 2




ORGANIZATION CHART

Effective 10-1-78

# TABLE 1

DEPARTMENT OF ECONOMIC SECURITY SUMMARY OF PROGRAMS AND BUDGET*

| DIVISION | PURPOSE | CLIENTELE | BUDGET |
|---|---|---|---|
| EMPLOYMENT AND TRAINING | To provide employment=related assistance to individuals and/or employers through the following programs:<br>- Comprehensive Training and Employment Act (CETA)<br>- Job Service (JS)<br>- Work Incentive Program (WIN)<br>- 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<br>Actual FY 1978 46,382,200<br>Estimated FY 1979 63,261,100<br>Governor's Recommendation FY 1980 57,443,300<br><br>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. $160 million in benefits were paid to Minnesotans in FY 1978. | 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<br>Actual FY 1978 9,546,300<br>Estimated FY 1979 10,907,400<br>Governor's Recommendation FY 1980 10,907,400<br><br>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:<br>- Basic client services<br>- Services for specific populations<br>- Sheltered employment opportunities<br>- 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<br>Actual FY 1978 21,740,700<br>Estimated FY 1979 24,905,300<br>Governor's Recommendation FY 1980 28,366,500<br><br>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:<br>- Management and Department Support<br>- Statewide CETA coordination<br>- Labor Market Information<br>- Statewide Economic Opportunity | From a management perspective the immediate clientele includes the department's program managers and all employees. | Actual FY 1977 9,320,700<br>Actual FY 1978 20,753,700<br>Estimated FY 1979 16,712,700<br>Governor's Recommendation FY 1980 16,758,300<br><br>Funding Source:<br><br>Statewide CETA Coordination - US/DOL, Older Americans Act, and Supplemental State Funds (i.e., Governor's Grant and Displaced Homemaker).<br><br>Statewide Economic Opportunity - Federal Community Services Administration and State Matching Funds<br><br>Labor Market Info. - US/DOL |

*Information from Detailed Biennial Budget Proposal - 1979-81 for Health, Welfare and Corrections.

order to emphasize its commitment to policy coordination and client advocacy: the Office of Economic Opportunity, the Office of Client and Employee Advocacy, the Statewide CETA Coordination Office, the Office of Public Information and Education, and the Legal Section. The personnel offices are not yet merged, but plans have been made to consolidate them in the near future.

All of these functions will cost approximately $6 million in FY 1979, about 92 percent of which will be federal funds.

B. VOCATIONAL REHABILITATION DIVISION

Programs in this division provide the various services necessary to assist disabled persons in achieving employment in sheltered workshops or in conventional work settings. These programs include Basic Client Services, Interagency Rehabilitation Services, Rehabilitation Services for Social Security Recipients, Rehabilitation Services for Insured Individuals, Special Projects in the Delivery of Rehabilitation Services, Long-Term Sheltered Employment and Work Activity, Disability Determination Services, Client Advocacy and Consumer Services, and Comprehensive Services for Independent Living.

It is estimated that in FY 1979 these activities will cost $24.9 million, 77 percent of which will be federal funds.

C. UNEMPLOYMENT INSURANCE DIVISION

This division provides unemployment benefits to persons who become involuntarily unemployed. In federal FY 1978,

$160 million in benefits was paid out in Minnesota. These benefits are financed through payroll taxes on more than 82,000 private and public employers in the state; about 92 percent of the state's employees are covered. Activities in this division include Payment Administration, Revenue Administration, and Appeals.

It is estimated that in FY 1979 these activities will cost more than $10.9 million, all of which will be federal funds.

D. EMPLOYMENT AND TRAINING DIVISION

This division administers programs which provide a variety of employment-related assistance to individuals and employers. These programs offer services such as job referral, selection of qualified individuals for employers, job training, vocational counseling, and income maintenance for unemployed workers. Specific programs administered by the division include the Job Service, CETA/Balance of State, Work Incentive Program (WIN), and the Work Equity Project (WEP).

It is estimated that in FY 1979 these activities will cost more than $62.2 million, of which 95 percent will be federal funds.

## III. THE PROGRESS OF REORGANIZATION

### A. THE REORGANIZATION PLAN

In January 1978 the Department of Economic Security issued a comprehensive plan for reorganization, thereby providing a convenient means for assessing the accomplishments of the department.[1] The plan consists of 8 basic reorganization objectives targeted for completion by June 30, 1978, followed by 37 specific departmental objectives to be achieved by the end of a three-phase period in mid-1981.

While the plan refers to some of the broad unification goals of the Office of Human Services proposal for reorganization--planning and procedural coordination and the creation of a fully integrated administrative structure--it emphasizes the importance of maintaining services and preserving "the integrity and visibility of each program component." This emphasis may reflect the anxiety felt by many department employees that the merger might dilute individual program missions and threaten job security.

#### 1. Reorganization Objectives

a. Integrate the existing personnel activities for the department and organize into a Personnel Office. There has been some coordination of personnel policies, for example, educational leave and staff training, and seniority lists for

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[1] Minnesota Department of Economic Security, Report to the Legislature, January 1978.

the divisions have been merged. But there is no consolidated personnel office to date. The department expects that the three existing personnel offices will be merged into one central office by mid-1979.

b. Integrate the existing fiscal and business management activities for the department and organize into a Business and Financial Management Office. This objective was accomplished in February 1979 when the new Business and Financial Management Office was created and located on the first floor of the department's administrative office building in St. Paul. The consolidation has resulted in the elimination of three staff positions so far. Although it is too early to determine the success of this merger, there is a general sense of satisfaction among both staff and top administrators.

c. Integrate the existing public information and publications functions for the department and organize an Information and Education Office. Although this objective was accomplished late in 1978, there is dissatisfaction in some divisions with the quality of some of the published materials recently produced by the new office.

d. Define and structure the policy and planning function for the department. In a formal sense, this objective has not been accomplished since there is no clearly defined policy and planning structure apart from the informal system of consultation which the commissioner has devised among his assistant commissioners.

e. Define and structure the consumer advocacy function for the department. This objective was accomplished, in part, by the creation of the Office of Client and Employee Advocacy, which went into operation in October 1978. This office functions as a channel for citizen input, and is responsible for the department's affirmative action and equal employment opportunity programs. At the same time, DVR continues to maintain its own client input office which includes an ombudsman for DVR clients, and a unit which monitors compliance with federal Section 504 nondiscrimination requirements. The CETA/Balance of State program also maintains a separate nondiscrimination function. Relations among these varied units appear to be strained.

f. Study the need for a department-wide information systems function and organization. The department's computer needs have been the subject of considerable discussion, but no conclusive solution has been reached. Information Systems Division (ISD) computer services have been rejected and new equipment and software have been acquired to increase the department's own computer capabilities.

g. Study the need for a department-wide research and statistical reporting function and organization. A Labor Market Information Office has been organized in the Management Support Division.

h. Study the need for a revised field operations administrative structure based on standard administrative boundaries, changes in field supervision, collocation of offices, and decentralization of decision making. As noted below, some progress has been made in collocating field offices, but even

at those sites administrative responsibilities have not been consolidated and the lines of authority for each program remain essentially vertical. At the same time, the administrative boundaries for Job Service/Unemployment Insurance, CETA, and DVR are still not coterminous.

2. Departmental Objectives

In January 1978, the department identified a three-phase reorganization plan, consisting of specific objectives sought over a three-year transition period. An inventory of achievements made by the department over the past 16 months is presented in Tables Two, Three, and Four. While considerable progress is apparent, the department is behind schedule in reaching many objectives.

B. COLLOCATION

Because it was one of the chief goals sought in the reorganization of the Department of Economic Security, collocation merits special attention. In July 1978 the department issued a policy statement on collocation which provided guidelines for field office managers who, under the department's plan, are to initiate field office consolidation. This statement defines collocation as

> the physical consolidation of separate offices and programs into a single facility. Co-location 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.). Co-location does not require integration of staffs, although in a co-located situation common staff for certain office administrative activities could be an advantage and the feasibility of such a change may be explored. Co-location does not imply the

TABLE 2

DEPARTMENT OF ECONOMIC SECURITY
PROGRESS TO DATE ON MEETING PHASE I DEPARTMENTAL OBJECTIVES

PHASE I (to be completed by June 30, 1978)

| Objective | Progress to date |
|---|---|
| 1. Finalize an affirmative action plan and submit to the Department of Personnel. | An Affirmative Action Committee was formed in January 1978. DES was the first state agency to have an affirmative action plan approved by the state. |
| 2. Develop a space utilization plan for the department's administrative offices at 390 North Robert, St. Paul. | A plan was developed which resulted in moving the St. Paul Unemployment Insurance office to the Metro Square building and the newly merged business office to 390 North Robert. Further moves are being studied. |
| 3. Develop a DES policy and mission statement. | A mission statement was developed, reviewed by staff and department advisory councils, and incorporated into the 1979 report to the legislature. |
| 4. Begin client enrollment into the Work Equity Program (WEP) demonstration project at one pilot site. | WEP projects, all of which went into operation before September 30, 1978, are located at four sites: St. Paul, St. Cloud, Mora, and Montevideo. |
| 5. Develop a department communications policy and procedures. | A statement on who should speak for the department, media relations, etc., is in its second draft. |
| 6. Develop guidelines for coordinated and possible joint systems development for the department, including field offices. | No real guidelines have been developed, but DES has enlarged its computer capacity and expects to implement statewide field office time-sharing and job match systems. |
| 7. Determine cost-effectiveness of computer services ownership vs. purchase from Department of Administration. | US/DOL (Department of Labor) did an extensive systems audit which resulted in DES rejecting ISD (Information Systems Division) computer services in favor of an in-house operation. |
| 8. Design a management and operations reporting system for the commissioner. | Programmatic data are compiled monthly by Research & Statistics Office; a financial reporting group provides monthly reports and briefings. |

TABLE 2 (continued)

PHASE I (continued)

| Objective | Progress to date |
|---|---|
| 9. Establish the procedural guidelines for developing state and federal spending plans and the state biennial budget. | Completed. |
| 10. Develop an external affirmative action plan for the department's vendors and sub-grantees. | Completed late in 1978. |
| 11. Determine whether DVR and HEW financial reporting can be incorporated in State Employment Security Agency (SESA) cost accounting system. | Still being studied. SESA system has been expanded to all divisions except DVR. |
| 12. Provide an effective process for consumer input into department decision making. | The Office of Client and Employee Advocacy went into operation in October 1978, although the function is not centralized. DVR retains some client input functions. |
| 13. Develop a FY 1979 state spending plan for the department. | Completed. |
| 14. Complete a survey and prepare goal recommendations for field operation changes, including boundaries, field structure, collocation, etc. | Little progress except on collocation. Policy directive issued in July 1978; of 36 field offices, 8 are at least partially collocated and significant progress is being made at 6 other sites. Decentralization of some decision making to districts is a top goal of the new commissioner. |
| 15. Assess the feasibility of alternative employee work schedules. | A pilot "flex-time" work schedule was introduced in 1978. A survey of employees found that it was popular, and it has been retained. |
| 16. Formulate a new consolidated staff training plan. | Completed. |
| 17. Define guidelines and a process for coordinating statewide employment, training and vocational rehabilitation policies. | No progress on coordinating program policies. |

TABLE 2 (continued)

PHASE I (continued)

| Objective | Progress to date |
|---|---|
| 18. Work with Department of Personnel to determine desirability of combining DES personnel classifications. | Classifications not combined; proposals have been resisted by staff in the various divisions. |
| 19. Redefine responsibilities and reporting procedures of field staff to enhance decentralization. | No progress; discussions on changing field office accountability and responsibility. |
| 20. Include CETA/BOS (Balance of State), Statewide CETA, and Economic Opportunity Office operations in SESA time reporting and cost accounting system. | Completed. |

TABLE 3

DEPARTMENT OF ECONOMIC SECURITY
PROGRESS TO DATE ON MEETING PHASE II DEPARTMENTAL OBJECTIVES

PHASE II (To be completed by June 30, 1979)

| Objective | Progress to date |
|---|---|
| 1. Set up quarterly joint executive meetings with other departments sharing responsibility with DES for employment, training, vocational rehabilitation, and financial aid areas. | Several meetings were held late in 1978 which resulted in lower level liaisons. Election produced personnel changes which have only recently begun to stabilize. |
| 2. Develop tentative legislative proposals for FY 1979. | Completed. |
| 3. Initiate a cost improvement program throughout the department. | The department claims to have substantially reduced forms, travel, subscriptions, and memberships. |
| 4. Develop a formal procedure (to be approved by the governor) for interagency cooperation on job placement for the handicapped. | Not yet completed. |
| 5. Prepare an integrated department budget for the 1980-81 biennium. | Completed. |
| 6. Prepare a statewide site plan and strategy for collocation of field offices. | Collocation strategy is decentralized within guidelines prepared by the department in July 1978. |
| 7. Establish criteria for monitoring and evaluating DES programs and establish a plan for periodic evaluation. | Quarterly evaluations done in many areas for US/DOL. But no plans for general departmental evaluation. |
| 8. Prepare a state employability policy statement. | Not yet accomplished. |
| 9. Organize a system to ensure that unskilled job applicants can receive needed training. | No progress. DES can refer clients but has no authority or ability to ensure that facilities will take them in. |

TABLE 3 (continued)

PHASE II (continued)

| Objective | Progress to date |
|---|---|
| 10. Arrange for barrier-free access to all state and rental property under department jurisdiction. | New leases are negotiated only for accessible facilities; there has been progress in making state-owned buildings accessible. |
| 11. Improve the affirmative action programs so the department becomes a "model employer." | Affirmative Action Committee meets monthly; now redrafting the department's affirmative action plan. |
| 12. Complete WEP demonstration, complete final reports, and develop recommendations for Phase III. | Not applicable. WEP has been extended to a two-year program. |

TABLE 4

DEPARTMENT OF ECONOMIC SECURITY
PROGRESS TO DATE ON MEETING PHASE III DEPARTMENTAL OBJECTIVES

PHASE III (To be completed by June 30, 1981)

| Objective | Progress to date |
|---|---|
| 1. Develop and establish a statewide cohesive delivery system addressing the needs of both job-seekers and employers. | No progress. |
| 2. Develop a procedure for cooperation among state agencies for coordinating job-training and placement activities. | No progress. |
| 3. Increase coordination of benefit payments and job-training and placement programs with veterans' programs, workers compensation, vocational training, and federal income insurance programs. | No progress. |
| 4. Complete collocation and changes in field operations begun in Phases I and II. | Not applicable. |
| 5. Decentralize decisions, install field computer terminals, stabilize organizational units to permit budget allocations based on unit costing and client needs. | Discussions now pending. This objective is a high priority with the new commissioner. |

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.

Table 5 indicates what progress has been made to date in collocating field offices. Appendix A compares lease arrangements before and after collocation for those facilities having negotiated new leases.

These data show that out of the total of 36 field office sites, at least partial collocation has occurred at 8, and 6 other sites are in various advanced stages of collocation. Several difficulties have been encountered in making plans for consolidation, including:

- Expiration dates for the old leases frequently do not coincide, necessitating a transition period during which negotiations with two or more landlords must produce leases which expire at the same time;
- Space sufficient to accommodate the combined offices is difficult to obtain, especially in smaller towns;
- State law requires that all space be made accessible to the handicapped, necessitating frequent building alterations before leases can be signed; and
- Staff attitudes toward relocation have sometimes been negative.

Appendix A shows that in only two out of eight cases has collocation resulted in a space saving; in no case has collocation led to an annual rent decrease. In two cases the amount of space has approximately doubled and in one case the annual rent

TABLE 5

DEPARTMENT OF ECONOMIC SECURITY
PROGRESS IN COLLOCATING FIELD OFFICES

Field Offices Currently Collocated:

1. Fairmount
2. Bemidji
3. Winona
4. Hutchinson
5. Brainerd
6. Marshall (except CETA)
7. Mankato (except DVR)
8. Owatonna (in same shopping center, but not sharing facilities)

Field Offices in Various Stages of Collocation:

1. Fergus Falls (effective July 1, 1979)
2. New Ulm (effective October 1, 1979)
3. Wadena (physically collocated, but lease being renegotiated)
4. Moorhead (planned for FY 1980)
5. Thief River Falls (lease being renegotiated)
6. Virginia (lease being renegotiated)

paid has increased five times. The reason for the increase in space at most facilities may be that the old facilities did not provide enough space in the first place, or that program expansion dictated a space increase. The rent increase may be due to (a) the overall increase in space, (b) the general inflation of rental rates, and/or (c) the increase in rental rates resulting from the need to make all space accessible to the handicapped. Although we have not assessed the validity of these explanations, these limited data indicate that cost and space savings which were generally anticipated from collocation have not resulted.

Moreover, according to department sources, collocation has provided "one-stop" service for clients, but it has not resulted in programmatic sharing, or a general merging of facilities. Nor has it produced a consolidation of field office management; the chain of command is said to retain its previous program-by-program vertical structure. These issues require further study.

## C. REVIEW OF BASELINE CRITERIA

As noted earlier, the legislation establishing the new Department of Economic Security was amended just prior to final passage to require the new commissioner to prepare a report to a joint conference committee indicating the department's performance on certain baseline criteria. The governmental operations committees of the legislature were to review subsequent annual reports. Early in 1978 the department's first report was reviewed by the joint conference committee as required, but

subsequent reviews have been limited to hearings before the House and Senate appropriations committees.

The amendment requires baseline data in seven areas.[1] According to information supplied by the department in its reports to the legislature and in discussions with staff from the Program Evaluation Division, the following changes have taken place in these seven areas.

1. The total "cost of administration versus funds directly expended towards client services" has increased from 5.54 percent to 7.17 percent. A variety of factors may have contributed to this increase, including (a) improvements in the economy which led to a 26 percent decline in unemployment insurance benefits paid out by the department, contributing to an overall decline in department expenditures from $294 million to $253 million and a consequent increase in the proportion of expenditures for administration, and (b) most administrative expenditures are for salaries and benefits, which are affected by variables largely beyond the direct control of department administrators.

2. The department's inventory of floor space has not been reported in sufficient detail to determine its "functional use," "specific location and number of square feet," and its "cost per square foot, identifying leased versus state-owned facilities" as required by the amendment. Department data for 1977 and 1978 show that the total number of offices has increased from 119 to 121, the total square footage has increased from 485,348 to 502,047, and the cost per square foot has increased from $4.67 to $4.98.

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[1] See Appendix B

Lists of employees by occupational group show that managerial and professional staff increased by 37 (2.9 percent) between July 1977 and July 1978. The numbers of other staff groups, including technical, office, and service personnel, declined by 74 (8.1 percent) in the same period. This net loss of 37 persons is wholly accounted for by a decline in field office staff; there was no net change in the number of personnel working in St. Paul administrative offices. The amendment further requires a list of "specific assigned locations per each employee, identified by code." Although these data are available in fragmented form, they have not been supplied nor presented in department publications.

3. The department does not use uniform reporting formats 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." For Job Service and WIN, for example, the department reports the average time staff spends with clients. Job Service clients spent only 7.67 hours with program staff in 1978 as compared to 9.74 hours in 1977; WIN clients were also served more quickly in 1978 (25.07 hours of staff time) than in 1977 (26.30 hours). But the elapsed time from initial contact to final disposition is not reported.

For the Unemployment Insurance program, the department reports that in 1978 a greater percentage of clients (87.2 percent) received their first payment within 14 days than in 1977 (79.6 percent). In addition, a greater percentage of appeals was decided within 30 days in 1978 (48.4 percent) than in 1977 (20.4 percent), although even the higher figure falls short of the U.S. Department of Labor standard of 60 percent.

For the CETA/Balance of State program, the time that elapsed between a client's initial contact to enrollment dropped from an average of 27 days in 1977 to an average of 25 days in 1978.

Finally, the Vocational Rehabilitation Division reports that the average time spent by clients from their initial contact with the department to their enrollment in a satisfactory program declined from 3.7 months to 3.5 months between 1977 and 1978.

These overall improvements in the time required for satisfactory service delivery may owe as much to the general upswing in the economy between 1977 and 1978 as to any administrative benefits resulting from reorganization, particularly since even the FY 1978 figures do not encompass the first full year of the department's operation.

4. 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 except the Unemployment Insurance program. Nevertheless, the department supplies data in this area only for the CETA/Balance of State 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 1978, but in the DVR program the average time increased by 9 percent from 30.9 months in 1977 to 33.7 months in 1978.

5. The department has not calculated ratios 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." In fact, 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. Considerable effort would be required to determine accurate and significant ratios.

Nevertheless, very rough indicators of change from year to year may be acquired by using total program budgets and staff data. Table 6 shows ratios for selected programs using these rough criteria. These data do not show any uniform pattern between 1977 and 1978.

These ratios should in no way be considered definitive; even general trends cannot be discerned after only a single year of departmental operation. The value of further investigation is questionable given the problems of definition and measurement.

6. Although the department has not provided any overall estimate of the "cost of the reorganization," it has tried to show what progress has been made in achieving the "required five percent reduction in administrative cost and administrative staff by January 1980." Defining "administrative expenditures" as "all non-client costs which are supportive of direct client expenditures," the department reports that administrative expenditures increased from $16.3 million in FY 1977 to $18.1 million in FY 1978. This 11.4 percent rise compares with an increase of only 3.9 percent for direct staff expenditures.

TABLE 6
RATIOS OF CLIENTS TO STAFF AND
CLIENTS TO DIVISION BUDGETS*

| | 1977 | 1978 |
|---|---|---|
| **Employment and Training Division** | | |
| Job Service | | |
| clients placed/employees | 126 | 163 |
| expenditures/clients placed | $134 | $143 |
| CETA/B.O.S. | | |
| participants/employees | 68 | 124 |
| expenditures/participants | $1413 | $1416 |
| WEP | | |
| clients receiving job service/employees | no program | 12 |
| expenditures/clients | no program | $946 |
| WIN | | |
| clients entering employment/employees | 34 | 40 |
| expenditures/clients | $739 | $723 |
| **Unemployment Insurance Division** | | |
| Unemployment Insurance | | |
| claims/employees | 287 | 298 |
| expenditures/claims | $38 | $48 |
| **Vocational Rehabilitation Services** | | |
| Basic Client Services | | |
| new cases/employees | 22 | 20 |
| expenditures/new cases | $1903 | $2211 |
| Interagency Rehabilitation Services | | |
| new cases/employees | 43 | 36 |
| expenditures/new cases | $1443 | $1663 |
| Rehabilitation Services for Social Security Recipients | | |
| new cases/employees | 28 | 29 |
| expenditures/new cases | $1604 | $1637 |
| Rehabilitation Services for Insured Individuals | | |
| new cases/employees | 42 | 50 |
| expenditures/new cases | $1056 | $950 |
| Disability Determination | | |
| claims processed/employees | 266 | 278 |
| expenditures/claims | $109 | $116 |

*Data derived from Governor's Biennial Budget Proposal, 1979-81.

The full explanation for this increase is complex. The department suggests that "administrative costs (are) relatively more fixed than the variable direct client costs." This explanation has validity since direct client costs vary directly with the demand for services in any given period while administrative costs remain unaffected by short-run changes in demand. The 17.4 percent drop between 1977 and 1978 in client benefits reflects this decline in demand.

Since salaries and benefits make up the largest portion of administrative as well as direct staff expenditures, the factors which determine these costs should be considered. The total number of administrative positions dropped by 18 (2 percent) between 1977 and 1978, while direct staff positions declined by 161 (10.4 percent) in the same period. Nevertheless, salaries and benefits increased by 13.4 percent for the former and 8.3 percent for the latter. In addition to the total number of positions, several factors influence the total amount paid out for salaries and benefits, including (a) cost of living increases, (b) step increases, (c) wage scale adjustments affecting a whole job classification, (d) fringe benefit increases, (e) merit raises, and (f) the overall mix of highly paid versus moderately paid staff in the department. Direct decisions by the department can affect only the last two of these factors. From the viewpoint of measuring the department's success in keeping down administrative costs, all other factors must be considered given. In addition, there is some evidence that the mix of employees contains fewer highly paid staff now than before the reorganization. Central administrative unclassified positions decreased from 25 in July 1977 to 17 in mid-1978.

7. As noted earlier, the department has created an Office of Client and Employee Advocacy which is responsible for developing "a procedure for consumer input into the department." However, all related activities are not centralized in this office since DVR has its own Ombudsman Project and since Section 504 monitoring for nondiscrimination remains decentralized.

## D. SURVEY OF ADVISORY COUNCIL MEMBERS

In order to obtain a broader perspective on the problems and accomplishments of the new department, we sought the opinions of those persons serving on several relevant advisory councils. Sixty-two questionnaires were sent to members of the Governor's Council on Employment and Training, the Advisory Council to the Department of Economic Security, and the DVR Consumer Advisory Council and Task Force.[1] More than 60 percent of this group (38 out of 62) responded, many with useful comments about the strengths and shortcomings of the newly merged department. Of this group, 15 had originally favored the merger, 14 had not favored it, and 9 had mixed feelings about it. The reasons given by respondents for favoring or not favoring the merger are reproduced in Appendix C.

Table 7 shows the respondents' opinions about the impact of the merger on several indicators of departmental performance. On most indicators the group believes that the merger either had no impact or had made an improvement. Forty-two

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[1] Members of the Council on Employment and Training are appointed by the governor; members of the other councils are appointed by the commissioner of DES. All three councils existed at the time of the merger.

TABLE 7

VIEWS OF ADVISORY COUNCIL MEMBERS
ON THE IMPACT OF THE MERGER OF THE
DEPARTMENT OF ECONOMIC SECURITY

| | Merger has: | | | | |
|---|---|---|---|---|---|
| Impact of merger on: | Improved | No Impact | Made Worse | Don't Know | Total |
| Vocational Rehabilitation services | 13.2% | 34.2% | 7.9% | 44.7% | 100% |
| CETA services | 28.9 | 26.3 | 5.3 | 39.5 | 100 |
| Job Service services | 28.9 | 26.3 | 2.6 | 42.1 | 100 |
| Unemployment Insurance services | 2.6 | 26.3 | 5.3 | 65.8 | 100 |
| Client access to services | 31.6 | 39.5 | 2.6 | 26.3 | 100 |
| Availability of service information | 42.1 | 26.3 | 2.6 | 28.9 | 100 |
| Overall administrative costs | 15.8 | 13.2 | 15.8 | 55.3 | 100 |
| State employee morale | 7.9 | 10.5 | 55.3 | 26.3 | 100 |
| Avoidance of administrative duplication | 39.5 | 18.4 | 5.3 | 36.8 | 100 |
| Human services policy and planning coordination | 42.1 | 18.4 | 2.6 | 36.8 | 100 |
| Responsiveness to client needs | 28.9 | 39.5 | 5.3 | 26.3 | 100 |

N=38

percent thought the merger had improved the availability of service information to clients; 39 percent thought it helped avoid administrative duplication; and 42 percent thought it improved human services policy and planning coordination. Only in the area of employee morale was there a clear consensus that the impact of the merger has been negative; some 55 percent thought that morale had declined.

Although many respondents were unable to express an opinion on several aspects of departmental performance, the overall results suggest that advisory council members have little reason to think that the merger has been a failure so far. Additional comments made by survey respondents are reproduced in Appendix C.

Finally, we asked respondents, "At what time do you think a full, outside evaluation of the success or failure of the merger should take place?" Table 8 shows that there was little support for an immediate evaluation. Less than 16 percent favored an evaluation now while 55 percent preferred to wait at least one year.

TABLE 8

VIEWS OF ADVISORY COUNCIL MEMBERS ON WHEN AN OUTSIDE EVALUATION OF THE DEPARTMENT OF ECONOMIC SECURITY SHOULD TAKE PLACE

| Commence evaluation after: | Percent |
|---|---|
| 1 1/2 years (now) | 15.8% |
| 2 years | 23.7 |
| 2 1/2 years | 15.8 |
| 3 years | 28.9 |
| More than 3 years | 10.5 |
| Don't know | 5.3 |
| | 100.0% |

N=38

## V. SUMMARY AND CONCLUSIONS

The Program Evaluation Division has prepared this status report on the progress the Department of Economic Security has made over the past 16 months in structural reorganization. It is not a full evaluation of the department. As noted earlier, since the department is only about halfway through its three-year reorganization plan, it is too early to judge the outcome of the reorganization and the success of the new department.

Nevertheless, we have found no evidence of a deterioration of services. Most persons interviewed during this study thought that the reorganization has had little impact on service delivery. Our survey of advisory council members revealed a similar consensus.

We did find, however, that the pace of the reorganization itself has been somewhat slower than anticipated. 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. Some support services have merged; others, such as those in the personnel area, have not.

We have not examined the reasons for these delays, but the 1978 elections may have made the future direction of the department uncertain. It was five months after the election that a new commissioner was named.

Collocation of field offices has occurred at 7 out of 36 sites, presumably resulting in greater client convenience

as intended. Inflation and the need to render all facilities accessible to the handicapped, however, have reduced the likelihood that collocation will save money. In addition, since collocation has apparently not led to greater sharing among programs in the field, there is little evidence it has saved space.

Although there has been an overall reduction in the department's personnel complement during the past year, 5 percent reductions in administrative costs and administrative staff may not be achieved by January 1980 as required by law.

A full evaluation, conducted after the department has implemented more of its reorganization objectives and after more data become available, should permit us to assess better the impact of the reorganization and the success of the department.

# COLLOCATED LEASE INFORMATION

| Currently Collocated | Old Lease Sq. Ft. | Old Lease Cost/Sq. Ft. | Old Lease Total | New Lease Sq. Ft. | New Lease Cost/Sq. Ft. | New Lease Total |
|---|---|---|---|---|---|---|
| **Fairmont** | | | | | | |
| Job Service | 5,040 | $5.96 | $30,038 | | | |
| CETA | 2,400 | 4.16 | 10,000 | | | |
| DVR | 1,000 (Est.) | - | - | | | |
| | 8,440 | | $40.038 | 7,510 | $6.96 | $52,269 |
| **Bemidji** | | | | | | |
| Job Service | 3,500 | $5.15 | $18,025 | 7,458 | $7.28 | $54,294 |
| DVR | 1,330 | 5.00 | 6,650 | 1,549 | 7.28 | 11,277 |
| | 4,830 | | $24,675 | 9,007 | | $65,571 |
| **Winona** | | | | | | |
| Job Service | 5,040 | $5.96 | $30,038 | | | |
| CETA | 2,400 | 4.16 | 10,000 | | | |
| DVR | 1,000(Est.) | - | - | | | |
| | 8,440 | | $40,038 | 7,510 | $6.96 | $52,269 |
| **Hutchinson** | | | | | | |
| Job Service | 800 | $1.50 | $ 1,200 | | | |
| CETA | 800 | 1.50 | 1,200 | | | |
| | 1,600 | | $ 2,400 | 1,935 | $6.40 | $12,384 |
| **Brainerd** | | | | | | |
| Job Service | 3,502 | $5.00 | $17,510 | 3,500 | $6.25 | $21.864 |
| DVR | 1,000 | 3.25 | 3,250 | 6,500 | 6.40 | 41,600 |
| | 4,502 | | $20,760 | 10,000 | | $63,464 |

COLLOCATED LEASE INFORMATION-continued

| Currently Collocated | Old Lease Sq. Ft. | Old Lease Cost/Sq. Ft. | Old Lease Total | New Lease Sq. Ft. | New Lease Cost/Sq. Ft. | New Lease Total | |
|---|---|---|---|---|---|---|---|
| **Marshall** | | | | | | | |
| Job Service | 3,000 | $3.50 | $10,500 | 3,000 | $3.50 | $10,500 | |
| DVR | 1,000 | 3.25 | 3,250 | 1,000 | 3.25 | 3,250 | |
| | 4,000 | | $13,750 | 4,000 | | 13,750 | |
| **Mankato** | | | | | | | |
| Job Service | 6,600 | $5.00 | $33,000 | 6,367 | $6.95 | $44,250 | |
| CETA | 1,500 | 5.40 | 8,100 | 2,633 | 8.10 | 21,327 | |
| | 8,100 | | $41,100 | 9,000 | | $65,577 | |
| **Owatonna** | | | | | | | |
| Job Service | 2,804 | $4.50 | $12,618 | 2,804 | $4.50 | $12,618 | NOTE: DVR counselor was given space for one day a week at no cost |
| CETA | 1,860 | 4.50 | 8,370 | 1,860 | 4,50 | 8,370 | |
| DVR | - | - | - | - | - | - | |
| | 4,664 | | $20,988 | 4,664 | | $20,988 | |
| **In Various Stages of Collocation** | | | | | | | |
| **Fergus Falls** | | | | | | | |
| Job Service | 2,342 | $5.00 | $11,724 | 2,950 | $6.50 | $19,175 | |
| DVR | 1,400 | 4.28 | 6,000 | 1,736 | 5.50 | 9,548 | |
| | 3,742 | | $17,724 | 4,686 | | $28,723 | |
| **New Ulm** | | | | | | | |
| Job Service | 3,610 | $6.49 | $23,460 | | | | |
| CETA | 1,844 | 3.90 | 7,200 | | | | |
| | 5,454 | | $30,660 | 6,500 | $6.50 | $42,250 | (Est.) |

COLLOCATED LEASE INFORMATION-continued

| In Various Stages of Collocation | Old Lease Sq. Ft. | Old Lease Cost/Sq. Ft. | Old Lease Total | New Lease Sq. Ft. | New Lease Cost/Sq. Ft. | New Lease Total | |
|---|---|---|---|---|---|---|---|
| **Wadena** | | | | | | | |
| Job Service | 980 | $4.75 | $ 4,655 | 980 | $5.00 | $ 4,900 | |
| DVR | 315 | 4.76 | 1,500 | 315 | 5.00 | 1,575 | |
| | 1,295 | | $ 6,155 | 1,295 | | $ 6,475 | (Est.) |
| **Moorhead** | | | | | | | |
| Job Service | 2,854 | $6.40 | $18,266 | 3,400 | $8.25 | $28,050 | |
| DVR | 354 | 6.15 | 2,177 | 350 | 8.25 | 2,887 | |
| | 1,490 | 6.15 | 9,163 | 1,490 | 6.15 | 9,163 | |
| | 4,698 | | $29,606 | 5,240 | | $40,100 | |
| **Thief River Falls** | | | | | | | |
| Job Service | 2,668 | $5.48 | $14,644 | | | | |
| CETA | 2,304 | 5.75 | 13,248 | | | | |
| DVR | 968 | 3.00 | 2,904 | | | | |
| | 5,940 | | $30,796 | 6,200 | $7.00 | $43,400 | (Est.) |
| **Virginia** | | | | | | | |
| Job Service | 5,000 | $7.75 | $38,750 | | | | |
| DVR | 2,244 | 5.50 | 12,342 | | | | |
| | 7,244 | | $51,092 | 6,200 | $7.85 | $48,670 | (Est.) |

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 quantative, 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 lapse 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 1980.

(g) Develop a procedure for consumer input into the department. The commissioner of economic security shall submit similar formated 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.

APPENDIX C

SURVEY OF ADVISORY COUNCIL MEMBERS
RESPONDENT'S COMMENTS

Thought the Merger was Generally a Good Idea Because:

Respondent:

11 Consolidation of services would improve coordination.

12 Improved liaison of services.

13 The three offices needed more coordination and I felt they could only do this only thru the merger.

14 In bringing those Agencies under one Administrator I felt there would be more Coordination in their activities; thus it should provide for better service to the Clientele.

15 I have been critical of state and federal agencies and programs providing a duplication of services with little or no coordination. This merger should resolve this problem, at least to some degree.

16 All perform similar manpower services, none worked together, and services provided become too categorized.

17 Manpower and Employment Services should be together. Much duplication and territorial imperatives. DVR had to go somewhere from Dept. of Educ. Didn't fit there.

18 Greater efficiency. Eliminated duplication of effort and over-lapping services, getting a better handle on the situation.

19 There is often some loss of agency morale when there is a loss of "distinctiveness". But, morale in the midst of confused agendas isn't very productive. And, I generally favor consolidation of related functions.

20 These departments deal with similar client groups and organizations throughout the state.

Good Idea (continued)

21 Better coordination of planning and resources.

22 Integrated highly related functions under a single management.

23 I felt the merger of related services to citizens of the state would be an improvement. I couls also visualize some administrative cost savings.

24 Placed those departments under one head and, consequently, better direction.

25 Seems good idea to attempt to coordinate similar services.

Thought the Merger Was a Mixed Good and Bad Idea Because:

Respondent:

31 I was not that familiar with the entire dept. structure.

32 Experience in other states which undertook similar mergers was mixed.

33 Did not like the idea of including Welfare in E.S. - glad this did not transpire.

34 ES and CETA have different philosophical aims. ES with more seniority would assume control of CETA systems with a detrimental effect on CETA programs.

35 I wanted the Division of Vocational Rehabilitation to retain its separate Department status.

36 The concept was good, but the practical aspects of implementation and operation appears to have been horrendously difficult.

37 I just couldn't see DES being involved in any other agency.

38 Good idea to try to consolidate and coordinate. Doubted it would reduce costs or personnel.

39 It appeared as though it would simply add another administrative layer that would slow down the processing of the work.

Thought the Merger was Generally a Bad Idea Because:

Respondent:

51 The inclusion of DVR concerned the Handicapped citizens of Minnesota - they preferred an independent, visible department.

52 My feeling is that the proposed merger would increase the bureaucracy of the Division of Vocational Rehabilitation. Also, it would interfere with the previous plan that it is an independent department in itself with autonomy. In the merger it became a watered down organization of a very large umbrella organization.

53 Lack of Identity (Too big consolidated).

54 Reduced visibility, more complicated administration to clients, potential reduction in services.

55 My interest is mainly with Voc. Rehab. In light of this, I feared the merger would cut down on funds and slow down services for handicapped individuals.

56 Because of the poor experience of other states who had made similar kinds of consolidations.

57 I felt that the move was aimed at "hiding" the Governor's Manpower Office which had exploded in size in just a couple of years in the ES Department and that the DVR was thrown in to lend credibility. The GMO held quite a few non-civil service employees and many, not surprisingly, turned up in high posts on the "management team" of the Commissioner heading the new ES Department

58 DVR had achieved independent departmental status for many good reasons. The merger was a step backward.

59 I did not think it would be possible to coordinate all the agencies under one head.

60 For a long time VR had been under Education. Due to the hard work of a number of people it became a Department. VR had not had Department status long enough to even prove itself.

61 I'm only aware of Vocational Rehab. which operated basically as an independent agency. The change has apparently only added another layer of bureaucracy.

Bad Idea (continued)

62 I was concerned about handicapped adults who were on income maintenance programs, trained or educated by the Division of Vocational Rehabilitation, coming into work programs under Ec. Sec. which separated them as workers from agencies (DPW, etc.) which handled income maintenance programs which they still needed.

63 I felt it was generally a bad idea because I felt also services especially those of DVR would be less available to the client and that DVR would possibly be lost in the shuffle.

64 All Manpower programs ought to be under the Department of Economic Security. The Division of Vocational Rehabilitation ought to be under the Department of Labor and Industry.

What Are the Most Significant Accomplishments of the Merger?

Respondent:

11 Overall coordination is at top level.

13 The groups are at least talking together. The dollars are at least under one roof.

14 I have not seen any to date.

15 Through improved competent leadership, we should see a decrease in overlapping of services, we should see improved service to clients in all areas, therefore, reduced total budgets.

16 None. The only thing accomplished was legislative action.

17 You don't need more than those outlined above.

18 Services more accessible, elimination of duplication of effort, greater degree of accountability for administration.

20 Avoidance of administrative duplication.

21 From a prime sponsor viewpoint: better relationship with the department, especially the specific statewide CETA coordination delineation.

22 Yet to be realized.

23 Improved Job Service/CETA coordination in outstate areas. This is not so obvious in Metro Area.

24 Have all the departments administrated under one head.

32 Improved communication/coordination among state's manpower programs.

33 Potential for more sensible policy planning activities - This department could really develop a "person power policy" for the state.

35 The relationships are much better between DES and Voc. Rehab. than they were between Voc. Rehab. and the Dept. of Education. This makes the morale and attitude of VR much more optimistic.

36 1) Moves toward collocation and, thereby future cooperation.
2) Sensitivity to handicapped increased in other depts.
3) GMO is now on track.

37 Can't give an opinion on this.

Accomplishments (continued)

39 Working relationships between CETA, the Employment Service and Vocational Rehabilitation have improved by bringing them all into one family.

52 None. If anything, it has made it more confusing and more difficult for the agency to work and to accomplish its goals for the handicapped individuals of Minnesota.

53 Don't know but possibly the saving of tax dollars.

54 Don't know of any.

55 I cannot really see that there has been any significant failure or accomplishment.

56 It may have made intergovernmental communications somewhat better.

57 None that I am aware of.

58 Being able to press an unsound concept through the legislature and the ability to keep it functioning through an extremely capable administration

59 Improved some services and a better coordination of services and helped to avoid duplication of services.

60 I'm not sure I've seen any significant accomplishment except that of maintaining client services through a long period of upheaval due to change in program status.

62 For those persons who are capable of working and becoming self-sufficient the co-location of service programs is very beneficial. With administrators of training and job placement accountable to the same commissioner programs should be easier to coordinate and improve.

63 The former Commissioner of Economic Security, Mike O'Donnell did an excellent job getting the new system off the ground and in keeping DVR in the forefront of a very large system. Also, the Commissioner of DVR, Marito Olson, has done an excellent job in her capacity, especially in the area of consumer involvement in the areas concerning DVR.

What Are the Most Significant Failures of the Merger?

Respondent:

11 Communication of policies to people who deal with clients.

14 It has not dealt with the overall problems of CETA operation in Balance of State and also in bringing about coordination between Agencies.

16 Failure to initiate action - e.g., staff and agency co-location.

17 My limited vision sees none. I do not know how DVR has done.

18 Still too much "turf" protecting, not enough statewide publicity, not enough time yet to refine the merger.

20 A decrease in employee morale due to the uncertainties of future staffing needs and the failure to improve services to clients.

21 Where is DVR?

22 Integration of delivery systems and sites.

23 Employee (state) morale has been seriously affected. Political appointees in top administrative positions--with the possibility of further expansion of same.

24 Political individuals heading departments.

32 Loss of individual agency autonomy and flexibility.

33 Not evident to me at this time.

35 I am not aware of any significant failures.

36 It appears to have caused substantial ill will and loss of identification among the three major human service agencies involved in the merger.

39 Bringing CETA under the classified personnel system has created slow downs in hiring much needed administrative and operational personnel. This unflexible, unresponsive system is not the fault of the merger but rather the fault of the Department of Administration but still the effect on CETA is there.

51 1) Lack of integration both physically and fiscally. Except at the very top.
2) Still no solution for gaps and overlap such as "job developers".

Failures (continued)

52 A demoralizing and discouragement of all the employees in the Department of Vocational Rehabilitation. They have floundered for lack of leadership. They do not know where to act or what to do. They have had combined confusion, loss of leadership and three directors in less than a year and a half which does not act for continuity.

53 Don't know of any.

54 Can't say that it failed.

55 I cannot really see that there has been any significant failure or accomplishment.

56 I think that it has damaged the autonomy and identity of some of the smaller divisions and departments.

58 Missed opportunities resulting from an independent Department of DVR.

59 I don't know.

60 Morale of employees has got to be much worse due to many changes as needed to meet differing programmatic needs through transition from Div. of Educ. to Dept. status to Div. of Econ. Security.

62 For the Division of Economic Security moving the office of Assistant Commissioner to 390 North Robert when her assistants have offices at the space center.

63 I think DVR services on the local level still need to be improved such as time spent waiting to become a client, and once becoming a client, not enough money to serve the client.

Other Comments About the Success or Failure of the Merger:

Respondents:

11 Change in administration will slow transition because of top level personnel changes.

12 My experience with ( ? ) workers is very limited thus opinions are based on discussions with staff and some few of the clients.

13 I have not seen much information put out in print for an easy understandable explanation of what the merger is doing and what additional service has been provided to the clients.

14 The large waste of funds in setting up CETA Centers when there were already Agencies in those areas capable of delivering the services, mainly: Community Action Agencies and Job Service Departments.

15 A merger of this type should reduce overlapping of services to clients. However, unless the agency heads involved support the objectives of the merger and look toward solutions to problems instead of being concerned with their own empires, the merger cannot be successful. Again we need strong competent leadership.

16 The Commissioner of this new department has total responsibility to implement the legislative intent. To this point, political pressures have left everything status quo. More action has been performed to get out of the new department, (by DVR) than trying to implement the legislation.

18 The present plan will allow for a more efficient service delivery system when the present plan is accepted by staff administration and clientele.

21 Much appears unchanged. A question can be asked if administrative duplication is really lessoned. Separation of balance of state CETA, and OSCC responsibilities have greatly improved communication. Job Service, to an outsider, does not seem to have any significant impact from the merger, with one possible inception. The climate for Job Service and primes seems to be clearer, with less distrust on both sides. If this results from the merger or the change of commissioners and others is unknown.

23 The implementation of the merger was poorly handled. Orientation and training of key personnel was virtually non-existent. Information regarding why the merger, potential of savings and

improved delivery of services to clients was not provided. This has led to morale problems at virtually all levels. The numbers of political appts. is somewhat disturbing to me. It takes time for even the best of these to be effective. In the interest of the people being served and in the staff providing those services, this can best be served by regular employees.

24 There should be an annual orientation session for all members and staff prior to the fiscal year.

25 My contact with the products of DES are very limited, thus it is very difficult to critically evaluate the department. Furthermore, in view of the change of leadership following the election and the relatively brief perios of time for such a major reorganization to take effect, it would seem prudent to give the new commissioner at least a year or two to test the benefits of the reorganization.

32 Merger seems to have created yet another level of bureaucracy. Questions remain as to whether benefits outweight liabilities imposed upon agencies affected.

34 Obviously my bias for CETA shows. However, the forced marriage between CETA and ES has not had any appreciable change in either program. ES is dependent on employers' satisfaction in order to stay in business. CETA was designed to assist disadvantaged individuals enter the job market. These real facts made the two systems automatically opposed to each other and form the basic reason for the underlying friction that exists.

39 As an independent agency the old Governor's Manpower Office could respond more quickly to the ever changing demands of the CETA program. New staff needed to implement new additional programs under CETA could be hired, trained and become functional in a much shorter length of time. Under the merger with the CETA staff under the classified system, unless the commissioner and his deputies and assistants fully understand the need to staff up ahead of time, new program implementation can be delayed and the effectiveness of the program will be lost.

52 The merger has been total confusion and if anything very destructive and demoralizing to the employees of the Division of Vocational Rehabilitation.

54 At this point I have no comments.

55 I think many people have worked hard to make the new department of Ec. Security work.

56 I think that with an umbrella Dept. such as has been created with the DES there is always the danger of circumvention or diluting the intent of the legislature handling and appropriating funds. I feel accountability decreases and the possibility of bureaucratic game playing increases.

Other Comments (continued)

57 As a longtime former employee of the ES Department, I have followed the creation of the new agency with more than usual interest while being supplied by friends within the agency of information on the moves made during the transition. I feel that in trying to create an "all embracing job service agency" far too much has been put into setting up a management organization with less than necessary attention given to the actual client services such as job referral and payment of UC benefits. It appears that little attention was paid to recommendations and suggestions of knowledgeable and experienced placement and claims people with moves planned by the "management team" formed by the Commissioner from new thinkers brought into the agency. Many unclassified positions were created and filled from the outside. Needless to say, these commanded pay at levels far above the highest of the longtime civil service people leaving a mark on the morale of all within the agency. Most of these are no longer with the agency mainly because of the fortunes of the last election. Still on the scene and to be dealt with is the status of the deputy commissioner and three assistant commissioners left over from the former era. All of these contributed in part to the previously described moral problem.

Regarding 2g on "Overall Administrative Costs", I have no figures at hand to support a claim that they have increased substantially. However, it stands to reason that with the many newly created positions, additional publications, additional quarters acquired that the costs must be way up.

58 I think an audit is due now. I can see nothing to be gained by not studying the issue in depth and dealing with it before DVR becomes so entrenched in the bureaucracy that nothing can be done.

60 As I stated earlier V.R. spent a number of years as a division of the Dept. of Educ. After a lot of people worked very hard V.R. finally was given Departmental status. Vocational Rehab. did not even have enough time to become organized as a Dept. when they were merged as a division of Econ. Security. During the year and a half V.R. has been in Econ. Security, changes have been made in personnel policies and programmatically to bring V.R. more in line with the other branches of Econ. Sec. These changes can't help but lower morale of the personnel and ultimately be detrimental to the clients served. The very nature of the clientele served by V.R. would suggest an ability to keep services flexible and able to meet diverse needs of clients with diverse problems needing individualized planning. It is only logical that if the program continues to become more rigid, clients will ultimately suffer.

Other Comments (continued)

62 My observations were based on information obtained from serving on the nine member advisory council to DVR. I had supported legislation to obtain department status for Voc. Rehab. and was disappointed when this did not become a reality. Voc. Rehab. is much better off as a Division of Economic Security than it was buried in the Dept. of Education. Major division mergers; physical movement of office location and personnel; and the restructure of the "chain of command" within the department/division all contribute to a period of low employee morale. This is true until the new system has settled down--the commissioner and assistants become a team with established turf, work procedures, goals and priorities. With the merger, relocation, the change in administration in the last state election and inadequate funding on the federal level for programs of Rehab. Act 1978; I think the DVR administrative staff is to be commended for maintaining their programs at the current level. A program audit of Economic Security at this time will give a good base to judge future accomplishments of the department.

63 As a whole I feel the merger has been much more successful than I had anticipated. DVR has been really using the impact of the council and I'm sure the administration will continue to do so.