

Neighborhood Employment Network Affiliate
and
Minnesota Family Investment Program
Performance Management Study

Prepared by

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The following report is intended to assist vendors of employment and training services in Minneapolis and Hennepin County in better understanding the factors that have contributed to changes in quarterly levels of performance. Further, the report makes recommendations that may prove useful as management tools in helping to address internal and external factors that are known to directly affect a vendor's performance. Although the project assessed both Neighborhood Employment Network (NET) adult placement program and the Minnesota Family Investment Program (MFIP) vendors, we acknowledge that they are two very different efforts and that the performance components of each are unique. With that said, the overall performance has been exemplary. Despite changes in operational rules and the tragic events of September 11, the overall performance in MFIP and NET programs evaluated since 2000 has been at a B grade level. The performance of the NET programs taken alone has been slightly higher at a B+ level.

The Minneapolis Neighborhood Employment Network would like to thank the vendor groups that took time from their busy schedules to meet twice and to undertake a self-evaluation program. NET also would like to thank Tom Norman of the Carlson School of Management at the University of Minnesota for his work on the project and for his genuine interest in management issues in the not-for-profit community. Thanks also to Tom Scott of the Center for Urban and Regional Affairs (CURA) at the University of Minnesota for facilitating the project team.

Mike Brinda

Neighborhood Employment Network (NET)

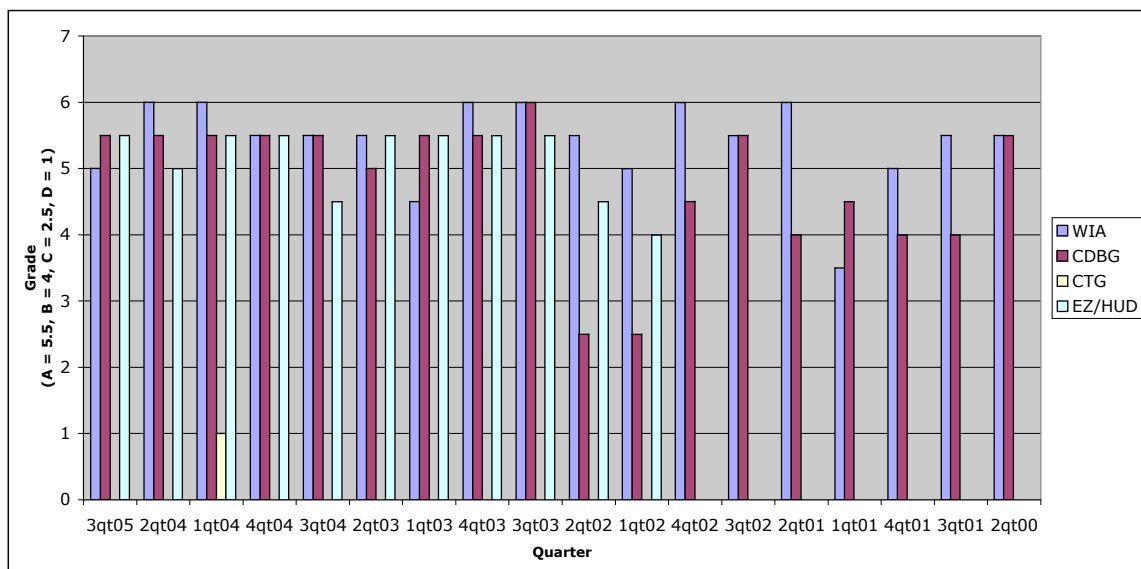
During the summer of 2005, 20 Minneapolis Employment and Training Program (METP) service providers were provided a recap of their quarterly performance since 2001 with respect to the funding performance criteria for the following programs: Workforce Investment Act (WIA), Community Development Block Grant (CDBG), the Department of Housing and Urban Development's (HUD) Empowerment Zone (EZ) fund, Close the Gap (CTG), and Minnesota Family Investment Program (MFIP). Typical services provided through these programs include assessment, referral to vocational training, job placement, and follow-up. These METP service providers are members of the Neighborhood Employment Network (NET), which helps them coordinate their services and activities. Among the NET affiliates and MFIP providers included in this study were the Center for Assistance Programs for Immigrants/Refugees, St. Stephen's Human Services, the Minnesota Department of Employment and Economic Development, East Side Neighborhood Services, Goodwill/Easter Seals Minnesota, Lifetrack Resources, Lutheran Social Service of Minnesota, Pillsbury United Communities, Jewish Vocational Services (JVS), Employment Action Center, and Adult Placement Programs.

Neighborhood Employment Network job bank affiliates have been serving low-income residents of Minneapolis since 1981. NET's strategy is to encourage service providers to tailor their programs to the unique needs of individual neighborhoods, while benefiting from the advantages that come from partnership and affiliation with a larger network of service providers. Put simply, NET's mission is to help low-income people find and hold jobs. NET's performance-based approach to employment services has received national attention. Affiliates receive funding based on their ability to deliver services consistent with NET's mission; access to funding sources is eliminated for consistently poor performance. In 2004, 757 people were placed by NET affiliates via METP performance-based contracts.

Each quarter, a service provider is assigned a letter grade—ranging from A (for excellent) to D (for below average)—for each program (e.g., WIA, CDBG) in

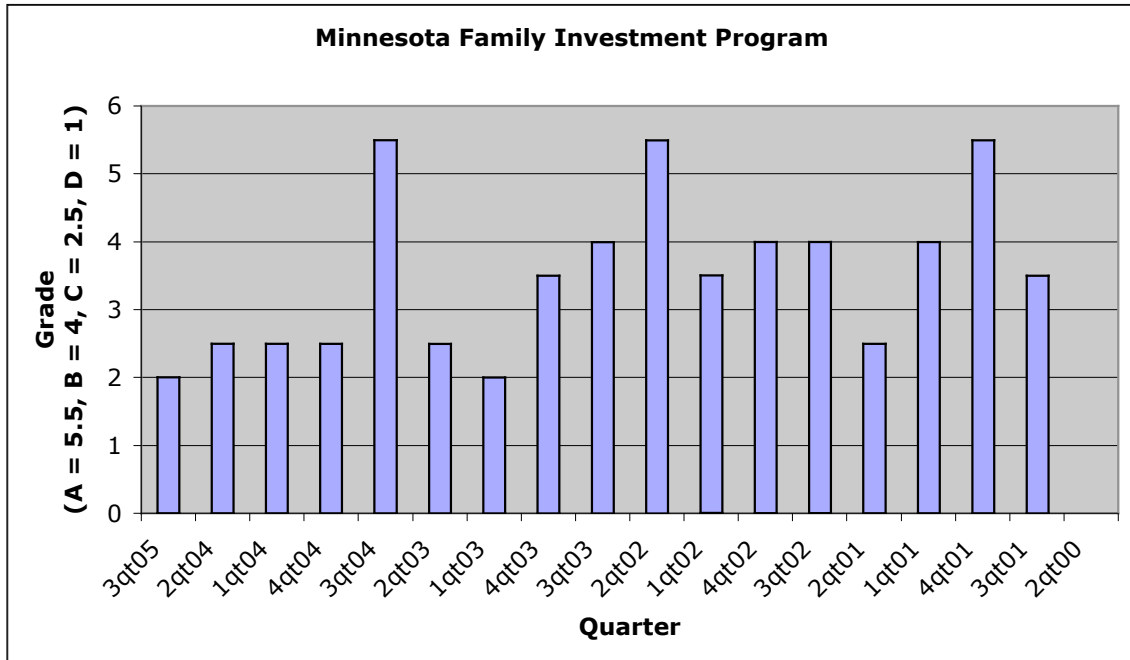
which they participate based on their performance. The formula used to compute these grades is based on both placement figures and retention rates. The placement score considers the number of clients placed at a minimum wage job. The retention score is based on the number of clients placed who maintain employment for 90, 183, and 365 days. Of the two criteria, the retention figures are weighted more heavily in the overall grade. In July 2005, NET sent to each of its affiliates the performance grades, along with a letter that requested that the organization “document what factors may have been in place to cause an improvement in your performance grade or a decline.” The reports included both a table and a bar graph with the quarterly grades assigned to each service provider by program for the past 17 quarters.¹ Some sample bar graphs included with the letter requesting participation in the NET Performance Study are presented in Figures 1 and 2.

Figure 1. Sample Bar Graph Showing Quarterly Performance Grades, by Program



¹ METP publishes quarterly updates at www.ci.minneapolis.mn.us/metp

Figure 2. Sample Bar Graph Showing Quarterly Performance Grades for MFIP Program



Figures 1 and 2 show the variation in performance among providers, as well as the variation in the performance of one provider with respect to different programs. Note that Figures 1 and 2 represent two different organizations.

Of the 20 service providers invited to participate in the evaluation, 17 are MFIP providers and 11 participate in at least one of the other four NET programs. Eight agencies work with both NET and MFIP programs. Responses to the request for information were received from only 13 of the 20 NET affiliates, which is surprisingly low given the nature and intent of the study. The responses received were very helpful in providing some insights into differences in performance. Each response was reviewed individually and then analyzed as it related to the experience of other NET affiliates. The researcher conducting the evaluation was present at a NET meeting in August 2005 that was attended primarily by counselors and that was focused on probing the causes of the

performance variation among service providers. A brief meeting geared toward managers and executives was held at the University of Minnesota’s Hubert H. Humphrey School of Government in September 2005, at which preliminary findings were shared and additional detail was solicited from the attendees. The findings reported below are a synthesis of the material collected from these three sources.

Overall Response Demographics

In general, once a NET affiliate qualifies for a funding program, the affiliate stays with the program. One respondent was dropped as a vendor prior to the study because of a poor proposal, but they did participate in the evaluation as a "friend" of the NET program. Of the four affiliates that did not provide written responses describing their performance, some are organizations that serve the Hmong community and that may have not responded due to language barriers.

Table 1 shows the number of affiliates receiving funding from each of the programs, and the average length of time these affiliates have received funding. The Close the Gap program is the newest funding opportunity, which is reflected in the low average time in the program. Note the largest number of affiliates receive funding from the MFIP program which, as a federally managed program, is the least flexible with respect to performance targets.

Table 1. Number of NET Affiliates and Average Time in Program, by Program

	WIA	CBDG	CTG	EZ	MFIP
Number of NET affiliates	11	11	10	11	17
Average time in program (in quarters)	16	16	2.9	10	16.8

Table 2 reveals that under the grading system used—in which an A is valued at 5.5 points, a B at 4 points, a C at 2.5 points, and a D at 1 point—the newest program, Close the Gap, has the lowest average performance rating and the highest variation in performance. Table 2 also shows that the Empowerment Zone programs have the best overall performance. The standard deviation scores reveal that the least variance is found in the MFIP program, followed by the Empowerment Zone program.

Table 2. Average and Median Quarterly Performance Scores, by Program

	WIA	CBDG	CTG	EZ	MFIP
Average quarterly score	4.3 B	4.4 B	3.3 B-	4.7 B+	4.0 B
Median quarterly score	4.4 B	4.4 B	3.5 B-	.9 B+	4.0 B
Standard deviation	1.2	1.2	1.6	1.1	1.0

Figure 3 shows the average performance for each NET affiliate by agency performance contract. Figure 4 shows the average performance for MFIP by agency. The variation by agency is apparent. Organizations that did not respond to the request for information are also included in the results shown in Figure 4.

Although the ultimate basis of the grades for each affiliate is the actual number of placements and the level of retention compared to the contracted amount at the start of the contract, this study sought to identify likely causes of any resulting performance differences. These factors can be divided into three categories: external factors, client factors and internal factors. External factors are outside of an affiliate’s ability to control and in general should affect each

Figure 3. Average Program Performance, by NET Affiliate

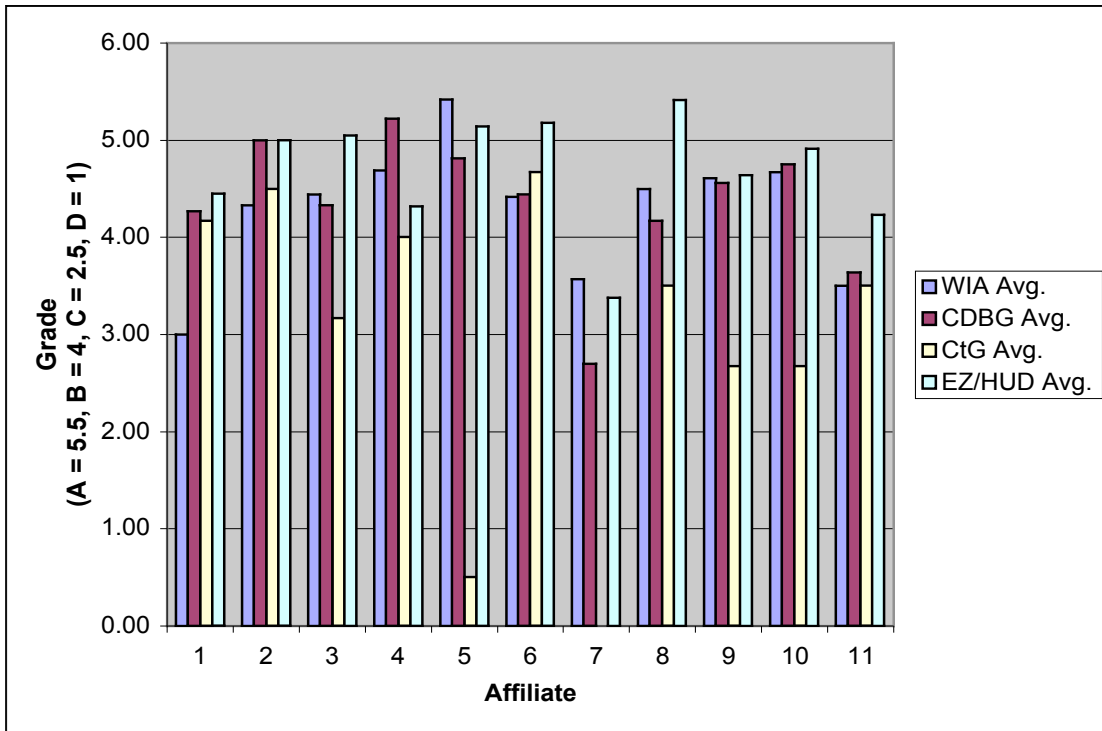
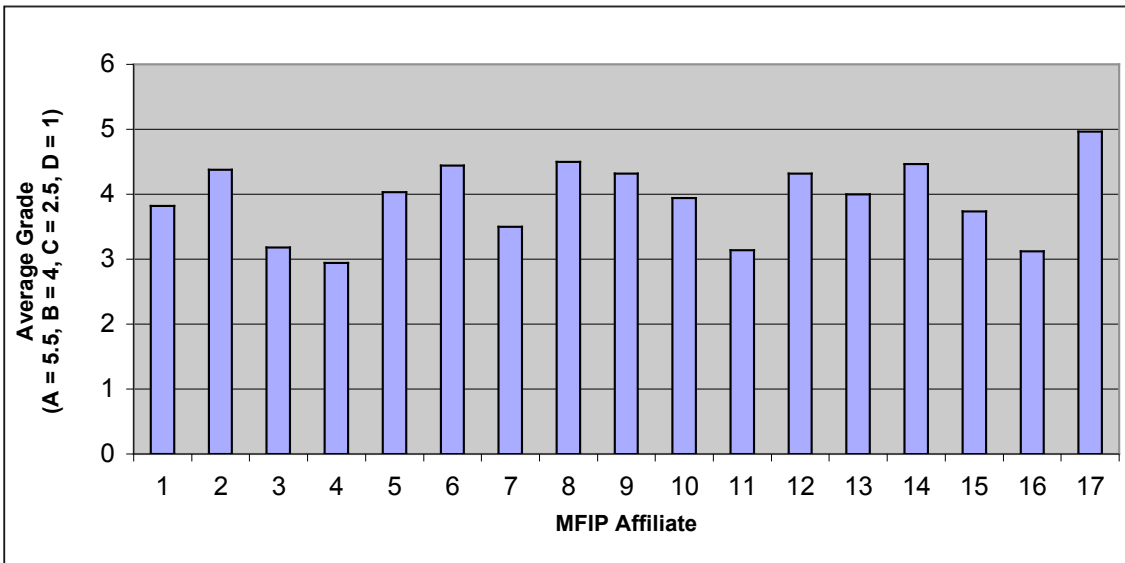


Figure 4. Performance for Minnesota Family Investment Program (MFIP), by NET Affiliate



affiliate similarly. Client factors relate to the targeted client group, and as such are somewhat in the control of the affiliate and its management team. Given the neighborhood focus, some NET affiliates may choose to attract clients who are more likely to be placed or stay with a job; however, this is not a possibility for MFIP providers, as participation is mandatory for their clients. This report does not encourage this behavior, but it is important to identify the fact that performance-based contracts create an incentive system and, as a result, such behavior would be expected from rational organizations. Internal factors are those within the control of the organization, its management team, and/or its employees. We now consider each of these factors in turn

External Factors The impact of the September 11 terrorist attack on the lodging and airline industries was cited by several respondents as a cause of falling grades in 2002. Reviewing the data, however, average grades for the MFIP, WIA and CBDG programs are higher for the entire period after 2001 than average quarterly grades received before that time. Seasonal trends were mentioned by some organizations, with summer being described as slower by a few and winter by several others. Native American tribal activities occurring in the summer were specifically mentioned. Cuts in funding outside the performance-based contracts were mentioned by several organizations as affecting goal achievement. Changes in the requirements of the performance-based programs combined with unclear or poorly communicated changes in guidelines were the most commonly mentioned external factors in explaining lower grades.

Client Factors As mentioned earlier, different organizations focus on different groups of employees who are seeking assistance with their job search. Certain groups pose different issues for the NET affiliates, which can affect both performance level and performance variability. Two NET affiliates mentioned that serving recent offender populations creates difficulty meeting the retention

goals. There was also discussion about how losing clients who register with other NET affiliates affects retention rates and grades. Fluctuations in the demands for non-rewarded services, such as assessment and search activities, were also mentioned as affecting grades quarter by quarter. These client factors are not controllable by MFIP providers due to the mandatory participation requirement.

Internal Factors The primary internal factor involves staffing and selection issues. The key role played by counselors was made clear in both the evaluation meetings and in the written responses. Staff performance and morale issues were mentioned in five written responses as a major source of performance declines. Morale issues were not mentioned by NET affiliates that were not also MFIP providers. Problems caused by lack of staff overall versus key staff in certain departments varied for MFIP providers and NET affiliates. Six organizations reported in writing that staff shortages have affected grades, and even more organizations concurred in the group meeting sessions. The related topic of excessive workload was also mentioned. In general, MFIP providers rated insufficient staff as a larger problem than loss of key talent. In contrast NET affiliates singled out the loss of a key staff person as more dramatically affecting performance. Several NET organizations report having one or two staff members on the front lines who are uniquely able to help clients find long-term placements.

A second major factor that came from the written and verbal feedback was the importance of the managers. Changes in management were commonly cited as factors explaining both drops and gains in performance by organizations that worked as both NET affiliates and MFIP providers.

A third key internal factor was related to issues of training, and cascading information about program changes and goals to the staff working with clients. Training was mentioned positively and negatively as affecting grades in four written responses. The need for more training came up more frequently in organizations involved in both MFIP and NET programs. Inadequate

communication of information, goals, and changes was mentioned in the written responses and during the meetings.

A fourth important internal factor that negatively affected performance involves problems with submitting accurate reports on time. Disturbingly, three affiliates described problems with data tracking and timely submission of data as affecting grades. There is the possibility of making some changes to the data tracking system used, and Minnesota Goodwill./Easter Seals' new system may be worthy of emulation. A related idea that came out of this discussion was the creation of a computer tracking system to identify the affiliate a client begins working with so that other affiliates are aware of the relationship. Such a system should not lock the client into a particular provider, but would help coordinate activities and reduce concerns over poaching clients.

Recommendations

After reviewing the problems identified above, there are four performance improvement recommendations MFIP providers and NET affiliates may wish to consider to improve performance and overcome inconsistencies. These recommendations fit into four categories: workforce planning; training, development, and internal communication; employer and contract (agency) management; and prioritizing information collection and reporting.

Workforce Planning Development of management succession plans and cross-training of lower-level employees is recommended. This will reduce the shock to the system and the related drop in performance that follows the departure of a manager or key contributor. It can take two or more months for a new staff person to get the basics. Managers should begin developing a pipeline of human capital (e.g., maintain a list of

associates and acquaintances who might be interested in an opening). Retirees could be a good source of talent to fill in during a transition.

Training, Development, and Internal Communication

Training and development activities should include mentoring at all levels to encourage global thinking about goals and grades. Sharing the agencies strategies, tactics, and overall goals should improve motivation and commitment. Development activities should include top performers documenting, in writing as well as during staff meetings, some of the reasons for their success. Some of these best practices should be incorporated into job aids for use by other employees, especially new employees.

Executives should keep in mind that it is hard to overemphasize the importance of goals and grades, and accuracy and timeliness in reporting them. Organizations may wish to consider a regular meeting to update staff about program changes (or lack thereof) so that staff do not learn of changes when a form is rejected because it is out of date.

Some concrete suggestions include insisting that time be made available for the documentation of typical practices and best practices. The time spent by current employees will greatly reduce the time spent by new employees learning better ways to perform in their jobs. Creating a list of commonly used acronyms and a sheet listing basic information (or where to find it) can greatly reduce the ramp-up time for a new employee.

Employer and Contract Management Employer management skills include developing networks of current and potential employers. Knowing which companies are hiring and which skills they are looking for is crucial. Developing these relationships can greatly assist with placement and improve retention rates. Contract management involves working well with the agencies and representatives responsible for your organization's

performance contract. When possible, it is much better to negotiate revised goals in the face of a major economic disruption than to earn a low grade. It is understood that this is not practical for the MFIP program. Basic customer relationship management techniques should be applied to these key partners.

Prioritize Information Collection and Reporting The person entering the data that are used to determine the performance grades needs to be aware of the importance of this position. Organizations should have a back-up plan if this person is unexpectedly out of the office. Furthermore, a senior manager should know when the quarterly results are going to be sent out and what the deadline is. This is perhaps the lowest hanging fruit and surprisingly has affected grades for several NET affiliates in the past.

Overall, our assessment of the NET affiliates and MFIP providers involved in these performance-based programs is very positive. The number of organizations that have continued to receive high grades has been exceptional, with few dropping out. Minneapolis appears to be leading the nation in the robustness of the program. The flexibility of the METP is something the federal programs should consider to boost results, although the current trend seems to be quite the opposite. It is hoped that the analysis above and some of the ideas reported here will assist the members of NET in meeting the current and future challenges of the rapidly changing labor market in the Twin Cities.