

THE CATAPULT PAPERS



ESSAYS ON THE FUTURE OF WORKFORCE DEVELOPMENT

ESSAY TWO:

Scaling Up: Lessons from the Front Lines



About the Boston Foundation

The Boston Foundation, Greater Boston's community foundation, brings people and resources together to solve Boston's big problems. Established in 1915, it is one of the largest community foundations in the nation—with net assets of \$1.3 billion. In 2018, the Foundation and its donors paid \$129 million in grants to nonprofit organizations. The Foundation works in close partnership with its donors, with more than 1,000 separate charitable funds established for the general benefit of the community or for special purposes. It also serves as a major civic leader, think tank and advocacy organization, commissioning research into the most critical issues of our time and helping to shape public policy designed to advance opportunity for everyone in Greater Boston. The Philanthropic Initiative (TPI), a consulting unit of the Foundation, designs and implements customized philanthropic strategies for families, foundations and corporations around the globe.

About JVS

Jewish Vocational Service in Boston (JVS) was founded in 1938 during the Great Depression to assist Jewish immigrants struggling to enter the American workforce and support their families. Today, JVS is among the oldest and largest providers of adult education and workforce development services in Greater Boston, serving a diverse clientele representing over 90 nations and speaking 50 languages, and helping people secure financial independence through educational and employment services. With over 75 years of demonstrated excellence in workforce development, JVS has a reputation for continuous innovation, building person-centered and performance-based models to improve outcomes and increase programmatic effectiveness.

About Catapult

Catapult is a project of the Boston Foundation in partnership with Skill-Works, a nationally recognized workforce funder collaborative within the Foundation. Catapult invests in the exponential growth of Greater Boston's most effective, market-driven training and education organizations in partnership with the region's most savvy businesses. Its goal is to help build a robust, "next generation" workforce development solution that can launch our untapped talent into new opportunities at a much faster, more sustained rate while also supporting and leveraging the long-term success of individuals *and* their employers via advancement, retention and strong employment practices. Catapult is driven by the knowledge that our current labor market's unprecedented tension between the high demand to fill jobs and the low supply of workers ready to fill those jobs requires bold new approaches.

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ESSAY TWO:

Scaling Up: Lessons from the Front Lines

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INTRODUCTION

THE STRATEGIES, ORGANIZATIONAL CULTURE AND SPECIFIC PRACTICES WE HAVE ADOPTED, AND CONTINUE TO REFINE, REPRESENT WHAT WE BELIEVE ARE THE CORE FEATURES OF “NEXT GENERATION” WORKFORCE DEVELOPMENT...

Jewish Vocational Service (JVS) is an 80-year-old workforce intermediary with roots in the Depression-era period of Jewish immigration and anti-Semitic employment discrimination. Since 1938, the organization has been working to enhance the education and skills of working-age adults—who often have limited English language, skills and income—and meeting the hiring, retention and talent development needs of employers. Over the past several decades, the organization has grown to be one of the largest and most important providers of high-quality workforce development services in the region.

As the Boston regional economy explodes and the labor market tightens, JVS is growing rapidly, refining its workforce development model to more effectively meet the needs of employers and employees. The strategies, organizational culture and specific practices we have adopted, and continue to refine, represent what we believe are the core features of “Next Generation” workforce development organizations that can effectively meet the challenges and opportunities of our new economy, and can offer a road map for other organizations seeking to play this role in their regions.

This essay, the second of four, addresses the importance of scale for Next Gen workforce organizations, the challenges of scaling, and issues that the Next Gen workforce organizations and the broader field need to consider as they scale up their work. Subsequent essays will more deeply explore the Next Gen workforce issues of job quality strategies and tapping the un-tapped workforce.

SCALING UP: LESSONS FROM THE FRONT LINES

With historically tight labor markets and stubbornly high opportunity gaps, Next Gen workforce organizations have an important opportunity—even imperative—to seriously explore how to expand their services. Yet for much of the human service industry, and certainly most of the workforce development field, serious scaling remains something of a holy grail. Foundation and government requests for proposals typically include a section requiring the applicant to describe how its project or model will be sustained and achieve scale, with little to no guidance or additional resources to help bring that to fruition. Much of the in-depth analysis of scaling, like the recent report by the Wallace Foundation¹, tends to focus on business models rather than the operational elements and specific strategies that are needed to achieve significant expansion. While public and private funders desperately want it, they don't often address what it takes to deliver high quality services at scale, and the calls for it risk becoming empty rhetoric.

This essay explores operational and strategic elements that make it possible for Next Gen workforce organizations to achieve scale. The lessons and conclusions here are drawn from a decade of steady growth in service delivery at JVS and an intensive period of growth over the past two years resulting from participating in the nation's first workforce development Pay For Success/Social Impact Bond project.² This essay briefly addresses the range of relevant strategies and examines in more detail six key components of successful scaling for Next Gen workforce organizations: Building an Organizational Culture, Building Staff Capacity, Financing, Technology Utilization, Strategic Partnerships, and Policy and Systems Change.

Scaling Strategies

It is important to distinguish between impact and scale. Scaling refers to increasing the quantity of services: more individuals served, more locations reached, etc. Organizations that seek to increase the scale of their services, including JVS, typically do this in order to increase their impact. That said, there are many ways to increase impact, and enlarging the size of service delivery is only one. Other ways are to deepen the services delivered to existing clients and customers, or to improve the effectiveness of services. In fact, one could argue—and examples abound in nonprofit, for-profit and public sectors—that increasing scale can actually reduce impact if it is not accompanied by quality control.

There are many ways to increase scale including through replication, expanding service delivery in a particular place, or expanding services with specific customers or client bases. Replication of workforce development services in multiple geographic locations, which has received a lot of attention and resources in the recent past, has a very mixed track record, with the Center for Employment and Training (CET) effort being the best known failure, and more recent efforts like Year Up showing real promise. Other approaches have received less attention and resources.

In 2012, JVS developed a business plan to expand our impact. While some of our new strategies involved deepening our impact with our existing client base, more significantly our plan called for expanding the number of individuals who could and would receive our services.

Our scaling strategy has had two primary dimensions. One is to scale through employer partnerships. JVS has partnered with more than 20 employers, some for more than 10 years, to deliver fee-for-service workforce development services to their incumbent workers and in more recent cases to recruit and train new employees. Most of our employer

partners are major Massachusetts and Boston employers, and while we have added new employers over time, our primary focus has been to deepen and expand our work with our existing employer partners. To that end, JVS now provides workforce development services to nearly 2,000 employees across these employer partners.

JVS's second approach is to expand services in specific communities, including our home city, Boston, and nearby cities in Massachusetts. These "Gateway Cities" are part of a set of 26 cities smaller than Boston, but of a significant size, all of which have large low-income and immigrant populations, and have limited service resources and delivery infrastructure. Our plan was to partner with established and effective organizations in these cities that wanted to deliver workforce development services but lacked the experience, resources or models to be successful. Our primary challenge was how to finance this expansion—or so we thought.

In 2014 the Commonwealth of Massachusetts initiated a Pay For Success (PFS)/Social Impact Bond project to reduce waiting lists for adult education services and deliver those services in a manner that would increase employment outcomes and/or post-secondary attainment for participants. JVS partnered with Social Finance, a financial intermediary with extensive PFS experience, and was selected for the initiative. After two years of intensive work on the part of JVS, Social Finance and the Commonwealth of Massachusetts, we raised \$12.4 million from 40 investors for what became known as the *Massachusetts Pathways Project*. The project will ultimately serve more than 2,000 individuals in Boston and five Gateway Cities over three years. These 2,000 individuals represent approximately a 10x scaling of these services by JVS over that time frame.

Six Key Components for Increasing Scale

I. ORGANIZATIONAL CULTURE

Undertaking a major scaling effort first and foremost requires that an organization build a culture that is able to contemplate and then execute something so new and challenging. Many nonprofit organizations are comfortable with their current scale and organizational focus, and their culture reflects a largely status-quo approach. Significant scaling requires an organizational culture that is committed to growth, understands the challenges it requires, is willing to take risks, and perhaps most importantly, encourages innovation and continuous improvement throughout the organization.

Achieving greater scale requires that an organization have the leadership, staff and board with the ambition, imagination and skills to envision big change, and the ability to successfully implement it. Staff leadership is critically important to build and nurture a great organizational culture, to push and support innovation, and to lead excellent operational implementation. A board that has the ambition, expertise and culture of organizational ownership is also necessary.

Building an organizational culture that believes in and successfully executes scale requires three key behaviors by leadership: communication of vision, transparency, and commitment to innovation and continuous improvement.

COMMUNICATION

Communicating clearly and regularly about the benefits to the organization and its clients and customers of the scaling effort is critically important. The benefits must be real and demonstrable, and then communicated clearly so that staff fully understand and are excited by the possibilities. JVS has built

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communication about both of our big scaling efforts—with employer partners and through PFS—into bi-annual staff retreats, brown bag sessions, internal communications, board meetings and external communications.

TRANSPARENCY

Scaling has real risks, and these must also be shared with complete transparency. The PFS project had many high-stakes, high-risk moments, including a change in state administration, a change in federal administration and refugee/immigrant policy, and a complete change in the labor market, as unemployment dropped from 8 percent to below 4 percent. In order to ensure that the project moved forward, JVS put at risk \$1.5 million of its own funds as the closing of the financing was delayed, only to experience the surprise election of Donald Trump and the near shutdown of the U.S. refugee program, an important constituency of the project. It was critically important that key board members and organizational leaders were kept current on these risks, what the upside was, and how we were managing the risk. The decisions on how to proceed in the face of risk were made with complete transparency and consensus.

INNOVATION AND CONTINUOUS IMPROVEMENT

Organizational commitment to innovation and continuous improvement is critically important to ensure that scaled services will be successful. As programs are scaled, they are very unlikely to proceed exactly as planned and will require constant change and improvement. Organizations need to understand that this is the reality of scaling so that both board and staff are not caught by surprise, are willing and able to make and analyze mistakes, make rapid adjustments, and try nearly anything to succeed. JVS has supported this culture through continuous improvement (CI) training, structured and regular continuous improvement projects throughout the organization, celebration of CI and innovation, and even the creation of an annual Innovation Small Grant Fund competition for all staff.

2. STAFF CAPACITY

Beyond the creation and support of organizational culture that can support and execute scale, organizations need strong and specific staff capacity to deliver expanded high quality services.

Going to scale raises the bar on performance to a level that few nonprofit organizations have experienced, and that has serious implications for overall staff capacity. While many nonprofits have operated performance contracts through public agencies, typical outcome measurements are process outcomes, and data is largely self-reported. Large scale projects, particularly those involving some kind of pay-for-performance model, may involve investors who are taking serious financial risk, and therefore require true outcome measures such as wage gains, determined and verified by a third-party evaluator, often utilizing sophisticated results measurements such as random control trials.

This level of performance requirements leaves little room for slippage and an organization will

quickly find itself out of a major contract and with a seriously marred reputation should it falter. From a staff capacity and operations perspective, what might have been quarterly or monthly outcomes data analysis becomes weekly or even daily. Even with a high performance organization, there is a palpable shift to a “no fail option” culture, which is both empowering and potentially exhausting for staff. Not all staff will be comfortable with a changing organizational culture that puts even greater emphasis on measurement and results, and ongoing communication and support is critically important.

Beyond ambition, innovation and overall operational competence, significant scaling requires several specific staff capacities:

- ▶ **Program design skills** allow an organization to turn an outcome goal and a program delivery idea into an executable service delivery model. This is akin to the Design for Manufacturability role in the manufacturing sector, which sits between product design and the actual production process. Playing this role successfully requires extensive field experience and years of making mistakes and learning.
- ▶ **Operations management skills** are necessary to put the program design or model into action in the field on a much larger scale than has been done before. Even more critical is the ability to change and adapt the model as one encounters changed environments, surprises and failures—which will happen. In addition to extensive program and staff supervisory experience, necessary operations management skills at this level include strong teamwork capabilities, as the new scale will likely cut across departments. And, since the new scale also will likely involve multiple partners, partnership building and management know-how will also be required.

SOPHISTICATED HUMAN RESOURCE MANAGEMENT SKILLS ARE NECESSARY TO RECRUIT, TRAIN, RETAIN AND DEVELOP THE STAFF TALENT NECESSARY TO OPERATE AT A BIGGER SCALE.

- ▶ **High level financial management skills** are also critical. Scaled financing requires financial planning, analysis, modeling, and management that many non-profit organizations have not encountered. Adding 20 percent growth to an organizational budget in one year, as our PFS project did, requires careful cash flow management, sophisticated budgeting and modeling, and increased daily operational accounting capacity.
- ▶ **Sophisticated human resource management skills** are necessary to recruit, train, retain and develop the staff talent necessary to operate at a bigger scale. The JVS Pay For Success project required us to hire 50 new instructors and coaches in a six month period, in the face of a near full-employment job market. Prior to undertaking this project, we had one ¾ time HR manager with limited HR experience plus a contracted recruiter. We now have an experienced and skilled HR VP, a full-time recruiter using an online applicant tracking system to manage our staff growth, and have outsourced payroll and benefits functions in order to manage our new size efficiently. Careful recruiting, screening and training are required, and managing turnover, particularly in a high-growth, high-pressure environment, has to be done well and under time pressure. Since most of our new staff were delivering service in remote locations, we had to be careful to screen

for autonomous work skills, and carefully stage staffing to take advantage of existing trained staff to start new programming, and then fill in behind them with new hires who could be mentored over time.

3. FINANCING

A major barrier to increasing the scale of workforce development services is financing. Scaled service delivery, even with great efficiencies and technology utilization, still requires capital for staffing, infrastructure and program elements such as support services and paid work experience to dramatically boost program effectiveness. Securing financing to sustain service delivery—let alone scale it—is a major challenge.

Philanthropic funding for workforce development is limited to a few national foundations, a few local foundations and a limited number of high net worth individuals who are significantly concentrated in major metropolitan areas. Even more problematic is that most philanthropic funders invest most significantly in program innovation, and rarely in long-term program support or organizational capacity development.³ It is not unusual for philanthropic funders to implement a funding strategy that assumes that after seeding an innovative workforce development model to demonstrate success, the public sector will take responsibility for sustaining and scaling the service. This is a fallacy.

After decades of declining funding, federal investment in workforce development is at a historic low, and with a few exceptions, state funding—often limited by budget constraints or lack of will—has not made up the difference. For the most part, public contracts do not cover the full cost of direct service delivery, rarely cover organizational overhead, and almost never cover organizational capacity

WITH LITTLE EVIDENCE OF CHANGE LIKELY IN THE FUTURE, TRADITIONAL PUBLIC FUNDING OF WORKFORCE DEVELOPMENT IS NO LONGER A PROMISING SOLUTION FOR SCALE.

development. With little evidence of change likely in the future, traditional public funding of workforce development is no longer a promising solution for scale.

If philanthropy has the resources and the will to engage in scaling, there are two important principles to consider. First, philanthropy should invest in what works over the long haul. If service delivery models have clearly demonstrated success, rather than move on to the next new model and assume some other funding source will enable scaling—which is highly unlikely—philanthropy should double down and help the organization sustain, scale and continue to improve its service model. A second principle to consider is investing in the organizational capacity needed to scale proven service delivery models. Investing in the kinds of operational capacity described in this paper will help ensure that a Next Gen workforce organization will both be successful and be more likely to attract other financing.

That said, there are two promising avenues for financing scale, one private and one a public-private hybrid. First, employer financing of workforce development is a highly underutilized but very promising resource for Next Gen workforce development organizations. JVS has been paid by its employer partners for workforce development services for more than a decade. Revenues from these contracted services—mostly for incumbent worker education, training and coaching—are almost \$2 million annually. Over the past two years, as the

Massachusetts labor market has achieved near full-employment levels, employers have begun paying JVS to find, recruit, train and retain new employees. This growing business has enormous potential for scale, as it is limited only by market demand and the ability of JVS, or any Next Gen workforce organization, to deliver high-quality services. Employer financing of workforce development of course requires extremely responsive and robust service delivery, a topic addressed in the first paper in this series.

Second is the growth of non-traditional financing such as Pay For Success/Social Impact Bond (PFS) financing that blends public and private capital. The PFS financing model involves a public entity, typically state or local government, issuing debt that is purchased by private investors. The investors' funds are made available to a service provider to expand services. Investors are re-paid with a market return by the issuing public entity if and only if the service delivery outcomes are successful. In the case of JVS's PFS project, the 40 investors will be repaid based on successful wage gains for participating clients, determined by administrative wage data and independent evaluation. The benefit to the Commonwealth of Massachusetts in the short term is to try a new service delivery model at scale without financial risk, and in the long term reap the benefits of increased tax revenues. PFS financing is a very young and unproven model, but it is one of several new public financing models that open up novel ways of raising significant capital for effective human service delivery.

4. TECHNOLOGY

Significant scaling of service delivery requires careful and intentional investment in and utilization of technology, both at the level of organizational operation and of service delivery. There are three primary operational areas that can help successful

SIGNIFICANT SCALING OF SERVICE DELIVERY REQUIRES CAREFUL AND INTENTIONAL INVESTMENT IN AND UTILIZATION OF TECHNOLOGY...

scaling with appropriate technology investments: internal operational systems, data management and direct service delivery. JVS has invested significantly in the first two areas, and recently began a multi-year planning and investment effort to improve technology utilization in direct service delivery. Internal operational systems can benefit from technology investments at all levels of the organization. JVS spent two years moving to an outsourced IT service in order to improve our ability to manage rapid technology changes and reduce costs. We also invested in cloud-based technology and recently implemented an online applicant tracking system for our Human Resources department.

Scaling service delivery requires sophisticated data management and analysis capacity. When JVS began the PFS project we had been using the *Efforts to Outcomes* database package for nearly a decade and were comparatively advanced users. Undertaking the PFS project required far more sophisticated and better quality data collection, data manipulation and analysis than we had ever done before, such as integrating the use and analysis of public administrative data sources. In the year before service delivery began, we created a new position, Manager of Data Quality and Utilization, and hired an experienced individual from private industry as well as a more junior but highly-skilled individual with nearly 10 years of experience in a similar nonprofit organization.

As JVS has expanded into new employer sites and new communities, the need to move beyond our

traditional classroom-based teaching and in-person coaching has become even more apparent. To that end we are working with a technology strategy consultant who is helping us explore high-impact technology investment options such as a Learning Management System that can connect all teaching staff regardless of location, online course development tools to create hybrid teaching and learning models, and more effective client management systems.

5. STRATEGIC PARTNERSHIPS

The for-profit sector has long achieved growth through sophisticated strategic partnerships. The nonprofit sector is less adept at this work, with organizations often choosing to emphasize their own models and service delivery rather than partnerships. In many cases this behavior is encouraged by philanthropy, which is often more likely to invest in new organizations in a community than to invest in existing organizations and encourage partnership and collaboration.

As Next Gen workforce organizations achieve significant scale, strategic partnerships should be seriously considered as an efficient alternative to providing all elements of service delivery. Over the last several years, JVS has successfully pursued strategic partnerships with low-income housing, child care, healthcare and other social service organizations that can connect their clients to JVS services and provide services for JVS clients.

Under the PFS project, JVS needed to expand rapidly into five new communities. Instead of creating a branded JVS presence in each community, which would have created political challenges for an “outsider” organization and required enormous infrastructure investment, we partnered with strong community organizations in each new city to provide a range of outreach, recruitment and facilities

STRATEGIC PARTNERSHIPS DO REQUIRE TIME, STAFF EXPERTISE IN MANAGING THEM AND, IN SOME CASES, SPECIFIC DOLLARS TO SUPPORT SUB-CONTRACTED WORK.

under sub-contracts. These organizations included community health centers, community development corporations and ethnic service organizations.

Managing these partnerships with the high stakes under PFS has not always been easy, and some partnerships have been terminated. However, scaling the project so quickly would not have been possible without these strategic partnerships. It is important to note that strategic partnerships do require time, staff expertise in managing them and, in some cases, specific dollars to support sub-contracted work. Funders and investors should acknowledge the value and pay for the true cost of effective strategic partnerships.

6. POLICY AND SYSTEMS CHANGE

One other strategy for maximizing impact and achieving scale is policy and systems change. Changing big public systems is not easy and requires time, resources and skills, but it can have a big pay-off—both in the form of scaled financing and more efficient service delivery. JVS has had experience with two types of policy and systems change work that are relevant for Next Gen workforce organizations.

First, the federal government’s SNAP-ET program (foods stamps, employment and training) is one of the largest sources of workforce development funding in the federal budget, yet it is underutilized. SNAP-ET provides 50 percent matching funds for any non-federal spending that provides workforce development services for food stamp-eligible individuals. And, there is no maximum limit for how

much SNAP-ET funds a state can draw down from the federal government. Massachusetts, like many states, had created a SNAP-ET program that was so conservative from a compliance perspective that it was largely nonfunctional. JVS, along with other service provider and advocacy allies, worked closely with staff at the U.S. Department of Agriculture to help the Commonwealth re-design its SNAP-ET program so that it works, and now brings more than \$2 million annually to Massachusetts for workforce development services. We believe that with further work, the Commonwealth could quadruple these resources directed toward workforce development organizations. There are also other areas of underutilized funding sources that could be leveraged through advocacy and systems changes.

A second example of public policy and systems change work is embedded in the Pay For Success project. Through the PFS project, JVS is not only substantially expanding service delivery, but also advocating for the Commonwealth to change the way it delivers and pays for adult education services.

The Commonwealth's Adult Education line item is more than \$30 million annually, yet because of outdated program design and administrative regulations, the dollars are not utilized effectively as a workforce development resource. The PFS program design blends English language and jobs skills training, includes intensive employer-facing job development, and is paid for based on demonstrated wage gains rather than traditional learning gains outcome measurements. JVS is using the PFS project to influence the state administration to transition the current adult education to one more focused on employment outcomes. If we are successful, the effort will open up substantial resources for workforce development and allow service providers to deliver more efficient and effective services.

LOOKING AHEAD

As the job market continues to tighten, and employers are compelled to probe the “un-tapped” labor force in order to fill vacancies, Next Gen workforce organizations will have important opportunities to expand their services, meet employer demand and serve far more clients. Rarely has the idea of scale in the workforce development field been more meaningful. That said, Next Gen workforce organizations must change their cultures, build their internal operational capacity, and increase the efficiency and replicability of their services or they will miss this historic opportunity.

The nation’s historically tight labor market provides investors in the workforce development field a unique opportunity to move the scaling discussion beyond platitudes by investing in the capacity and service models of high performing Next Gen workforce organizations. Achieving scale requires major philanthropic and public resources invested consistently over time, at least until a significant portion of the budget can be supported by fee-for-service revenues. This may in turn require funders and investors to make hard choices: funding fewer organizations for far longer periods of time. There are few meaningful alternatives.

ENDNOTES

1. R. Sam Larson, James W. Dearing and Thomas E. Backer, “Strategies to Scale Up Social Programs: Pathways, Partnerships and Fidelity.” The Wallace Foundation, September 2017. <https://www.wallacefoundation.org/knowledge-center/Documents/Strategies-to-Scale-Up-Social-Programs.pdf>
2. Pay for Success website. <https://www.payforsuccess.org/>
3. Michael Etzel and Hilary Pennington, “Time to Reboot Grantmaking,” *Stanford Social Innovation Review*, June 27, 2017. https://ssir.org/articles/entry/time_to_reboot_grantmaking

ESSAY #3 in this series, “NOT JUST ANY JOB,” will call for and describe how Next Generation workforce organizations can leverage job market conditions to improve job quality for workers and improve employer competitiveness.

