The JOBS NOW Coalition is committed to the idea that all Minnesota workers will have the opportunity to earn a family-supporting wage.

The Coalition advances its agenda through a combination of innovative strategies:

• Market-based research, identifying the gap between the minimum wage/poverty level and a wage which allows workers to support their families without public subsidies.

• Relentless public education, revealing the common interests that employers and employees have in jobs that pay well.

• Aggressive advocacy, promoting public policies that balance the real competitive needs of both workers and business to ensure Minnesota’s economic vitality.

This broad-based, 120-member coalition of very diverse Minnesota organizations was founded in 1983 and is the largest employment policy coalition of its kind in the United States.
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**Christina Wessel**, Deputy Director, Minnesota Budget Project
The future of Minnesota’s economy depends on the future of Minnesota’s workforce. That Minnesota’s workforce is hardworking and well educated cannot be disputed. The state’s workers consistently top most national measurements of workforce quality and reliability. This is because most Minnesotans believe that hard work and education lead to economic prosperity for communities, families and individuals.

In this report we take a close look at these assumptions. By analyzing census data, we show that many of the state’s workers are trying to support families on low incomes. By analyzing state wage data, we show that too many jobs pay below family-supporting wages. We also will show major gaps in the public systems that could respond to the conditions facing many working families in Minnesota.

Many will be surprised at the precarious plight of the working poor. Others will recognize themselves, their families and their friends. We know that when workers don’t make enough to meet their family’s basic needs, they are motivated to seek better opportunities. We also believe that employers depend on workers to be healthy, productive and educated. But, as this report will show, we cannot ignore the fact that many hard-working Minnesotans are just one major illness or one high heating bill away from economic crisis.

Because the majority of the workers of the future are in the workforce now, Minnesota depends on the labor market successes of every worker in order to maintain prosperous communities. We believe that the public sector can play an important role with its resources and strategic policy making in three ways: through our public education and training infrastructure; through public policies that promote job quality; and by helping workers fill their family’s income gap when earnings are too low.

In this report we reveal the conditions of working families and of the public systems that could help them. By no means do we intend to cover everything. Rather, we highlight what we think are the key facts about low-income working adults, as well as the most important deficits in our public systems:

• A large number of Minnesotans are working, but still can’t make ends meet.
• Many Minnesota adults have no educational attainment beyond high school; a significant number do not have a high school diploma.
• Minnesota’s education and training systems aren’t well designed to reach low-skilled, working adults.
• Many low-income workers with educational attainment have experienced no corresponding gains in income attainment. Education and training doesn’t pay off unless there are enough jobs that pay well.
• When work doesn’t pay, public programs can help fill the gap, but Minnesota has disinvested in a key work support that families depend on.

We then set out reasonable, common sense proposals to improve the economic stability of these workers and their families. We call on policy makers to rethink our education and training system, to restore job quality standards in economic development and a meaningful floor on wages, and to recommit to supporting workers stuck in low-wage jobs.

We challenge policy makers to stop ignoring the plight of the working poor. The facts are there, the ideas are there, and the structure of good public policy is there. All that’s missing is the commitment to make a difference for working families in Minnesota.
SECTION ONE

Minnesota’s Low-income Working Families

Minnesotans have the highest overall labor force participation in the country. For both men and women, participation rates are high (see Graphic 1, at right). It is also worth noting that over 238,000 Minnesotans work in more than one job.

But one in five Minnesota families (about 169,000) with at least one adult worker have incomes below 200% of the federal poverty threshold.1 Two hundred percent of poverty for a family of four is approximately $40,000. While this is twice what the federal government defines as poor, it is often less than what we know it takes to meet a family’s basic needs without help from anyone. As shown in Graphic 2 (page 4), a no-frills Cost of Living in Minnesota budget for a family of four with two workers is nearly $51,000.

Graphic 3 (page 5) shows that there are many ways these low-income working families are like other Minnesota families: they are above average by national standards in terms of the percentage that work, own homes and have good educational attainment.

Most low-income working families are headed by at least one parent in their prime earning years (ages 24 to 54). These parents are beyond their prime education years, but are also far from retirement. They are workers with time to gain the experience and skills that may lead to higher paying jobs; but they are also parents with additional expenses of caring for children and greater demands on their time to parent, guide and educate them.

Though low income is often correlated to low-educational attainment, it’s worth noting that 57% of low-income working families have one parent with at least some post-secondary education. The fact that post-secondary educational attainment often fails to correspond to income attainment shows that Minnesota’s public education and training strategies need to be better targeted to low-skill adults and better linked to labor market opportunity.

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**Graphic 1:**
Minnesotans Work

At 74.6%
Minnesota has the highest overall labor force participation in the United States.

Women’s participation is 69%.

Men’s participation is 80.3%.

At 73.4%, labor force participation for non-whites is as high as the overall participation.

Over 238,000 adults in Minnesota are working more than one job.
### Graphic 2: The Cost of Living in Minnesota Statewide Average Basic Family Budgets

<table>
<thead>
<tr>
<th>Category</th>
<th>Minimum Hourly Wage</th>
<th>Average Annual Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single working parent with one child</td>
<td>$16.78 per hour full-time</td>
<td>$34,911 per year</td>
</tr>
<tr>
<td>Single working parent with two children</td>
<td>$19.62 per hour full-time</td>
<td>$40,809 per year</td>
</tr>
<tr>
<td>Two parents, one working, with one child</td>
<td>$13.91 per hour full-time</td>
<td>$28,938 per year</td>
</tr>
<tr>
<td>Two parents, one working, with two children</td>
<td>$15.78 per hour full-time</td>
<td>$32,826 per year</td>
</tr>
<tr>
<td>Two parents, both working, with one child</td>
<td>$10.14 per hour, each, full-time</td>
<td>$42,189 per year</td>
</tr>
<tr>
<td>Two parents, both working, with two children</td>
<td>$12.24 per hour, each, full-time</td>
<td>$50,928 per year</td>
</tr>
</tbody>
</table>

- **56%** of jobs in Minnesota pay less than $16.78 per hour
- **64%** of jobs in Minnesota pay less than $19.62 per hour
- **44%** of jobs in Minnesota pay less than $13.91 per hour
- **52%** of jobs in Minnesota pay less than $15.78 per hour
- **26%** of jobs in Minnesota pay less than $10.14 per hour
- **37%** of jobs in Minnesota pay less than $12.24 per hour
Minnesota’s persistent racial disparities also appear in this data. Low-income working families with at least one minority parent make up nearly half of all working families with incomes below 200% of poverty. Strategies to help low-income working parents must be better informed by unique challenges faced by low-income parents in Minnesota’s communities of color.

Low-income parents have the same economic hopes for their families that other parents have. If they are stuck with low wages, they look to public systems for help to get a better job and reduce their family’s economic insecurity. In the next three sections we will focus on the education, job quality, and work support policies that can help low-income working parents survive and advance.

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**Graphic 3: Key Characteristics of Minnesota’s Low-income Working Families**

- 88% have at least one parent between 25 and 54.
- 58% spend more than 1/3 of income on housing.
- 57% own their own home.
- 57% have at least one parent with some post-secondary education.
- 47% have at least one minority parent.
- 27% have at least one parent without health insurance.
- 23% have at least one parent without a high school diploma or equivalent.
- 17% have at least one parent who speaks English less than “very well.”
One way for a worker to increase earned income is to expand the kinds of jobs for which he/she is prepared. In this section we will look at the extent to which getting more education and skills training leads to advancement opportunities for low-income working adults, especially parents. In the previous chapter we learned that Minnesota adults in low-income working families are more likely to have a high school degree and some post-secondary education than the national average. For many of these adults, however, educational attainment has not resulted in corresponding income attainment.

**Minnesota’s labor market demands better-targeted education and training.**

Many policy discussions about the relationship between educational attainment and income revolve around the idea that “more education always leads to more income”; but this is an oversimplification of the relationship. In order to arrive at the best educational strategy for helping low-income parents increase family income, policy-makers need an understanding of the current educational attainment of adult Minnesotans, as well as the skills that employers are looking for that could lead to higher-paying jobs. Since most low-income families are headed by at least one parent between the ages of 25 and 54, the data presented will focus on prime age adults whenever possible.²

Looking beyond traditional measures like high school completion and having a post-secondary degree, the data in Graphic 4 (opposite page) reveal important educational challenges in Minnesota’s adult population:

- About one third of Minnesotans between the ages of 25 and 54 have no post-secondary education or training; almost 140,000 do not have a high school degree or its equivalent and more than 500,000 have only a high-school degree.
- Fewer than 130,000 are enrolled in post-secondary education.
- Forty-six percent of community college students need remediation.

Although Minnesota has a reputation for solid educational outcomes, relying too heavily on traditional education measures like high-school completion and degree attainment conceals the extent to which some Minnesotans are at risk of falling behind in the labor market. This is especially true in labor markets
characterized by dislocation, technological innovation and demands for worker “flexibility”—labor markets in which workers are expected to learn new skills many times over the course of their working lives.

Minnesota is in danger of resting solely on education and skill acquisition models that no longer work for the adults that could most benefit from them. While employers complain that there aren’t enough workers with skills to fill their jobs, a closer look at what they say reveals that the “skills” they seek include basic skills (see Graphic 5, page 8). Basic skills and workplace effectiveness skills are just as important to employers as evidence of degree attainment. Policy makers need to understand that these “new basic skills” are required for most jobs and often change due to technological innovation. Skills training that includes both basic and occupational skills components can meet employer needs; if designed well, it can be the first step to more traditional post-secondary education for low-skill adults.

Recent labor market data also reveal a mixed picture of skill demands in job openings and job projections. The most recent Minnesota job vacancy survey shows that the greatest number of job openings require only a high school degree. In fact, job experience is in higher demand than most categories of educational attainment (see Graphic 6, page 9). A close look at skill requirements for occupations with vacancies reveals a demand for skills that aren’t the focus of post-secondary degree programs—basic academic skills and occupation-specific skills.

Job projections also reveal a mixed demand for skills. While policy makers often focus on the rate of job growth, Graphic 7 (page 10) shows the top ten occupations by number of new jobs expected by 2014. Of the top ten occupations with the highest projected increase of jobs by 2014, only three—registered nurses, business operations specialists and computer software engineers—require post-secondary degrees.

The other top occupations all require basic skills and some require occupation specific skills that may require some post-secondary training. At the same time that many Minnesotans lack basic and occupational skills, job projections confirm that the demand for basic and occupation-specific skills is not expected to change. Minnesota’s education and training systems must adapt to help people to acquire them. Moreover, the low-income workers who most need to expand their opportunities for better-paying jobs should be the focus of these services.
Minnesota’s workforce programs for low-income adults offer little access to skills training.

A closer look at Minnesota’s policies and systems for helping low-skilled adults acquire more skills reveals two critical gaps when measured against the demand for skills in the labor market—a gap in resources and a gap in infrastructure.

First, it is worth pointing out that many workforce and employment programs are referred to as “job training” programs, thus leaving the impression that there is a significant investment in training of low-income Minnesotans. But “training” is a misnomer when applied to most “employment services” or “workforce” programs in Minnesota—such as the Minnesota Family Investment Program (MFIP) and the Workforce Investment Act programs (WIA). Most are designed to help people find jobs; if they focus on skills acquisition at all, it is for the workplace effectiveness skills that some need to get any kind of job. Moreover, MFIP is the only employment program that is targeted to low-income parents, and its rules encourage job placement and program termination, rather than education or training.

Outside of the Adult Basic Education (ABE) and post-secondary systems, there is little funding spent on basic education and occupational skills training for adults. Graphic 8 (page 11) outlines the key state programs that low-skill adults might be able to use to gain basic academic and occupation-specific skills. These programs can help an estimated 208,000 adults per year access education and skills training, which is only about 32% of the 640,000 Minnesotans who have only a high school degree or less.

The limited resources for skills training available to low-skill adults is compounded by the fact that these opportunities are offered through both employment programs (i.e. MFIP or WIA) and traditional education programs (i.e. ABE or career and technical education) that are administered by four different state-level entities—the Department of Human Services, the Department of Employment and Economic Development, the Department of Education and Minnesota State Colleges and Universities.

Minnesota is poised to bridge the education and training policy gap.

To avoid oversimplifying the demand for an educated workforce, policy makers should focus on policies and programs that promote skill attainment that is not only tied to demand in the labor market but is also likely to result in increased earnings for workers. This is especially true for low-income
Minnesotans, who have few resources (time or money) to get additional education.

An important state-level policy framework has already emerged to address the infrastructure and policy gaps. More than five years of policy analysis have been conducted by the Governor’s Workforce Development Council—first, through the McKnight Foundation-funded Families Forward Initiative; and, more recently, through the work of the Skill and Wage Advancement Committee (SWAC).

![Graphic 6: Education and Experience Requirements of Vacancies with Median Wage Offers in Minnesota, Second Quarter, 2004](image-url)
Using the lessons of the Families Forward Initiative as a starting point, the SWAC released a summary evaluation of publicly funded education and skills training services for low-income Minnesotans in June 2006. The SWAC outlined the gap in the education and training infrastructure in Minnesota: that adult education and short-term occupational skills training are not seen as important in an education system dominated by K-12 and traditional higher education (see Graphic 9, pages 12-13).

The SWAC emphasized that these basic education and occupational skills training strategies work best for low-income adults for several reasons, including:

- Low-income adults with low educational attainment often have had a poor experience in traditional educational settings, and occupational skills training is usually offered in a “learn by doing” setting that doesn’t feel like a traditional classroom.
- Occupation-specific skills training is often short-term and less expensive.

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Numeric Growth 04–14</th>
<th>Median Wage</th>
<th>Growth Rate 04–14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail salesperson</td>
<td>14,952</td>
<td>$9.69</td>
<td>17.2%</td>
</tr>
<tr>
<td>Registered Nurses</td>
<td>13,762</td>
<td>$31.53</td>
<td>28%</td>
</tr>
<tr>
<td>Food Prep &amp; Serving</td>
<td>13,217</td>
<td>$8.06</td>
<td>25.4%</td>
</tr>
<tr>
<td>Business operations specialists</td>
<td>12,084</td>
<td>$22.95</td>
<td>27.9%</td>
</tr>
<tr>
<td>Home health aide</td>
<td>11,548</td>
<td>$10.99</td>
<td>51.7%</td>
</tr>
<tr>
<td>Personal &amp; Home Care Aides</td>
<td>10,306</td>
<td>$10.94</td>
<td>42.2%</td>
</tr>
<tr>
<td>Customer Service Representatives</td>
<td>8,302</td>
<td>$15.83</td>
<td>21.2%</td>
</tr>
<tr>
<td>Janitors &amp; Cleaners</td>
<td>7,624</td>
<td>$11.05</td>
<td>17.4%</td>
</tr>
<tr>
<td>Computer Software Engineers</td>
<td>7,593</td>
<td>$23.08</td>
<td>47.4%</td>
</tr>
<tr>
<td>Waiters &amp; Waitresses</td>
<td>6,526</td>
<td>$7.56</td>
<td>13.6%</td>
</tr>
</tbody>
</table>
• Low-income workers who are parents have less time for education, so shorter-term occupation specific programs fit their current responsibilities.

The SWAC reviewed a number of successful models of skills training customized for low-income adults. It found that successful short-term training programs are characterized by strong ties to the local labor market and integrate workplace effectiveness skills. Lastly, the committee recognized that success in an adult education or occupational skills training program could be a foot in the door to more post-secondary education for adults.

The SWAC made preliminary recommendations; more importantly, however, its report formed the basis of the Governor’s Workforce Development Council’s (GWDC) cross-agency Shifting Gears Initiative now underway. The purpose of the cross-agency initiative is to align state policies and resources with the goal of improving access to skills training that lead to marketable credentials for low-income, low-skill adults. In addition to the

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**Graphic 8: A 2005 Snapshot of Minnesota’s Investments in Basic Education and Skills Training for Less-skilled Adults**

**WORKFORCE INVESTMENT ACT**
In program year 2005, **2,732** adults were served in the WIA adult program. There were approximately 1700 instances where WIA funds paid for some kind of training for an individual, 1400 of which were classroom-based occupational skills training.\(x\)

**MJSP LOW-INCOME WORKER TRAINING GRANTS & PATHWAYS GRANTS**
In 2005, the MJSP Board awarded sixteen grants to employment services providers to pay for short-term skills training for **1,236** individuals.\(x\) In the same year three Pathways grants were awarded to train **746** low-income adults over a three-year period.\(x\)

**ADULT BASIC EDUCATION**
**80,452** were enrolled in Adult Basic Education (ABE) Services.\(x\)

**POST-SECONDARY CAREER AND TECHNICAL EDUCATION:**
In 2005, **123,262** students were enrolled in career and technical education.\(x\) In 2005, 36,597 of career and technical students were economically disadvantaged.

**MINNESOTA FAMILY INVESTMENT PROGRAM**
MFIP funding is not a resource for low-income Minnesotans to get help paying for education or skills training.\(x\) While approximately 10% (4,546) of the 43,078 MFIP caregivers were in any kind of education or training activity in the first six months of 2005, only 1,753 were in a training program. The rest were participating in ABE, GED or English as a Second Language (ESL) classes.\(x\) Most likely, these education and training services are paid through ABE, WIA or with financial aid.
Shifting Gears process, the ABE program has launched an initiative to better link adult basic education programming to post-secondary opportunities. The confluence of these two initiatives is a great opportunity (see Graphic 10, opposite page).

**Recommendations**

Minnesota must rethink its approach to education and skills training. In order to help workers find better job opportunities, education and training strategies must be narrowly tailored to the skills they need, the skills that employers want and jobs that pay well. This is especially true for low-income working adults who lack basic skills, as well as those who are parents.

As the data shows and the GWDC policy analysis has shown, Minnesota has no infrastructure that creates pathways from basic skills into education or training programs that have a payoff in the labor market. But the foundation for a major public policy response exists in the Shifting Gears Initiative, as well as in the ABE to post-secondary initiative.

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**Graphic 9: Bridging the Gap in the Education Training Infrastructure**

**EMPLOYABILITY**
- High School
- Rehabilitation
- Transitional jobs
- Soft skills

**SKILL PREP**
- Remedial education
- GED
- ESL
- Workplace English
- Development classes
- Soft skills

**TRANSFERABLE SKILLS**
- Non-credit occupational
- Basic computer
- Transferable
- Soft skills

**OCCUPATION OR INDUSTRY-SPECIFIC**
- Occupational or industry certificate
- Employer specific
- Sector specific
- Demand driven
- Soft skills
If policy-makers are committed to a public education and training infrastructure that works for low-income workers, especially parents, they will have to make more resources available. But the resources must be invested in a new approach to its infrastructure, and the first steps by policy makers must include:

- Establish a state-level framework to fund and incent education and training strategies that integrate basic skills (ABE and ESL) with occupational skills (both non-credit and credit); and
- Evaluate what amount of post-secondary educational attainment pays off in the labor market, and target resources to education and training strategies that have the potential to pay off.

These recommendations focus on a key gap in Minnesota’s education and training system, not because the other parts of the system are perfect but because we believe that the glaring gap in the system is the main systemic barrier for low-skilled working adults who want to use education and training to get ahead.

The grey steps on this chart identify and name the critical education and skills training that occurs outside the traditional employability and higher education systems. The GWDC Skill & Wage Advancement Committee found that there was no statewide strategy to support and enhance this part of the education and training infrastructure. The Committee identified these type of short-term training to be a key advancement strategy for low-income workers.

GWDC Skill and Wage Advancement Committee, May 2006
When low-income workers look to the labor market for solutions to their family’s economic insecurity, what do they find? In this section we explore state policies that can improve the opportunities available in the labor market by improving state policy for business subsidies, customized training, and labor market standards. This is a policy area in which the groundwork has been laid. The policy levers exist if policy makers choose to use them.

**Minnesota’s labor market has a large number of low-wage jobs.**

Minnesotans are used to hearing that the state’s economy is strong. Traditional measures of economic performance indicate that Minnesota—mostly the Twin Cities—weathers economic downturns with relative ease. More recently, however, Minnesota has fallen below the national average in two economic indicators: the unemployment rate and job growth. Recent census data showed that wages for full-time workers in Minnesota continued to stagnate over the past year. Moreover, it’s easy to get stuck in a low-wage job because there are so many of them. Graphic 11 (opposite page) outlines the number of low-wage jobs by three different measures.

By measuring every job in Minnesota by three different wage measures, we find that at least one in ten jobs pay very low wages (less than $7.75), and more than a third of jobs pay less than what each worker in a two-worker family of four must have just to meet their basic needs (less than $12.24). If working families are expected to find the solution to their economic challenges in the labor market, it’s worth knowing that, regardless of educational attainment, low-income adults face a job market in which more than one-third of jobs pay less than $12.24 per hour.

State policy makers can improve opportunities in the labor market for low-income workers in three important ways: refocusing on job quality in business subsidy policy; investing in workers as an economic development strategy; and establishing strong employment standards.
Minnesota can promote better job opportunities through business subsidy policy.

Like most states, Minnesota focuses its economic development policy on giving money to businesses that promise to grow. This policy approach is based on the theory that if a business has more money to invest, it will grow, and that an important result of this growth is an increase in the number of jobs. Minnesota provides direct assistance to business through grants and loans. For example, over $5 million per year is made in loans through the Minnesota Investment Fund. Significant financial benefit accrues to businesses in the form of tax breaks and tax credits. In 2006, for example, a total of $26 million in tax benefits and credits accrued to businesses through the JOBZ program.

Minnesota has an established policy foundation for its assistance programs for businesses:

- **Disclosure:** Minnesota law has strong disclosure requirements for public assistance paid to businesses. The purpose of Minnesota’s disclosure laws is to provide information to policy makers and the public in order to evaluate the investment of state resources. Disclosure requirements apply to most state and local economic development programs whether they directly grant or loan funds to business or provide tax relief.

- **Wage standards:** Minnesota’s two flagship economic development programs—the Minnesota Investment Fund and the JOBZ program—have minimum wage requirements for business subsidy recipients. Jobs count under job creation requirements only if they pay a wage of at least

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**Graphic 11: Three Measures of Low-wage Jobs**

- **37% of jobs pay less than $12.24/hour**
- **20% pay less than $9.27**
- **11% pay less than $7.75**

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10% of the federal poverty level for a family of four. This amounts to $10.92 in 2007, but businesses can also include the value of benefits not mandated by law.

While Minnesota’s key economic development programs are designed to improve job quality and benefit economically distressed parts of the state, it is a challenge to assess the economic results of these investments using the information disclosed under state law. Recent attempts to use the public information revealed that the data collected by the state fails to evaluate the economic impact of the subsidies. While job creation goals, number of jobs and wage levels are reported, there is no way to evaluate whether new jobs would have been created without the subsidy, whether the quality of the jobs are better because of the subsidy, or whether more low-income Minnesotans were able to get better jobs because of the subsidy.

In order to use the state’s key business assistance programs effectively, policy makers must have relevant information. Minnesota’s disclosure law can be improved to help policymaking decisions. Moreover, if policy makers intend that business assistance result in quality job creation, the programs must intentionally measure outcomes that are related to job quality.

We believe two excellent models exist that Minnesota could use; both could build on the existing public disclosure and program priorities. First, Minnesota could improve business subsidy reports and related information if they were organized online through a searchable public database. A good example of this kind of information system exists in Illinois and can be found online at: http://www.corpacctportal.illinois.gov/ProgressReports.aspx.

Second, Minnesota and local economic development officials could expand their evaluation of job quality beyond a simple wage requirement tied to the federal poverty line. The Northwest Area Foundation (NWAF) has developed a metric that they provide to community developers to help them evaluate the job quality outcomes of their investments (see Graphic 12, at left).

The NWAF job quality metric could serve a dual purpose: evaluating the potential jobs for a community, and educating economic developers and businesses about more aspects of job quality than just wage levels.

**Minnesota must invest in workers for economic development.**

In addition to giving resources to businesses and hoping the result is net job growth, Minnesota has a history of investing in workers to help businesses grow. Two general strategies have been used in Minnesota:
• Customized training: developing skills training for employees in specific companies for re-tooled jobs; and

• Subsidized jobs: paying a portion of the wages so that employers can hire more people.

While both of these strategies exist now in Minnesota, customized training is rarely targeted to low-income Minnesotans and resources for wage subsidies are limited.

At its core, customized training is an economic development strategy targeted to help businesses grow and become more productive through retraining of workers. In Minnesota, customized training is funded through the public system in two key ways: $11 million is allocated to local institutions through the Minnesota State Colleges and University system; and $6.5 million is spent on grants made by the Minnesota Job Skills Partnership Board to partnerships between training providers and businesses. Both of these public resources leverage private resources. The $11 million in customized training services through MnSCU institutions leverages about $30 million in private resources. MJSP grants require at least a one-to-one match from employer partners.14

While customized training is an economic development strategy, Minnesota recognized it as a strategy to help low-income workers advance when it created a new MJSP grant program in 1997—the Pathways program—targeted to low-income Minnesotans. Since 1997, 28 Pathways grants have been awarded totaling $3.1 million. Initially funded with federal TANF funds, Pathways grants are now funded with state funds.15 Unfortunately, Pathways has never been a robust tool for helping low-income workers get into better paying jobs (see Graphic 13, at right). In 2007 the legislature made changes to the Pathways program to better link it to service providers that serve low-income Minnesotans.16 But the Pathways grant program is the only programmatic tool that ties Minnesota’s economic development investments to opportunities for low-income Minnesotans. The program’s structure also lends itself to an emerging policy focus adopted by Minnesota in 2006: a focus on sector strategies.

“Sector strategies” is a catch-all term that refers to workforce programming that targets an industry sector. Minnesota is in the processing of exploring the role that sector strategies can play in economic and workforce development programming. The state has participated in the National Governors Association’s Sector Skills Academy since 2006 and has spent $475,000 in one-time funding on pilots of sector partnerships.

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Graphic 13:
Ten Years of Minnesota Job Skills Partnership Pathways Grants

- Twenty-eight projects were completed from 1998–2007
- $3.1 million was actually spent (55% of original grant awards)
- 3,167 low-income individuals were trained (68% of the proposed trainees)
- Individual projects received grants that ranged from $17,000 to $320,000 with an average of $106,000
- Pathways grants leveraged $5.5 million from business partners (about 50% of what was planned)
- Placement wage averages for projects ranged from $8.36 to $16.25.14

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Minnesota’s sector initiatives are not targeted at this time—no policy or outcomes have been set to focus sector strategies to low-income Minnesotans. But there are well-developed approaches to sector strategies that focus on low-income individuals, as well as on job quality (see Graphic 14, at left). Sector strategies in Minnesota must focus on low-income adults, and the underutilized MJSP Pathways grants are an obvious policy and resource lever. Pathways grants that use an NNSP sector approach would be a way to tie a sector initiative to better opportunities for low-income Minnesotans.

Subsidizing a portion of wages for jobs is another economic development strategy that helps employers expand employment and also helps un- and underemployed workers get jobs. In the 1980s, Minnesota led the nation with a highly successful direct wage subsidy program, created to respond to high unemployment. The Minnesota Employment and Economic Development Program (MEED) created 43,000 jobs for unemployed Minnesotans.

Though the program was discontinued after Minnesota’s economy rebounded, wage subsidies continue to be used to provide employment opportunities.

Wage subsidies are effective for individuals who cycle in and out of low-wage jobs, particularly when they include skill development. Most recently in Minnesota, successful projects with elements of wage subsidies, job coaching, skill development and support services have been deployed in the welfare and corrections populations. These initiatives have largely been funded through a variety of public and private resources without any state-level program.

For the first time since the MEED program, the Minnesota Legislature appropriated approximately $4 million for 2008 and 2009 for counties to develop transitional jobs strategies for MFIP participants (unfortunately, Governor Pawlenty vetoed the second year of funding).

Minnesota has targeted economic development strategies that invest in workers by using customized training and providing wage subsidies to expand job opportunities for low-income Minnesotans on only a limited basis. In a weak labor market, these are key strategies to keep the most disadvantaged unemployed workers working and learning new skills.

**Minnesota can improve basic job quality standards.**

In addition to establishing wage standards for business assistance, Minnesota can use state policy to establish basic job quality standards across the labor market. A minimum wage policy is used to set a meaningful floor on wages and serves as a reference point for wages around it. It plays an important role...
in determining the wages of the state’s overall workforce, especially for workers with only a high school education and for those living in rural areas.

Although the federal minimum wage was increased to $5.85 in July and Minnesota’s minimum wage is set at $6.15 per hour, the minimum wage continues to lag. If it had kept pace with inflation it be would over $9.00 per hour. Because of years of federal inaction, state legislatures have continued to keep the minimum wage standards moving up. Graphic 15 (below) summarizes the state minimum wage standards in the thirty-one states and the District of Colombia where they are set higher than the federal.

It is often assumed that hardly anyone spends much time in minimum wage or other low-wage jobs; but this is not true. A 2005 study on the mobility of workers in low-wage jobs found that over a third of workers between the ages of 25 and 64 in minimum wage jobs were still in them three years later. Moreover, a recent analysis found that once finished with school, 15% of women and 16% of blacks spent at least half of the first ten years of their careers in jobs that paid no more than $1.50 above the minimum wage.
Raising Minnesota’s minimum wage is a key strategy in maintaining job quality in local labor markets, and it most directly affects workers in the lowest-wage jobs. While setting a floor on wages is a common policy approach to improving labor market opportunity for the lowest-wage workers, states are looking increasingly at other common sense standards for jobs.

One of the most important of these standards is paid sick leave. For many who depend on paid time off as a basic standard of a job, it might be surprising to know that, nationally, 56% of workers in low-wage occupations do not have access to paid sick leave.21

Paid time off means that a worker can take the time to get better when sick, nurse a family member back to health, and prevent the health impacts of the overworked. Requiring all jobs to offer a minimum number of paid sick days would improve the quality of jobs at the lowest end of the labor market, thereby improving the employment opportunities for low-income Minnesotans.

**Recommendations**

Since Minnesota has a weak job market and no shortage of low-wage jobs, policy makers should consider the following strategies to improve opportunities for low-income individuals:

- Monitor and evaluate business assistance for quality job creation by providing accessible job creation data and piloting the Northwest Area Foundation Wage and Benefits Metric as an evaluation tool;
- Leverage the Minnesota Job Skill Partnership Pathways grant program to target sector training strategies to low-income Minnesotans;
- Restore the second year of supported work grants in the Minnesota Family Investment Program and explore expansion of funding to support other wage subsidy strategies;
- Increase the state’s minimum wage and make future increases predictable by adjusting the state minimum wage annually to inflation; and
- Explore the implementation of a paid sick leave standard.
Besides having higher wages, a better quality job is one that offers benefits to insure the worker and his or her family against unexpected economic insecurity. Most workers do not make ends meet on their wages alone. Many workers are able to maintain a decent standard of living through a combination of wages and on-the-job benefits, such as employer-provided health insurance and retirement plans.

Affordable health insurance means that a worker can afford to keep his or her family well and prevent a serious illness from occurring or getting worse. Retirement benefits means that a worker can plan for economic security when old age prevents the worker from participating in the labor market.

Workers in low-wage jobs are the least likely to get benefits to supplement their earnings. Moreover, the percentage of all jobs that offer benefits is decreasing. Ten percent of adults in Minnesota age 18 to 64 have no health insurance of any kind (government or employer-sponsored). About 80% of full-time workers in Minnesota are offered health insurance and about 65% participate. About 16% of part-time workers are offered health insurance in Minnesota and about 8.6% participate. Access for low-wage workers is worse: in industries with a low median wage, the percentage of employees is lower; and the take up is lower still.

Regardless of family size, a worker in Minnesota needs to earn at least $10 per hour just to meet their family’s basic needs. Workers in low-wage jobs face a gap in earnings and are likely to face a gap in benefits as well.

To some extent the public sector helps workers in low-wage jobs bridge the gaps between earnings/benefits and basic needs with public work supports. In the 1980s and 1990s, Minnesota lead the country by leveraging federal work support programs to expand targeted programs for low-income working families:

- Minnesota policy makers created the Minnesota Working Family Credit to augment the federal Earned Income Tax Credit.
- Minnesota designed a child care assistance program that could help all low-income families on a sliding fee basis. The program was never fully funded,
but the program was designed to reflect the market conditions that working parents confront when paying for early care and education for their children.

- Minnesota lead the nation in creating MinnesotaCare—subsidized health insurance designed to reach most low-income Minnesotans.

The Working Family Credit/Earned Income Tax Credit (WFC/EITC) and child care assistance help families bridge the gap between low earnings and basic needs. Public health insurance programs, such as MinnesotaCare, help families bridge the benefits gap for workers in low-wage jobs. Even the business community has come to support these kinds of “work supports”—recently the U.S. Chamber of Commerce published a primer for its members on how to help low-wage workers access the public work supports.

But the foundation of Minnesota’s work supports was seriously weakened when the state budget experienced a deep deficit in 2003. Not only was funding cut, but significant policy changes in the child care assistance and subsidized health insurance programs resulted in the exclusion of many low-income working Minnesotans and their children from qualifying for help.

Graphic 16: Minnesota’s Work Support Programs Fail to Reach Many Families

![Bar chart showing eligibility and coverage gaps for different work support programs.](Source: Bridging the Gaps Project)
A recent analysis of public work support programs in Minnesota found that many low-income working families who struggle to make ends meet neither qualify for help from public programs nor get benefits through their employer.\textsuperscript{24} Even some families that are eligible for public programs don’t receive them (see Graphic 16, opposite page).

The Bridging the Gaps research project found that when the WFC/EITC, MinnesotaCare, and the child care assistance program data is analyzed against the standard of a basic needs budget, less than half of the working families that need help in Minnesota are eligible under any work support program. This is the “eligibility gap” in these programs.

Further analysis showed that each program also has a “coverage gap”—not everyone who is eligible always gets help. While the WFC/EITC and the health care programs are successful at reaching most of those who are eligible, fully 3/4 of those who are eligible to use the child care assistance program don’t get help. This is because Minnesota made significant cuts to the child care assistance program funding, but hasn’t recouped those funding losses despite a significant need amongst low-income working families. By October 2007, 3,691 families were on waiting lists for child care assistance.\textsuperscript{25}

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**Graphic 17: Work support programs can interfere with work**

In late 2006 the Bridging the Gaps project conducted focus groups in Willmar, St. Paul and Duluth. Ironically, parents described how work support programs actually interfere with work:

“And then they say your meetings are more important than going to work. ... I missed my meeting because I had orientation for a new job....And I think it’s stupid because you go to to the meeting so they tell you to get a job, but you have to miss work to go to the meeting.”

“My kindergartner never showed up at the day care; they called me at the job, so I left the job to go look for him...That made me miss two hours of work; they sanctioned me like $200 for that two hours of work and that employer said, “I’m not going to let you make it up.”

“Yeah, you may be even able to qualify for something, but then the process that it takes in order to receive it is really lengthy, and if you’re working, you can’t just take off work, you know, for several hours or every other day to get these resources.”

“But you have to make an appointment if you’re applying for certain things. You have to make an appointment and it can’t be after 2:00. It’s like, normal people would probably be at a job during 2:00, so I’m sorry if I can’t come.”

“But think of all the time you have to take off of work, too, to go get all the documents and you can’t do it all in one day, so I’ll do it these five days, but then I didn’t get it in to you on time, so I have to re-go and get it because it has to have this date.”
In order to understand how families managed their family budgets on low-wage jobs, the Bridging the Gaps project conducted five focus groups in Minnesota. Parents were asked about their experiences trying to make ends meet with and without help from public work supports. Parents identified three key barriers in accessing public work supports:

- Administrative barriers that interfere with work;
- Low levels of income eligibility; and
- Requirement to be completely destitute before getting help.

The comments of parents about the administrative burdens were often illuminating (see Graphic 17, page 23). More than one parent reported that she was required to attend meetings with caseworkers during work hours. In addition, most work support programs require new reporting and verification whenever income changes; low-wage jobs are characterized by unstable work hours and unpredictable schedules, which means that earnings can easily change from week to week because hours worked and schedules change so often. This revealed a program design problem that should be fixed.

Parents also recommended an emergency fund that becomes available before a family is reduced to complete destitution. It is worth noting that Minnesota eliminated its statewide emergency assistance program in 2003. Since then, fewer families have been able to get help from county human services departments due to less funding and more restrictive requirements.26

**Recommendations**

Minnesota’s public work support structure has been significantly weakened. Since the state already has the policy structure to help low-income working parents, it is time to restore the resources. Moreover, Minnesota can improve the work support structure if it listens to the experiences and recommendations of low-income working parents themselves.

Minnesota policy-makers must:

- Rebuild Minnesota’s child care assistance program. The coverage gap in Minnesota’s child care assistance program can be bridged through increased funding; the eligibility gap can be bridged by raising the initial income eligibility requirements;
- Reduce paperwork, administrative, and reporting requirements that interfere with work; and
- Explore the institution of a statewide fund to help working families with emergency financial costs.
100% of the federal poverty threshold in 2005 is used in this data and amounts to about $20,000 for a family of four.

“Prime-age adults” is a common category used in labor market analysis.

This term is used to include what are commonly known as “soft skills.”

See http://www.affirmativeoptions.org/ for description of programs requirements for MFIP; click on “new rules” on the right hand column.

A good summary of the Families Forward Initiative can be found in the final evaluation report from Wilder Research: http://www.wilder.org/357.0.html?no_cache=1&tx_ttnews[cat]=35

The “Skill & Wage Advancement Committee Final Report” can be found online at: http://www.gwdc.org/publications.htm

For many years Minnesota’s unemployment rate has fallen well below the national average. Minnesota’s unemployment rate began to creep up at the end of 2006 and kept pace with or was above the national average for most of 2007. See also, Minnesota Department of Finance, “November 2007 Economic Forecast,” p. 11.

Wage analysis on file with author. See also http://www.epi.org/content.cfm/webfeatures_snapshots_20080220se

See, for example: Alan H. Peters and Peter S. Fisher, State Enterprise Zone Program: Have They Worked?

www.deed.state.mn.us/programs/mninvestfund.htm


Minimum wage requirements are found in Minnesota Statutes section 116J.8731, subd.5 for the Minnesota Investment Fund and in Minnesota Statutes section 469.310, subd. 11(g) for the JOBZ program.


Author’s communication with Richard Tvedten, System Director for Customized Training/Continuing Career Education, Office of the Chancellor, Minnesota State Colleges & Universities.

Pathways grants do not have separate funding, but are one of the types of grants that can be funded out of the state general fund appropriation for the MJSP grants.

These recommendations were based on the work of the GWDC Skill & Wage Advancement Committee.

The national Transitional Jobs Network is a network of professionals across the country who develop, implement and evaluate transitional jobs strategies for low-income populations. More information can be found at http://www.transitionaljobs.net/

In 1968 the minimum wage was $1.60 per hour and had the most purchasing power in its history; using the U.S. Bureau of Labor Statistics Inflation Calculator, its value would be $9.27 in 2006.


Occupations with an average wage of less than $15 per hour.

In 1968 the minimum wage was $1.60 per hour and had the most purchasing power in its history; using the U.S. Bureau of Labor Statistics Inflation Calculator, its value would be $9.27 in 2006.

“Forthcoming research report from the Legal Services Advocacy Project.”
Endnotes for Graphics

i Data generated by the Population Reference Bureau from the American Community Survey, 2005.

ii Family budget and wage data can be found in the 2007 Cost of Living in Minnesota report online at: www.jobsnowcoalition.org. All wage data is from the Minnesota Department of Employment and Economic Development.

iii Data generated by the Population Reference Bureau from the American Community Survey, 2005.

iv Educational attainment data generated by the Population Reference Bureau from the American Community Survey, 2005.


viii Nan Maxwell, The Working Life: The Labor Market for Workers in Low-Skilled Jobs, p. 2. Maxwell defines a low-skilled job as one that requires a worker to have no more than a high school education and no more than one year of work experience. Maxwell summarizes “new basic skills” as basic academic, problem-solving, and communication skills.

ix Minnesota Job Vacancy Survey, 2nd Quarter 2007 found at www.deed.mn.us/lmi/publications/jobvacancy.htm

x OES wage and employment data and Minnesota Employment Outlook data are all found at http://www.deed.state.mn.us/lmi/jobs.htm

xi Minnesota Department of Employment and Economic Development, PY 2005 Minnesota Workforce Investment Act Annual Report, p. 14; customized data is from program staff and is on file with author.

xii This estimate is based on the author’s analysis of grants awarded in 2005 and may not reflect the actual number of individuals that were trained with the funds. Grantees have up to two years to spend funds. The MJSP Low-income Worker Grants are made at the discretion of the MJSP board and do not have a separate budget.

xiii Pathways grant data is from MJSP staff and is on file with the author.


xv Data provided by staff at the Office of the Chancellor, Minnesota State College and Universities.

xvi Counties administer the employment services component of the MFIP program with funds from the MFIP Consolidated Fund. Counties are not required to report how much of these funds are used to pay for education or training activities. Based on conversations with county staff that administer the fund and the MFIP services, it is very unlikely that any of these funds pay for occupational skills training or adult education since counties use the same funds (which have not increased in five years) to pay for financial workers, job counselors, client services (transportation, interview clothes, etc), administration, and emergency services.

xvii MFIP participation data is from the Minnesota DHS Data Warehouse and PAID provided on 3/27/06 to Deborah Schlick, Affirmative Options Coalition.

xviii All employment figures are from the Minnesota Department of Employment and Economic Development. The minimum wage is adjusted for inflation for 2007 based on the minimum wage’s highest purchasing power ($1.60 in 1968) using the Bureau of Labor’s inflation calculator found at: www.bls.gov. A bill to increase the minimum wage is being considered by the Minnesota Legislature. House File 456/Senate File 875 can be found at: www.leg.state.mn.us.

xix All MJSP Pathways data was received by the author from MJSP program staff. Placement wages are reported as a weighted average and are not adjusted to 2007 dollars.
