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April 25, 2008

The Honorable Richard Cohen  
Chair, Finance Committee  
Minnesota Senate  
121 Capitol  
St. Paul, MN 55155

Representative Lyndon Carlson  
Chair, Finance Committee  
Minnesota House of Representatives  
479 State Office Building  
St. Paul, MN 55155

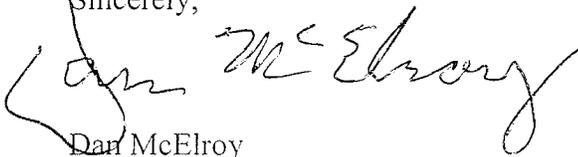
Dear Senator Cohen and Representative Carlson:

As required by Minnesota Session Laws 2007, Chapter 135, Article 1, Subdivision 3, enclosed is the report, *Minority Workers in Minnesota: Today & Tomorrow*. This report is being sent to you later than provided in session law. Minnesota Department of Employment and Economic Development (DEED) staff met with Representative Joe Mullery, the principal author of the legislation, to discuss project timelines and he agreed that we needed to take the time required to complete a comprehensive report.

To fulfill the law's requirements, DEED hired a researcher to develop and complete the report. The researcher's work provides excellent background on this important issue and the information should be useful as the legislature discusses how Minnesota might promote employment opportunities for minorities. However, the Pawlenty Administration has reservations about some of the recommendations made by the reports authors. As such, DEED respectfully submits the report for your consideration.

If you have further questions on this topic, please contact me or Rick Caligiuri (Director, Job Seeker Services) at 651-259-7533.

Sincerely,



Dan McElroy  
Commissioner

Cc: Governor Tim Pawlenty  
Senator David Tomassoni  
Senator James Metzen  
Representative Joe Mullery  
Representative Tom Rukavina

## Minority Workers in Minnesota: Today & Tomorrow

Minnesota consistently ranks high on overall indicators of educational performance and economic well-being.<sup>1</sup> But the fruits of the state's prosperity are not shared by all. Except for Asians<sup>2</sup>, Minnesota's minority populations fare worse than whites on a host of interrelated measures, including income, educational achievement, unemployment, and poverty rates, as Table 1 shows.

**Table 1. Selected Outcomes by Race, Minnesota, 2005**

	African American	Latino	White	American Indian	Asian
Median Household Income	\$25,183	\$39,452	\$53,792	\$35,275	\$53,916
Educational Attainment					
High school grad or higher	81.0%	59.9%	92.4%	80.0%	77.6%
Bachelor's degree or higher	20.8%	14.3%	31.3%	13.9%	39.1%
Labor Force Participation Rate	74.0%	79.4%	72.1%	66.5%	67.4%
Unemployment Rate	11.9%	7.8%	3.4%	20.3%	4.7%
Percent Below Poverty	33.3%	21.2%	7.2%	26.7%	17.2%

U.S. Census Bureau, 2005 American Community Survey

The economic effects of these disparities are likely to become more obvious as Minnesota's (mostly white) population ages and the baby boomers begin to retire, taking their skills with them. Increasingly, employers will rely on the state's growing minority populations to fill its jobs. It is incumbent upon us, then, to make sure that our education and job training systems prepare these populations well.

The statutory intent of this report is to examine "ways to promote employment opportunities for minorities, with a particular focus on opportunities for African Americans, in the state of Minnesota." Inequality has characterized economic opportunities and outcomes for black Minnesotans relative to their white counterparts for generations. Table 1 shows, for example, that among minority groups in the state, African Americans suffer the highest rates of unemployment and poverty – rates that are at least three times higher than those for whites. While this report focuses on African Americans, it also examines data on other minorities – many of whom are recent immigrants with limited English skills, and thus, face their own unique challenges surrounding education, job training, and employment.

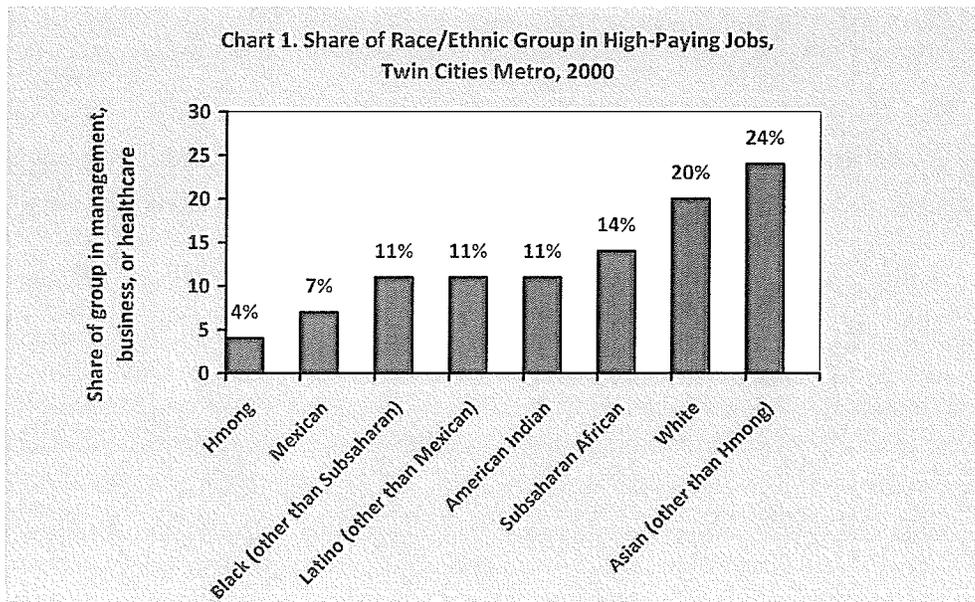
### Minority Employment in Minnesota

Let's begin by looking at the current status of Minnesota's workforce, with a focus on the racial composition of certain industries and occupations in the state. Minority workers tend to be concentrated in industrial sectors and occupations that are at the low end of the wage scale. For example, minority workers, who constitute just over 9 percent of the state's current labor force, make up 15 percent of the workforce in the low-paying food preparation and serving industry (where the median wage is just \$8.98 per hour) and 17 percent in building and grounds cleaning and maintenance (where the median wage is \$11.71 per hour).<sup>3</sup>

Within industries, we find disparities along racial lines as well. In the health care field, for example, minorities are underrepresented among practitioners and technicians (about 5 percent of these occupations are filled by minorities), occupations that pay a median wage of \$28.37. They are disproportionately

congregated in the lower-paying health care support occupations (where the median wage is \$12.96 per hour, and minorities constitute 15 percent of the total workforce). Home health and nursing aides – who earn a median wage of \$11 to \$12 per hour, some of the lowest wages in the health care field – have an especially high concentration of minority workers (18 percent).<sup>4</sup>

In the Twin Cities, where most of the state’s people of color live and work, racial inequality in the composition of occupations is quite stark. Chart 1 below shows, for example, that 24 percent of non-Hmong Asians and 23 percent of whites in the Twin Cities work in the five highest paying occupational groups: management, legal, computer and math, architecture, and health care practitioner. These occupations, on average, pay from \$60,000 to \$97,000 annually. By comparison, just 11 percent of blacks and 7 percent of Mexicans hold positions in these fields.<sup>5</sup>



The Brookings Institution, *Mind the Gap Reducing Disparities to Improve Regional Competitiveness in the Twin Cities*, 2005.

Meanwhile, only 10 percent of whites and 13 percent of non-Hmong Asians hold jobs in the Twin Cities’ five lowest-paying occupational groups – health care support, farming, building cleaning and maintenance, personal care, and food preparation. Fully 28 percent of Mexicans and 21 percent of blacks work in these jobs, which have an average annual salary ranging from just \$18,000 to \$27,000.<sup>6</sup>

The overrepresentation of minorities in Minnesota’s low-wage jobs mirrors national patterns. One recent analysis of African Americans in the labor market, for example, found that over half (57 percent) of all black workers in the U.S. hold low-wage jobs, compared to 44 percent of all white workers. The problem of low-wage work exists even among African Americans who work full time: more than half (54 percent) of full-time black workers receive low-wages, compared to 39 percent of full-time white workers.<sup>7</sup>

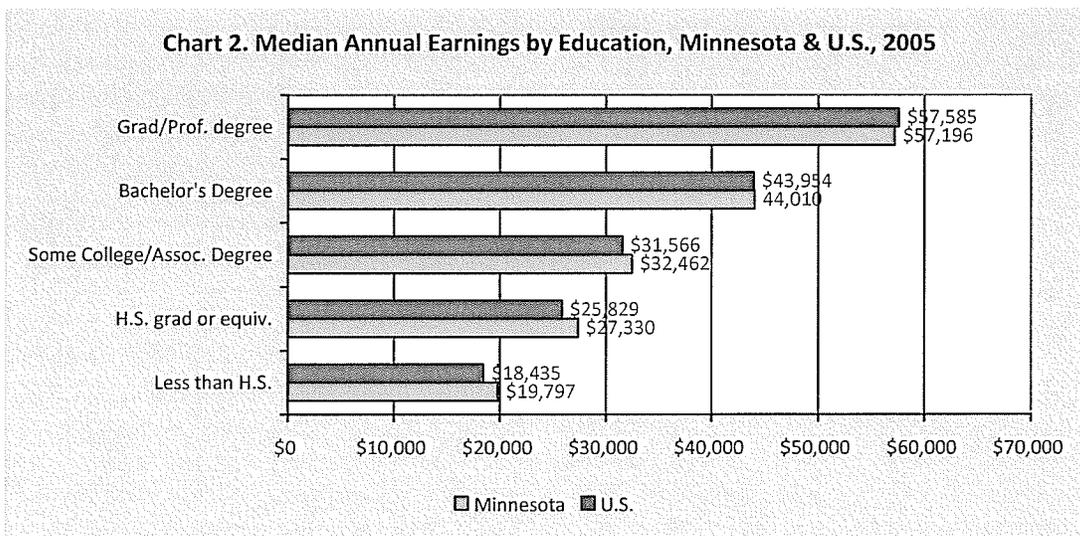
The concentration of minority workers in the nation’s lowest-paying jobs can be traced to many probable causes. Among these is a bifurcated educational system that, despite tremendous progress since the days of mandated segregation, continues to see higher levels of achievement among its white students than its students of color. While some states do a much better job than others in achieving educational equality, the achievement gap between white students and students of color is a persistent problem in states across the country, Minnesota included.

## Racial Disparities in Education

Racial disparities in educational achievement begin in Minnesota's elementary schools and persist through our colleges and universities. Standardized state tests reveal that white students are meeting K-12 standards in math, reading, and writing at rates that outpace students of color.<sup>8</sup> The gap is particularly significant between white and African American students: in 2005, for example, only 35 percent of African American students passed the eighth-grade Minnesota Basic Skills Test (BST) in math, compared to 74 percent of whites. The same year, 56 percent of African American students passed the BST in reading, while nearly 90 percent of whites did.<sup>9</sup>

Further, students of color are much less likely than their white counterparts to graduate from high school in four years. Just 44 percent of African American students complete high school on time with a regular diploma, whereas 83 percent of white students do.<sup>10</sup> Nearly half (48 percent) of Minnesota's white high school graduates in 2004 immediately enrolled in one of the state's colleges or universities; 44 percent of high school graduates of color did. This is an important measure because the rate at which recent high school graduates immediately enter college is an indication of overall college readiness, college-going behavior, and the effectiveness of college awareness programs.<sup>11</sup>

Unequal achievement across racial groups continues at the postsecondary level, which has a direct impact on earning power, as Chart 2 makes clear. Earnings are highly stratified by education; a postsecondary degree plainly increases the likelihood of obtaining marketable skills that pay off in the labor market.



Source: U.S. Census Bureau, 2005 American Community Survey

But many Minnesotans, especially among minority populations, lack these important educational credentials. Table 2 shows, for instance, that about 18 percent of Minnesota's Latino and Asian adults have some college or an associate degree (and that 40 percent of Latinos have less than a high school diploma), compared to approximately 32 percent of both whites and African Americans. Only 12 percent of African Americans in the state have a bachelor's degree – which provides an \$11,548 boost in median earnings over those who have some college or an associate degree – while nearly 22 percent of whites have a bachelor's degree.

**Table 2: Educational Attainment by Race, Minnesota, 2005**  
Population 25 yrs and over

	African American	Latino	White	American Indian	Asian
Less than High School Diploma	19.0%	40.1%	7.6%	19.2%	22.4%
High School Graduate or Equivalent	27.8%	27.0%	28.3%	33.0%	20.6%
Some College/ Associate Degree	32.4%	18.6%	32.9%	34.0%	17.9%
Bachelor's Degree	12.4%	9.3%	21.6%	9.1%	19.4%
Graduate/Prof. Degree	8.3%	4.9%	9.6%	4.8%	19.6%

Source: U.S. Census Bureau, 2005 American Community Survey

Table 3 provides a more nuanced look at college enrollment and degree completion rates in Minnesota by race. For instance, students of color enroll at a rate that is about equal to their share of the state's population, but they are not completing degrees at the same rate as their white counterparts. Students of color at the state's two-year colleges, for example, comprise nearly 13 percent of total enrollments, but just 10 percent of credentials awarded.

**Table 3: College Enrollment & Degree Completion by Race, Minnesota, 2004**

Race	Two-year Institutions		Four-year Institutions	
	Proportion of Total Enrollment	Proportion of Credentials Awarded	Proportion of Total Enrollment	Proportion of Bachelor's Degrees Awarded
African American	6.8%	4.7%	2.7%	2.0%
American Indians	1.0%	1.0%	0.8%	0.6%
Asian	3.4%	2.9%	3.9%	3.3%
Hispanic	1.5%	1.3%	1.3%	1.2%
White	71.0%	73.8%	72.0%	80.3%

Source: Minnesota Office of Higher Education, *Minnesota Measures 2007* (from Integrated Postsecondary Education Data System, 2004)  
 Note: The percentages don't add up to 100% vertically, as data on foreign students and those for whom race was unreported was omitted.

Plainly, minority students are not reaping the same benefits from Minnesota's educational institutions as their white counterparts and are consequently less likely than the better-educated white population to land jobs that pay a family-supporting wage. At the same time, employers are disadvantaged when a substantial chunk of the population lacks the education and skills needed for today's jobs.

### Minnesota is growing older and more diverse

Minnesota is home to more than 5 million people, about 90 percent of them white. Yet the number of minorities in the state has grown over the last several of decades and will continue to do so in coming years. In 2000, 9 percent of Minnesotans identified themselves as nonwhite. By 2015, minorities are projected to constitute 13 percent of the population. Between 2000 and 2015 the number of Latinos alone is projected to grow 98 percent. Minnesota's minority population is projected to grow at a much faster rate than the white population. By about 2030, the state will gain approximately 169,000 people, with nonwhites accounting for more than half of the increase.<sup>12</sup>

The state's is also growing older. Between 2005 and 2035, the number of Minnesotans over age 65 is expected to more than double; by contrast, the population under age 65 will grow only 10 percent. Between 2010 and 2020, the baby boom generation will start to retire in large numbers. This will dampen

overall labor force growth: while the labor force is projected to increase by 16 percent between 2000 and 2010, it will grow by just 6 percent over the following decade.<sup>13</sup>

The convergence of these trends means that the labor force will become older and more diverse as the working-age population of minority groups increases faster than that of whites. Just 10 percent of baby boomers in the Twin Cities are minorities, yet people of color constitute one-quarter of the next generation of workers in the metro area.<sup>14</sup>

Change is clearly afoot. Increasingly, Minnesota will rely on minority workers and those workers will have growing opportunities to move into skilled jobs that pay a living wage. Over the next 15 years, the Twin Cities region alone is expected to lose over 350,000 highly-skilled workers to retirement.<sup>15</sup> But, as is pointed out in recent report prepared by the Minnesota Office of Higher Education: “The data suggest Minnesota is not as prepared as it should be for the demographic shift occurring in its population. As growth occurs almost exclusively among young people of color, the state’s failure to address the achievement gap at all levels of education will constrain future growth and opportunity.”<sup>16</sup>

### A Closer Look at Minnesota’s African American Population

Examining the state’s African American population more closely reveals inequalities relative to Minnesota whites that extend across a range of measures, as Table 4 demonstrates. In addition, Table 4 shows that Minnesota blacks fare worse on certain indicators than blacks in the country as a whole.

**Table 4. Selected Indicators, Minnesota Whites, Minnesota African Americans, U.S. African Americans, 2005**

	MN White Population	MN African American Population	U.S. African American Population
Poverty Rate for all Families	4.6%	31.5%	22.8%
Share of Female-Headed Households w/kids	5.1%	22.4%	19.1%
Poverty Rate for Female-Headed Households			
Households w/kids under 18 yrs	24.9%	50.3%	44.3%
Households w/kids under 5 yrs only	41.4%	60.1%	50.6%
Share w/Vehicles Available			
None	5.3%	25.2%	20.6%
One or More	94.7%	74.8%	79.4%
Share Using Public Transportation to get to Work	2.2%	13.6%	11.4%
Incarceration Rate (per 100,000)	212	1,937	2,290

Source: U.S. Census Bureau, 2005 American Community Survey, except incarceration rates which come from the Sentencing Project, *Uneven Justice: State Rates of Incarceration By Race and Ethnicity*, July 2007.

Not only are Minnesota’s black families almost seven times more likely to be poor than white families, but they are poor at a significantly higher rate than African American families in the U.S. as a whole. Further, at 22 percent, the share of female-headed households among Minnesota’s black population is more than four times higher than that of whites. This is significant because female-headed households suffer higher rates of poverty than households run by a married couple. Indeed, about half of African American female-headed households where children under 18 are present live in poverty, and 60 percent of those with children under five do. Thus, not only are African American women in Minnesota much more likely to raise children without a spouse present than white women, they are more likely to do so in poverty, and at higher rates than black women nationally.

Table 4 also shows a substantial difference between whites and blacks in the state when it comes to vehicle ownership and reliance on public transportation. One quarter of African Americans in Minnesota

do not own a vehicle, compared to just 5 percent of whites in the state and 20 percent of U.S. blacks. As a result, a significant minority of African Americans in Minnesota (13.6 percent) depend on public transportation to get to and from work. By comparison, just 2.2 percent of whites in the state use public transportation to take them to their jobs.

One of the most vexing problems for the African American population, in Minnesota and the nation as a whole, is the high rate of incarceration, also reflected in Table 4. The black rate of imprisonment here – 1,937 inmates per 100,000 residents – is nine times the white rate of 212 per 100,000; only 12 states and the District of Columbia have a higher black-to-white ratio. The national black-to-white ratio of incarceration is 5.6 (this is lower than the ratio in Minnesota because, nationally, whites are incarcerated at a much higher rate than they are here: nationwide, 412 whites are incarcerated per 100,000 residents).<sup>17</sup>

These data suggest that any comprehensive attempt to improve employment and wages for African Americans in Minnesota must, among other things, address the following issues: 1) incarceration – education and job training in prisons and jails and upon release; 2) transportation – reliable means of getting to and from work; and 3) female headed households – access to affordable child care for low-income working mothers.

## **Better Jobs & Better Pay for Minorities: How do we get there from here?**

The data suggest a pressing need to improve educational outcomes for people of color, both to improve their economic opportunities and to sustain Minnesota's economic vitality.

The question, of course, is how best to make these improvements. We need to invest wisely to build minority workers' skills, but we also need to find ways to ensure that there are quality jobs for these workers to move into – jobs that pay a living wage, provide health care and other benefits, and offer opportunities for career advancement.

What follows is a collection of policy ideas, programs, and practices that have succeeded in raising employment levels and wages among low-income and minority populations in Minnesota and elsewhere. This collection is in no way exhaustive but it does suggest ways to promote quality on both sides of the equation – quality workers and quality jobs. Some of these are targeted specifically to minority workers. Many others are more generally focused on low-income workers, as minorities disproportionately fill their ranks. Others still employ a universal approach designed to benefit all workers.

### **A. Preparing Qualified Workers**

Improving jobs and wages for minorities requires a commitment to provide effective education and job training. While inequalities in the state's educational system begin early, this report focuses on skills training at the postsecondary level and suggests ways to deliver effective, affordable education and training at the postsecondary level.

**1. Provide skills training at all levels.** Successful education and training programs typically address a range of skills, including soft or “life” skills (communication, team work, dependability, etc), basic academic skills, and job- or industry-specific “hard” or technical skills.<sup>18</sup>

First, employers often make hiring and retention decisions based on their perceptions of an individual's interpersonal abilities and "work ethic." Soft skill training is most often directed to job seekers and entry-level employees, but because perceptions can be clouded by racial or ethnic biases some training programs have recognized the value of providing these services on the employer side as well. For example, the Annie E. Casey Foundation's Jobs Initiative – an eight-year effort in six cities to train low-income, low-skilled workers in the inner-city for family-supporting jobs – found that ethnic and minority retention and advancement are improved significantly when cultural awareness and other soft skills are improved among front-line supervisors (who often interact most consistently with entry-level workers of diverse ethnic and cultural backgrounds).<sup>19</sup> Workforce intermediaries involved in the Jobs Initiative sites used a variety of soft skills training tools, such as the one described in the box to the right, to assist employers and new workers.

**Cross-Cultural Education for Employees & Employers**

As part of the Denver Jobs Initiative (DJI), workforce development intermediaries used "Workin' It Out," a job readiness training program that focused on teaching entry-level workers about the formal and informal rules of the workplace.

At the same time, the DJI utilized companion training for supervisors at firms hiring its trainees, "Managing to Work It Out." The training program simulated real life workplace challenges to help supervisors learn to communicate formal and informal workplace expectations, and to better understand barriers faced by new workers.

Second, Minnesota has a growing number of workers entering the labor market lacking basic math, reading, or writing skills or do not understand the English language very well, if at all. Nearly 10 percent of Minnesotans five and older speak a language other than English; of those, 42 percent speak English less than "very well."<sup>20</sup> The demand for English as a Second Language (ESL) and Adult Basic Education (ABE) programs will likely increase as the labor force diversifies, and that will require Minnesota's postsecondary institutions and workforce development institutions to coordinate with these programs in each region of the state.

Third, the acquisition of technical skills can be key to a worker's chance to obtain a higher skilled, better paying job. A worker's possession of the right technical skills may be particularly valuable to employers in industries experiencing labor shortages. Our workforce development systems and postsecondary institutions need to be flexible and responsive enough to deliver technical skills training as the changing needs of the economy demand.

**2. Support career ladders & integrated training.** Current innovations in workforce training take into account the range of skills a worker might need along the trajectory of his or her career, emphasizing the steady build-up of skills so low-wage and low-skill workers can move up and into better jobs. These training programs are designed to move a student or worker along a "career ladder," where the acquisition of a specific set of skills is needed to advance from one industry-recognized rung on the ladder to the next (for example, from Certified Nursing Assistant to Licensed Practical Nurse to Registered Nurse).

Another innovation in workforce training for low-income workers is "integrated training" that teach skills from different categories simultaneously (such as basic math skills in a welding class, or English language skills pertinent to the duties of a phlebotomist or LPN). Recognizing that students placed in basic skills courses often fail to transition to certificate or degree programs, technical colleges around the country are finding ways to accelerate learning for these students. Washington State's Integrated Education and Basic Skills Training (I-BEST), described in the box below, provides one example.

**Washington's Integrated Education and Basic Skills Training (I-BEST)**

The I-BEST program combines adult basic education, including ESL instruction, with workforce training. Instructors from each field coordinate curriculum and co-teach to provide students with literacy education and workforce skills. The ESL curriculum is tailored to language that will be needed to do the job for which the student is training.

A 2005 study found that ESL students enrolled in I-BEST were five times as likely to earn college credits and 15 times as likely to complete occupational training as non-enrolled ESL

3. **Ensure that training is relevant to the local economy.** Successful education and training programs link training to the local markets by identifying industries where wages are decent and growth is strong and involving employers in those industries in determining specific skill needs and setting training goals. The Minnesota Job Vacancy Survey and other labor market data help identify high-demand, high-wage jobs. Staff at WorkForce Centers must be provided with regularly updated information about regional economic trends and able to use that information strategically with their clients to set education and training goals that reflect local economic realities.

Further, Minnesota's workforce development system must be closely coordinated with ABE providers, postsecondary institutions, and employers to improve the efficiency with which skill and occupational shortages are identified and the necessary training is provided. The active involvement of employers helps guarantee that training programs are linked to the specific workforce needs of the local economy. By targeting training that meets employer-driven demands in high-wage industries to low-income individuals, minority populations in the state will benefit. Minnesota already has an effective apparatus in place to deliver relevant workforce training to low-income workers in growth sectors of the state's economy: the Minnesota Job Skills Partnership Board, particularly its Low-Income Worker Training Grant program, described in the box below.

**Low-income Worker Training Grants**

The Minnesota Job Skills Partnership (MJSP) Board links postsecondary educational or non-profit training institutions with business leaders to design and deliver relevant training. Among its grant programs, the MJSP operates the Low-Income Worker Training Grant, which covers the cost of short-term training for individuals with incomes at or below 200 percent of the federal poverty line.

Since 2001, about \$5 million in Low-Income Worker Training Grants have been awarded to public, private, and non-profit entities to provide training, some that specifically benefit minority workers. Recent examples include:

- ✓ \$173,250 to Teamworks, Inc, to recruit, assess, and train 115 eligible low-income workers to become CNC machine operators. Trainees are recruited from Red Lake, White Earth and Leech Lake reservations.
- ✓ \$61,350 to Pillsbury United Communities/Minnesota Multi-Housing Association to provide property maintenance training to 45 hard-to-employ residents of the inner city. Trainees are prepared for full-time jobs in industries faced with employee shortages due to the construction boom of multiple housing units.
- ✓ \$85,910 to Project for Pride in Living to train 110 low-income individuals, including Somali immigrants, in medical clerical worker skills. Training topics include medical terminology, patient registration, and telephone etiquette as well as Microsoft Word and Excel. Trainees also receive support services.

Source: Minnesota Department of Employment and Economic Development,  
Workforce Partnerships Division

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living expenses at Minnesota's two-year colleges were roughly \$16,000 in 2006. For Minnesotans earning \$40,000 annually (about the amount needed for a single parent of two to meet basic family needs in 2006<sup>21</sup>), these costs represent almost 40 percent of their income. For those with the lowest earnings – the 20 percent of Minnesota's population making \$16,728 annually<sup>22</sup> – these costs account for virtually their entire income. Clearly, low-income students cannot afford even the least expensive college option in the state without significant financial assistance.

<p><b>“Non-Traditional” Students in Minnesota</b></p> <p>Of all undergraduates in 2004-2005:</p> <ul style="list-style-type: none"> <li>✓ 41% were financially independent</li> <li>✓ 21% were 30 or older</li> <li>✓ 21% had children</li> <li>✓ 28% worked at least 35 hours a week</li> <li>✓ 53% were enrolled part-time</li> </ul> <p>At the state's public two-year colleges, the prevalence of “non-traditional” students was even greater:</p> <ul style="list-style-type: none"> <li>✓ 57% were financially independent</li> <li>✓ 32% were at least 30 years old</li> <li>✓ 34% had children</li> <li>✓ 38% worked full-time</li> <li>✓ 57% were enrolled part-time</li> </ul> <p>Source: Minnesota Office of Higher Education, 2006</p>
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Minnesota's major financial aid programs are designed to benefit those who attend colleges and universities at least half time. As a result, they fail to meet the needs of thousands of non-traditional students, who constitute a majority on most campuses today (see the box to the left). These students often work full time, and many have children, so carrying a half-time load is not possible. This makes them ineligible for many forms of financial aid, which particularly disadvantages African American students who are much more likely to attend college part time than their white counterparts.<sup>23</sup> By making less-than-half-time students eligible for all state financial aid programs, more low-income and minority students could afford to attend college in our state.

Part-time students are also disadvantaged when calculating living expense allowances under the Minnesota State Grant Program, the state's largest need-based financial aid program. The Legislature sets a

uniform Living and Miscellaneous Expense (LME) Allowance for all postsecondary institutions, intended to cover room and board, books and supplies, and miscellaneous expenses. The LME is currently set at \$5,900 per nine-month academic year, far too little to cover living costs (especially for those raising children). It is also pro-rated for students enrolled less than full-time so that a student's living allowance is reduced, even though a part-time student's actual living expenses hasn't changed.

**5. Make postsecondary education more accessible.**

Flexibility in the way technical and community colleges and other training providers deliver instruction would enable more low-income individuals to participate in postsecondary programs. For example, breaking certificate or degree coursework into smaller sets of courses (also known as modularization) and making them more accessible can be an effective strategy for those who do not have the time or means beyond regular work hours to pursue skills development. Delivering instruction at the workplace might be the best solution. In this model, instructors work with firms to link training to the jobs performed onsite, so it is often viewed by employers and workers as particularly relevant and practical.

**6. Provide support services.** Successful education and job training programs that serve disadvantaged populations regularly incorporate support services to promote family and work stability. Low-income workers routinely need job placement and retention services, transportation and child care assistance, help with financial planning, and career or personal counseling. A recent evaluation of the McKnight Foundation Families Forward initiative – which provided \$6 million in grants to partnerships across the Minnesota to increase the wages, job stability, and future earning prospects of low-income workers – found that the provision of basic supportive services increased the likelihood of successful job placement and retention among clients.<sup>24</sup>

### Families Forward Initiative

The McKnight Foundation Families Forward initiative provided \$6 million to 17 grantees across the state to provide training and support to low-income workers. Of the 1,422 participants served:

- ✓ 44% had incomes at or below the federal poverty level
- ✓ 42% were non-Hispanic White, 29% African American, 10% American Indian, 10% Hispanic, and 8% were Asian

Participant outcomes after two years:

- ✓ 70% had higher wages; 12% average gain
- ✓ Share of those employed rose to 80%
- ✓ Those receiving paid sick leave increased from 25% to 48%
- ✓ Those receiving paid vacation time grew from 36% to 58%
- ✓ The share with employer-sponsored health care rose from 28% to 40%

Under the initiative, which began in 2001, 17 grantees worked with employers to deliver accessible short-term training and to provide supports that helped participants remain in and advance in their jobs. While each program was unique, many of the services provided were common to all: skills assessment, hard and soft skills training, job placement, financial help, case management, and personal support including help with child care, transportation, and housing. The box to the left displays participant demographics along with some outcomes that make it clear that the program was quite successful.

When it comes to work supports, the need for child care assistance can be particularly acute. The large number of African American women in the state living in poverty and raising children alone (see Table 4) are hard pressed to get and keep jobs that pay family-supporting wages without access to safe and affordable child care. But that kind of care is

not widely available in Minnesota. The poorest families in the state – those earning less than \$20,000 annually – spent 28 percent of their income on child care in 2004. Not only are costs high, but quality is often poor. In the same year, over one third of low-income parents in Minnesota said that they “had to take whatever child care arrangements they could get.”<sup>25</sup>

The conclusion is obvious: low-income families need affordable child care to allow parents, women in particular, to work and earn a family-sustaining wage.

**7. Invest in education & training for ex-offenders.** Incarceration rates are high among African Americans, especially among young black men. When they are released from prison, ex-offenders need ways to develop skills, credentials, and support services that will allow them to enter and remain in the labor force. An offender’s chance to reintegrate into the community is substantially enhanced through educational opportunity – be it high school GED or vocational training – while incarcerated. A recent study found that released inmates who did not participate Adult Basic Education courses were 10 percent more likely to be re-incarcerated than those who did participate in ABE. For every released inmate who successfully completes a prison’s ABE program and does not commit a crime after being released, Minnesota taxpayers save \$28,000 – the annual cost of re-incarceration. By contrast, ABE instruction costs approximately \$500 per individual.<sup>26</sup>

Transitional jobs programs can be another effective strategy for helping released prisoners find and keep jobs. Transitional work programs place participants into temporary, wage-paying jobs, providing former prisoners with income in the period just following release; they also enable program staff time to identify and address any workplace behaviors that may hinder a participant’s ability to hold a permanent job. After a few months in the transitional job, participants get help looking for a permanent position and then receive additional post-placement support.

**ReEntryWorks** aims to prepare ex-offenders for stable employment, reduce their likelihood of committing additional crimes, and improve public safety. Services, provided through a partnership between Goodwill/Easter Seals and the Wilder Foundation, include:

- ✓ Placement in a temporary minimum wage job within 24 hours of initial contact
- ✓ Skills training in construction, automotive, forklift operation or customer service/call center
- ✓ Comprehensive support services, including computer classes, General Educational Development (GED) degree, math and reading tutoring or classes
- ✓ Employment readiness training
- ✓ Referrals to community resources for housing, substance abuse treatment, health care and legal assistance
- ✓ Individualized job placement assistance targeting career-oriented positions with good pay, benefits and potential for advancement
- ✓ Telephone and fax machine access for employer contacts, computer access for word processing, resume preparation and typing tutorial (Internet access available via staff)
- ✓ Assistance obtaining proper identification (Minnesota ID/driver's license, Social Security card, birth certificate, etc.)

For more information, visit <http://www.goodwilleasterseals.org>

Goodwill/Easter Seals Minnesota and the Wilder Foundation are currently partnering to provide transitional jobs employment services to men recently released from prison in a program called ReEntryWorks. The project, described in more detail in the box on the left, is a part of \$14.5 million multi-state demonstration funded by the Joyce Foundation to evaluate whether transitional jobs can improve employment outcomes and reduce recidivism among ex-offenders. A final evaluation of the project, due in 2009, will offer reliable evidence about the effectiveness of transitional employment as a reentry model.

## **B. Providing Quality Jobs**

African Americans and other minorities need access to pertinent skills training in well-paying industries in order to land better jobs and increase their wages. Our higher education and workforce development systems, in conjunction with our community-based organizations and ABE programs, are charged with preparing Minnesotans from all walks of life for the labor market. But possessing skills is no guarantee that a worker will find a good job – one that pays a family-supporting wage,

offers health and other benefits, and provides room for career advancement. Promoting quality jobs in Minnesota involves a different set of actors and practices, our wage and labor laws and economic development policies primary among them.

### **Wage & Labor Laws**

Because African Americans and other minority workers are disproportionately clustered at the low end of the labor market, it is essential to promote policies that strengthen the wage floor, protect low-wage workers, and enhance their economic opportunities.

**1. Raise the minimum wage and index it to inflation.** After ten years of inaction, the federal government increased the minimum wage in 2007 from \$5.15 per hour to \$5.85 per hour, with subsequent increases to \$6.55 in 2008 and \$7.25 by 2009. According to an analysis by the Joint Center for Political Economic Studies, African American workers nationwide are the biggest beneficiaries of the federal increase, constituting 16 percent of those who will see their wages rise.<sup>27</sup>

Currently, Minnesota has two minimum wages: \$6.15 an hour for large employers and \$5.15 for small employers, which will need to be increased to reflect the federal minimum. About five percent of workers in the state will be affected when the U.S. minimum wage is raised to \$6.55 per hour in 2008, and another three percent when the federal minimum rises to \$7.25 in 2009.<sup>28</sup>

While the federal increase in the minimum wage is an important step toward boosting living standards for low-income workers, it will not provide a living wage to Minnesota families. Consider the following: the average annual cost of meeting basic needs for a family of four with two workers in Minnesota is about \$51,000. To cover these costs each worker must earn at least \$12.24 per hour. Currently, over a million jobs in Minnesota (37 percent) pay less than this.<sup>29</sup>

Raising the state's minimum above the new \$7.25 federal minimum would help reach more of these workers. In addition, however, unless Minnesota adjusts its minimum wage annually to keep pace with inflation – as ten other states have done – its value will erode each year. Raising the minimum wage and adjusting it annually to keep pace with inflation will create a wage floor that rises along with prices.

**2. Support living wage ordinances.** Living wage ordinances push the wage floor up even further by specifically requiring employers to pay wages that are above federal or state minimum wage levels. Only certain sets of workers are covered by living wage ordinances, typically those employed by businesses that have a contract with a city or county government or those who receive economic development subsidies from a locality. The rationale behind the ordinances is that local governments should not contract with or subsidize employers who pay poverty-level wages. Today, about 145 cities and counties across the country have enacted living wage laws, including St. Paul, Minneapolis and Duluth.

The living wage level varies based on the cost of living in a locality, but is it typically considered the wage a full-time worker would need to earn to support a family above federal poverty line. As noted above, the average annual cost of meeting basic needs for a family of four with two workers in Minnesota is about \$51,000. To cover these costs each worker must earn at least \$12.24 per hour.<sup>30</sup> In addition to setting wage levels, many living wage ordinances – including the three in Minnesota – also have provisions regarding labor relations, hiring practices, and health care coverage and other benefits.

In 2007, Maryland became the first state in the nation to enact a statewide living wage law. The law stipulates that employers with state contracts will generally have to pay workers a minimum amount: \$11.30 an hour in the Baltimore-Washington corridor and \$8.50 an hour in the rural counties, where wages and prices are lower. The minimum wage in Maryland is \$6.15 per hour. In 2006, Minnesota was one of seven states where legislation was introduced to establish a statewide living wage.

**3. Ensure that wage laws are enforced.** While the vast majority of Minnesota businesses comply with basic wage standards, a few bad actors will ignore them without adequate oversight and enforcement. When basic labor standards like the minimum wage are overlooked or violated for any workers, labor standards are weakened for workers across the board. To guarantee that our wage standards are met, prosecutors need adequate funding and support to go after employers who are breaking the law.

**4. Protect workers' right to unionize.** Unions play an important role in protecting the wage floor. Workers who belong to unions earn 30 percent more than nonunion workers, are 62 percent more likely to have employer-provided health coverage, and four times more likely to have pensions. Currently, about 16 percent of Minnesota's labor force is unionized, compared to 12 percent of workers nationally. For minority workers, the labor market pay off of having a unionized job is especially strong. In 2006 in Minnesota, median weekly earnings were higher for minorities in union jobs versus those in non-union jobs:<sup>31</sup>

- 46% higher for Hispanics
- 36% higher for African Americans
- 8% higher for Asians

Because of the benefits union membership bestows on minorities, workers' right to form unions must be protected. However, there are some employers who actively disregard this right. A 2000 study<sup>32</sup> of private sector employers nationwide found that:

- 25% illegally fire at least one worker for union activity during organizing campaigns
- 50% threaten to shut down partially or totally if employees form a union
- 75% hire consultants or union-busters to help them fight union organizing drives
- 92% force employees to attend mandatory closed-door meetings against the union

At the federal level, congressional leaders (including each member of Minnesota's Democratic delegation) have responded with the Employee Free Choice Act, which would strengthen workers' freedom to choose a union by:

- Establishing stronger penalties for violation of employee rights when workers seek to form a union and during first-contract negotiations
- Providing mediation and arbitration for first-contract disputes
- Allowing employees to form unions by signing cards authorizing union representation

States can affirm workers' rights to join unions by prohibiting employers – public and private – from using state funds to influence organizing efforts. Cities can require the employers it provides financial assistance to or contracts with to sign a “labor peace agreement” with any union that requests it. The 1997 living-wage ordinance passed in Minneapolis, for example, mandates preferential treatment for business with “responsible labor relations” – or those that remain neutral in unionization campaigns, provide unions with the names and addresses of employees, give them access to facilities during non-work hours, and agree to card-check recognition and binding arbitration for a first contract.<sup>33</sup>

### **Economic Development**

Cities across the country spend millions of dollars on public subsidies and assistance to attract residential, commercial, and industrial development; however, these public investments are often made without regard to how the development affects the surrounding community. With its first-in-the-nation subsidy accountability law, Minnesota is a step ahead of most states in terms of having a transparent process for awarding economic development subsidies. There are ways to further protect the public interest in negotiating subsidy deals though. Were these more widely employed, it would help ensure that public dollars benefiting business growth also benefit affected communities, particularly when those communities are home to thousands of low-wage workers in need of better jobs.

#### **1. Tie support for economic development projects to community benefits agreements. A**

Community Benefit Agreement (CBA) is a legally enforceable contract signed by community groups and a developer that sets forth the dividends that should be provided to local communities as part of a development project. Typically, a CBA arises out of direct negotiations between a developer and organized representatives of affected communities – often with the support of local public officials.

Community Benefit Agreements may include living wage requirements, minority contracting, first source hiring preferences, fair labor practices, job training programs, affordable housing set asides, transit integration, environmental clean-up, community service centers, direct community involvement in the development planning process, and other provisions. A number of community-based organizations (CBOs) in South Los Angeles, for example, came together as the Alameda Corridor Jobs Coalition to successfully negotiate with the local public transit authority to secure job training and jobs for low-income residents impacted by a \$2.4 billion public transit project in their community. The CBA is described in more detail in the box below.

### **The Alameda Corridor Jobs Connection**

In response to the proposed development of a \$2.4 billion public works project to build a road-rail system in South Los Angeles, several community-based organizations formed the Alameda Corridor Jobs Coalition (ACJC) to demand that some its benefits go to residents of the ethnically diverse low-income communities affected by the construction. Successful in its campaign, ACJC negotiated an agreement with the local transit authority that 30 percent of all work hours on the project be performed by residents of the affected communities. In addition, 1,000 training slots associated with the project were designated for low-income residents, 650 for pre-apprenticeship construction trades training, and 350 for non-trades construction training.

Ultimately, the ACJC exceeded its goals by graduating 1,281 corridor residents from its training program. A total of 710 graduates were placed in jobs within the construction industry – an industry that has not traditionally been very accessible to minorities. Of this total, 110 had been on public assistance and 225 were ex-offenders, including 180 repeat offenders.

ACJC continues to seek hiring agreements and train low-income workers within the key growth industries of international trade, construction, and transportation. It recruits individuals from low-income communities, evaluates their existing capabilities and training needs, enrolls them in an appropriate job training program, puts them through a post-assessment process, and finally, connects them with local employers.

For more information, visit <http://www.acjcla.org/index.html>

**2. Make full use of federal transportation dollars that can be set aside to train disadvantaged workers.** The Alameda Corridor Jobs Connection was used as a model in the 2005 reauthorization of federal transportation law, which contains a provision allowing state departments of transportation to set aside federal highway dollars (up to one-half of 1 percent) for recruitment and training of workers from underrepresented groups. The law states that “federal transportation projects should facilitate and encourage” collaboration between governments and other interested parties, including CBOs, “to help leverage scarce training and community resources to help ensure local participation in the building of transportation projects.”<sup>34</sup>

States like Missouri have taken this decree to heart. The Missouri Department of Transportation has commitment roughly \$2.5 million towards job training and contractor incentives to hire women, minorities, and low-income residents for its I-64 project in St. Louis. In addition, the department has reserved 30 percent of the work hours on the project for these populations. Kansas City has signed a similar agreement on a transit project, reserving \$1.25 million for jobs training.<sup>35</sup>

The Minnesota Department of Transportation should seize opportunities to follow suit. Making use of the federal highway dollars is a small investment in local workforce development that can bring greater numbers of minority workers into well-paying construction jobs. Consider the following: while African Americans made up five percent of the total workforce in Minneapolis in 2005, they constituted just one percent of the city’s construction workers – who typically make about \$15 per hour. Over the 2004-2014 decade, nearly 2,500 construction jobs in the Twin Cities metro area will need to be filled.<sup>36</sup>

**3. Make economic development subsidies “location efficient.”** In a recent analysis of economic development subsidies given to companies relocating within the Twin Cities metropolitan area, the national organization Good Jobs First found that between 1999 and 2003, 86 corporate relocations involving over 8,200 jobs received more than \$90 million in subsidies from local governments.<sup>37</sup> The majority of these relocations were “outbound” – on average, they moved jobs nine miles away from the

Twin Cities urban center. That is, they moved jobs away from areas with higher rates of poverty and higher numbers of people of color to more affluent and less racially diverse areas.

Further, the subsidized job relocations have reduced the number of workplaces that are accessible via public transportation. Defining accessibility as being within one-quarter mile of a transit stop or station, the Good Jobs First analysis found that of the 86 subsidized companies, 27 moved from a transit-accessible site to a non-accessible location (while 33 moved from one inaccessible location to another). As a result, there are fewer job opportunities for workers who cannot afford a car. This is particularly problematic for workers of color, who are three and a half times more likely not to own a car than white families living in the Twin Cities and more than four times as likely to rely on public transit to commute to work. Of all minority groups, African-American workers are the most dependent on public transportation; black families are more than four and a half times as likely not to own a car than white families and six times more likely to rely on public transit to get to work.<sup>38</sup>

To combat a similar problem, Illinois recently became the first state to explicitly link job subsidies to public transit. Through its Business Location Efficiency Incentive Act, the state provides a small corporate income tax credit for deals in which the job site is accessible by public transportation and/or close to affordable housing.

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<sup>1</sup> See for example, Federal Funds Information for States, *State Policy Reports* at <http://www.ffis.org/401.html>

<sup>2</sup> While outcomes among the overall Asians population approach or exceed those of whites on some measures, sub-groups within the population, the Hmong in particular, fare much worse. The poverty rate for the Minnesota Hmong population, for example, is 30 percent compared to about 17 percent for Asians overall. Similarly, the median annual income for Hmong households – at about \$37,000 – is significantly lower than that of the Asian community as a whole. Also note that while Minnesota’s Native Americans are not included in American Community Survey data because their numbers are too small, the 2000 Census shows this population having a median annual income of \$28,000, with 29 percent living in poverty.

<sup>3</sup> Minnesota Department of Employment and Economic Development, Census 2000 EEO Data Packet, [http://www.deed.state.mn.us/lmi/\\_shared/assets/mn\\_aa11551.pdf](http://www.deed.state.mn.us/lmi/_shared/assets/mn_aa11551.pdf)

<sup>4</sup> Minnesota Department of Employment and Economic Development, Census 2000 EEO Data Packet, [http://www.deed.state.mn.us/lmi/\\_shared/assets/mn\\_aa11551.pdf](http://www.deed.state.mn.us/lmi/_shared/assets/mn_aa11551.pdf)

<sup>5</sup> The Brookings Institution, *Mind the Gap Reducing Disparities to Improve Regional Competitiveness in the Twin Cities*, 2005.

<sup>6</sup> Ibid.

<sup>7</sup> Pitts, Steven, *Job Quality and Black Workers: An Examination of the San Francisco Bay Area, Los Angeles, Chicago and New York*, Center for Labor Research and Education, U.C. Berkeley, August 2007.

<sup>8</sup> Minnesota College Access Network, *College Access Matters: The Opportunity for College Access Programs in Minnesota*,

<sup>9</sup> Minnesota Minority Education Partnership, *2006 State of Students of Color*, [http://www.mmep.net/State\\_of\\_Students\\_of\\_Color\\_Report\\_Series.html](http://www.mmep.net/State_of_Students_of_Color_Report_Series.html)

<sup>10</sup> The Education Trust, *Education Watch: Achievement, Attainment and Opportunity from Elementary School Through College*, 2006.

<sup>11</sup> Minnesota Office of Higher Education, *Minnesota Measures: 2007 Report on Higher Education Performance*, <http://www.ohe.state.mn.us/pdf/MinnesotaMeasures.pdf>

<sup>12</sup> *Minnesota Projections by Race and Hispanic Origin 2000–2030*, Minnesota State Demographic Center & the Minnesota Department of Administration, January 2005.

<sup>13</sup> Ibid.

<sup>14</sup> The Brookings Institution, *Mind the Gap Reducing Disparities to Improve Regional Competitiveness in the Twin Cities*, 2005.

<sup>15</sup> Ibid.

<sup>16</sup> Minnesota Office of Higher Education, *Minnesota Measures: 2007 Report on Higher Education Performance*, <http://www.ohe.state.mn.us/pdf/MinnesotaMeasures.pdf>

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- <sup>17</sup> The national black-to-white ratio is lower than the ratio in Minnesota because Minnesota imprisons whites a much lower rate than the national average (412 whites incarcerated per 100,000 residents). Mauer, Marc and Ryan S. King, the Sentencing Project, *Uneven Justice: State Rates of Incarceration By Race and Ethnicity*, July 2007.
- <sup>18</sup> See, for example, the Wilder Foundation, *Training low-income workers for skills and advancement: Final report on the McKnight Foundation Families Forward evaluation*, September 2006 and the Annie E. Casey Foundation, *Taking the Initiative on Jobs and Race: Innovations in Workforce Development for Minority Job Seekers and Employers*, 2001.
- <sup>19</sup> Annie E. Casey Foundation, *Taking the Initiative on Jobs and Race: Innovations in Workforce Development for Minority Job Seekers and Employers*, 2001.
- <sup>20</sup> U.S. Census Bureau, American Community Survey, 2006.
- <sup>21</sup> According to the Jobs Now Coalition's Cost of Living Budget for Minnesota families in 2006, a single parent of two would need to earn \$40,809 to meet her or his family's basic needs. For more information, view [www.jobsnowcoalition.org/costofliving](http://www.jobsnowcoalition.org/costofliving).
- <sup>22</sup> The National Center for Higher Education and Public Policy, *Measuring Up, The National Report Card on Higher Education, 2006*.
- <sup>23</sup> Minnesota Office of Higher Education, *Minnesota Measures: 2007 Report on Higher Education Performance*, <http://www.ohe.state.mn.us/pdf/MinnesotaMeasures.pdf>
- <sup>24</sup> Wilder Foundation, *Training low-income workers for skills and advancement, Final Evaluation of the McKnight Foundation's Families Forward Initiative*, September 2006.
- <sup>25</sup> Children's Defense Fund Minnesota & Child Care Works, *Missed Opportunities Still Produce Costly Outcomes*, June 2006.
- <sup>26</sup> Literacy Minnesota and the Minnesota Department of Education, Adult Basic Education Office, *ABE Impact Report*, 2004.
- <sup>27</sup> *Raising the Minimum Wage: The Impact of the Fair Minimum Wage Act of 2007 and State Minimum Wage Increases on U.S. Workers, by Race and Ethnicity*, Joint Center for Political Economic Studies, January 2007.
- <sup>28</sup> Ibid.
- <sup>29</sup> *The Cost of Living in Minnesota*, Jobs Now Coalition, 2007.
- <sup>30</sup> Ibid.
- <sup>31</sup> U.S. Department of Labor, Bureau of Labor Statistics, 2006.
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- <sup>33</sup> Mitnik, Pablo, *Cities and Jobs, Local Strategies for Improving Job Quality and Access*, Center on Wisconsin Strategy, June 2007.
- <sup>34</sup> Public Law 109-59, 119 Stat.1144. Section 1920
- <sup>35</sup> Swanstrom, Todd, *The Road to Jobs: Patterns of Employment in the Construction Industry*, Transportation Equity Network and St. Louis University, 2007.
- <sup>36</sup> Ibid.
- <sup>37</sup> LeRoy Greg and Karla Water, *The Thin Cities: How Subsidized Job Piracy Deepened Inequality in the Twin Cities Metro Area*, Good Jobs First, December 2006.
- <sup>38</sup> Ibid.