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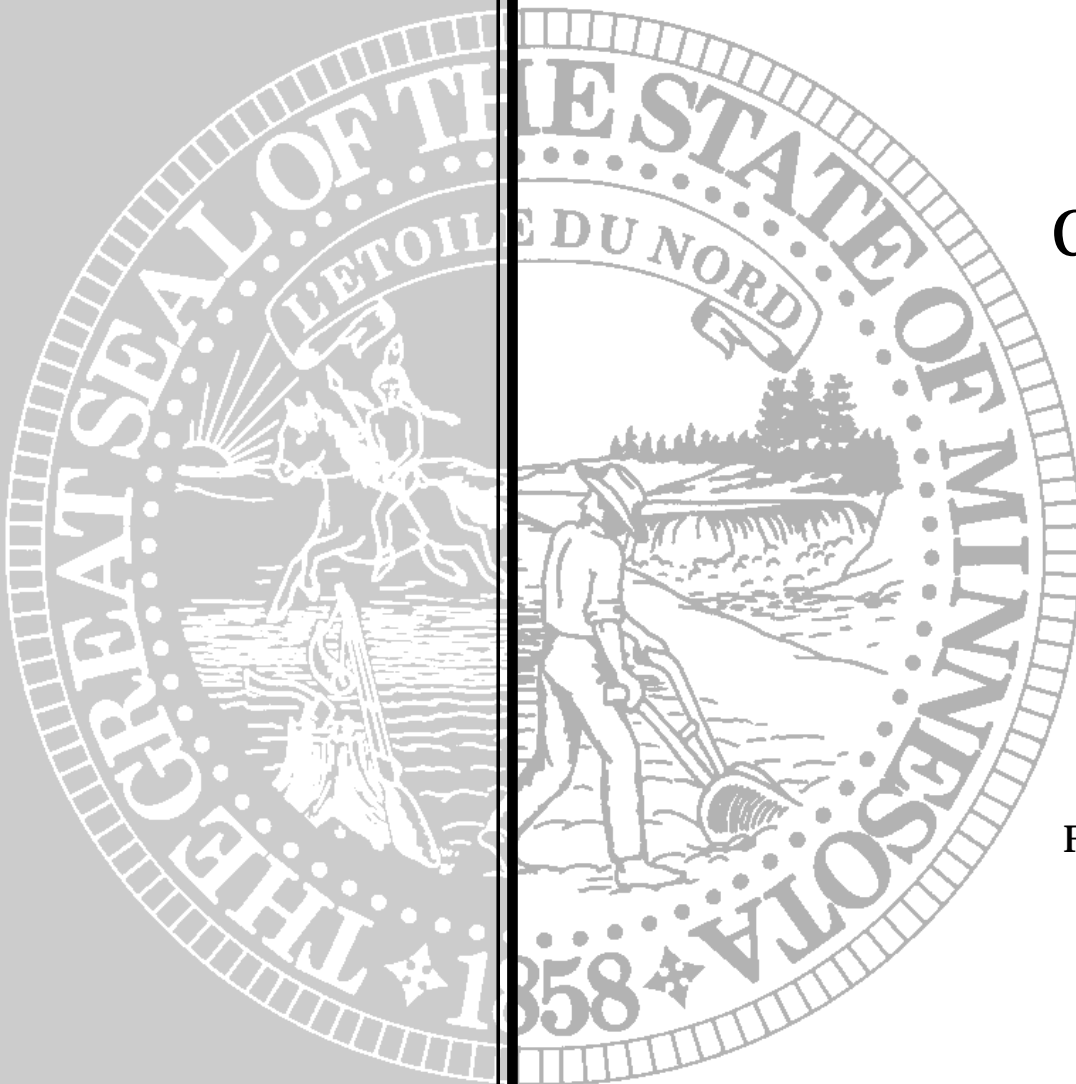
MN State Colleges and Universities

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Minnesota
**WORLD
COMPETITOR!**

the
**Governor's
Workforce
Development
Plan**

February 2000



MINNESOTA: WORLD COMPETITOR!

THE GOVERNOR'S WORKFORCE DEVELOPMENT PLAN

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Call us at: 651-642-0852 Toll free: 800-652-9000

TTY: 651-642-0506 Fax: 651-649-5927

Department of Economic Security

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EXECUTIVE SUMMARY

Unparalleled prosperity and the nation's longest economic expansion have brought record-high employment and record-low unemployment to Minnesota. This sustained economic growth, alongside a shrinking pool of new workforce entrants, has created a structural labor shortage in Minnesota—constituting a major challenge both to the state economy and for workforce development policy. Recognizing this challenge, Governor Jesse Ventura in 1999 convened an interagency Workforce Development "Mini-Cabinet" to examine the way state government supports workforce development. The four lead agencies of this Mini-Cabinet—the departments of Economic Security and Trade and Economic Development, the Minnesota State Colleges and Universities system, and Minnesota Planning—conducted a comprehensive review of state efforts, examining over 75 workforce programs. Because workforce development is not restricted to state activities, a variety of stakeholders provided assistance during this process.

In the past, the state could rely on new entrants to the labor force—women, returning veterans, the unemployed—to fulfill the demands of a booming economy. With the highest rate of labor force participation in the country, it is no longer that simple for Minnesota—there is not and will not be an abundance of new people entering the workforce. While direct measures of worker shortages do not exist, all indicators suggest that Minnesota's labor market is tight and getting tighter.¹ In order to remain a world-class competitor in the global marketplace, Minnesota must mitigate this worker shortage problem *and* develop a world-class workforce.

Excluding the MnSCU budget, the overwhelming majority of state and federal resources currently being spent on workforce development programs are earmarked to individuals who are disadvantaged, disabled, at risk, or in some other targeted category. Certainly these are important groups that need support as they strive for self-sufficiency. The problem is that they comprise less than five percent of the total workforce, leaving 95 percent, or approximately 2,500,000 Minnesotans, with very few workforce development resources.

Many currently-employed Minnesotans are working at a level below their potential—in other words, they are underemployed. Nearly 40 percent of the Minnesota workforce are earning less than \$10.00 per hour.² These incumbent workers may lack the skills or financial resources necessary to proceed to the next step of career development and are usually not eligible for existing targeted programs. This underutilization of talent is particularly serious in light of the increasing demand for workers with advanced technical skills. Emerging workers—such as young people coming out of the K-12 system as well as others who do not yet have a high school diploma—are often ill-equipped to begin an effective job search and too quickly join the ranks of the underemployed rather than reach their full earnings potential.

¹ To estimate worker shortages, labor market analysts measure indicators such as unemployment rates, the number of job vacancies, help-wanted ads in newspapers, and upward pressure on wages.

² See Appendix I for a breakdown of 1997 wage levels for Minnesota workers.

Given these factors, it is time to embrace a strategy that reaches across the entire workforce. We need a plan that reflects the new realities of the workplace. Central to carrying out this strategy is the assignment of a single point of contact to ensure that all workforce training and development issues are fully coordinated. To this end, we recommend that the Department of Economic Security be renamed the Department of Workforce Development and that its Commissioner assume this role.

This study constitutes a first step in the process of providing Minnesota with a world-class workforce. The approach we've taken would require no net new expenditures. By focusing on what is necessary and effective, the state can strategically place its investments to ensure a workforce that will make Minnesota a world-class competitor now and in the coming decades. This effort is indeed a work in progress, subject to continuous scrutiny and refinement. But, to be successful, we must activate the timeline/action plan shown on pages 5 to 7 of this report and begin our efforts *now!*

Key Recommendations

Recommendation 1: Consolidate employment and training programs.

We recommend eliminating eight programs and consolidating several others with similar missions. In eliminating some programs, we transferred those resources toward programs and services which we believe will more effectively serve Minnesota citizens.

Recommendation 2: Establish an Emerging Worker Program.

We recommend establishing an Emerging Worker Program that would emphasize 11th and 12th graders interested in pursuing post-secondary options in technical curricula. This program would be administered by local WorkForce Centers under the auspices of local Workforce Councils and through the use of Individual Training Accounts.

Recommendation 3: Suspend the Workforce Development Tax, disburse the unobligated funds to programs as recommended in this report, then trigger the tax back on based on future need.

The Workforce Development Fund, formerly the Dislocated Worker Fund, currently supported by a payroll tax on employers, should be used to fund the recommendations of this report. We need to direct these funds strategically toward educating, training and counseling our workforce in a way that is most beneficial to the state.

We recommend a further reduction of the tax rate. According to statute, on July 1, 2000, the tax rate will be reduced to .07 percent. At this rate, the tax will still generate annual revenues that significantly exceed existing spending levels in current law. The Mini-Cabinet recommends a further reduction in the tax rate to zero beginning on July 1, 2001.

We propose that the tax remain at zero until the cost of one year of activity in workforce development initiatives, as approved in the legislative budgeting process, exceeds the fund balance—when this occurs, the tax would return at .07 percent.

Recommendation 4: Promote career information and exploration for youth and adults.

For our workforce development strategy to succeed, just passively offering even excellent programs is not enough. We recommend that the state undertake an aggressive promotional campaign to educate both students and adult workers about the career opportunities available in this state. A local outreach campaign will focus on giving students current job and career information. Meanwhile, a statewide media campaign will encourage adult workers to take advantage of workforce training options, upgrade their skills, and move into higher-wage occupations.

Recommendation 5: Increase the alignment of public educational resources with the marketplace, including the needs of critical occupations and industries.

We recommend that the responsiveness of public education, particularly the MnSCU higher education system, to labor market demands be increased. We must strengthen the connection between public educational providers and the needs of the marketplace in order for businesses to be competitive and for Minnesotans to access the best job opportunities. Additionally, we must ensure that all programs, incentives, and resource expenditures are based on market needs as reflected in critical occupations and industries.

Recommendation 6: Measure outcomes to ensure accountability.

We recommend a comprehensive measurement of program successes to help ensure the accountability of both programs and the workforce development system. System measures will assess the overall effectiveness of the state workforce development system and progress toward system goals. Comprehensive and continuous program measures will allow comparisons across programs to help ensure ongoing focus and consistency. Finally, specific program measures will allow individual programs to publicly assess their progress toward their mission and goals.

Recommendation 7: Increase efforts to bring new workers into the workforce.

We recommend that the state increase its efforts to bring new workers— including foreign workers, residents of other states, older workers, persons with disabilities, and persons on public assistance— into the workforce.

Additional Recommendations

- Change name of the Department of Economic Security to the Department of Workforce Development; Commissioner of Department of Workforce Development to assume coordinating role in workforce training and development (see page 20).
- Change name of WorkForce Centers to Career Centers and review •best practices• as they apply to WorkForce Centers (see page 20).
- Provide resources to WorkForce Centers to serve universal customers (see page 20).
- Department of Children, Families and Learning and MnSCU work together to modify Profiles of Learning as needed to encourage taking of technical courses by high school students (see page 26).
- MnSCU institute enrollment caps in programs for which there is low demand for employees relative to supply (see page 32).
- Expand scope of the *Minnesota Inventory of Employment and Training Programs* study to include regular analysis of programs, purpose, duplication of services, outcome measures, and recommendations (see page 33).
- MnSCU pursue immediate development of •virtual university• which utilizes e-training and other distributive educational options (see page 37).

SUMMARY OF RECOMMENDATIONS

ACTION PLAN RECOMMENDATION	PAGE	AGENCY OR ENTITY	ANNUAL COST	TIMELINE
Rename MN WorkForce Centers to MN Career Centers	20	DES	\$200,000 (one-time)	FY 2002
Rename the Department of Economic Security to Department of Workforce Development	20	DES	\$50,000 (one-time)	FY 2002
Eliminate state share of the MN Dislocated Worker Program	20	DES	-\$15.6 million	FY 2002
Create a performance package for MN Graduation Standards for the WorkForce Centers	20	CFL		FY 2002
Develop "best practices" for MN WorkForce Centers	20	Independent entity	\$150,000 (one-time)	Recommendations for 2002/03 budget
Provide funding for universal customers at WorkForce Centers	20	DES	\$5 million	FY 2002
Job Skills Partnership changes to criteria for project funding	21	DTED		FY 2002
Eliminate the Pilot Dislocated Worker Program	21	DES	(included in Dislocated Worker Program)	FY 2002
Job Skills Partnership Funding from the Workforce Development Fund and the General Fund	21	DTED	\$4 million	FY 2002
Apprenticeship Program funding	22	DLI	\$575,000 (no change)	FY 2002
Collaborative Rural Nurse Program new criteria	22	MDH	\$250,000 (no change)	FY 2002
Extended Employment and Vocational Rehab performance measures review	23	DES		Report to Governor with possible recommendations for 2002/03 budget

Changes to MN Pathways Program: merge mission and funding with Job Skills Partnership	23	DTED		FY 2002
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SUMMARY OF RECOMMENDATIONS (CONTINUED)

ACTION PLAN RECOMMENDATION	PAGE	AGENCY OR ENTITY	ANNUAL COST	TIMELINE
Eliminate Displaced Homemakers Program	24	DES	-\$1.9 million	FY 2002
Opportunities Industrialization Centers supplemental funding for LEAP	24	DES/OIC	\$204,000 (no change)	FY 2002
Veterans Program recommendations	25	DES	include in outreach	FY 2002
Programs for Youth, School to Work, and Carl Perkins: Funding Review	25	Workforce Council/CFL/DES		Recommendations by July, 2001
Post-Secondary Enrollment Options (PSEO)	26	CFL/MnSCU		Recommendations for 2002/03 budget
Eliminate CFL Agriculture Improvement Grants	26	CFL	-\$350,000	FY 2002
Eliminate CFL Employer rebates to employers to hire interns and teachers	27	CFL	-\$1 million	FY 2002
Eliminate School-to-Work Programs for Cities of the First Class	27	CFL	-\$300,000	FY 2002
Consideration of the Health Care Access Fund to be used for workforce issues	28	MDH		Recommendations for 2002/03 budget
Eliminate Youth Entrepreneurship Grants	28	CFL	-\$500,000	FY 2002
Create an Emerging Worker Program and set up Individual Training Accounts	29	DES /WorkForce Centers	\$4 million	FY 2002
Suspend Dislocated Worker tax, insert trigger mechanism when funds needed	29	DES		FY 2002
Plan and implement statewide media outreach campaign	31	DTED	\$1.5 million plus private match	FY 2002

SUMMARY OF RECOMMENDATIONS (CONTINUED)

ACTION PLAN RECOMMENDATION	PAGE	AGENCY OR ENTITY	ANNUAL COST	TIMELINE
Promotional campaign with WorkForce Centers	31	DES/ WorkForce Centers	\$1.5 million (part of \$5 million for universal customer)	FY 2002
MnSCU realignment recommendations	32	MnSCU reports progress to Mini- cabinet		Ongoing
Review "best practices" models for education delivery and report	33	DES/DTED/ MnSCU		Report to Governor January, 2001
<i>Inventory</i> report to be continued	33	DES/GWC		Ongoing
Develop and implement outcome measures on all funded programs	34	MN Planning		Recommendations for 2002/03 budget
Changes to Alien Labor Certification program	35	DES		Recommendations for 2002/03 budget
Review Persons on Public Assistance program	36	DHS		Report January, 2001
Persons with Disabilities: review of MAEPD Law and recommendations	36	DHS		Report to Governor January, 2001
Develop Virtual University and E-Training	37	MnSCU		Report to Governor July, 2001
Review Vocational Rehab and SSB independent living-type programs for strategic alignment	38	DHS/DES		Report to Governor January, 2001

MINNESOTA: WORLD COMPETITOR!

THE GOVERNOR'S WORKFORCE DEVELOPMENT PLAN

Workforce development is the key economic challenge facing Minnesota today. The reasons for this begin with new economic realities. Our state, indeed our world, is undergoing enormous economic change. Enhanced electronic communication has radically altered the pace of change in a way that is sometimes difficult to comprehend. The buying and selling of goods and services has undergone a revolution, and the explosion in the use of the Internet promises even more change. With the acceleration of economic globalization comes both opportunities and challenges. On the one hand, outside markets can be reached more easily than ever before; on the other, more goods from around the world can come to Minnesota and compete with local products.

Indeed, the marketplace has become crowded with competitors—the other 49 states, Canada, the European Union, and more—all eager to take advantage of new technologies and opportunities. As more and more rivals enter the marketplace, Minnesota companies are facing competition from across the street and around the world. Minnesota farmers experienced this phenomenon in 1998 when a dramatic drop in world commodity prices had a devastating impact on the state's agricultural sector.

In order to move ahead economically, Minnesota must become a sophisticated, world-class competitor—thoughtful, intelligent, and prudent. One of the most critical competitive areas is the development and retention of high-paying, high technology jobs—the jobs of the 21st century and beyond. Without enough skilled workers to fill these positions, the jobs will certainly go elsewhere. Minnesota will lose development opportunities along with business expansions; existing companies may also relocate outside the state if they cannot find the workers they need. Minnesota must create an economy in which personal incomes are high, the best jobs are filled, and worldwide businesses come here because they need and want to take advantage of the state's world-class workforce.

It is also essential to understand that currently, the state's workforce development programs by and large target annual spending of \$97,000,000 to low-wage, low-skill, disadvantaged and disabled workers; together, these groups make up less than five percent of the Minnesota labor force. The result of this policy is that 95 percent of the state's workers, or 2,500,000 Minnesotans, have been virtually ignored when it comes to workforce development. This is an unwise and out-of-date funding imbalance. Emerging workers in particular—11th and 12th graders or those who do not yet have a high school diploma—are a precious resource, and they must be encouraged to train for the best possible jobs. As they reach their full potential as individuals, they will also help Minnesota develop the sharpest competitive advantage in the world market.

The Workforce Development Challenge—Train People for the Best Jobs Available

The basic problem is that Minnesota's businesses are creating new jobs faster than Minnesotans are entering the workforce—unemployment is low, workforce participation is high, and there are fewer potential workers available. This current worker shortage is the culmination of five decades of employment growth that exceeds the growth of the working age population. And more than 80 percent of the people who will be in Minnesota's workforce in 2005 are already at work. The situation is complicated by the fact that many workers lack the skills needed to fill the new, high technology jobs that are critical to Minnesota's economic health in the coming decades; a mismatch exists between the skills needed and the skills available in the workforce. Given the pace of change, this means that Minnesota workers must quickly acquire the technological skills that employers need in order to compete globally. **The state must foster an education system that gives students the basic skills they will need in the workplace. It must disseminate information about cutting-edge career opportunities. It should create the programs, tools, and incentives that encourage people already at work to upgrade and add to their skills. It must create opportunities to bring new workers, harder-to-employ workers, and underemployed workers into the high-skill and high-pay job marketplace.** These tasks are essential to the state's continuing economic prosperity.

The *Governor's Workforce Development Plan* is designed to promote these aims. Achievement of these aims can help Minnesota by:

- preparing our workforce to be the most competitive in the world,
- identifying and promoting the well-paying jobs and skills of the future,
- emphasizing the connection between state educational activity and the needs of the private marketplace, and
- eliminating obsolete programs while consolidating redundant programs.

History of the Workforce Development Plan

Early in his term of office, Minnesota Governor Jesse Ventura asked the commissioners of Economic Security and Trade and Economic Development; the chancellor of the Minnesota State Colleges and Universities system; and the director of Minnesota Planning to organize a workforce development project. The commissioners of Children, Families and Learning, Labor and Industry, Human Services, and Finance later joined the effort. This working group became the Governor's Workforce Development Mini-Cabinet. The need to examine workforce development was confirmed by the 1999 Legislature, which asked for specific recommendations to be reported to the 2000 Legislature.

In September 1999, the Governor released the *Workforce Development Framework* (see Appendix B), essentially an outline of the goals, principles, and key strategies that guided the formulation of this plan. Two primary goals were expressed in the *Framework*:

GOAL 1: KEEP MINNESOTA BUSINESSES COMPETITIVE BY SUPPORTING A FLEXIBLE, SKILLED WORKFORCE.

Prices today are set globally, so the success of a business depends on providing better value than its worldwide competitors. Minnesota's labor costs are higher than those in many developing countries, but greater productivity and higher quality will offset this disadvantage. Minnesota businesses can increase their productivity by expanding the use of technology, by raising the skills of their workers, and by ensuring a safe workplace. In other words, if Minnesota is to compete, the state must create the highest-skilled and most flexible workforce in the world. There is simply no other way forward.

GOAL 2: SUPPORT EFFORTS TO INCREASE PERSONAL INCOME.

In the past, success was measured by reduced unemployment—by people having jobs, with little concern about the quality of those jobs. Minnesota now has the opportunity and the need to aim much higher by helping people to get good jobs that pay well and have potential for growth. The challenge is to make sure workers are trained for the best jobs available. This means retraining people who are already working and focusing training resources on the best jobs of the future. Further, it means encouraging people to examine their own skills and careers and to take responsibility for continually learning new skills throughout their working lives.

After publication of the *Framework*, the administration continued to seek responses from the private sector, non-profit agencies, community leaders, and the legislature in order to develop this plan. Core administration personnel met frequently to complete the short-term tasks prescribed in the *Framework* document. These tasks were:

- To identify the state's growing and critical industries and occupations.
- To undertake a complete state program review, with an eye toward redesign, consolidation, and elimination of redundant or out-of-date programs.
- To develop the objectives for a promotional campaign aimed at youth and adults.
- To develop a system of ongoing measures that will provide greater accountability and performance assessment for all workforce programs.

A more detailed methodology about how these tasks were carried out is presented in Appendix D.

Highlights and Limitations of the Workforce Development Plan

The following plan represents a major redirection in the way the state of Minnesota could approach workforce development. New principles and new thinking have been introduced: in essence, **better workforce development programs and better information about what employers need will lead to better training decisions and a higher-skilled Minnesota workforce which ultimately can better compete in world markets.**

This plan suggests the elimination of some existing programs, the revision of some programs, and, where necessary, the creation of new programs and initiatives. Redeployment of resources will be achieved without the need for additional state spending. To some, the proposed changes may not be enough, while others may see the changes as too drastic. This plan will be a major step forward, but it will not be the end of the process. However, it is imperative that the plan should be set into motion using the timeline and action requirements listed on pages 5 to 7. The need is urgent. The state's economic future is at stake.

PRINCIPLES BEHIND THE GOVERNOR'S WORKFORCE DEVELOPMENT PLAN

The current workforce development system is built on old principles—ideas which no longer apply in today's global economic climate. To address the challenges facing today's economy, Minnesota must quickly adopt new principles for workforce development that better the current reality. These new principles represent innovative approaches about the way state government, particularly the workforce development system, must operate to address 21st-century challenges.

Principle 1: New Challenges for Minnesota's Businesses

Old Approach:

The costs of doing business and access to capital are the biggest barriers to economic growth.

New Approach:

The shortage of skilled workers is the greatest challenge facing Minnesota's economy.

Early in the 1990s, Minnesota businesses consistently rated the costs of doing business—taxes, workers' compensation, access to capital, and regulatory costs, for example—as the greatest barriers to economic growth. While reductions in commercial-industrial property taxes, a substantial decrease in worker compensation costs, and lower interest rates have eased these burdens, new challenges have surfaced. Today, the most significant challenge, identified by businesses, policymakers, and researchers alike, is a shortage of workers to fill the positions that businesses are creating.

(See Appendix A for more information on worker shortages.)

Principle 2: Good Jobs for Minnesotans

Old Approach:

Workforce development efforts emphasized placing workers in jobs.

New Approach:

The emphasis is on matching workers to *good* jobs—those with potential for high pay and advancement opportunities.

In the 1970s and 1980s, when U.S. unemployment rates exceeded ten percent, workforce development programs concentrated efforts on people who were unemployed or who were at great risk of losing their jobs. Today, however, the problem of unemployment is not how many people

are unemployed but how few are unemployed. With low unemployment rates and high labor force participation rates, Minnesota is utilizing its existing pool of workers to nearly-full capacity. Almost everyone in Minnesota who wants to work *is already working*.

In this new environment, state resources are more appropriately directed toward increasing the productivity of the existing labor force rather than toward either reemploying the unemployed or recruiting new workers into the labor force. One way to increase workforce productivity is to upgrade the skills of the workforce to perform the highest-level jobs possible; otherwise, workers are being underutilized in terms of their potential productivity.

This requires a new emphasis on the incumbent worker or the "universal customer." The universal customer of the workforce development system—whether unemployed or employed, high-skilled or low-skilled—can benefit from programs designed to upgrade skills and increase productivity.

Training programs should focus on preparing workers for *good jobs*—those with the potential for high pay and advancement opportunities. Generally, the more training and education that is required for an occupation, the higher the pay. However, there are numerous well-paying occupations with the potential for growth that require less than a four-year degree. Not all occupations pay alike, and publicly-supported training should target those occupations which support self-sufficiency and promise sustained employment.

Appendices E and F rank occupations by a combination of three criteria: (1) percent growth from 1996 to 2006, (2) the number of job openings between 1996 and 2006, and (3) 1997 median wage for the state. Because priority occupations vary across the regions of the state, these tables should not be considered an exhaustive list of target occupations.

Principle 3: A Commitment to Education and Training

Old Approach:

The state should assist the unemployed and economically distressed Minnesotans with social services.

New Approach:

The state affirms its commitment to assist the unemployed and economically distressed but emphasizes the importance of education and training for achieving self-sufficiency.

In this environment of low unemployment rates and a healthy economy, the unemployed and economically disadvantaged have new economic opportunities, provided they can access adequate education and training.

This principle does not abandon the idea of a safety net for Minnesotans; clearly, the state reaffirms the importance of such programs. However, focusing resources on remedial measures and services is no longer sufficient. Rather, the state must help individuals reach economic self-sufficiency through continual education and training. By enhancing productivity through education and training, this new approach advances not only individual well-being but also the economic vitality of the entire state.

Principle 4: Alternative Types of Education and Training

Old Approach:

A four-year college education is the path to a good career.

New Approach:

Other avenues such as technical training may lead to a good career.

A four-year college education is no longer the only avenue to reaching a fulfilling, well-paying career; technical education and training offers another path to a healthy economic future. Figures indicate that just over five percent of the total projected job openings between 1996 and 2006 will require an associate's degree, over 20 percent will require post-secondary vocational training, and nearly 50 percent will require some type of on-the-job training.

Many of the jobs that require alternative forms of training and education—such as flight attendants, electrical technicians, and certain types of health technicians—pay higher-than-average wages and offer opportunities for advancement. Others, such as home health aides, human service workers, and data processing equipment repairers, may be lower-paying but offer invaluable experience to those beginning their careers. Appendix F ranks occupations that require significant training but less than a 4-year degree.

Principle 5: The Role of Technical Education in Minnesota's K-12 System

Old Approach:

Technical education is no longer an appropriate mission of Minnesota's K-12 system.

New Approach:

Preparation for technical education will be re-acknowledged as an appropriate, though not primary, mission of Minnesota's K-12 system.

If technical education is an appropriate avenue for older students, it is no less essential for younger students. The rise of computers and the electronic communication revolution has dramatically altered the nature of Minnesota's economy and its other institutions. The introduction of the computer has fundamentally changed the way in which information is stored, utilized, and exchanged. Few would disagree: young students can no longer afford to be ill-equipped to deal with computerization and other technological advances. Technical education need not be the primary focus of K-12 education, but it should be re-acknowledged as an appropriate goal. Together with liberal education studies, technical education is a way of *comprehensively* preparing students for the world they will inhabit.

Principle 6: New Sources of Career Information

Old Approach:

Children learn about career choices through their families.

New Approach:

Children learn about careers from many sources, including primary or secondary schools.

In the past, children were likely to follow the occupations already present in their extended families. Today, however, the rapid pace of economic change means that some traditional occupations no longer provide viable career opportunities. New occupations—webmasters, quality engineers, and ATM technicians—are emerging to reflect current economic realities. With this swift occupational evolution, primary and secondary schools are becoming important sources of current career information.

In Minnesota, the educational system has indeed become a primary source of career information. Under the state's current graduation standard rule, students may opt to complete a *Career Investigation* standard. Students selecting this option must demonstrate their understanding of a variety of different careers and their requirements, how attitudes and behaviors affect the workplace and how the workplace affects the community and the individual worker. Moreover, students must also identify their personal career interests, establish an explicit career action plan, investigate careers through research or internships, and evaluate career choices.

Principle 7: Recognizing Regional Differences

Old Approach:

State government workforce initiatives are typically statewide in nature.
At best they distinguish only between metro and non-metro areas.

New Approach:

State government workforce initiatives will recognize and respond to the unique qualities of Minnesota's diverse regions.

What succeeds in Winona does not necessarily work in Willmar. Local economies differ from each other in various respects, including their industrial, occupational, or demographic composition. In other words, regional economic problems vary, and solutions need not be universally applied. In particular, different regions see very different patterns of worker shortages, priority occupations, and leading industries.

To address these regional differences, regional experts should inform regional economic planning. This principle echoes sentiments already set forth in the federal Workforce Investment Act of 1998 (WIA) which will govern a large component of federally-funded workforce development. Under WIA, local workforce investment boards—in partnership with local elected officials, business representatives, educators, community organizations and labor organizations—will be responsible

for focusing and distributing state resources to meet the needs of their own regions. This model of local involvement will be critical to any strategy seeking to meet local needs for skilled workers.

Principle 8: Review of Government Programs

Old Approach:

Government programs can continue indefinitely without serious review.

New Approach:

Government programs, including workforce development, must demonstrate their value on an ongoing basis.

All too frequently, government programs have had limited accountability. When accountability measures have been instituted, they have frequently been based on inputs—number of people served, dollars spent, and so on—not outcomes. Accountability to public purpose requires regular measurement of tangible outcomes—for example, job placement rates, and average wages of people placed. Workforce development programs should be subject to regular review to assure both that the programs are achieving their public purpose and that the programs are serving an ongoing need.

Principle 9: Realigning Programs to Meet Demand

Old Approach:

Workforce programs are provider-driven.

New Approach:

Workforce programs are created and maintained to meet the needs of the workers and employers who utilize them.

Over the years, strong support of workforce programs has often come from the “provider” community—the government agencies, educational institutions, and non-profit agencies which offer training or support services in exchange for public dollars. Regardless of their altruistic interests, all of these groups have a natural bias toward preserving the status quo and protecting their own programs and interests. What emerges from this provider-driven system may not be efficient or effective over time.

A better means of guiding the workforce development system is to listen to the needs of both the employers who hire the products of the system and the workers who seek improved economic opportunities for themselves. The business community can, and should, be assisting the workforce development system with decisions on how to direct resources toward meeting the emerging skill needs of today’s rapidly-changing economy.

To advance overall state economic growth, it may be wise to focus workforce development programs toward high-growth, high-wage industries. Organizing workforce development programs around specific industries may also encourage business involvement in defining the needs the workforce development system must meet. Moreover, because industries employ many different types of occupations, information on industry-specific workforce needs may help illuminate good job opportunities. Appendix G provides a list of high-wage or high-growth industries in the state. This industry list is by no means definitive but should be considered a starting point for focused attention.

The workforce development system has historically dictated to worker-consumers what they need and don't need. Today, however, these consumers of workforce development services must become full partners in the process. Armed with information, the consumers themselves should determine what they need to become economically self-sufficient at the highest possible level.

Principle 10: Collaboration Among Public Agencies

Old Approach:

Employment, education and economic development agencies should work independently.

New Approach:

Collaboration among agencies and programs is essential for workforce development.

Typically, government creates new public agencies in response to a deficiency, a market inefficiency, or other perceived social need. To meet the challenges of an earlier era, public agencies focused on their specific mission—whether education, employment or economic development—and there was little need for collaboration or cooperation among agencies. Some even argued that isolated programs were more easily monitored and controlled and therefore possibly more efficient.

Today, our problems are too complex and too interconnected to be handled within the traditional agency boundaries of state government. Historic isolationism has become a recipe for ineffectiveness now that a leading challenge of economic development is workforce development, and a leading challenge of workforce development is providing education and training to the state workforce. Clearly, collaboration among agencies—with employment, education, and economic development agencies working together at a minimum—is essential.

Principle 11: Strategic Use of Financial Resources

Old Approach:

New initiatives always require new funding.

New Approach:

Current resources are adequate if they are strategically focused and deployed.

In the past, established government programs never died. Even if they served a shrinking constituency, they lived on—as did their costs. In addition, new programs were often added to the budget, which always grew.

This approach served neither the program nor the public. Government must ask if a program is necessary or only nice to do. Any new program should be funded first from savings from the elimination of obsolete programs.

RECOMMENDATIONS

Recommendation 1:
Consolidate employment and training programs.

In today's economic climate, the existing array of workforce development programs is no longer appropriate. Some employment and training programs were created in an earlier era when the goal was simply finding employment for the unemployed. Other workforce development programs have worthy goals but operate less than efficiently due to excessive administrative costs, a lack of program accountability, or split efforts across agencies. Within an environment of fiscal conservatism and limited public resources, the Mini-Cabinet reviewed the state's numerous workforce development programs with an eye toward:

- serving the emerging worker, the incumbent worker and the universal customer,
- increasing collaboration across agencies,
- eliminating redundant programs,
- promoting priority occupations and industries,
- advancing economic self-sufficiency, and
- ensuring accountability and performance.

The Mini-Cabinet recommends eliminating eight programs, creating one new program, and consolidating and redesigning several other programs.

WorkForce Centers

The Department of Economic Security and its partner agencies have shaped a service delivery network of 53 WorkForce Centers throughout the state. Created in the mid-1990s, the WorkForce Centers represent a "one-stop" approach to employment and training programs, bringing together public access to, at a minimum, the Employment Service, "the unemployment office," Rehabilitation Services, State Services for the Blind, and publicly-funded training provided through the federal Job Training Partnership Act.

While the WorkForce Centers provide a common location for services to the customer, funding for the WorkForce Centers continues to come through targeted funding streams. In other words, WorkForce Center funding comes from specific sources who serve clients meeting specific eligibility criteria—the unemployed, the economically disadvantaged, the disabled, etc. In order to receive staff-assisted services, WorkForce Center customers must prove their eligibility for programs serving a specific target population, such as dislocated workers, the recently unemployed, or welfare recipients.

The Mini-Cabinet recommends:

We suggest that renaming the WorkForce Centers to “Minnesota Career Centers” would more accurately reflect their true function and would help do away with the “distressed worker” image. To encourage the universal customer to utilize the Career/WorkForce Centers, we recommend that the Career/WorkForce Centers be the cornerstone of the local promotional effort described in a later recommendation. Since the Department of Economic Security is responsible for many of the programs and services delivered through the Career/WorkForce Centers, we also recommend renaming the Department of Economic Security to become the Department of WorkForce Development; this will more accurately reflect the department's true focus and mission in the 21st century. Further, we recommend that the Commissioner of the Department of Workforce Development ensure full coordination of all workforce training and development programs.

The Career/WorkForce Center infrastructure should also be expanded to serve the “universal customer”—incumbent workers or others who would benefit from career development services without meeting specific eligibility criteria. We recommend allocating \$5 million (includes the \$1.5 million for local promotional activities described on pg. 30) from the Workforce Development Fund to DES to sustain the Career/WorkForce Centers and to serve the universal customer. This would help us move away from funding individuals in strictly-defined categories, eliminate the need to spend time and resources identifying client eligibility, and serve persons who formerly fell through the cracks of eligibility. Career/WorkForce Centers should be able to serve anyone who is seeking employment assistance and should not spend valuable time and resources identifying for which category of funding a person may be eligible.

A performance package is a means of allowing students to demonstrate their competence in career exploration in order to meet the state graduation standards. To attract high school students into their local Career/WorkForce Centers, we recommend that a performance package on career exploration be available to students onsite at Career/WorkForce Centers. We suggest that the Department of Children, Families and Learning work with local schools to develop this package.

The existing WorkForce Center system should be studied by an independent consultant with a view toward “best practices” as they apply to the WorkForce Centers. The ultimate goal of this review would be to determine how the WorkForce Center system can best be operated.

Dislocated Worker

The state Dislocated Worker program was initiated in 1991 to supplement the federal Dislocated Worker program. However, the Minnesota economy has changed significantly over the last decade—the unemployment rate has fallen to half its 1991 peak of 5.2 percent to 2.5 percent in 1998. While mass layoffs and job churning continue, the state with one of the lowest unemployment rates in the nation should not be one of only 13 states which supplement the federal Dislocated Worker program with state dollars.

The Mini-Cabinet recommends:

We recommend that the state Dislocated Worker program be terminated due to the health of the state economy.

The federal Dislocated Worker program is sufficient for these purposes and should continue under the administration of the Department of Economic Security.

Dislocated Worker Pilot

The Dislocated Worker Pilot program, housed at the Department of Economic Security, is a state program aimed at training incumbent workers on the verge of losing their jobs due to the decline of their industry. Funding for this program has come from the Workforce Development Fund and can be up to five percent of the fund balance.

The Mini-Cabinet recommends:

We recommend terminating the Dislocated Worker Pilot program. The difficulty of identifying declining industries makes identifying eligible workers an unnecessary challenge. Moreover, of the \$1.2 million this program can access, less than a quarter of a million dollars has been spent, suggesting that there is little need for this targeted program.

Job Skills Partnership

The Minnesota Job Skills Partnership, housed at the Department of Trade and Economic Development, facilitates partnerships between employers with specific training needs for their employees and accredited educational institutions who can train the workers to meet their employers' needs. In response to an employer request, an accredited educational institution designs a customized training program, which is then used as a model throughout the system. Employers must provide at least a one-to-one match of either cash or in-kind services to the Job Skills Partnership grants. Grants are approved by the Job Skills Partnership Board.

The Mini-Cabinet recommends:

We recommend that there should be more guidelines for awarding Jobs Skills Partnership grants—for example, that preference for these grants be given to the critical industries or occupations in an area. We also recommend that small businesses be encouraged to submit joint proposals.

We recommend that the base appropriation for the Job Skills Partnership program be increased by \$4 million per year: \$1 million from the Workforce Development Fund and \$3 million from the General Fund, beginning in fiscal year 2002.

Apprenticeship Program

The Apprenticeship program of the Department of Labor and Industry, funded from the Workforce Development Fund, facilitates employer-sponsored apprenticeships and helps promote worker safety, helps develop skill set standards, and explores new careers with apprenticeship potential. The Mini-Cabinet considered whether the state should be in the business of facilitating apprenticeships. The Mini-Cabinet concluded that this program advances the interests of the private sector and would likely continue even without state support. However, given the program's other missions, such as worker safety, the program should receive ongoing state support.

The Mini-Cabinet recommends:

We recommend that the Apprenticeship program receive \$575,000 annually from the Workforce Development Fund.

Collaborative Rural Nurse Practitioner Program

The Collaborative Rural Nurse Practitioner Program of the Department of Health works to increase the number of nurse practitioners working in rural Minnesota. This program gives funds to six schools that train nurse practitioners to help fund clinical sites in Greater Minnesota and facilitates distance learning for rural nurse practitioners in-training.

The Mini-Cabinet recommends:

We recommend that the Collaborative Rural Nurse Practitioner program, at funding of \$250,000, be continued. We further recommend that the program be refocused to better serve those who need upgrading of skills.

There are also other initiatives addressing gaps in rural health care service—such as the foundation-supported Partnerships in Training, the Department of Health’s physician loan-repayment program, and other locally-based recruitment programs. Partnerships for Training, for example, recruits rural nurse practitioners and physician assistants from rural areas to enroll in training programs and also helps facilitate distance learning. All opportunities for cooperation among programs should be encouraged.

We also recommend further study on how to best attract people trained in specific occupations, such as health care, to work in rural areas, whether it be recruiting rural residents for specialized training, recruiting training graduates to rural areas, expanding information about where opportunities may be found, or providing loan reimbursements for rural service.

PROGRAMS FOR PEOPLE WITH DISABILITIES

The State of Minnesota operates several programs, housed primarily in the Department of Economic Security and in the Department of Human Services, targeted toward serving people with disabilities. These programs include Day Training and Habilitation (DHS), Vocational Rehabilitation-Rehabilitation Services (DES), Vocational Rehabilitation-Extended Employment, Vocational Rehabilitation-State Services for the Blind, Deaf and Hard-of-Hearing, and Extended Employment Program-Coordinated Employability Projects.

Extended Employment Program-Coordinated Employability Projects

Extended Employment Program-Coordinated Employability Projects, part of the Department of Economic Security, began in 1981 as a pilot project for individuals with Serious and Persistent Mental Illness (SPMI). While traditional Vocational Rehabilitation programs have a time limit on services, advocates for the mentally ill lobbied for these pilot projects to serve these people indefinitely. However, individuals with SPMI who have reached a service cut-off for Vocational Rehabilitation services are then eligible for Extended Employment.

The Mini-Cabinet recommends:

We recommend that the state implement performance measures on the Extended Employment-Coordinated Employability Projects to assess if these pilots should remain as programs distinct from the Vocational Rehabilitation and Extended Employment programs. We question the need to carve out individual programs for each category of persons served when those individuals are already eligible for similar services under a broader program. If the findings are that the separation does not improve services, we should consider merging the Extended Employment-Coordinated Employability Projects with Vocational Rehabilitation and Extended Employment. If Extended Employment-Coordinated Employability Projects were to merge with the broader programs, we recommend that the funding follow the program and remain constant.

PROGRAMS FOR ECONOMICALLY DISADVANTAGED OR TARGETED POPULATIONS

Many of the workforce development programs in the state are targeted at specific populations—often people who are economically disadvantaged or who face other significant barriers to achieving economic self-sufficiency without public assistance. These target groups include people of color, displaced homemakers, migrant workers, and people living in public housing.

Two of these programs—JTPA Title IIA 8% Education Coordination and JTPA Title IIA Training Services for Disadvantaged Adults—were components of the federal Job Training Partnership Act, which will be replaced by the Workforce Investment Act of 1998 as of July 1, 2000. As these programs are already undergoing significant transformation due to federal legislation, we did not review these programs.

Other large pieces of programs for target populations, such as Welfare-to-Work or Food Stamp Employment and Training, are not specifically addressed in this review, but we believe these programs should operate in alignment with the Workforce Development principles.

Pathways—Minnesota Job Skills Partnership

The Pathways Program, administered through the Minnesota Job Skills Partnership staff and board, focuses on job training for individuals making the transition from public assistance to the workforce. Similar to the Job Skills Partnership program, Pathways provides funds to educational institutions working in partnership with groups of Minnesota businesses and non-profit organizations to provide education, training and support to people on public assistance. Grants are awarded for businesses to train and employ persons receiving Minnesota Family Investment Program (MFIP) assistance.

The Mini-Cabinet recommends:

We recommend that Pathways' funding and mission be fully transferred into the Job Skills Partnership. The Partnership would then continue to carry out the work of the Pathways program.

Displaced Homemakers

The Displaced Homemakers program, housed at the Department of Economic Security, was created 20 years ago when there was a larger market of displaced homemakers. Today, as female labor

force participation rates in the state lead the nation, there is far less need for this program. Funding for the program was \$1.9 million.

The Mini-Cabinet recommends:

We recommend that the Displaced Homemakers program be eliminated. We believe that there is no longer a need for a specific state program for displaced homemakers—particularly as displaced homemakers are eligible for services in the federal Dislocated Worker program. This program was created in a different environment, and, as the culture and economy change, publicly-funded programs must change as well. Moreover, we want to move away from the "silo" mentality of serving different groups with strict eligibility requirements.

We further recommend no further funding to the Soft Skills for Displaced Homemakers at Camp Ripley program which received a one-time appropriation.

Opportunities Industrialization Centers

The Opportunities Industrialization Centers (OICs), funded with both federal and state dollars, target people of color and welfare recipients—populations with a low degree of success through more mainstream training programs. OICs provide counseling, remedial education, motivational and pre-vocational training, skills training, and job development and placement. Job-specific skills training focuses on occupations with high demand in the local community.

The OICs leverage a significant amount of funding from outside sources—other levels of government, foundations, and the business community—and therefore, the per-participant or placement cost to the state is relatively low. The Centers also collect an impressive amount of data on their participants, their placements, program costs, and subsequent work experience for up to a year. In addition, they work with a challenging population and produce a relatively high number of placements along with a good retention rate.

The Mini-Cabinet recommends:

We recommend moving funding from LEAP to the OICs (see below). The OICs should use this supplemental funding to encourage women and minorities to enter apprenticeships. We further encourage the OICs to establish measurable goals for this funding and monitor their progress toward these goals annually.

Labor Education Advancement Program (LEAP)

The Labor Education Advancement Program (LEAP), housed at the Department of Labor and Industry, was federally funded from 1969 until 1983 when the state assumed the full cost. LEAP's primary mission is to facilitate the participation of women and minorities in registered apprenticeship training programs. According to statute, LEAP awards competitive grants to community-based organizations serving targeted populations. Of the 329 clients served this fiscal year, 220 were referred to apprenticeship programs and 112 were placed in programs.

From 1983 to 1999, there was no significant increase in the percentage of apprenticeships held by women. The total moved from 4.3 percent to 4.4 percent, which is also the national average. The percentage of apprenticeships held by people of color rose from 4.4 percent in 1983 to 9.1 percent

in 1999. However, this increase, roughly 107 percent, mirrored the increased of people of color in the Minnesota population.

In other words, LEAP increased neither the number of women nor the number of people of color holding apprenticeships beyond the actual population increase. Furthermore, the program does not work closely with existing workforce development infrastructure such as the WorkForce Centers.

The Mini-Cabinet recommends:

We recommend that, in order to maximize the existing community-based organizations' contacts with people of color and women, funding for LEAP (\$204,000) should be transferred to the Opportunities Industrialization Centers.

Veterans Programs

The U.S. Department of Veterans Affairs offers a program that encourages veterans to enroll for further education and training. To be eligible, veterans must have saved \$100/month for 12 months while in active military service. Upon discharge, eligible veterans enrolled in education or training can receive between \$400 and \$700/month, depending on family size, for up to ten years. However, only 30 percent of veterans nationwide take advantage of this stipend, and veterans cannot buy into this benefit after they are discharged. Minnesota has approximately 3,000 military personnel discharged annually.

The Mini-Cabinet recommends:

We recommend promoting use of the federal stipend for veterans in Minnesota by military staff informing recruits of this stipend at the time of enlistment, and the Governor encouraging military personnel about to leave the armed forces to return or relocate to Minnesota upon discharge.

PROGRAMS FOR YOUTH

Due to the time constraints of the Mini-Cabinet's schedule, we were unable to complete a thorough evaluation of programs for youth. We recommend continued review of youth programs to identify redundancies and opportunities for consolidation in the near future.

Post-Secondary Enrollment Option (PSEO)

The Post-Secondary Enrollment Option (PSEO) allows high school students to take post-secondary courses. Currently about 7,000 students enroll in this program a year. Most PSEO participants are successful students who are preparing to attend a four-year college, while approximately 20 percent of these students attend a technical college.

The Mini-Cabinet recommends:

We recommend that the state encourage more high school students to use the Post-Secondary Enrollment Option (PSEO) to take technical college courses while in high school. By targeting

these students, we can perhaps provide another tool for educators to stimulate interest in vocations by youth who might otherwise fall through the cracks as well as promote vocational careers to students who are still in high school. Promotion of PSEO should be incorporated into the promotion initiative described in this report.

We also recommend that the Department of Children, Families and Learning (CFL) and Minnesota State Colleges and Universities (MnSCU) explore adjusting the admissions standard for PSEO students enrolled in technical colleges to be commensurate with the requirements of other institutions. We further recommend CFL and MnSCU provide adequate counseling to PSEO students in conjunction with their enrollment in MnSCU institutions. We anticipate that these two actions will correct the problem of students attending technical colleges through the PSEO being more likely to drop out of PSEO than students at four-year or community colleges. At present, PSEO students in technical colleges are treated differently than their PSEO counterparts in colleges in two ways. First, PSEO students enrolled at community colleges and four-year institutions have a higher standard for enrollment compared to regularly enrolled students, while PSEO students in technical colleges have the same admissions standard as regular post-secondary students. Second, there is no counseling requirement for PSEO students at technical colleges, while counseling is required at four-year and community colleges.

Encouraging PSEO for technical college enrollment may require some changes in the Profiles of Learning. CFL should work with MnSCU to eliminate any difficulties caused in implementing the Profiles.

This initiative does not require additional funding since funding for the post-secondary course follows the student from the high school to the technical college.

Agriculture Education Improvement Grant Program

The Agriculture Education Improvement Grant program of the Department of Children, Families and Learning allocates \$350,000 to link the Minnesota graduation standard and School-to-Work performance indicators with agriculture education programs in Minnesota. Most projects are collaborations with outside organizations.

The Mini-Cabinet recommends:

We recommend that the Agriculture Education Improvement Grant program be eliminated because it does not merit a special state appropriation. We suggest that individual school districts should fund curriculum development in agriculture education.

Employer Rebate

The Employer Rebate program of the Department of Children, Families and Learning provides rebates to employers who provide paid internships and apprenticeships to youth and paid internships for educators. Last year, the program provided rebates for the hiring of 19 youth apprentices (at a rebate level of \$3,000), 41 educator interns (at a rebate level of \$500), and 1,070 youth interns (at a rebate level of \$500).

The Mini-Cabinet recommends:

We recommend that the Employer Rebate program be eliminated. With the state's booming economy and low unemployment rate, employers should not need the additional incentive of a rebate to hire youth as interns or apprenticeships. The Mini-Cabinet believes that goal of exposing educators to different workplaces is laudable; however, this program is minimally used for that purpose. Rather, if the state wants to advance that goal, we recommend that a broader program be established.

School-to-Work Partnerships

The School-to-Work Partnerships, overseen by the Department of Children, Families and Learning, the Department of Economic Security, and Minnesota State Colleges and Universities, are funded by \$25 million in federal dollars to be spent over five years. Minnesota is in the third year of the program. Funding decisions are made by local School-to-Work partnerships—comprised of educators, parents, business and labor representatives and other community members—which have wide discretion on how to spend the money within the career indicators developed by the U.S. Department of Education. The School-to-Work partnerships work to smooth the transition between education and employment by establishing work-based learning in high schools, encouraging career exploration, and educating teachers on how academic skills are applied in workplaces. Funds can pay for career exploration, community service or work-based learning for students, and training on performance assessment or mentoring for educators, parents or community members.

The Mini-Cabinet recommends:

We recommend that the School-to-Work partnerships enhance their alignment with the Workforce Development Principles outlined in this plan and the overall state Workforce Development Plan—for example, promoting critical occupations and industries in their regions. We anticipate that the partnerships can provide an interim evaluation of their progress toward this goal to the Mini-Cabinet by July 1, 2000.

School-to-Work Project for Cities of the First Class

The School-to-Work Project for Cities of the First Class, housed in the Department of Children, Families and Learning, targets Minneapolis, St. Paul, and Duluth for school-to-work programs to help at-risk families and youth. The program specifically encourages collaboration between private employers, organized labor, school districts, and county governments. Projects range from transporting students to partial funding of career center staff.

The Mini-Cabinet recommends:

We recommend that the School-to-Work Project for Cities of the First Class, funded at \$300,000, be eliminated because program goals and results are unclear. We recognize that urban school districts and counties have special needs. However, it may be more efficient and effective to address these needs through a broader workforce development program for youth.

Youth Entrepreneurship Grants

The Youth Entrepreneurship Grants program of the Department of Children, Families and Learning helps young people gain entrepreneurial experience by providing venture capital for setting up small businesses. The program also provides technical assistance and teacher training for entrepreneurial education.

The Mini-Cabinet recommends:

We recommend that state funding of \$500,000 for the Youth Entrepreneurship Grants program be eliminated because the administrative expenses associated with maintaining such small grant programs are not cost-effective.

Summer Youth Health Care Internship

The Summer Health Care Internship program of the Department of Health aims to encourage high school and college students to enter health care-related careers. The Department of Health contracts with the Minnesota Hospital and Health Care Partnership to administer this program. Through this program, the state pays half the cost of a student (high school or college) working for the summer in a health care facility, and more than three-quarters of the students serve in rural Minnesota.

The Mini-Cabinet recommends:

We recommend that the Summer Youth Health Care Internship program be discontinued. While recruiting employees in health-related fields is certainly a problem, there has been no research into how many of this program's participants actually go into health care fields. We also recommend further study on how to best attract people trained in health care occupations, how the Health Care Access Fund can address the workforce shortage and how these efforts connect into the overall state workforce development strategy.

Recommendation 2: Establish an Emerging Worker Program.

The second principle of this report—that our focus should be on making sure people have *good* jobs with the potential for high pay and advancement—suggests the importance of focusing on incumbent (those who are already working) workers. Under the new paradigm, the focus of workforce development efforts must expand beyond meeting the needs of the unemployed; we must include an emphasis on upgrading the skills of those who are employed today so that they may be better employed tomorrow. We must also target the needs of emerging workers— 11th and 12th grade students and those who do not yet have high school diplomas— so they can make the best possible decisions regarding training for future employment.

Because this emphasis on emerging and incumbent workers is new, there are relatively few existing programs to serve these customers. The WorkForce Centers represent an existing delivery system whose scope we recommend expanding, and we recommend creating a new program specifically to serve emerging workers.

Emerging Worker Program

In the existing array of state and federal workforce development programs, only a small percentage of dollars go toward developing the skills of emerging workers, that is, 11th and 12th grade high school students and those who do not yet have a high school diploma. In the current economic climate—where future workers with advanced skills will be a precious commodity for the state—we believe that it is increasingly important to provide career information and encouragement to these emerging workers so that they are able to make the best possible training and career decisions.

The Mini-Cabinet recommends:

We recommend putting an Emerging Worker Program in place that would serve 11th and 12th graders interested in pursuing post-secondary options in a technical curriculum area. This program would be administered by local WorkForce Centers under the auspices of Local Workforce Investment Boards (WIBs) and would utilize Individual Training Accounts. We recommend that the state use \$4 million from the Workforce Development Fund to create a pilot Emerging Worker Program, to be housed in the Department of Economic Security, to enable emerging workers to develop their skills and move into the highest-paying jobs with the most well-defined career ladders. Emerging members of the workforce could access up to \$1,000 per year for specialized training to enter one of the targeted industries or occupations.

While we are recommending a new program, we believe that the program must meet a predetermined return on investment to be considered for renewal beyond an original sunset date. Moreover, we emphasize that this program should be considered as an appropriation, not an entitlement guaranteeing benefits regardless of available resources. We also recommend that salary information be collected at the outset from each recipient and tracked for several years.

Recommendation 3:

Suspend the Workforce Development Tax, disburse the unobligated funds to programs recommended in this report, then trigger the tax back on based upon future need.

The Workforce Development Fund, formerly the Dislocated Worker Fund, currently supported by a payroll tax on employers, should be used to fund the recommendations of this report. We need to strategically direct these funds toward educating, training and counseling our workforce in a way that is most beneficial to the state.

We recommend a further reduction of the tax rate. According to statute, on July 1, 2000, the tax rate will be reduced to .07 percent. At this rate, the tax will still generate annual revenues that

significantly exceed existing spending levels in current law. The Mini-Cabinet recommends a further reduction in the tax rate to zero beginning on July 1, 2001.

We propose that the tax remain at zero until the cost of one year of activity in workforce development initiatives, as approved in the legislative budgeting process, exceeds the fund balance—when this occurs, the tax would return at .07 percent.

Recommendation 4:

Promote career information and exploration for youth and adults.

Even the best workforce development system will fail without the buy-in of workers and students themselves. These are the individuals who must take advantage of the opportunities available to them—enrolling in education or training programs that will upgrade their skills, position them for well-paid technical and professional careers, enhance their ability to earn a comfortable living, and thereby close the loop and meet the needs of businesses who are desperate for skilled workers today and tomorrow. Growing businesses are eager for skilled workers to fill well-paid jobs, and educational institutions are ready to teach incumbent and emerging workers the skills they need for these jobs. All we need is the willingness of the incumbent and potential workers.

A critical piece of the workforce development puzzle is promotion—widely disseminating information about the broad array of education and training programs that are available and actively encouraging participation in them. We need to target not only the recently unemployed, as we have in the past, but also working adults and high school students who will be the emerging workers of tomorrow. To be successful, excellent programs must be actively promoted. We propose programs with both local and statewide outreach.

LOCAL OUTREACH

At present, the WorkForce Centers do not have marketing capacity and, as mentioned previously, focus much of their current services on assessing and serving the unemployed. However, a wealth of career information, targeted at both students and adults, already exists and lacks a delivery system that carries the material to all of the appropriate users. Both the Department of Children, Families and Learning and the Department of Economic Security, for example, produce books, videos, and compact discs with vital career information for students and adults.

The Mini-Cabinet recommends:

Primary WorkForce Centers will employ a marketing/outreach professional who will be responsible for conducting promotional activity. We recommend an allocation of \$1.5 million to hire these marketing/outreach professionals; this is part of the total \$5 million allocation to the WorkForce Centers (see also pg. 20).

We recommend that these new outreach professionals devote the majority of their time to activities targeted at high school students and their parents, and that much of this activity could take place in

the high schools, in junior high schools, and in local community organizations. We suggest that the outreach professionals will *not* promote any particular profession or skill but, rather, will provide students with information about job availability, educational requirements of various occupations, and the educational institutions that can provide the necessary courses. Students themselves, along with their parents and teachers, will make their own career choices.

We expect that the outreach professionals should spend some of their time in promotional activity aimed at adults and businesses in the region. This might include demonstrating to businesses how to post job openings with the Internet-based Minnesota's Job Bank or staging local events to introduce incumbent workers to the WorkForce Centers and to the Internet System of Education and Employment Knowledge (ISEEK). A nominal amount of the outreach professionals' time will be in administrative and fund-raising activities, such as coordinating local WorkForce Center counseling or fund-raising for local promotional events (job fairs, career days in schools, speakers, etc.).

By having the WorkForce Centers conduct these activities, we establish for everyone—not only the unemployed but also incumbent workers and high school students—a connection to the information and career services available through both the WorkForce Centers and the Internet (e.g., ISEEK).

STATEWIDE MEDIA OUTREACH

More than eighty percent of the workforce of 2005 is now working. Therefore, to upgrade the skills of tomorrow's workforce, we need to reach the already-employed today.

The Mini-Cabinet recommends:

We recommend a statewide media marketing program be initiated by the Department of Trade and Economic Development (DTED) to encourage adult workers to pursue new career and educational opportunities. Key messages will include:

- Many higher-paying jobs are available, and many require training of as little as a few months up to a few years.
- WorkForce Centers provide easily-accessible and useful career information.
- Education and career development are lifelong activities.

We recommend a media campaign designed by public relations/advertising professionals to include: public service announcements, television and radio advertisements, print media, and new slogans (such as "Movin' on up" or "Education, it's not just for kids anymore!").

We suggest that the media campaigns be funded by a public/private partnership—similar to the highly successful Tourism Marketing Campaign where the private sector matches state funds dollar for dollar. Matching contributions could come from businesses, individuals, trade or business associations or foundations. We suggest \$1.5 million in state funding to be matched by \$1.5 million of other funds for a total budget of \$3.0 million for the media initiative.

Recommendation 5: Increase the alignment of public educational resources with the marketplace, including the needs of critical occupations and industries.

Minnesota State Colleges and Universities

Minnesota State Colleges and Universities (MnSCU) provides education and training for close to half a million people³, offering four-year degrees at the state universities, two-year degrees at community and technical colleges, customized training and other short-term training programs.

We believe that the educational system of the state is not producing enough graduates to meet the needs of many high-wage occupations and industries. For example, MnSCU's course and program structure is built around student choice, and funding is allocated by the Legislature on a course-registration basis. But course registration numbers don't always reflect the demand for the skill or occupation in the marketplace. Under this system, the state sometimes subsidizes training for which there is limited employment demand—taxidermy, for example.

We also believe that MnSCU's scheduling does not adequately meet the needs of the incumbent worker. Semester-long classes meeting during regular working hours are difficult for many employed workers to access.

The Mini-Cabinet recommends:

We recommend that MnSCU align tuition levels to correspond with demand for training in priority industries and occupations. For example, MnSCU campuses should reduce student tuition for programs for which there is high occupational demand (e.g., computer courses) and increase student tuition for programs for which there is a low occupational demand (e.g., taxidermy). The realignment should be balanced in such a way as to maintain the total tuition currently collected. To remove any incentive an individual institution might have to direct students into higher-tuition courses, tuition collected should be pooled among the 36 institutions, then redistributed to the school on a course-registration basis, so that level of funding received by the school from tuition should remain constant.

MnSCU should cap enrollment in programs for which there is a low demand for employees relative to supply so that the state no longer subsidizes training for which there is little employer demand.

We recommend that MnSCU partner with the Department of Children, Families and Learning to ease the transition between high school and post-secondary education, perhaps through a Middle College for high school students interested in vocational careers.

MnSCU should facilitate the education of incumbent workers by doing the following and more:

- Continue efforts to make financial aid more available to part-time students.

³ This figure represents over 230,000 students in credit instruction and over 250,000 registrations in non-credit instruction. There may be some duplication of individuals in non-credit instruction as students may take more than one course.

- Institute more flexible scheduling of technical classes (less than a semester in length, rolling start dates).
- Offer more weekend and evening classes.
- Link shorter training programs together in “ladders,” so a person can enter one course and then later enter a successive course to further develop skills.
- Award more credit for prior learning to individuals who complete noncredit instruction, so these experiences can help satisfy certificate or degree requirements. This could include turning some shorter training programs into modules of more in-depth courses, or maybe assigning a portion of the course credit to each module and allowing trainees to “bank” module credits. In this way, workers would have an incentive not only to continue their training, but to continue it within the MnSCU system.
- Develop alternate delivery methods, such as a virtual university and on-demand learning.
- Using "best practices" methods, conduct in-depth examination of Michigan, Georgia, and Florida models.

We recommend that MnSCU continue its efforts to use available information on occupational supply and demand in program planning. This should include work toward the development of a statewide supply and demand information system with the capability of comparing labor supply and labor demand in strategic regions, industries or occupations. Regular consultation with local employers by individual campuses and measurement of placement rates should also be key indicators of the appropriateness of MnSCU’s programs for area occupational needs.

Recommendation 6:
Measure outcomes to ensure accountability.

Measuring program successes will help ensure accountability, one of the core principles of both the Ventura administration and this Workforce Development Plan. It is imperative that these outcomes and the attendant accountability reach across the Workforce Development system, including MnSCU.

There are several levels at which we need to measure our success and achievement:

1. The *Minnesota Inventory of Employment and Training Programs* study, conducted by DES and funded by the Legislature, should be expanded in scope to include regular analysis of programs, purpose, duplication of services, outcome measures, and recommendations.
2. System Measures: We need to examine our progress toward our goals on a broad statewide basis to ensure that the overall system is working effectively.
3. Comprehensive Program Measures: We need intermediate and incremental measures, which document inputs and achievements in programs. Comparable measures will allow “apples-to-apples” comparisons across programs and ensure ongoing focus and consistency.

4. Specific Program Measures: We need specific measures for individual programs and activities that can take account of their unique roles and contributions to the workforce development mission.

State System Measures

We need simple, accurate, and relevant measures of our success in reaching our two overall goals:

- Goal 1. Keep Minnesota businesses competitive by supporting a flexible, skilled workforce.
- Goal 2. Support efforts to increase personal income.

We suggest that progress toward these goals can be assessed through indicators such as growth in the gross state product, increase in wages per worker, increases in measures of productivity, growth in state personal income, decreases in vacancy rates in essential and higher paying jobs, and reduced poverty rates.

Comprehensive Program Measures

We need to measure the relative contribution to our overall state goals of each agency, program or activity. Completing this kind of comparison, however, requires the collection of common data elements—much of which has not been collected in the past. In order to ensure comparability and accountability, every state-funded workforce development program will be required to collect, where relevant, the following quantitative and qualitative data:

- Placements or entry into unsubsidized employment.
- Retention in unsubsidized employment six and twelve months after placement.
- Job referrals and/or placements in priority industries and occupations.
- Wage levels before placements/training, and six months and twelve months after placements/training.
- Attainment of credential in training programs.
- Customer satisfaction.

Specific Program Measures

Our state workforce development programs, as well as the hundreds of contracted service providers, will be required to examine their individual missions and activities in the light of the objectives of this plan. They will be asked to develop customized measures that can document their unique contributions.

It is beyond the scope of this plan to propose these measures, and it would be premature to suggest them before consultation with the service providers and educators. However, here are some examples of the kinds of specific measures we seek:

- Attainment of national skill certification in a priority occupation by the graduates of a technical training program.
- Increased participation of local employers in the state job bank.
- Education referrals and/or enrollment in priority skills and training.

Measurement System

Individual programs will report the necessary data to the appropriate administering agency, which will monitor performance. The Mini-Cabinet will be responsible for aggregating the data and developing the system measures and performance standards.

<p style="text-align: center;">Recommendation 7: Increase efforts to bring new workers into the workforce.</p>
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Employer demand for new workers will continue to exceed our supply of new workers; approximately 300,000 new people will be available to fill the projected 416,000 new job openings by 2006. While we clearly must look beyond the pool of new workers and make sure that incumbent workers have the necessary skills to fill these positions, we must continue to identify potential new workers to join Minnesota's workforce.

Alien Labor Certification Program

The Alien Labor Certification program allows United States employers to legally hire foreign workers, certifying that employers are paying alien labor an appropriate wage and that U.S. citizens are in short supply for those occupations. Although applications to the federally-funded program have increased, the federal government has reduced funding for processing alien labor certification applications. Moreover, the U.S. Department of Labor has denied a Minnesota request for a waiver to allow businesses to pay a fee to expedite service. The current backlog depends on the category of certification, ranging from none for temporary applications to no action since February of 1999 for applications for regular permanent certifications. The Mini-Cabinet does believe that, as a rule, state funds should not carry out a federal government responsibility. However, there may be potential for a positive economic return on the investment of state dollars toward speeding up processing applications for alien labor certifications and thereby filling more vacant jobs.

The Mini-Cabinet recommends:

We encourage the state to pursue a federal waiver that would allow businesses to pay a fee for service for Alien Labor Certification. If this effort fails, then we suggest that Minnesota explore a state investment in this program, contingent on an expected positive return on investment.

Immigration

Although this is primarily a federal issue, the state has a role in absorbing and facilitating the employment of immigrants. Part of this role is in the labor certification process, as referenced in the recommendation section of this report. The Governor can also influence federal policymakers relative to the immigration process, toward a goal of increasing the flow of new workers into the state.

In addition, increased recognition that immigrants will make up a larger share of the state's workers will accelerate the rate of entrance of new immigrants into the workforce. Business is responding to this with more workplace literacy programs. The state should follow suit and examine its workplace literacy system. We took the first important step by recommending full formula funding for English as a Second Language (ESL) and Adult Basic Education (ABE) for FY 2001. As a result, funding for these programs will increase by almost 30 percent.

Persons on public assistance

The state has been nationally acknowledged in its efforts to move people from the Minnesota Family Investment Program (MFIP) to employment. The Mini-Cabinet recognizes the importance of the integration of its workforce development programs and public assistance programs. The group decided, however, to abstain from making recommendations about most of the MFIP-related programs and allow the Governor's Interagency Group on Welfare Reform to examine these programs.

Persons with disabilities

There is a significant number of persons with disabilities who can and should be active members of the workforce. The current worker shortage presents increased opportunities for people with disabilities to enter the workforce. Through the Rehabilitation Services and State Services for the Blind programs, the Department of Economic Security works in partnership with private vocational providers to help people with disabilities secure and retain jobs. In addition, Rehabilitation Services works in collaboration with the Department of Human Services and the Social Security Administration to sponsor the Minnesota Work Incentives Connection, a unique project which helps people with disabilities navigate the complex rules that affect their government benefits when they go to work. By establishing the Medical Assistance for Employed Persons with Disabilities (MAEPD) option, Minnesota was also among the first states to address the primary barrier to employment of people with disabilities — the fear of losing comprehensive, affordable health coverage. Through a series of state options and demonstration projects, the Ticket to Work and Work Incentives Improvement Act recently passed by Congress offers further opportunities to remove some of the other policy barriers to employment in the Social Security, Medicare and Medicaid programs. By taking advantage of these options, Minnesota can make significant strides in allowing more people with disabilities to enter and move up in the labor market. We must renew our efforts to improve our employment outcomes in this critical area.

Older workers

There are many retired people who would consider reentering the workforce under the right conditions. The state should see what could be done, by government and the private sector, to facilitate this desirable outcome. The Governor should consider advocating a re-examining of restrictions on the amount of income that can be earned by retirees under current Social Security guidelines.

Recruiting from other states

The private sector has had some success in promotional campaigns recruiting workers to Minnesota, particularly former residents of the state. Minnesota business should examine these efforts and pool its resources to consider a targeted campaign.

Other Steps

We came across a number of critical issues that, unfortunately, we did not have time to examine fully within the timeline for this report. We encourage the state to consider these questions in the near future, especially as they pertain to workforce development. Some of these issues have been mentioned previously, as subsets of prior recommendations, but we outline possible future steps here as a promising workplan for future effort. This should not be considered a prioritized listing.

Education

University of Minnesota

Much of our discussion on education focused on technical education as provided by the Minnesota State Colleges and Universities and secondary schools rather than on the role of the University of Minnesota. We recommend further review of the function of the University of Minnesota in preparing workers with critical skills.

Minnesota State Colleges and Universities: Customized Training

MnSCU is presently reviewing the structure and performance of its Customized Training. The review report should be ready for the Chancellor at about the time this Workforce Development Plan is released. Data and recommendations will be reported to the MnSCU presidents, campuses, and board.

Virtual University

Emerging technologies offer extraordinary opportunities for the state. Higher education around the country is experiencing the exponential growth of "e-learning"— the use of Internet-based and other distributive educational options through a range of delivery mechanisms. This new way of learning will help overcome both geography and time as obstacles in the development of a skilled workforce; further, it will provide employers with competitive advantages and workers with the capacity to continue a lifetime of learning independently. Minnesota must pursue the development of this type of training through the Internet. It is essential that MnSCU quickly take the lead in creating the Virtual University for Minnesota.

Other Programs for People with Disabilities

In its review of programs, the Mini-Cabinet identified Economic Security's State Services for the Blind, Human Services' Day Training and Habilitation, and Human Services' Deaf and Hard-of-Hearing Division as three programs which independently require further review to determine how to best serve the needs of the core clientele—as workforce development programs or as self-sufficiency programs. Several of these programs now work toward two ends among the target audience: independent living and increased employment. We believe that programs that advance the latter goal should be housed at the Department of Economic Security, while programs that promote independent living should be housed at the Department of Human Services.

We recommend further review of all three of these programs serving people with disabilities—State Services for the Blind (particularly the Independent Living component), Day Training and Habilitation, and the Deaf and Hard-of-Hearing Division. These programs should be assessed in light of how to best serve the needs of the core clientele— whether as workforce development programs or as self-sufficiency programs. What mix of employment and independent-living services would best meet clients' needs? Subsequent decisions as to the appropriate agency to house each of these programs should depend on their priority focus: workforce development or independent living.

Programs for Youth

Due to the time constraints of the Mini-Cabinet's schedule, we were unable to complete a thorough evaluation of programs for youth. We recommend continued review of youth programs to identify redundancies and opportunities for consolidation in the near future.

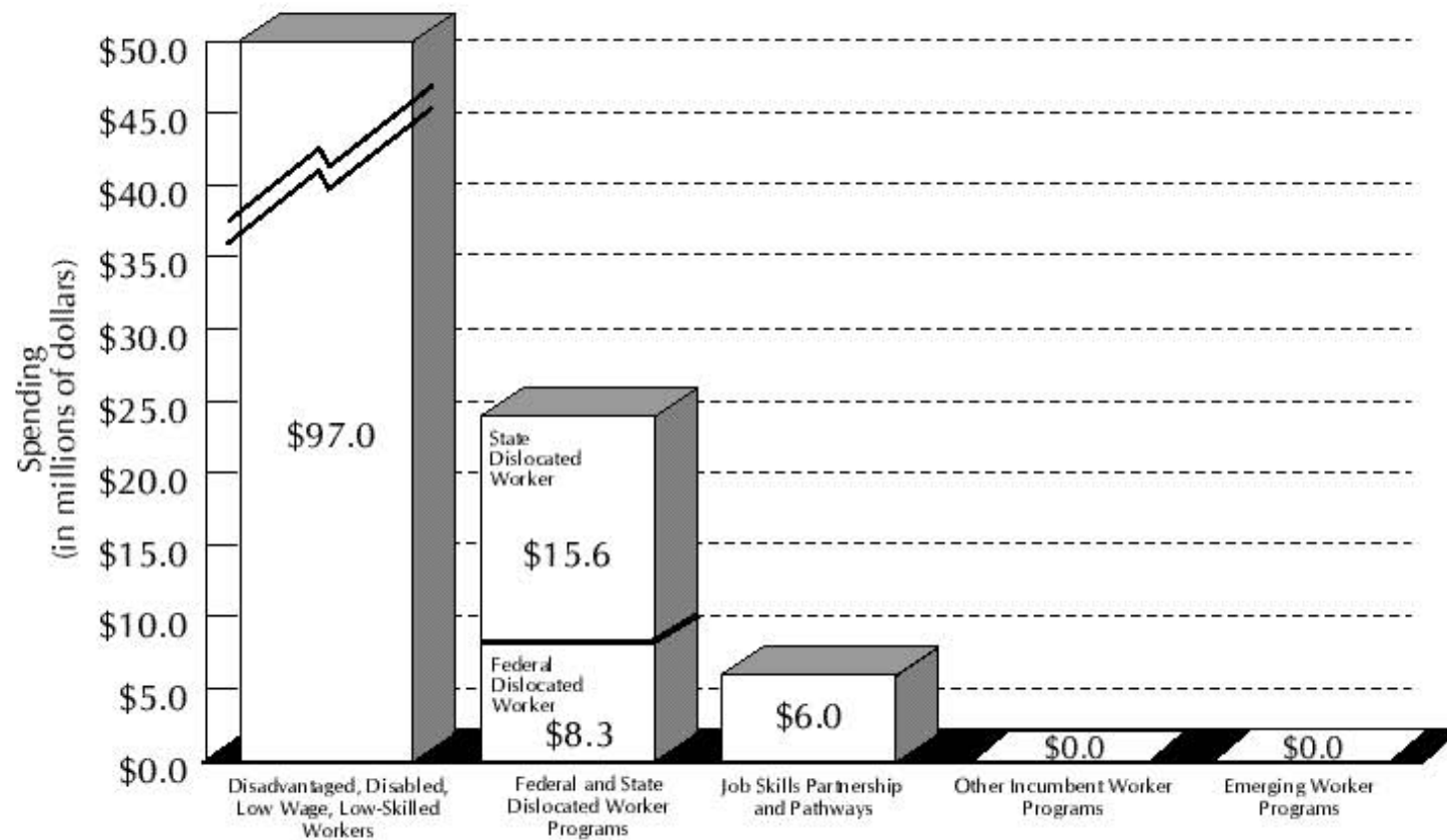
FISCAL OVERVIEW

The Mini-Cabinet's proposal reduces overall spending by \$5.1 million per year. Currently, the Workforce Development Fund takes in more revenue than is spent, resulting in continuing surpluses. The Mini-Cabinet's proposal suspends the payroll tax that supports the Workforce Development Fund. [See Recommendation 3, page 2.]

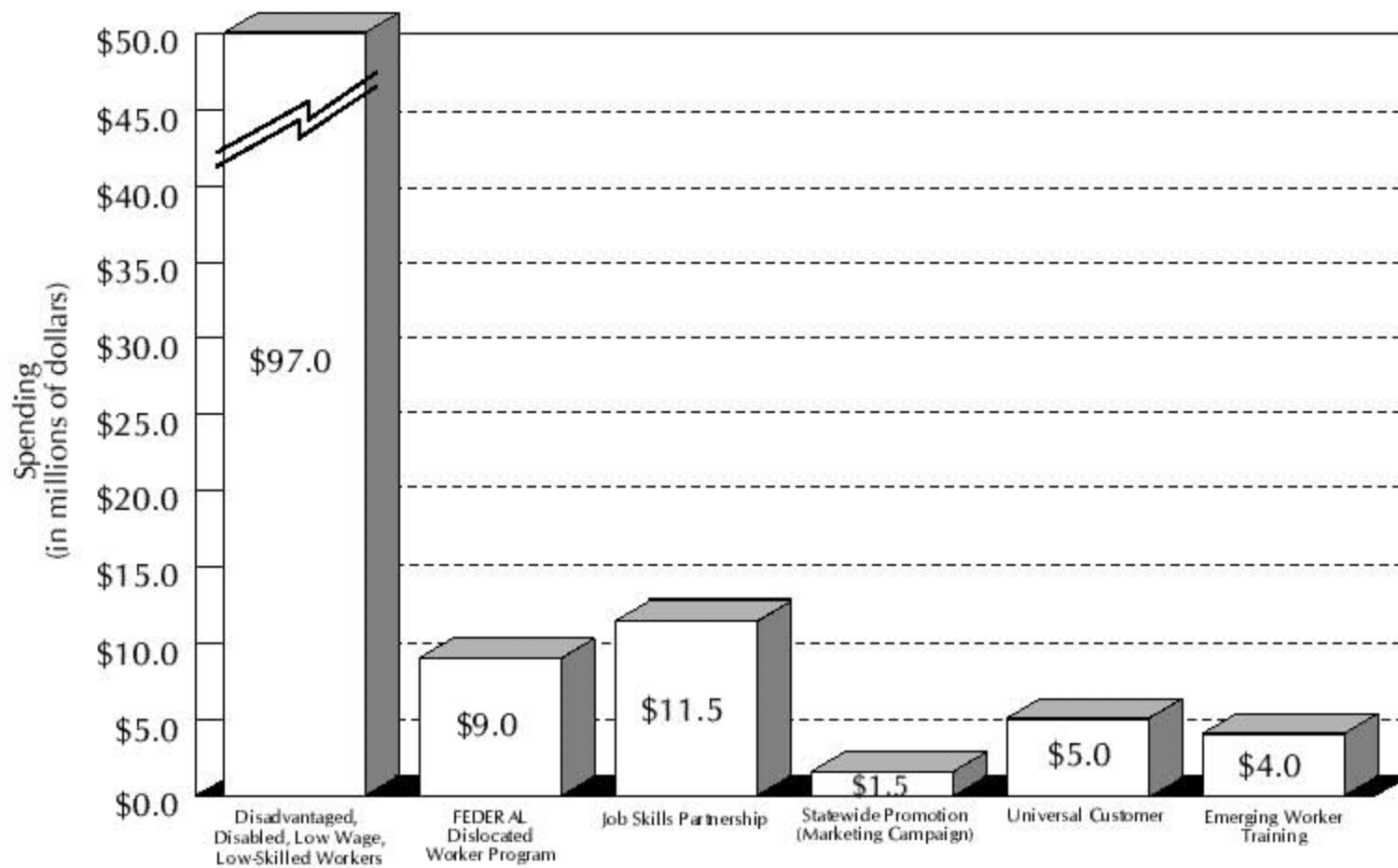
SPENDING RECOMMENDATIONS

Program	Agency	Fund	Current Law FY01	Current Law FY02	Current Law FY03	Proposed Change FY02	Proposed Change FY03
Displaced Homemaker	DES	GEN	\$1,827	\$1,827	\$1,827	(\$1,827)	(\$1,827)
Jobs Skills Partnership	DTED	GEN	\$4,073	\$5,931	\$5,931	\$3,000	\$3,000
School to Work SP/Mpls/Duluth	CFL	GEN	\$300	\$300	\$300	(\$300)	(\$300)
Ag. Education School To Work	CFL	GEN	\$350	\$350	\$350	(\$350)	(\$350)
Youth Entrepreneur	CFL	GEN	\$500	\$500	\$500	(\$500)	(\$500)
Employer Rebate	CFL	GEN	\$1,000	\$1,000	\$1,000	(\$1,000)	(\$1,000)
General Fund Spending			\$8,050	\$9,908	\$9,908	(\$977)	(\$977)
Jobs Skills Partnership	DTED	WFD	\$10,000	\$0	\$0	\$1,000	\$1,000
Displaced Homemaker	DES	WFD	\$127	\$0	\$0	\$0	\$0
Dislocated Worker (open appropriation)	DES	WFD	\$15,600	\$15,600	\$15,600	(\$15,600)	(\$15,600)
OIC	DES	WFD	\$775	\$775	\$775	\$204	\$204
Universal Customer (new)	DES	WFD	\$0	\$0	\$0	\$5,000	\$5,000
WF Promotion (new)	DTED	WFD	\$0	\$0	\$0	\$1,500	\$1,500
Apprentice	DLI	WFD	\$575	\$575	\$575	\$0	\$0
LEAP grants	DLI	WFD	\$204	\$204	\$204	(\$204)	(\$204)
Emerging Worker (new)	DES	WFD	\$0	\$0	\$0	\$4,000	\$4,000
Best Practices MN Workforce Ctrs (new)	DES	WFD	\$0	\$0	\$0	\$150	\$0
Career Centers Name Change (new)	DES	WFD	\$0	\$0	\$0	\$200	\$0
DES Name Change (new)	DES	WFD	\$0	\$0	\$0	\$50	\$0
Workforce Development Fund Spending			\$27,281	\$17,154	\$17,154	(\$3,700)	(\$4,100)
Summer Health Care Internship	Health	HCAF	\$100	\$100	\$100	(\$100)	(\$100)
Health Care Access Fund Spending			\$100	\$100	\$100	(\$100)	(\$100)
Total Spending			\$35,431	\$27,162	\$27,162	(\$4,777)	(\$5,177)
REVENUE RECOMMENDATION							
Workforce Development Fund Tax		WFD	\$32,000	\$26,000	\$27,000	(\$6,500)	(\$27,000)

Current Workforce Development Spending



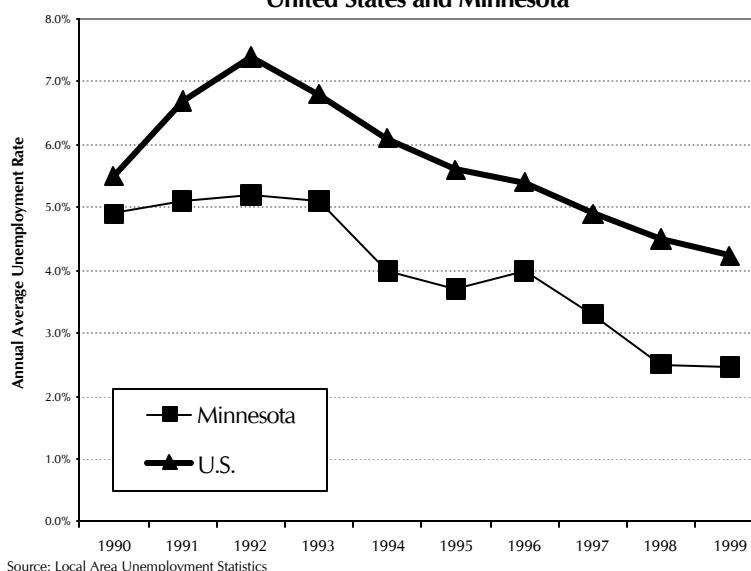
Mini-Cabinet Workforce Development Spending Recommendations



OVERVIEW OF LABOR SHORTAGES IN MINNESOTA

Minnesota's labor market is tight and getting tighter by the day. Unemployment rates in the country as a whole are low and falling, but they are particularly low in Minnesota. There will always be some unemployment in an economy, and many economists believe that the "full employment" level of unemployment is about 5.5 percent. Minnesota's unemployment rate has been below this figure for several years. In June 1999, Minnesota broke an all-time record-low unemployment rate for any state. At this time, the unemployment rate had been below 3.0 percent for 20 months. Minnesota's annual average 1999 unemployment rate was 2.5 percent, seasonally adjusted—substantially below the full employment level.

**Figure 1: Annual Average Unemployment Rates:
United States and Minnesota**

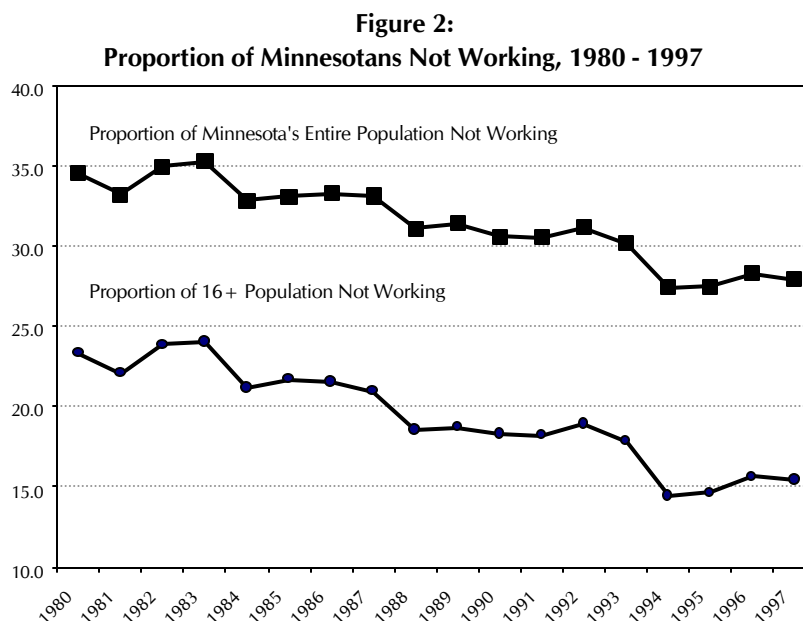


Labor markets have gone through periods of tightness in the past, especially when the economy has enjoyed a long spurt of continuous growth. Certainly, the nation—and especially Minnesota—is enjoying an extended period of economic expansion. Employment growth during the 1990s, averaging 1.8 percent per year, is only slightly above the 1.7 percent annual average since 1950. Minnesota is in an economic expansion, but the current labor market has some characteristics that make it fundamentally different from earlier tight markets that were more directly tied to economic expansion.

While economic growth subsided almost everywhere during the recession of the early 1990s, certain features unique to Minnesota, such as its diverse industrial base and well-educated population, prevented an economic contraction here. The national unemployment rate increased sharply in the early 1990s while staying virtually unchanged in Minnesota. In more recent years, the state's unemployment rate has declined more dramatically than the nation's. Thus, the traditional reserve pool of labor—the unemployed—is evaporating more rapidly in Minnesota than elsewhere.

Unemployment rates show the number of people in the labor force who are not employed but are looking for work. A more complete picture is available by looking at the proportion of Minnesotans of working age who are *not working*—that is, those who are either unemployed or not in the labor force.

The number of people not working is low and declining. Some proportion of the population will always remain outside of the workforce due to illness, disability, retirement,



Source: Analysis based on Geographic Profile of Employment and Unemployment, U.S. Department of Labor

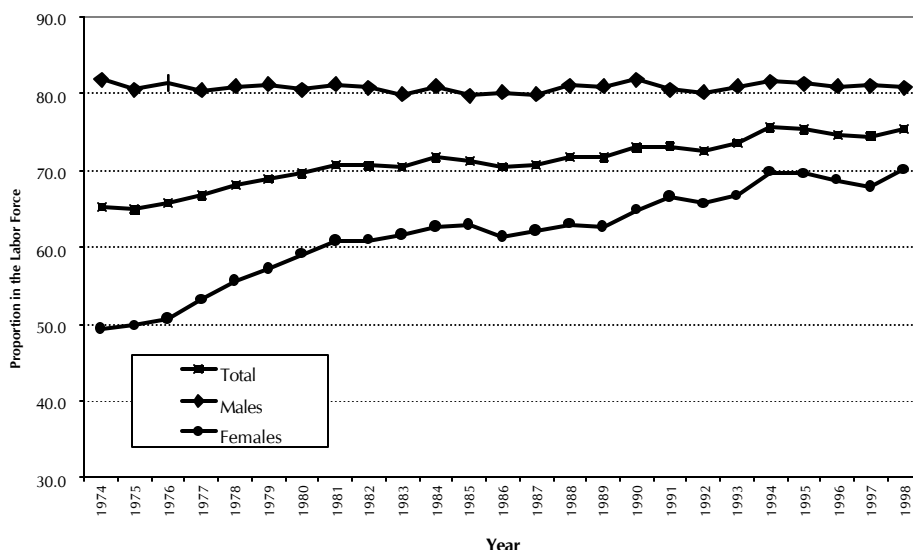
extreme old age, incarceration and other similar reasons. However, the number of people in Minnesota not working has been steadily declining. In 1997, about 28 percent of all Minnesotans were not working. Among the population ages 16 and older, approximately 15 percent were not working.

The pervasive nature of the tightness of the labor market is further defined by the low and declining proportion of people working part-time for economic reasons (that is, they would prefer to be working full-time but cannot find employment) and the low and declining discouraged worker rate. In addition, Minnesota continues to rank third among the states in the proportion of workers who hold multiple jobs. It is not just that the unemployment rate is low— by every measure of the workforce, Minnesota's labor market is extremely tight and well beyond any concept of full employment. While some potential workers still remain outside the workforce, their numbers are declining.

The numbers of unemployed people and those not working have declined, and the proportion of Minnesotans in the labor force has increased. Minnesota started the decade with the highest labor force participation rates in the history of the nation, and even today,

75.4 percent of the state population² is either working or actively looking for work. Quite simply, a higher percentage of people work in Minnesota than in any other state, indicating that there is only a very small pool of potential workers to attract into the workforce. Furthermore, labor force participation rates among women, whose increasing employment has fueled labor force growth over the last decades, is the highest in the nation. Thus, Minnesota is already tapping most of its available labor pool.

**Figure 3: Labor Force Participation Rates
Male, Female, and Total
1974-1998**



Source: Geographic Profile of Employment and Unemployment, U.S. Department of Labor

Who is not already employed?

In 1997, 1.04 million Minnesotans age 16 and older did not have a job. Figures from the Census Bureau and Bureau of Labor Statistics allow us to divide this number into several categories. Nearly 80 percent, or about 832,000 people, did not want a job and were not interested in being in the workforce. These people include the retired, homemakers, and others not interested in working. Nationally, nearly a third of these people believed they had a handicap that prevented them from working.

Another nearly 1.7 percent were residing in some type of institutional arrangement and not available for the workforce. These include military personnel stationed in Minnesota,

² To be precise, this should be considered as the civilian, non-institutionalized population, age 16 and older.

people in nursing homes, and those incarcerated in prisons or other institutions. These groups included nearly 60,000 people.

Subtracting out these groups who are not available for the workforce leaves approximately 152,000 potential workers. These people are divided into two general groups—the unemployed and the people not in the labor force but who might be willing to work.

The unemployed can be divided into four groups—those who lost their job, people who left their job, reentrants into the workforce, and new entrants. The largest of the four groups is those who lost their job by reason of firing or layoff. This group also includes people on temporary jobs who finished their job. In 1997, this group was approximately 42,000 people. Reentrants into the workforce are people who had a job and then left the workforce for a time and have now decided to reenter the workforce. Their 1997 estimate is 30,000. Job leavers are people who voluntarily leave a job, and these numbered 8,000 in 1997. New entrants, people entering the workforce for the first time, number only about 5,500 in 1997.

The other group of potential workers includes those traditionally described as "discouraged workers." They are people who are not in the labor force, by reason of not currently looking for a job, but who might be interested in working if a job became available. Survey data from the Census Bureau provides some information about these people, enough to divide them into three groups.

Those most likely to be available to take a job immediately, and the group traditionally defined as "discouraged" workers, are people who have looked for a job in the past 12 months, but are not looking now because they do not believe a job is available, but would take a job immediately if one became available. Their estimated number in Minnesota in 1997 is 4,600. A larger and similar group is people who would like a job and have looked in the past 12 months, but would not be able to take a job at this time for some reason. These reasons include such items as illness, childcare, transportation and other similar barriers. Their estimated number is 14,000. The third and largest group is people who have not looked for a job in the past 12 months but would take one if it became available. Their 1997 estimate is 47,000.

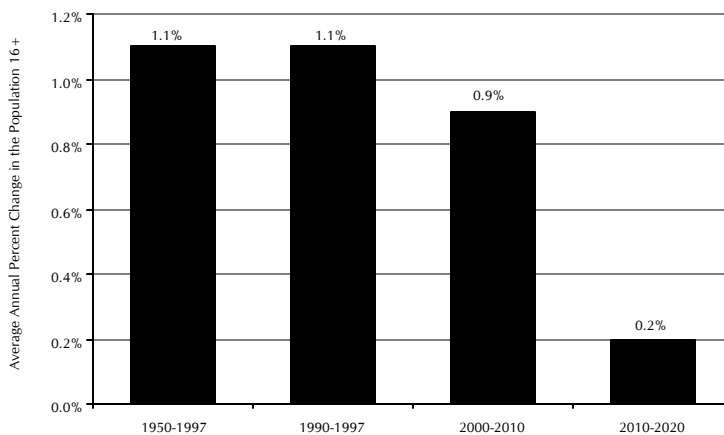
Future Demand for Workers and Demographics

The tightening of the labor market is only expected to continue into the future. The Department of Economic Security projects an increase in total employment of 416,000 jobs between 1996 and 2006. This implies a growth rate of 1.5 percent per year, lower than the 1.8 percent gain in employment between 1990 and 1998, and lower than the 1.7 percent average growth rate Minnesota has experienced since 1950.

However, even this relatively modest increase might be difficult to achieve due to slowing growth in the working age population. The State Demographer's Office projects an increase of 416,000 people age 16 and older between 1996 and 2006, but not all of these

people will be available for the workforce due to a variety of reasons. Assuming that not everyone will choose to participate in the workforce—particularly the growing numbers of aging baby boomers and other older adults—the state's labor force is predicted to increase by only about 294,000 workers.³ In other words, if these forecasts hold, there would be only about seven new workers to every 10 new jobs. If the labor market is tight now, it may get even tighter in the near future.

Figure 4: Growth in Working Age Population
Minnesota, 1950-2020



Source: Analysis based on State Demographer's estimates

³ It is important to note that no definitive measure of worker shortages currently exists. While these figures do give a sense of the tightness of the labor market, they are not perfect. They represent only the number of *new* job openings and *new* workers in Minnesota's workforce. They do not include job openings that are created when incumbent workers leave an occupation (i.e., turnover), nor do they include the single largest source of workers to fill job openings: the current workforce. Not all new job openings will be filled by new workers; on the other hand, some openings that are created by turnover and not by employment growth *will* go to new workers. Thus, the difference between new jobs (416,000) and new workers (294,000) should not be regarded as the "shortage."

GOVERNOR'S WORKFORCE DEVELOPMENT FRAMEWORK

Is available on the web at: http://www.mnplan.state.mn.us/pdf/1999/ci/wrkfrc_o.pdf

GOVERNOR VENTURA'S BELIEFS AND PRINCIPLES

Beliefs

VENTURA-SCHUNK ADMINISTRATION

ACCOUNTABLE, RESPONSIVE AND LIMITED GOVERNMENT

"Love is bigger than government."

-Jesse Ventura

Government doesn't exist to sustain itself on policies and programs that no longer serve the people. No duplication, no dabbling, no pork or fat. For government to serve the people of our State, it needs to be accountable, responsible and limited; it does not need to be bigger. "That's how we've always done it..." don't cut it. Government should reward creativity, efficiency and productivity – and create an environment that fosters all of the above. It should encourage competition. It should leave tax and spending decisions to the people—no unfunded mandates. Personal freedoms must remain untouched. There is a place for whizbang thinking about state government.

PERSONAL RESPONSIBILITY AND OPPORTUNITIES FOR SELF-SUFFICIENCY

"You can't legislate against stupidity."

"No person in Minnesota is ever done learning."

-Jesse Ventura

Folks must make smart decisions and take personal responsibility for their choices. The role of the State is to guarantee opportunities for self-sufficiency. A strong public education system is critical to self-sufficiency. While the State should partner with the private and non-profit sectors to ensure the best opportunities for students to succeed in our public schools, learning is up to the students. Communities must support their local schools, and parents should be involved in their children's education. Learning is a lifelong process.

BRING GOVERNMENT BACK TO THE PEOPLE

"Every single vote in Minnesota counts."

"There are no dumb questions."

-Jesse Ventura

Celebrate citizen involvement in public life. Listen to people. Encourage public service. Invite real people – not just lobbyists and special interest groups – to participate in government. Keep things clear and simple. Engage citizens in the dialogue. Welcome youth and the disenfranchised into the political system. Give them a voice, hear their ideas. Our youth are our future.

**WORKING REAL HARD, KEEPING MINNESOTANS FIRST...
WE WILL NOT FAIL!**

Budget Principles

VENTURA-SCHUNK ADMINISTRATION

BE FISCALLY CONSERVATIVE AND PRUDENT – NEVER FORGET IT'S THE PEOPLE'S MONEY

- ◆ Do what's necessary ... not necessarily what's "nice" to do.
- ◆ Prevent future costs where possible.
- ◆ Pay close attention to the future costs of policy and budget decisions, and insist that projected budgets are balanced for four years.
- ◆ Set a responsible budget, live within it, and settle up any actual surpluses with taxpayers at the end of the biennium.

DO THE RIGHT THINGS AND DO THEM WELL

- * Evaluate programs in tangible ways for real, cost effective results.
- * Reform or eliminate programs if they are redundant or aren't producing desired results.
- * Include sunset clauses in all new programs so that they receive proper evaluation.

PROVIDE INCENTIVES FOR DESIRABLE BEHAVIOR

- * Competition works and is even good in government.
- * Match responsibility and accountability at all levels.
- * Put decisions at the appropriate level, closest to the people.
- * Leverage private and non-profit support.
- * Support fees where users have a voice in the rates and the program results.

METHODOLOGY OF PROGRAM REVIEW

Data Gathered to Inform the Process

When the Governor's Workforce Development Mini-Cabinet undertook an extensive review of all existing workforce development programs, with recommendations for program revisions, the staff charged with carrying out the project took the word "extensive" seriously. The work began with three intensive, concurrent fact-finding missions.

Published Studies

The Mini-Cabinet, assisted by its staff, consulted published studies undertaken both in Minnesota and in other states. These included:

- The report of the Workforce Committee convened by Senate Majority Leader Roger Moe (December 1998).
- *From Jobs for Workers to Workers for Jobs: Better Workforce Training for Minnesota*, the report of the Citizens League Committee on Workforce Training (November 1999).
- *Minnesota Inventory of Employment and Training Programs*, program analysis developed by the Department of Economic Security in response to 1999 legislation authored by Minnesota Representative Bob Gunther.

People

To ensure that no point of view was overlooked, staff set up subcommittees of knowledgeable people from state agencies, community-based organizations, and the private sector. These subcommittees were:

- New workers
- Workforce development
- Supply and demand
- Productivity
- Performance evaluation

In all, these subcommittees included more than 40 state and local public sector professionals, non-profit service providers, and local business representatives. Staff conducted meetings with representatives of more than 20 non-profit service providers. The administration also conducted briefings with two key legislative committees to gain their perspectives. These meetings were held between June and December 1999. A list of consulted organizations can be found on the inside back cover of this report.

Programs

The third fact-finding area involved identifying existing programs. The work of the Mini-Cabinet relied heavily on efforts already underway at the Department of Economic Security

to fulfill the mandate of 1999 legislation requiring an inventory of employment and training programs in the state. Economic Security staff were already surveying all state- and federally-funded workforce development programs to catalog their funding sources, program costs, mission and goals, and placement outcomes.

How the Program Review and Analysis was Carried Out

After identification and listing, these programs underwent a rigorous, careful, and objective analysis. Information was put together in a way that allowed programs to be compared across agencies with other programs with similar constituencies and goals.

The analysis, while reliable, presented some formidable challenges. Some programs did not collect performance data, and, in line with our emphasis on accountability, this was generally interpreted negatively by staff involved in the program review process. Other programs, in the absence of standard data collection practices, collected data in ways that made it difficult to compare them with data from other programs. Federally-funded programs underwent less stringent analysis because they are less subject to state review than state-legislated and funded programs.

After initial evaluations and recommendations by Mini-Cabinet staff and the subcommittees, the program review continued at a higher staff level. Deputy Commissioners from the Mini-Cabinet again reviewed each program to determine that that all had been subjected to a close examination that looked beyond the numbers for each program's actual "on-the-ground" strengths and weaknesses.

Finally, the program review moved on to the Workforce Mini-Cabinet itself. This group—with the Governor's Framework in mind—carefully re-examined the results of the earlier reviews and approved the recommendations in this document.

HIGH-WAGE, HIGH-GROWTH OCCUPATIONS REQUIRING AT LEAST A FOUR-YEAR DEGREE

This table lists occupations that require at least a four-year degree and that are ranked by a combination of percent change, number of jobs available and 1997 median wage. The first column indicates total percent growth in occupational employment between 1996 and 2006. The second column presents an annualized measure of openings, both new openings and replacement openings. The final column is the median hourly wage for those employed in this occupation.

Occupations	Percent Job Growth 1996-2006	Annual Openings	Median Wage
Systems Analysts, Electronic Data Processing	98.1	1,094	\$21.83
Computer Engineers	140.6	588	\$26.88
General Managers & Top Executives	18.7	2,886	\$26.23
Engineering, Mathematical & Natural Sciences Managers	50.1	477	\$32.39
Physicians & Surgeons	27.0	471	\$60.01
Electrical & Electronic Engineers	51.0	536	\$22.89
Marketing, Advertising & Public Relations Managers	33.2	673	\$24.79
Teachers, Secondary School	16.2	1,057	\$21.69
Financial Managers	21.5	704	\$24.08
Computer Programmers & Aides	24.6	672	\$21.64
Teachers, Elementary School	17.5	908	\$21.54
Social Workers, Including Medical & Psychiatric	24.6	471	\$18.11
Lawyers	16.0	336	\$33.51
Accountants & Auditors	14.0	785	\$16.27
Teachers, Postsecondary	11.3	564	\$24.72
Personnel, Training & Labor Relations Managers	23.0	275	\$19.66
Education Administrators	18.1	211	\$29.20
Physical Therapists	42.9	110	\$23.24
Mechanical Engineers	22.3	212	\$22.51
Loan Officers & Counselors	23.2	247	\$17.79
Artists & Related Workers	27.7	248	\$14.19
Personnel, Training & Labor Relations Specialists	18.8	283	\$17.84
Teachers, Preschool & Kindergarten	19.6	383	\$12.63
Teachers, Special Education	16.1	264	\$21.80
Writers & Editors, Including Technical Writers	24.3	267	\$13.90
Architects, Except Landscape & Marine	37.9	122	\$18.39

Sources: Percent growth and annual openings are from Long-Term Projections, Department of Economic Security. 1997 Median Hourly Wage comes from Occupational Employment Statistics, Department of Economic Security.

HIGH-WAGE, HIGH-GROWTH OCCUPATIONS THAT REQUIRE LESS THAN A FOUR-YEAR DEGREE

This table lists occupations that require significant training and or work experience but less than a four-year degree and that are ranked by a combination of percent change, number of jobs available and 1997 median wage. The first column indicates total percent growth in occupational employment between 1996 and 2006. The second column presents an annualized measure of openings, both new openings and replacement openings. The final column is the median hourly wage for those employed in this occupation.

Occupation	Percent Job Growth 1996 - 2006	Annual Openings	Median Wage
Supervisors, Sales & Related Workers	15.1	1,130	\$13.40
Sales Agents, Securities, Commodities & Financial Services	30.6	242	\$29.41
Electronic Pagination System Operators	93.2	159	\$14.27
Maintenance Repairers, General Utility	19.8	950	\$11.18
Correction Officers & Jailers	49.0	284	\$14.81
Food Service & Lodging Managers	27.4	532	\$11.33
Supervisors, Production, Construction & Maintenance Workers	9.5	1,005	\$16.39
Electricians	19.0	391	\$18.98
Numerical Control Machine Tool Operators, Metal & Plastic	52.7	193	\$13.37
Dental Hygienists	35.3	176	\$21.82
Physical & Corrective Therapy Assistants & Aides	73.2	136	\$11.40
Paralegal Personnel	60.7	113	\$15.96
Instructors, Nonvocational Education	39.6	192	\$13.99
Licensed Practical Nurses	14.9	581	\$11.75
Electrical & Electronic Technicians & Technologists	21.1	296	\$15.92
Flight Attendants	32.6	178	\$16.94
Welders & Cutters	18.4	404	\$12.43
Automotive Mechanics	12.4	546	\$12.46
Automotive Body & Related Repairers	22.9	255	\$13.37
Police Patrol Officers	16.4	251	\$18.00
Dental Assistants	26.3	209	\$11.49
Heating, Air Conditioning & Refrigeration Mechanics	23.0	170	\$15.73

Sources: Percent growth and annual openings are from Long-Term Projections, Department of Economic Security. 1997 Median Hourly Wage comes from Occupational Employment Statistics, Department of Economic Security.

HIGH-WAGE, HIGH-GROWTH INDUSTRIES

Industry (Standard Industrial Classification)	Employment Growth						Wages	
	Projected Openings 1996-2006***		1993-1998 All Workers*		1998-1999 Non-supervisor Workers**		All Workers*	Non- Supervisory Workers**
	Percent	Number	Percent	Number	Percent	Number		
Holding & Other Investment Offices Includes investment trusts, investment companies, and holding companies	23%	1107	19%	936	5.2%	312	\$1,462	NA
Security & Commodity Brokers Businesses which underwrite, purchase, sell, or broker securities or financial contracts	30%	4097	44%	5011	2.7%	452	\$1,636	NA
Instruments & Related Products Businesses which make instruments for measuring, testing, analyzing, or controlling	16%	6271	19%	6639	-0.7%	-272	\$948	\$544
Nondepository Institutions Businesses engaged in extending credit in the form of loans, but not in deposit banking	29%	3052	25%	2726	9.1%	1238	\$1,032	NA
Insurance Carriers Carriers of insurance of all types, incl. reinsurance	18%	6815	10%	3670	-0.2%	-79	\$925	NA
Legal Services Businesses headed by members of the bar and engaged in offering legal advice/services	18%	3017	1%	151	-1.5%	-242	\$1,019	NA
Wholesale Trade - Durable Goods Businesses engaged in the wholesale distribution of durable goods	15%	12,679	21%	16008	1.5%	1393	\$882	NA
Insurance Agents, Brokers & Service Agents/brokers dealing in insurance or organizations offering services to companies/policyholders	13%	2027	25%	3084	0.4%	59	\$822	NA
Communications Businesses providing aural/visual communication services, including, e.g., radio and TV broadcasting	2%	454	16%	3059	1.3%	288	\$865	NA
Engineering & Management Services Businesses providing engineering, architectural, surveying, accounting, research, or testing services	39%	16365	35%	11833	4.8%	2242	\$859	NA
Heavy Construction, Except Building Businesses doing non-building construction, such as highways, streets, bridges, sewers, and railroads	11%	1233	22%	2283	9.1%	1158	\$873	\$855
Nonmetallic Minerals, Except Fuels Businesses involved in mining, quarrying, developing mines, or exploring for nonmetallic minerals	-4%	-69	30%	494	2.6%	59	\$777	NA
Transportation Services Businesses which furnish services incidental to transportation, such as forwarding/packing services	17%	14,700	NA	NA	2.6%	2409	NA	NA

Industry (Standard Industrial Classification)	Employment Growth						Wages	
	Projected Openings 1996-2006***		1993-1998 All Workers*		1998-1999 Non-supervisor Workers**		All Workers*	Non- Supervisory Workers**
	Percent	Number	Percent	Number	Percent	Number		
General Building Contractors General contractors/operative builders engaged primarily in constructing residential, farm, industrial, commercial, or other buildings	8%	1499	27%	4811	7.4%	1677	\$733	\$803
Electronic & Other Electric Equipment Manufacturers of machinery and supplies for generation, storage, transmission, or transformation of electrical energy	17%	5598	12%	3773	0.8%	278	\$729	\$535
Special Trade Contractors Businesses engaged in activities related to building construction or building and non-building projects	19%	11,169	32%	16008	9.5%	6321	\$732	\$899
Rubber & Misc. Plastics Products Businesses manufacturing products from plastics resins or related material	13%	2,586	18%	3111	-2.0%	-404	\$650	\$585
Primary Metal Industries Businesses that refine metals from ore, pig, or scrap; alloying metals; and manufacturing castings and other basic metal products	10%	741	33%	1993	-2.9%	-228	\$747	\$642
Stone, Clay & Glass Products Businesses which manufacture glass products, e.g., cement, clay products, pottery, concrete, etc.	22%	2121	24%	2000	4.3%	439	\$672	\$685
Fabricated Metal Products Businesses creating metal products, such as cans, tinware, handtools, cutlery, general hardware, etc.	9%	3030	17%	5329	-0.2%	-57	\$738	\$659
Transportation Equipment Manufacturers of equipment for transportation of passengers and cargo by land, air, and water	17%	2300	27%	3154	1.0%	152	\$672	\$691
Furniture & Homefurnishings Stores Retail stores selling goods used for furnishing the home, such as furniture, floor coverings, draperies, glass and chinaware, etc.	13%	2675	33%	5375	4.9%	1059	\$528	\$514
Business Services Companies offering services such as credit reporting, mailing, computer programming, photocopying, etc.	57%	80630	46%	51519	4.9%	8076	\$605	NA

*Source: *Covered Employment and Wages (ES-202)*. Minnesota Department of Economic Security. Wages are 1998 annual averages. Employment growth represents growth in 1993-1998 annual average employment. NA: Data not available.

**Source: *Current Employment Statistics*. Minnesota Department of Economic Security. Wages are from December, 1999 (not seasonally adjusted). Employment growth represents growth in 1998-1999 annual averages employment.

***Source: *Employment Projections*. Minnesota Department of Economic Security. Research and Planning Branch.

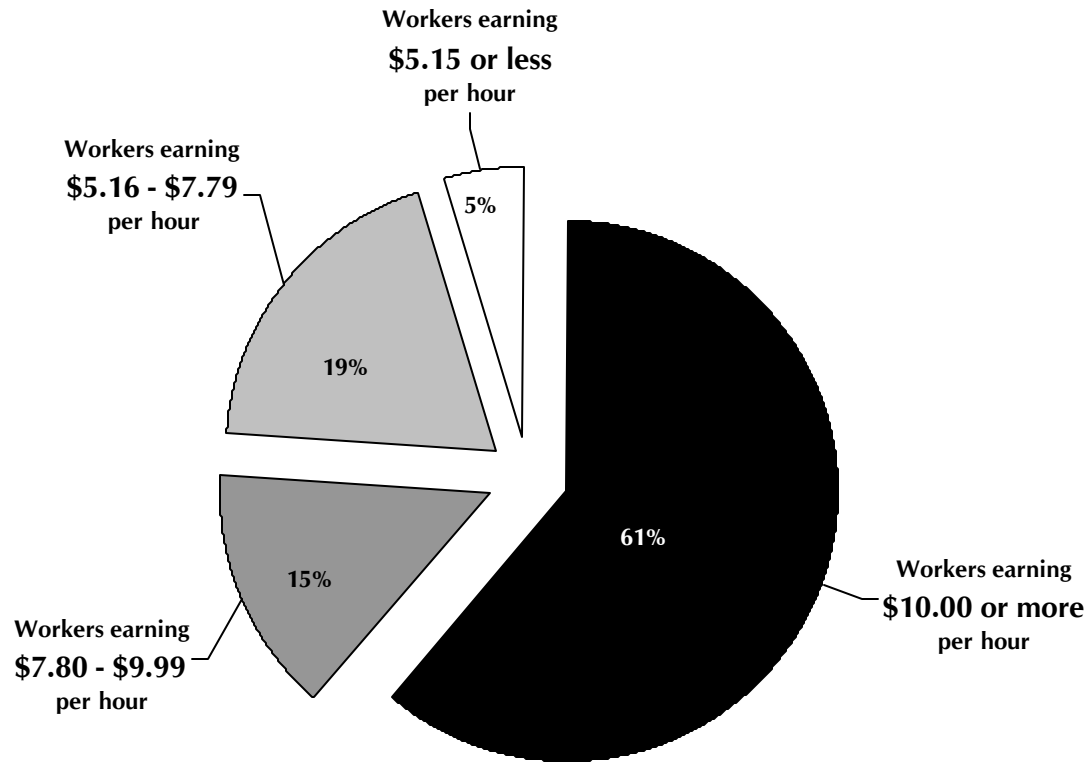
TYPES OF NEW WORKFORCE ENTRANTS

General Categories of Potential New Workers			
Category	Number	Source	Description
Unemployed	67,000	LAUS, Annual Average 1999	Persons currently seeking employment.
Reentrants	30,000	CPS, Annual Average 1997	Reentrants to the labor force are a subset of the <u>unemployed</u> .
Discouraged Workers	5,000	CPS, November 1999	Discouraged workers are not part of the official number of "unemployed" because they have stopped looking for work. This is an estimate for Minnesota <u>based on the national estimate</u> .
Part-time for Economic Reasons	62,000	CPS, Annual Average 1998	This number represents those who are working part-time but want to work full-time. This is an important group because 1) it is a relatively large group numerically and 2) workers in this group want to work <u>full-time</u> .
Retired Persons	468,000	Social Security Administration, 1997	This represents retired workers who received Social Security in 1997 in Minnesota.
Wives and Husbands of Retired Workers	54,800	Social Security Administration, 1997	This number represents wives and husbands of retired workers who qualify for Social Security due to their spouses' labor force attachment.
Retired Persons Under 75	Data Not Available		The percent of retirees who can work is not available.

These Individuals May be Employed, Unemployed, or Not in the Labor Force

Category	Number	Source	Description
Corrections - Releases	3,736	Minnesota Department of Corrections, total released in 1998	This category includes offenders placed on supervised release or parole following successful <u>completion of work release</u> .
Immigrants from Other Countries	8,300	INS, 1997	This represents the number of people who say they are coming to Minnesota when they enter the country. Minnesota is not a port-of-entry so this does not pick up those who do not give Minnesota as their final <u>destination but end up here</u> .
Migrants from Other States	42,000	Minnesota Planning, 1996 to 1997	Estimated number of migrants from other states.
Disabled Workers	Up to 100,000	Social Security Administration, 1998, MDES and other sources	This represents the number of disabled Minnesotans who are available to work and those who are working part-time.
Graduates of Minnesota Post-secondary Institutions	43,731	Minnesota Higher Education Services Office, <i>January 1999, Report to the Governor and Legislature</i>	This represents the total number of Associate, Bachelor's, Master's, Doctorate and First Professional degrees conferred by Minnesota Post-secondary institutions.
MFIP recipients not at work	Approximately 20,000	MDES Employment Transition Office	Approximate number of MFIP recipients not currently <u>employed or employed part-time</u> .
High School Graduates	55,413	Minnesota Higher Education Services Office, <i>January 1999, Report to the Governor and Legislature</i>	This represents the total number of 1997 high school graduates.

BREAKDOWN OF 1997 WAGE LEVELS FOR MINNESOTA WORKERS



Source: Economic Policy Institute, Analysis of Current Population Survey Data

PARTICIPATING ORGANIZATIONS

Affirmative Options Coalition

American Immigration Lawyers' Association

Citizens League

City of Minneapolis

Center for Asian Pacific Islanders

Community Employment Partnership, Ramsey County

Council on Asian Pacific Minnesotans

The Disability Institute

Dolphin Staffing

Flour City Packaging

Goodwill/Easter Seals

Hennepin County

McKnight Foundation

Minneapolis Central Labor Union Council

Minnesota Business Partnership

Minnesota Chamber of Commerce

Minnesota Council of Nonprofits

Minnesota High Tech Association

Minnesota Precision Manufacturers

Printing Industries of Minnesota

Radisson Hotels

ReZults International, Inc.

St. Paul Port Authority

West Central Initiative Fund

