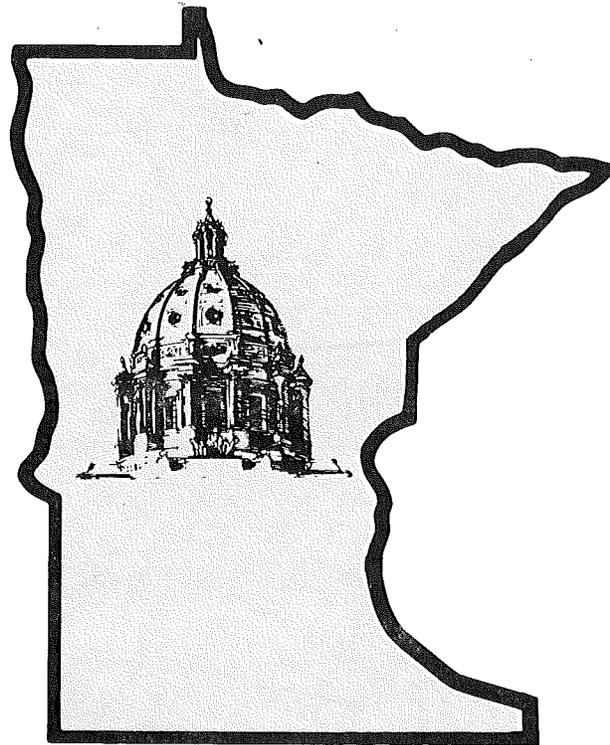


# Minnesota Employment and Economic Development (MEED) Wage Subsidy Program

870483

*July 1985 - December 1986*



MINNESOTA DEPARTMENT OF  
**Jobs and Training**

## MINNESOTA EMPLOYMENT & ECONOMIC DEVELOPMENT (MEED) WAGE SUBSIDY PROGRAM

### **What is the Minnesota Employment & Economic Development (MEED) Wage Subsidy Program?**

The MEED (Wage Subsidy) Program is a permanent State jobs program established by the 1985 State Legislature. The purpose of the program is to encourage creation of new, permanent jobs for unemployed people without other job prospects. The new program is an outgrowth of an earlier MEED program that had been created as a temporary emergency jobs program. MEED (Wage Subsidy) is operated as a part of the Department of Jobs and Training.

### **Who can participate in the jobs program?**

Participants include: unemployed persons; private sector employers who agree to provide additional jobs; and government and non-profit agencies which provide temporary work projects of benefit to the community.

Of the total jobs created by this program, a minimum of 75% will be in the private sector and the remainder will be in the public sector.

### **How much money has been made available?**

The 1985 Legislature appropriated \$27 million for the biennium July 1, 1985, to June 30, 1987.

### **Which job seekers will qualify?**

To participate, a person must be a State resident for at least one month, be unemployed, be ineligible for or have exhausted either unemployment insurance or worker's compensation benefits and be available to work for the duration of the job offered under the program.

### **Which job seekers will receive priority?**

Priority will be given to eligible job applicants living in households with no other source of income, persons who are eligible for general assistance, those who are eligible for AFDC and farm households that can demonstrate severe financial need. Priority also will be given to those individuals who previously worked in public MEED jobs if they fit into one of the four priority categories.

### **What does the program offer employers?**

For each individual employed under the program, the State may subsidize up to \$4 an hour in wages and up to \$1 an hour in fringe benefits for up to 1,040 hours over 26 weeks. The time can be extended to 52 weeks for workers also enrolled in a job training program. Public and private sector employers use their own funds to increase the hourly wage rate. A worker's wage is set by the employer and must be equal to the wage paid others for the same work. Day care assistance is available.

### **How will private sector employers be selected to participate in the program?**

Private sector employers will be encouraged to supply new employment opportunities. Priority will be given to small businesses, businesses which have potential for growth and for offering new jobs on a long-term basis, businesses which make use of Minnesota resources, new technology and energy conservation, businesses which primarily operate in Minnesota and businesses which are under ownership of women and minorities.

## A PARTNERSHIP WITH PRIVATE EMPLOYERS

MEED's success can be attributed directly to the enthusiasm exhibited by the private sector toward the program. Evidence of this success was reported in a article in The Entrepreneurial Economy (February 1985):

Whereas most jobs programs must continually struggle to find employers' willing to participate in their program, MEED has Minnesota's small business sector literally gearing up for the opportunity to hire its targeted workers. Although part of this enthusiasm can doubtlessly be attributed to Minnesota's history of excellent public/private relations, the size of the subsidy and the often-noted lack of bureaucratic strings easily account for the rest. For the small but growing firm, an up to \$4 an hour wage subsidy can easily make the difference between business contraction and expansion.

Based on reported results, MEED has had a positive impact on the Minnesota small business community. Studies by the Massachusetts Institute of Technology, the Brookings Institute and the Small Business Administration have shown that the vast majority of new jobs are created by small businesses with fewer than 100 employees. A survey conducted by the Jobs Now Coalition, a non-profit employment advocacy group, indicated that 95% of responding businesses that hired MEED workers had fewer than 100 employees and approximately 83% had fewer than 20 employees.

MEED has worked with small businesses in all segments of Minnesota's economy, including agriculture (3% of total participation); manufacturing (19%); construction (8%); wholesale trade (6%); retail trade (25%); services (30%); finance, insurance, real estate (7%); and transportation, communication, utilities (2%).

Family owned businesses, such as grocery stores, hardware outlets, manufacturing firms, legal partnerships and motels, all have joined in the job creation effort. These businesses have given participants jobs as clerks and administrative assistants (28% of total placement), assemblers (20%), precision craft workers (11%) and sales people (5%).

The program has promoted State economic growth; approximately one-half of the participating employers sold goods and services outside Minnesota thus increasing the gross State product. MEED has assisted high technology industries of the future (3% of total participating employers) and export oriented business, professional and related service industries (24%).

Sixty-three percent of the employers would not have expanded their work forces without MEED citing a cash shortage as the principal reason. Likewise, 79% said MEED enabled them to expand their production or scale of operation and almost half said they were able to diversify because of the program.

A public program's complexity can deter businesses from wanting to participate. MEED was designed to be simple and easy for employers to use. Participating employers cited lack of "red tape" as an incentive to use the program.

## PRIVATE SECTOR SUMMARY

July 1, 1985 through December 31, 1986

<u>LOCAL SERVICE PROVIDER</u>	<u>PRIVATE SECTOR PLACEMENTS</u>		<u>PRIVATE SECTOR JOBS</u>		<u>PRIVATE SECTOR EMPLOYERS</u>	
<u>Greater Minnesota</u>						
Northwestern Minnesota	228		194		102	
Northeastern Minnesota	461		378		305	
North Central Minnesota	571		359		150	
Duluth	160		135		93	
Central Minnesota	569		473		279	
Southwestern Minnesota	404		242		118	
South Central Minnesota	135		64		64	
Southeastern Minnesota	<u>275</u>		<u>194</u>		<u>190</u>	
Subtotal	2,803		2,039		1,301	
<u>Seven-County Metro</u>						
Hennepin	374		278		174	
Minneapolis	490		297		170	
Carver	15		15		10	
Scott	47		44		44	
St. Paul	300		193		138	
Ramsey	115		107		100	
Anoka	197		155		126	
Dakota	189		152		76	
Washington	<u>96</u>		<u>82</u>		<u>80</u>	
Subtotal	1,823		1,323		918	
TOTAL	<u>4,626</u>		<u>3,362</u>		<u>2,219</u>	
Greater Minnesota	2,803	61%	2,039	61%	1,301	59%
Seven-County Metro	<u>1,823</u>	<u>39%</u>	<u>1,323</u>	<u>39%</u>	<u>918</u>	<u>41%</u>
TOTAL	<u>4,626</u>	<u>100%</u>	<u>3,362</u>	<u>100%</u>	<u>2,219</u>	<u>100%</u>

**MEED (WAGE SUBSIDY) PROGRAM**  
**PARTICIPANT DEMOGRAPHIC SUMMARY**  
**(Private, Public, Other)**

**July 1, 1985 through December 31, 1986**

**Priority Groups (a)**

General Assistance/ Work Readiness Eligible (b)	3,042	41%
AFDC Eligible (b)	1,005	13%
Farm Household/ Financial Need	294	4%
Household w/o Income	1,685	23%
Other Eligible	<u>1,386</u>	<u>19%</u>
<b>TOTAL</b>	<u><b>7,412</b></u>	<u><b>100%</b></u>

**Gender (c)**

Female	3,060	41%
Male	<u>4,352</u>	<u>59%</u>
<b>TOTAL</b>	<u><b>7,412</b></u>	<u><b>100%</b></u>

**Age**

Through 21	1,495	21%
22 Through 44	5,072	68%
45 and Over	<u>845</u>	<u>11%</u>
<b>TOTAL</b>	<u><b>7,412</b></u>	<u><b>100%</b></u>

**Race (d)**

Black	612	8%
Hispanic	390	5%
Indian	619	9%
Asian/Pacific Islander	251	3%
Whites	<u>5,540</u>	<u>75%</u>
<b>TOTAL</b>	<u><b>7,412</b></u>	<u><b>100%</b></u>

- (a) 81% of MEED participants were from one of the four priority groups.
- (b) 54% of MEED participants were eligible for public assistance payments.
- (c) 41% of MEED participants were female. However, the ratio of female MEED participants to female MEED applicants is 28%; compares very favorable to the male ratio of 22%.
- (d) 25% of MEED participants were minorities.

## PRIVATE SECTOR PARTICIPANT OUTCOME

July 1, 1985 through December 31, 1986

### Participants by Sector

Private	4,626	62%		4,626	74%
Public	1,605	22%		1,605	26%
Other (*)	<u>1,181</u>	<u>16%</u>			
<b>TOTAL</b>	<b><u>7,412</u></b>	<b><u>100%</u></b>		<b><u>6,231</u></b>	<b><u>100%</u></b>

(\*) ("Other" represents participants enrolled in job club, job search or are receiving services and not placed in a private or public sector job.)

### Private Participant Status

Entered Unsubsidized Employment				2,602	56%
Currently Enrolled (receiving subsidy)				1,538	33%
Terminated: (breakout not yet available)				486	11%
Returned Full Time School					
Entered Other Training Programs					
Administrative Separation					
Other Reasons					
<b>TOTAL</b>				<b><u>4,626</u></b>	<b><u>100%</u></b>

Entered Unsubsidized Employment or are Currently Enrolled				4,140	89%
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### 60-Day Follow-Up for Participants Entering Unsubsidized Employment

Entered Unsubsidized Employment				2,602	
\$5.27 average hourly wage					
Unsubsidized for Less Than 60-Days (Follow-Up Not Completed)				<u>930</u>	
<b>TOTAL</b>				<b><u>1,672</u></b>	
Private Sector 60-Day Follow-Ups Completed					
Same Employer				1,292	77%
\$5.37 Average Hourly Wage					
Employed - Other Employer				134	8%
\$6.06 Average Hourly Wage					
In School				8	1%
Unemployed				169	10%
Other				<u>69</u>	<u>4%</u>
<b>TOTAL</b>				<b><u>1,672</u></b>	<b><u>100%</u></b>
Unsubsidized Employment at Time of Follow-Up				1,426	85%

MEED ALLOCATION AS OF DECEMBER 31, 1986

LOCAL SERVICE PROVIDER	BASE ALLOCATION JULY 1, 1985-DEC. 31, 1985	BASE ALLOCATION JAN. 1, 1986-DEC. 31, 1986	SPECIAL DISCRETIONARY ALLOCATION	INDIAN DISCRETIONARY ALLOCATION	RELOCATION DISCRETIONARY ALLOCATION	TOTAL ALLOCATION
Northwestern	153,107	245,246				398,353
Northeastern	592,018	926,623	727,250	420,000	626,000	3,291,931
North Central	681,278	1,086,328	96,796	1,080,000	111,500	3,055,902
Duluth	167,505	264,280				431,785
Central	640,495	1,023,828	98,500			1,762,823
Southwestern	237,275	377,988	622,799			1,238,062
South Central	268,233	426,916	185,000			880,149
Southeastern	485,445	766,888	98,239			1,350,572
Hennepin County	444,164	658,915	205,000		517,500	1,825,579
Minneapolis	726,896	1,186,787	264,610			2,178,293
Carver County	28,863	46,073	100,000			174,936
Scott County	48,518	77,985				126,503
St. Paul	446,602	705,168	200,000			1,351,770
Ramsey County	146,340	229,517	100,000			475,857
Anoka County	211,226	336,309	200,000			747,535
Dakota County	190,689	301,528	100,000			592,217
Washington County	103,346	161,953	175,000			440,299
SUBTOTAL	5,572,000	8,822,332	3,173,194	1,500,000	1,255,040	20,322,566
Central Admin.	40,000	63,334				103,334
TOTAL						\$20,425,900
Available for Central Administration for the period Jan. 1 - June 30, 1987.						31,666
Discretionary funds to be allocated for the period Jan. 1 - June 30, 1987.						106,266
Base allocation for the period Jan. 1 - June 30, 1987. (Does not reflect the \$1.2 million unallotment. Payback dollars will absorb that budget reduction).						4,411,168
Coordinator's office administration & IRIS system (minus \$880,000 of unallotment).						1,145,000
TOTAL						\$26,120,000

## Reports from MEED Service Providers

### Northwest Minnesota

Employers utilizing MEED in Kittson, Marshall, Pennington, Roseau, Norman, Polk and Red Lake Counties totaled 102. Twenty-eight percent of these employers had not used the wage subsidy program in the past.

Types of businesses using the program included manufacturing, retail sales, construction and health.

Individuals enrolled in MEED totaled 263. Eighty-seven percent of the placements were in the private sector. MEED created 194 new private sector jobs.

An independent insurance agent was able to expand his business throughout Northwestern Minnesota because of MEED. He opened new offices in Warroad and Roseau.

He added four MEED participants to his initial staff of four. One of the MEED employees was named manager/insurance agent and he earned a salary ranging from \$15,000 to \$20,000 annually.

### Rural Minnesota CEP Inc.

Rural Minnesota Concentrated Employment Program (CEP), Inc., provides MEED services for the counties of Becker, Beltrami, Cass, Clay, Clearwater, Crow Wing, Grant, Hubbard, Lake of the Woods, Mahnomen, Morrison, Pope, Stevens, Traverse, Wilkin, Douglas, Otter Tail, Todd and Wadena.

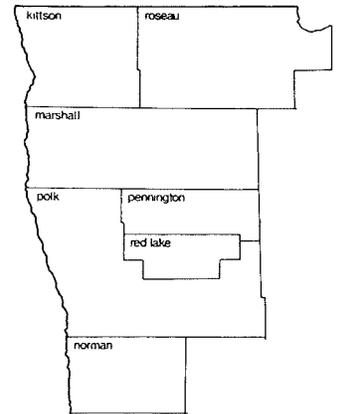
The program served 150 employers. Sixty-four percent of these employers were new to MEED.

Participating businesses represented a variety of industries including agriculture, construction, manufacturing, transportation, wholesale trade, retail trade, finance and service.

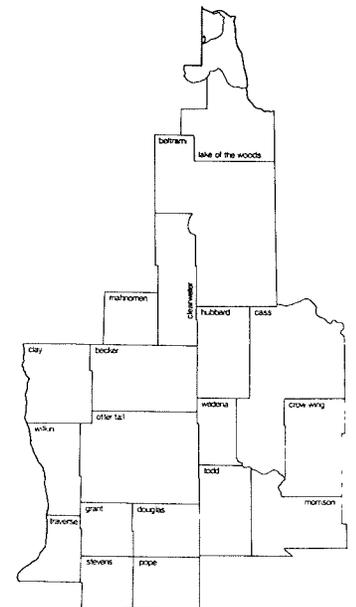
Because of MEED, 359 new private sector jobs were created.

Individuals enrolled in MEED totaled 1,612. Private sector placements totaled 571. One individual who benefited from MEED was a public assistance recipient. After being placed in a public sector position, he used MEED funds to relocate to the Twin Cities. There he was placed in a private sector job that paid \$5.87 an hour.

The client later wrote to MEED staff and credited the program with his new start. He said he still has hurdles to jump but, with a job and renewed self-esteem, he is going to succeed.



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## Northeast Minnesota

The Arrowhead Economic Opportunity Agency (AEOA) in Virginia provides MEED services for the northeastern Minnesota counties of Aitkin, Carlton, Cook, Koochiching, Lake, Itasca and St. Louis.

Employers taking advantage of the program totaled 305. Of that number, 15% were from public or non-profit organizations and 85% were from private business. Sixty percent of the businesses were using MEED for the first time.

A variety of industries were represented including retail sales, manufacturing concerns, the medical, legal and labor-related sectors, food and lodging firms, the transportation sector, agriculture and the media/communications area.

MEED created 378 new private sector jobs in Northeastern Minnesota. The program assisted 678 individuals who needed to find work. Private sector placements totaled 461, or 77% of all placements.

Among the many individuals MEED helped was a 40-year old man whose business had failed two years ago forcing him and his family to accept aid to families with dependent children (AFDC). The father had experienced many of the problems that often accompany long-term unemployment including chemical dependency, family separation and loss of self-esteem.

Through MEED-supported job clubs at the Arrowhead Economic Opportunity Agency, his self-esteem increased. Within a few days of referral for relocation to the Twin Cities, he was placed in Minneapolis by H.I.R.E.D., a MEED subcontractor. MEED discretionary dollars helped with relocation expenses. As a machinist at S & S Industries, he now earns \$6 an hour.

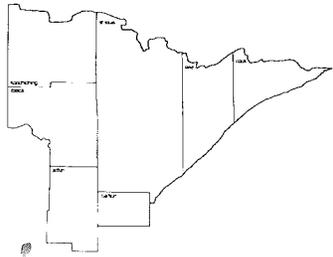
## City of Duluth

Ninety-three employers hired workers through the City of Duluth's MEED program. Among them were 82 with no prior MEED experience.

Participating industries included retail trade, service, wholesale trade, transportation, construction and manufacturing.

A local creamery packaging business was able to add another division to its operation because of assistance from MEED. The firm purchased a new box machine and hired two people to operate it. One of the two new positions was MEED-subsidized and was filled by an ex-offender who had a General Equivalency Diploma (GED).

A total of 282 individuals seeking work were helped by MEED. Eighty-four percent of MEED placements were in private sector jobs. MEED created 135 new private sector positions.



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## Private Industry Council 5

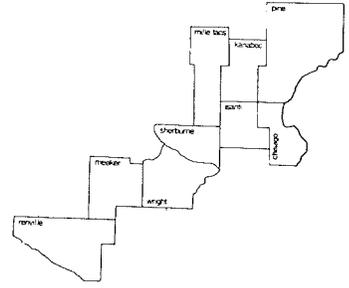
Private Industry Council 5 (PIC 5) is MEED's service provider for nine counties: Chisago; Isanti; Kanabec; Meeker; Mille Lacs; Pine; Renville; Sherburne; and Wright.

Employers making use of PIC 5's MEED program totaled 152. Eighty-six of the employers were new to the program.

Participating businesses represented a variety of industries including manufacturing, retail trade, health, fitness, food service, restaurant, school, real estate, farm and day care.

New private sector jobs totaled 154.

MEED served 410 unemployed people. Ninety-two percent of job placements were in the private sector.



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## St. Cloud Region

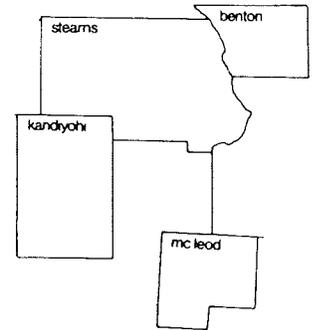
The St. Cloud Job Service provides MEED services for Benton, Stearns, Kandiyohi and McLeod Counties.

Employers utilizing MEED totaled 127 including 63 first-time users.

Industries represented included agriculture, manufacturing, retail trade, service, wholesale trade, trucking, restaurant, construction, insurance, repair, printing and day care.

MEED created 319 new private sector jobs.

The wage subsidy program served 414 job seekers. Ninety-five percent of the job placements were in the private sector.



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## Southwest Minnesota

The Southwest Minnesota Private Industry Council provides MEED services in 14 counties: Big Stone; Chippewa; Lac Qui Parle; Swift; Yellow Medicine; Murray; Lincoln; Lyon; Pipestone; Redwood; Cottonwood; Jackson; Nobles; and Rock.

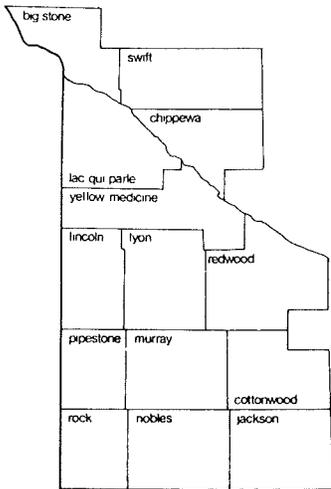
Area employers who used MEED totaled 118. Thirty-three were new to the program.

Industries represented included manufacturing, food, retail trade, insurance and service.

MEED created 242 new private sector jobs in Southwestern Minnesota and enrolled 416 individuals.

Ninety-six percent of MEED placements were in private sector positions.

Among those placed was a 22-year old mentally handicapped man receiving public assistance. After working in a MEED public sector job for six weeks, he was placed in a MEED private sector position at a wage of \$4 an hour. MEED provided the man with his first job and he has been with his private sector position for four months.



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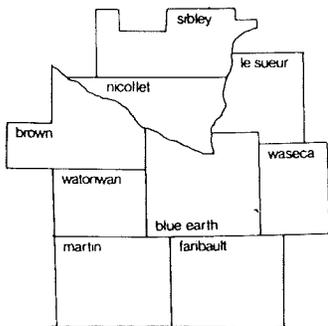
## South Central Minnesota

In the South Central Minnesota counties of Faribault, Martin, Watonwan, LeSueur, Nicollet, Waseca, Blue Earth, Brown and Sibley, 83 employers made use of MEED. Eighteen were new to the program.

Participating employers represented a variety of industries and organizations including agriculture, manufacturing, retail sales, service, food processing, finance, insurance, real estate, construction, wholesale, motor freight and education.

Sixty-four new private sector jobs were created.

Individuals using MEED in 1986 totaled 217. Eighty-nine percent of placements were in the private sector.



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## Southeast Minnesota

In the Southeastern Minnesota counties of Dodge, Fillmore, Freeborn, Houston, Mower, Olmsted, Goodhue, Rice, Steele, Wabasha and Winona, 190 employers utilized MEED. Among them were 54 employers using the program for the first time.

Businesses represented a variety of industries including retail sales, food service, health, manufacturing, advertising, construction, service, mining, transportation, utilities, wholesale trade and insurance.

The program enrolled 778 people. Eighty-three percent of placements were in the private sector. Through MEED, 194 new private sector jobs were created.

One firm helped by the wage subsidy program was a family operated pattern making business. It employed two MEED participants who had been receiving public assistance. With help from MEED, the business has expanded. A group health plan has been initiated assisting the new employees whose medical insurance was terminated when they left public assistance.

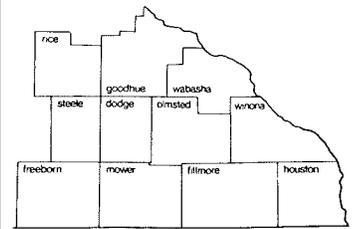
## Anoka County

The Anoka County Job Training Center provides MEED services in Anoka County. A total of 216 individuals enrolled in the wage subsidy program.

MEED created 155 new private sector jobs of which 83% were in the private sector.

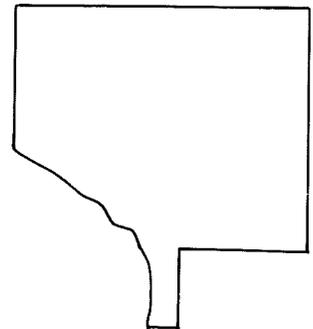
The 126 businesses that used MEED represented a variety of industries including 16 from retail, 30 from service, 44 from trade and 36 from manufacturing. Seventy-five of the businesses had no previous experience with the program.

Riccar Heating, an air conditioner sales and service company, has employed six MEED workers since the wage subsidy program began in 1983. Some of the MEED employees have been promoted to positions as manager and foreman with wages of \$7 and \$8 per hour. The company has been pleased with the quality of the employees provided through MEED and is now using MEED workers to train new employees.

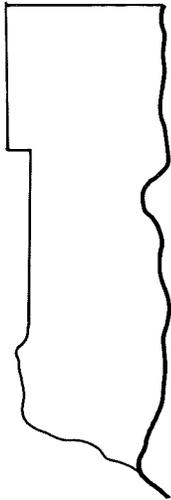


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## Washington County

The Washington County MEED program contracted with 80 employers. Forty-three percent were new to the program.

Businesses represented a variety of industries including retail, wholesale trade, service, construction, transportation, entertainment, manufacturing, insurance and restaurant.

The program helped 119 unemployed individuals with 77% of placements being in private sector jobs.

MEED created 82 new private sector jobs in Washington County.

One businessman contacted the Washington County Job Training Office in 1985 after seeing a MEED newspaper advertisement. Though he needed to hire a repair person, his business, Hooley's Appliance, was financially unstable.

After the Washington County Job Training Office certified MEED eligibility for Hooley's Appliance, it hired an employee who stayed one year and then moved on to a position with better pay at a larger company.

During the year, the company improved financially. When the first MEED employee left, the firm hired another MEED participant in order to carry out its contractual obligations to the program.

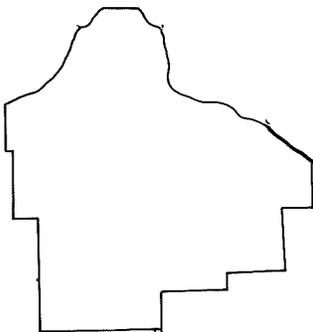
Hooley's Appliance continues to grow thanks in part to assistance from MEED.

## Dakota County

In Dakota County, 76 employers used the MEED program. Forty-two percent of them had no previous experience with the program.

Industries represented included service, manufacturing, retail and construction.

A total of 319 job seekers enrolled in MEED. Eighty-seven percent of placements were in the private sector. Through MEED, 152 new private sector jobs were created.



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## Scott County

Forty-four private sector employers utilized MEED in Scott County. Seventeen were new to the program.

Through MEED's help, 44 new private sector jobs were created.

MEED businesses represented a variety of industries including manufacturing, wholesale trade, retail trade, insurance, food and service. County government and schools also hired through MEED.

MEED helped approximately 70 unemployed workers. Seventy-three percent of the placements were in the private sector.

Among those placed in private sector jobs was a 51-year old woman who had been out of the work force for the past 10 years. She had no steady income. Through MEED, she was hired by Colortique Productions for a \$4 an hour assembly job.

## Carver County

Of the ten Carver County employers that used MEED, two were new to the program.

Industries represented were manufacturing, retail trade and service.

Fifteen new private sector jobs were created.

Carver County enrolled 77 eligible individuals. Of those placed, 72% were employed in the private sector.

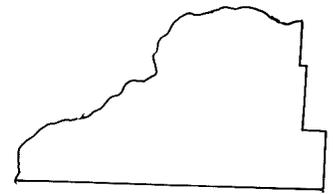
## Hennepin County

Of the 174 employers that used the Hennepin County MEED program, 75% were new to the program. Through their participation in the program, MEED was able to help 442 unemployed individuals.

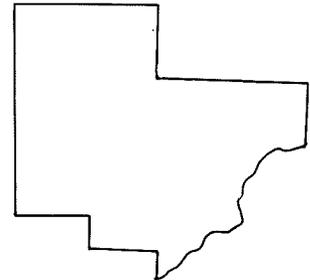
Eighty-three percent of job placements were in the private sector. Through MEED, 278 new private sector jobs were created.

Upon leaving the MEED program, 79% of the workers found unsubsidized jobs averaging a wage of \$5.61 an hour.

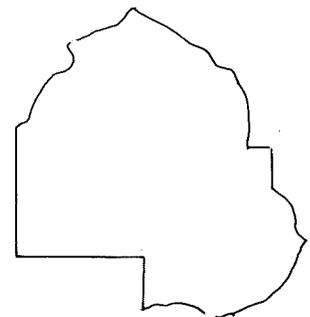
In a follow-up study conducted 60 days after MEED wage subsidies had ended, Hennepin County found that 84% of the participants were still employed.



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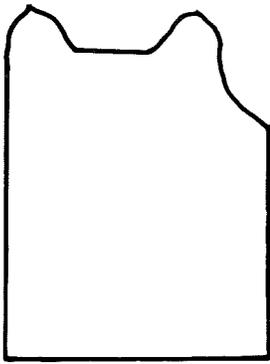
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## City of Minneapolis

MEED assisted 1,086 unemployed workers in the City of Minneapolis. Of these people, 61% found jobs in the private sector. MEED created 297 new private sector jobs. Minneapolis employers using MEED totaled 170 of which 130 were new to the program.

Among the many businesses pleased with MEED was Ideus Co. of Edina, a 9-year old manufacturing firm. The company's work force has been predominately Asian and Polish refugees. Through the City of Minneapolis MEED program, Ideus Co. hired 12 people who were receiving AFDC. The workers' average wage was \$5.50 an hour. The company stated that it has been very satisfied with the MEED program and workers.

Ideus Co. recently hosted a cultural fair at the worksite giving all employees a chance to learn from and share with one another.

## Ramsey County

Private sector employers participating in Ramsey County's MEED program totaled 100 and 80 of them were new to the program.

Businesses participating represented the retail trade and manufacturing industries.

MEED created 107 new private sector jobs.

The program served 152 individuals. Eighty percent of placements were in the private sector.

## City of St. Paul

The City of St. Paul's MEED program assisted 443 individuals. Seventy percent of job placements were in the private sector.

A total of 138 private sector employers used MEED. As a result of the MEED program, 193 new private sector jobs were created.

MEED has proved an especially effective tool for creating permanent job opportunities for hard to employ individuals such as ex-offenders, refugees and public assistance recipients.

The program helped a young woman who had been receiving AFDC and who was referred to MEED through the Minnesota Department of Human Services. A 3-month MEED secretarial job at City Hall gave her the necessary experience to be hired by an insurance company for \$6.50 an hour.

Tax dollars invested in MEED have provided jobs to Minnesotans who were not eligible for unemployment or worker's compensation benefits and who might otherwise still be without work.

MEED has served more than 7,400 out-of-work Minnesotans, including more than 4,000 who were eligible for or receiving public assistance. Many received MEED job placements; 74% of which were in the private sector.

More than 3,300 new private sector jobs representing the spectrum of the State's industries have been created because of the wage subsidy program.

When surveyed 60 days after the six-month MEED wage subsidy had ended, approximately 85% of the individuals placed in MEED jobs had retained their positions.

Our research showed that the State's investment in the program could be repaid in three years through increased tax revenues and decreased spending on public assistance benefits.



***For more information, contact:***

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