

ECONOMIC WELL-BEING

A Special Message

by

Governor Orville L. Freeman



**Presented to the Members of the
Minnesota Legislature
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LEGISLATION DIRECTED TOWARD ECONOMIC WELL-BEING

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GOVERNOR ORVILLE L. FREEMAN,

Monday, March 23, 1959

In all of our efforts to improve the services provided by the state for the maximum development of our human resources, we are concerned with economic growth and progress. We know that increased prosperity is essential, both to provide the education and welfare services we need and to insure more jobs, higher incomes, and dynamic growth.

We have, therefore, consistently exerted every possible effort to increase Minnesota's economic well-being, and have found that such efforts bring encouraging results. In recent years Minnesota has had a faster rate of population growth than the majority of our neighboring states, and we have reversed an out-migration trend so that now more people are moving in to Minnesota to find work and employment than are moving away.

Our per capita income likewise has been increasing faster than in our neighboring states of Iowa, Wisconsin, Indiana, Michigan or Illinois. From 1956-1957, personal income increased in every area of Minnesota industry with the exception of agriculture. Manufacturing was up 7.1 per cent compared with a national average of 3.8 per cent. Trade and services were up 9.2 per cent as compared with the national average of 5.9 per cent.

Minnesota's record in labor relations is likewise far better than the national average, as shown by our extremely good record in proportion of man-hours lost due to labor disputes.

Minnesota's recent progress is a source of pride to us all. But the recent general national recession, as well as the farm recession of much longer duration, remind us constantly that Minnesota's economic well-being is inextricably tied to the national economy. Measures that can be taken within any one state to effect real economic improvement are thus necessarily limited in scope and effectiveness. Yet this fact does not relieve a state government of its responsibility to do as much as it can do, appropriately and effectively, to improve its own economic position. I am, therefore, recommending certain legislation at this session for the purpose of furthering the economic well-being of the people of our state.

AGRICULTURE

Agriculture is one of Minnesota's basic industries. One hundred forty thousand Minnesota families depend directly on farming for their living, and the success of all related business and industry in our towns and cities is dependent upon our agricultural economy. A healthy agriculture is thus of major concern to all Minnesotans. It is of utmost importance that we continue to exert every influence we can to secure a national program that will bring about better economic conditions for our farms.

Study Commission on Agriculture

In order to promote a better understanding of problems of Minnesota agriculture, I appointed a commission to study the extent to which farm people are sharing, or failing to share, in our current prosperity, and to describe and explain the economic problems of our farmers. The Commission has now published a report which pinpoints problem areas, and which should provide us with a

sounder basis than any hitherto available for devising better agricultural programs. This Commission has earned our most sincere thanks for having raised its own funds for the purpose of securing a careful study of the problem by a competent staff, and thus performing a service of real value to the people of Minnesota.

State Agencies of Special Interest to Agriculture

There are two arms of state government that traditionally direct their major activities toward improving agriculture. One is the Institute of Agriculture at the University of Minnesota, and I recommend that you continue your recognition of the importance of the services it performs by giving it adequate support. Among such measures is the Building Commission's recommendation for an appropriation for a crop research laboratory building at the University.

The other state agency directly concerned with agriculture is the Department of Agriculture, Dairy and Food. This department has greatly extended its activities in connection with expanding the market outlets for Minnesota farm products. It is making real progress in finding out-of-state markets for Minnesota eggs, as well as increasing egg consumption at home. New outlets for Minnesota potatoes are being sought, and measures taken to promote the shipping from Minnesota of only first quality potatoes. Other secondary agricultural products assisted by the Minnesota department include honey, apples, and maple syrup. The new marketing division in the Department of Agriculture can help substantially in promoting increased income for Minnesota farmers, and is deserving of effective support.

Resolution on Cooperatives

Agricultural cooperatives have contributed much to the prosperity of agriculture and to the development of Minnesota, and we have become one of the leading cooperative states in the nation. If our agriculture is to continue to represent the free enterprise of owner-operated family-size farms, our thousands of individual farmers must be free to work together with each other to secure for themselves those advantages in producing and marketing their products which they cannot attain acting singly as one small unit in our great economic system. You have ^{just} ~~before~~ passed you a resolution to memorialize Congress to refrain from taking any discriminatory action with regard to the taxing of cooperatives, and this resolution has received committee approval in both House and Senate. I urge you to pass that resolution without delay. I want to express my appreciation for this action.

Trucking by Farmers

The present law with regard to the regulation of motor vehicle transportation for hire contains certain provisions which would impose unfair hardships on farmers who haul their produce to market. I urgently request that you amend this law to allow farmers to transport products for their neighbors in a local area, and to permit a stated number of occasional trips to a terminal, and to allow truckers hauling livestock to a terminal to haul back any commodity on their return trip to their home area.

Milk Marketing Program

I strongly urge your support of our program to remove barriers against the sale of Minnesota milk products. Minnesota Statutes 1957, Section 8.13 authorizes the attorney general to contest interstate trade barriers which restrict the sale of dairy products

produced in Minnesota. This statute was enacted by Laws 1955, Chapter 840, Section 1, and the sum of \$30,000 was appropriated at that time to carry out its purposes.

The program is now in the stage of affirmative action, the state being engaged in five specific areas of challenge to laws and regulations enacted by other states and the federal government which restrict the sale of Minnesota dairy products. Various dairy groups, senators and representatives have made known their desire that the program continue. Several members of the dairy industry have indicated that they have been able to make out-of-area sales as a direct result of the state's efforts. The Legislative Interim Commission on Agricultural Problems has recommended that: "The Legislature appropriate sufficient funds to enable the attorney general to continue attempts to eliminate milk barriers." (Recommendation No. 12)

The attorney general has requested the sum of \$40,000 for the biennium to implement the legislative directive to contest interstate trade barriers. It is apparent that these same funds may be used to foster and direct studies and informational programs designed to eliminate artificial barriers to the free movement of other products produced in Minnesota. The agricultural revolution through which America is now moving has given rise to efforts by some states, and in some cases by regulations emanating from the federal government, to create exclusionary devices designed to protect local industry and agriculture from outside competition. One example is Florida's efforts to discriminate against eggs produced in other states. The attorney general's program, while specifically aimed at eliminating dairy product barriers, may at the same time be directed toward combating trade barriers against

other products as they develop. I believe your support of this program is one of the most promising steps you can take toward improving agriculture in Minnesota.

Soil Conservation

I have again recommended a modest appropriation for soil conservation to aid in the development of farm plans for the best utilization and conservation of this most basic resource. . In your 1955 session, and again in 1957, you enacted such appropriations. I urge your favorable action again this session.

General Legislation

The bills just referred to apply specifically to agriculture. Certain legislation of general interest would be of such specific help to Minnesota farmers that it is appropriate to emphasize them here.

Tax Reform

Several of the proposals in my budget message are directed at tax reform, many of them of real concern to farmers. I recommended that the state property tax levy should be spread on an equalized basis. Under the present system, areas that under-assess their property do not pay their fair share of the state property tax; and because the property tax bears so heavily on farmers it is of special interest to them to develop as equitable a method as possible for assessing this tax.

For the same reason, I repeat here my recommendation that you provide for the equalization of individual assessments within classes of property and also provide that taxpayers whose individual assessments are out of line with the general level of assessments within the respective classes within districts will have a simple means of securing relief.

The financing of new revenue needs by means of income tax rather than sales tax is also of especial significance to farmers, because of the unduly large shift of the tax burden to their shoulders that would result from the imposition of a sales tax.

Higher Education

My recommendations in the field of higher education, and particularly those for the development of institutions on the college level in areas where the need is greatest, would be of great value to the farmers of Minnesota. Much of our farm population live in those parts of the state where distance from any institution of higher education creates a geographical barrier that prevents many young people from attending college and makes higher education a greater financial burden for those who do attend. I, therefore, strongly urge that you establish a program for junior college development, assisted by funds from non-recurring revenue, that will help to equalize higher educational opportunity for youth from our farms.

LABOR

Measures to further the economic welfare of labor, as well as those which benefit the farmer, reflect themselves upon the prosperity of the entire community. I, therefore, recommend the following measures.

Increased Unemployment Compensation

The average weekly payment of unemployment insurance in Minnesota is several dollars per week below the national average, and the tax or contribution from industry to pay benefits has been consistently below the national average -- in fact, it has been near the bottom of all of the states. Yet Minnesota has lagged in

keeping abreast of the times. The percentage of restoration of wage loss has diminished over the years. Today our weekly maximum benefit of \$38 represents only 46 per cent of our average weekly covered wage of \$82.25. Further, as a result of the penalizing annual wage formula, less than half of Minnesota claimants are eligible for the maximum weekly benefit. It is also the case in Minnesota that our system of variable duration of benefits of 18 to 26 weeks, depending on earnings, means that the employees in the lower earnings categories are not eligible for the presently provided maximum duration.

It is, therefore, my recommendation that the maximum weekly benefit in unemployment compensation be substantially increased at least to the amount recommended by the National Advisory Council on Unemployment Compensation, which is 50 per cent of the average weekly earnings. I further recommend that the period of duration be extended substantially and made uniform for all qualifying employees. It is also my recommendation that the present annual wage formula in Minnesota be discarded, and that our state adopt the high quarter earnings formula for computing benefits that is used by the majority of the states.

Last year, at the 1958 special session of the Legislature, you extended unemployment compensation temporarily to those who had exhausted their benefits. At present, some 13,000 unemployed workers have exhausted their rights even under the temporary extension. Six thousand more will be cut off on April first. I recommend an additional temporary extension of benefits for not to exceed 13 weeks, and that this further temporary extension expire on July 1, 1959.

Workmen's Compensation

Minnesota's Workmen's Compensation has likewise lagged behind the change in economic conditions. The original theory of Workmen's Compensation was that injured workers should be able to receive two-thirds of their weekly earnings during periods of disability, but only a minor percentage of employees are able to receive that amount. This situation should be corrected. We should likewise increase the compensation payable to a widow or other dependent, remove the existing restrictions with regard to occupational diseases so that they will be treated the same as other work injuries, and improve provisions for benefits in cases where work injuries prevent an employee from continuing his usual occupation.

Labor Relations

Our present law does not provide adequately for the resolution of grievances of public employees. As long as they are denied the right to strike they should be given some remedy commensurate with the right denied. The procedures in the present law should be made more definite and speedy, and the functions of the adjustment panel should be made clear. It is also my recommendation that earnest consideration be given to the provision of compulsory arbitration in those cases where the parties have been unable to agree in the adjustment of their differences.

Handicapped

The 1957 Legislature recognized that handicapped persons were not receiving equal opportunity for employment in Minnesota. An Interim Commission was appointed to study this problem and report to the 1959 Legislature. This Commission, composed of legislators and other specially qualified people, studied and reported on many

facts relating to the complex problem of full employment for the handicapped. They found, for example, that there are 323,000 handicapped persons in the state, and 22,000 of these are unemployed even though they are seeking work. These are the first reliable figures we have had concerning the number of handicapped people in the state, and the implication that can be drawn from these figures is that there yet remains a tremendous amount of work to assist these persons in assuming a productive role as wage earners in our state. Many of these people will need rehabilitation services to provide them with usable qualifications. For this reason the Interim Commission recommended to the State Legislature that they appropriate sufficient funds for rehabilitation at least to the extent of utilizing all available federal matching funds. I have incorporated in my budget recommendations that I hope will meet our minimum rehabilitation needs. I urge your favorable action on this as one of the wisest investments we can make.

Program for Service to Older Workers

Job problems of middle aged and senior citizens, becoming more acute each year as increasing numbers of Minnesotans enter the ranks of older workers, have precipitated the installation of special facilities by the Department of Employment Security for this age group.

These special facilities have evolved from long term and continuous research carried on by the agency in cooperation with the United States Department of Labor. Special staff using new methods and techniques have been assigned to the Twin Cities metropolitan offices of the State Employment Service with plans underway for extending the program on a statewide basis.

The program for service to older workers is based on a three-way educational approach. First, Employment Service staff members are receiving training designed to equip them to work effectively with older applicants. Second, older workers themselves are being briefed regarding the best methods for conducting job search campaigns. Third, intensive educational efforts are directed at employers urging them to hire on the basis of qualifications regardless of age. They are encouraged to consider stability that comes from maturity and wisdom that comes from experience.

This program, established late in 1956, is moving from its formative stages and is beginning to show results. In 1958, the Employment Service made 20,700 non-agricultural placements of persons age 45 and over. This figure represents 22 per cent of the total placements for the year. It also represents an increase in the placements of older workers. This gain is significant in that it occurred during a period of difficult labor market conditions.

It is again pointed out that the educational approach is emphasized in calling employers' attention to the desirability of hiring older workers. The progress made has been achieved, of course, without compulsive legislation. For most effective continued operation, its scope ought to be extended and educational efforts augmented.

The Citizens Council on Aging has done much to focus attention on the older worker. It is urged that this group continue to probe the problem and stimulate action.

Even more important is the influence of the legislators. Their leadership and direction in their respective home areas are essential to the removal of unrealistic age barriers.

BUSINESS EXPANSION

Programs adopted in recent years have helped materially to put Minnesota above the national average in economic growth and business expansion. Our Department of Business Development has had marked success in selling Minnesota and in helping to secure more business enterprises in our state. It has secured private funds to help publicize our many assets in amounts many times greater than those provided by the state. Every dollar wisely invested in this kind of promotion brings back many times the original investment to our citizens.

With its one hundred fifty community development corporations, which have been encouraged and assisted by our Business and Industrial Services division, Minnesota leads the United States in this constructive program of community progress. Minnesota's smaller cities and towns are eager to make use of all the help and advice they can get to increase their economic potential, and the division is not able to meet all the requests for assistance. I have therefore recommended a very modest increase in appropriations for this division, so that the program for business expansion can proceed more rapidly.

Publicity for Minnesota

During the past few years Minnesota has received more nationwide publicity than ever before. We have emphasized a program of coordinated progress in the development of all of our assets, be they in the field of tourists and vacationing or in that of industrial and commercial development. We have emphasized cooperation between private and public agencies in planning and carrying out our programs to sell Minnesota. As a result of this cooperative effort we have received incalculable amounts of free advertising, and we have made the most of our expenditures for promotion.

Examples of the results of this coordinated effort are found in last year's unprecedented series in the Wall Street Journal, and in a forthcoming supplement to the New York Times, scheduled for the end of this month, which will publicize Minnesota. The latter involves a state investment of \$8,000 which brought in an additional amount in excess of \$40,000 as contributions from participating communities and private corporations.

I am recommending only a small increase in our budget for such publicity, and strongly urge that you provide adequate support for the continuation of these activities which have produced such promising results.

Tourist and Vacation Industry

The tourist and vacation industry plays a very significant role in Minnesota's economy. How important this is, is illustrated in a U. S. Department of Commerce publication which states that "If a community can attract a couple of dozen tourists a day throughout the year, it would be economically comparable to acquiring a new manufacturing industry with an annual payroll of \$100,000."

We have therefore made the tourist and vacation potential of our state a major goal. We have sought and secured much free advertising and publicity through publications, bill boards, and all available media of communications. The assistance the state has provided this industry, by surveys, by improvement of our sports and recreational facilities, as well as by publicity for all of our recreational advantages, will continue to bring substantial returns.

Community Planning

Community planning assistance is the most recent addition to the array of services provided by the Department of Business Development. It is only through this assistance that Minnesota communities can receive aid for planning under the Federal program for urban planning assistance grants.

The function of community planning is rapidly becoming more important. Traffic growth and population growth demand more planning if our municipalities are to continue to meet the demands of a changing society. Community planning is rated high by plant location experts in evaluating various municipalities as future plant sites. The activities of Minnesota's community planning advisor during 1958 testify to the demand for assistance. He made 85 speeches, visited officials in another 60 municipalities, participated in 24 special meetings and 8 conventions, prepared newsletters, magazine articles and pamphlets, and helped with the applications made for Federal planning assistance grants to aid four municipalities.

As a bare minimum, I included in my budget an addition of one staff member in community planning. Again I am sure that any money invested in this new program will return many times its value, and I urge that you grant this request.

Improved Climate for Business

Along with these positive programs to expand economic opportunity, I wish to point out that the recommendations for reform in assessment procedures that I noted under agriculture will also be of real advantage to business. Also, my recommended changes in the corporate income tax will be of advantage to most small business in our state.

I have recommended extending to "soft taconite" the advantageous position now assured taconite in our tax program. We should also extend labor credits to the royalty tax. We should continue to seek and utilize every practical and equitable means to develop new and economically sound procedures for utilizing our low grade and undeveloped minerals.

I am confident that, with continued forward-looking enthusiasm and a vigorous and enterprising vision of our potential, Minnesota's economy will make great progress in the years ahead.