

M E E D W O R K S

**A Look At Minnesota's
Investment In
People, Jobs
and Communities**

**JOBS
NOW**
COALITION

March, 1985

This study was funded by major grants from
The McKnight Foundation and The Minneapolis Foundation

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People, Jobs and Communities

by

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EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

BACKGROUND AND OBJECTIVES

The Minnesota Emergency Employment Development (MEED) program established a partnership between business and the unemployed. The \$4.00 an hour six-month wage subsidy is working capital--a tool that enable small businesses to hire and train victims of permanent job loss or chronic unemployment. An earlier report, MEED Means Business, showed that the program is working well for private sector employers. In this report, we examine how MEED is working for unemployed Minnesotans. This report is based on data generated by the MEED Coordinator's Office, information obtained by special request from the Employment Administrators, and unpublished data from the Jobs Now Coalition's survey of private employers who participated in MEED.

The major objectives of this report are:

1. To track permanent private sector placements with particular emphasis on economically depressed regions of the state.
2. To analyze tax returns and welfare savings generated by the MEED investment.
3. To describe who got MEED jobs with emphasis on General Assistance eligibles, women, minorities, and persons with dependent children.
4. To obtain data on MEED private sector occupations, training, and wages paid during and after the subsidy period.
5. To examine data on MEED private sector labor turnover and retention rates.

RESULTS

1. PRIVATE SECTOR PLACEMENTS SOAR

- * 70 percent of all MEED II jobs have been in the private sector.

2. MEED GENERATES QUICK RETURN ON INVESTMENT

- * \$37 million of the \$100 million MEED investment will be returned to state and local treasuries during the life of the program.

3. MEED II SPURS PERMANENT JOBS IN DEPRESSED REGIONS

- * 73 percent of all placements in SDA's containing Agricultural Disaster Areas were in the private sector.
- * 72 percent of all placements in Duluth, and 64 percent in the Arrowhead were in the private sector.

4. MEED HAS CREATED JOBS FOR THE GENERAL ASSISTANCE POPULATION

- * 45 percent of the people placed under MEED II were General Assistance eligibles.
- * St. Paul filled 71 percent, Minneapolis 66 percent, and Duluth 53 percent of private jobs with GA eligibles.

5. MOST MEED WORKERS RECEIVED TRAINING AND SKILLED JOBS

- * 77 percent of the private employers in the Jobs Now survey provided training to their MEED workers.
- * 73 percent of MEED private jobs are in skilled occupations.

6. MEED WORKERS EARNED WELL ABOVE THE MINIMUM WAGE

- * Private sector MEED workers earned an average of \$4.75 per hour during the subsidy period, and wages rose to \$5.08 after the subsidy ended.

7. MEED PROVIDES PERMANENT JOBS TO A STABLE WORKFORCE

- * Over 4,000 businesses developed 9,405 permanent jobs.
- * Labor turnover in MEED private jobs was only 15.6 percent.

MAJOR FINDINGS

MAJOR FINDINGS

1. PRIVATE SECTOR PLACEMENTS SOAR

- * 43 percent of all placements under MEED I were in the private sector. This surpassed the original goal of 40 percent.

MEED I, the first phase of the jobs program (July 1983-April 1984) was adopted in response to the worst recession in Minnesota since the Great Depression. The need to get the unemployed working as soon as possible, accompanied by questions about the private sector's response to the program, resulted in an emphasis on public jobs in MEED I: 60 percent of the subsidy funds were earmarked for public jobs, and only 40 percent were assigned to the private sector.

- * 70 percent of all MEED II placements have been in the private sector. This has exceeded the increased goal of 60 percent.

Ten months after the program was created, the unexpectedly enthusiastic response of the private sector lead to a reversal in the allotment of subsidy funds to private and public jobs. MEED II emerged in May 1984 with 60 percent allocated to private jobs.

2. MEED GENERATES QUICK RETURN ON INVESTMENT

- * \$37 million of the \$100 million MEED investment will be returned to state and local treasuries during the life of the program.

MEED will generate an increase of \$12.9 million in income tax revenues. Savings from General Assistance (GA) and General Assistance Medical Care (GAMC) account for another \$24.2 million.¹

- * \$4.5 million of the \$37 million will be saved by counties in the General Assistance program.

3. MEED II SPURS PERMANENT JOBS IN DEPRESSED REGIONS

- * 73 percent of all placements in Service Delivery Areas (SDA's) containing Agricultural Disaster Areas were in the private sector.
- * 72 percent of all placements in Duluth, and 64 percent in Arrowhead were in the private sector.

When MEED went into effect in May 1983, many policy-makers predicted that public jobs would predominate in economically depressed regions. The above data prove these fears to be unfounded.

We should note here that a wage subsidy program that provides a source of working capital to small business and at the same time provides work for the unemployed has direct advantages for economically depressed regions. MEED's ability to assist small business development is likely to be an asset in rebuilding the economic base of these regions.

In addition, the increase in unemployment in these regions over the past five years is a result of structural decline in basic industries and/or agriculture. This joblessness is not a reflection of personal deficiencies on the part of the unemployed. Under these conditions, a jobs program that provides immediate employment and useful on-the-job training is likely to be more effective than classroom training, education, or relocation benefits to aid the hunt for jobs that may not exist. MEED can help revitalize local economies, and prevent welfare dependency.

4. MEED HAS CREATED JOBS FOR GROUPS DISPROPORTIONATELY REPRESENTED IN PUBLIC ASSISTANCE PROGRAMS

General Assistance Eligibles

- * 45 percent of the people placed under MEED II were General Assistance eligibles, compared to 35 percent under MEED I.

MEED succeeded in its goal of employing large numbers of General Assistance (GA) eligibles.

- * 74 percent of MEED II workers in Minneapolis and St. Paul were GA eligibles.

These two cities account for nearly 40 percent of all General Assistance eligible MEED applicants statewide.

- * St. Paul has filled 71 percent, Minneapolis 66 percent, and Duluth 53 percent of their private jobs with GA eligibles.

These three cities account for well over half the state's GA caseload.

- * GA eligibles who got MEED jobs did not differ in age or education from GA eligibles who did not get MEED jobs.

MEED did not merely select prime-age, better educated GA eligibles, since the age and educational profiles of GA eligibles who got placed in MEED jobs were not significantly different from that of GA eligibles who did not get placed.

Women

- * 40 percent of all MEED placements went to women, despite the fact that AFDC recipients were not a priority group under MEED I or II.

Moreover, federal regulations, prior to the 1985 revisions, hampered the participation of AFDC recipients.

Minorities

- * 15 percent of all MEED placements went to American Indians, Asians, Blacks, and Hispanics.

People of color are disproportionately represented among Minnesota's poor or unemployed.

- * Over 40 percent of all MEED jobs in Minneapolis and St. Paul were filled by people of color.

Persons With Dependent Children

- * MEED was effective in employing workers with dependent children.

In the five SDA's for which data are available, a third of all MEED participants had dependent children. This compares favorably with 1980 Census data which show that 20 percent of all poor families in the state had dependent children.

5. MOST MEED WORKERS RECEIVED TRAINING

- * 77 percent of the private employers in the Jobs Now survey provided training to their MEED workers.
- * 73 percent of the MEED jobs surveyed are in skilled occupations.

Our survey findings revealed that private employers viewed the \$4 an hour subsidy as an incentive to train inexperienced workers. Skilled occupations include executive, administrative, and managerial workers (3 percent); sales workers (5 percent); professional and technical workers (4 percent); clerical and administrative support workers (28 percent); fabricators, assemblers, and transportation workers (20 percent); precision production, craft and repair workers (11 percent).

6. MEED WORKERS EARNED WELL ABOVE MINIMUM WAGE

- * Private sector MEED workers earned an average of \$4.75 during the six-month subsidy, and wages rose to \$5.08 after the subsidy ended.

The minimum wage is \$3.35 per hour.

7. MEED PROVIDES PERMANENT JOBS TO A STABLE WORKFORCE

- * Over 4,000 businesses developed 9,405 permanent jobs.
- * 97.5 percent of these private slots remain in existence.
- * Labor turnover in MEED was only 15.6 percent between July 1983 and December 1984.

This compares favorably with the normal turnover rates of new hires. Bishop's data on retention rates of new hires shows that only 50.5 percent of workers newly hired in 1979 were still working with the same employer between four and seven months later.²

We provide a detailed description of labor turnover in Rural CEP--a conservative example chosen because of its higher than average labor turnover. Rural CEP had created a total of 925 private jobs by the end of December 1984, and placed 1,210 people in these jobs--with a turnover of 285 persons (24 percent). 174 persons (14 percent) left MEED for unsubsidized jobs elsewhere; 94 persons (8 percent) quit or were fired; and 17 persons (1 percent) were not available for work because they decided to go to school, join another training program, or could not work on account of ill health.

NOTES

1. See Appendices.
2. See Exhibit 4B.

EXHIBITS

EXHIBIT 1A

PRIVATE AND PUBLIC PLACEMENTS UNDER MEED I AND II BY GEOGRAPHIC REGION

	MEED I*			MEED II*		
Region	Percent		Total	Percent		Total
	Private	Public		Private	Public	
Metro Cities						
Minneapolis	39.0	61.0	1,064	61.4	38.6	1,072
St. Paul	30.0	70.0	847	81.2	18.8	522
Duluth	53.2	46.8	351	71.8	28.2	259
Suburban Areas**	43.0	57.0	3,401	69.0	31.0	3,929
Northwest (Reg. 1)	53.0	47.0	324	58.6	41.4	261
Southeast (Reg. 10)	53.0	47.0	915	69.2	30.8	931
Agricultural Disaster Areas***						
Arrowhead (Reg. 3)	42.0	58.0	1,592	63.5	36.5	832
Rural CEP (Regs. 2,4,5)	31.0	69.0	1,929	67.3	32.7	1,054
Central (Regs. 6E,7E,7W)	57.0	43.0	1,193	87.3	12.7	715
South Central (Reg. 9)	54.0	46.0	604	76.8	23.2	456
Southwest (Regs. 6W,8)	56.0	44.0	391	84.3	15.7	280
TOTAL	43.0	57.0	12,611	69.5	30.5	10,311

* MEED I data cover the period July 29, 1983 to April 31, 1984; MEED II data cover the period May 1, 1984 to February 15, 1985.

** Suburban areas include the following Service Delivery Areas: Hennepin, Carver, Scott, Ramsey, Anoka, Dakota, and Washington.

*** The following 27 counties were designated as Agricultural Disaster Areas by the Governor on December 29, 1984: Koochiching, Blue Earth, Chippewa, Lincoln, Nicollet, Rock, Yellow Medicine, Beltrami, Brown, Faribault, Itasca, Kandiyohi, Lac Qui Parle, Lake of the Woods, Le Sueur, Lyon, Martin, Murray, Nobles, Pipestone, Redwood, Renville, Sibley, St. Louis, Swift, Wadena, and Watonwan.

Minnesota Emergency Employment Development Program

Private Sector Placements

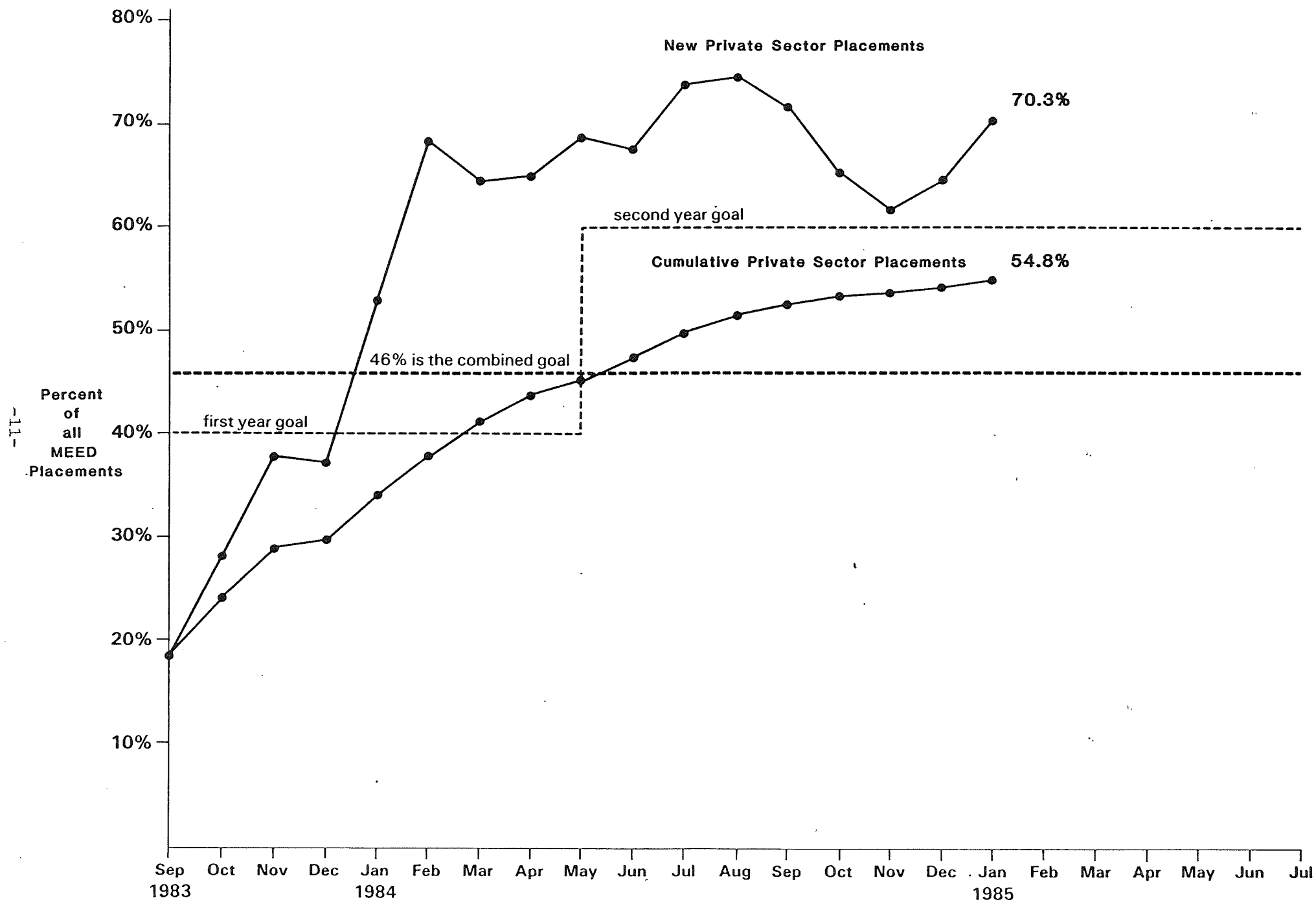


EXHIBIT 2A

GA ELIGIBLE AS PERCENT OF TOTAL PLACEMENTS

	MEED I (July 1983-April 1984) <u>Percent</u>	MEED II (May 1984-December 1984) <u>Percent</u>
SDA 1 (Northwest)	20.3	34.0
Arrowhead	17.1	32.0
Duluth	53.2	54.0
Rural CEP. (Regs. 2,4,5)	32.0	35.0
Central (Regs. 6E,7E,7W)	22.0	39.0
Southwest (Regs. 6W,8)	27.0	38.0
South Central (Reg. 9)	16.0	30.0
Southeast (Reg. 10)	15.0	31.0
Minneapolis	47.0	74.0
Hennepin	45.0	56.1
Carver	31.4	30.0
Anoka	55.0	72.0
Dakota	18.0	12.0
Scott	50.0	45.0
Ramsey	18.0	29.0
St. Paul	80.0	74.0
Washington	64.0	61.0

EXHIBIT 2B

GA ELIGIBLE PRIVATE SECTOR PLACEMENTS IN SELECTED SERVICE DELIVERY AREAS

<u>Service Delivery Area</u>	<u>GA Eligibles As Percent Of All Private Placements</u>	<u>Total Private Placements</u>
Minneapolis	66.0	994
St. Paul	71.0	606
Duluth	53.0	359
Anoka	55.0	642
Hennepin	46.0	1,369
Washington	59.0	279
Scott	38.0	106
Carver	29.0	136
Arrowhead	18.5	1,082
Rural CEP	25.0	1,210

The data are cumulative through December 31, 1984. The above information was made available by all Service Delivery Areas that maintain data on private GA eligible placements.

EXHIBIT 2C

EDUCATIONAL AND AGE PROFILES OF GA ELIGIBLES WHO GOT MEED JOBS
AND THOSE WHO DID NOT GET MEED JOBS

	GA Eligibles Who <u>Got</u> <u>MEED Jobs</u>	GA Eligibles Who <u>Did Not</u> <u>Get MEED Jobs</u>
<u>Educational Level</u>		
Did not complete high school	24.0%	32.0%
High school graduate	56.0	52.0
Some college	17.0	15.0
College graduate	<u>3.0</u>	<u>1.0</u>
Total	100.0 (2,962)	100.0 (7,950)
 <u>Age</u>		
21 or less	27.0	30.0
22 to 44	63.2	59.7
45 and older	<u>9.8</u>	<u>9.3</u>
Total	100.0 (3,735)	100.0 (11,796)

Data on educational attainment, age, or both was provided by
the following SDA's: Hennepin, Anoka, Rural CEP, Dakota,
Washington, Scott, Minneapolis, St. Paul, Duluth and Arrowhead.

EXHIBIT 2D

MINORITY ENROLLMENT IN MEED STATEWIDE

	<u>Enrollment</u>	
	<u>Number</u>	<u>Percent</u>
Black	1,219	5.6%
American Indian	1,300	6.0
Asian/Pacific Islander	458	2.1
Hispanic	280	1.3
Total minority	3,257	15.0
Total (all races)	21,588	100.0

The data are cumulative through December 31, 1984.

EXHIBIT 2E

MINORITY PARTICIPATION IN MINNEAPOLIS AND ST. PAUL

	<u>Minneapolis</u>		<u>St. Paul</u>	
	<u>Number</u> <u>Enrolled</u>	<u>Percent</u>	<u>Number</u> <u>Enrolled</u>	<u>Percent</u>
Black	558	27.6%	271	21.2%
Hispanic	49	2.4	76	6.0
American Indian	284	14.0	57	4.5
Asian/Pacific Islander	157	8.0	104	8.1
Total minority	1,048	52.0	508	39.8
Total (all races)	2,022	100.0	1,276	100.0

The data are cumulative through December 31, 1984.

EXHIBIT 2F

MEED PARTICIPANTS WITH DEPENDENT CHILDREN

<u>Service Delivery Area</u>	<u>Total Number of Participants</u>	<u>Percent of MEED Participants With Dependent Children</u>	<u>Percent of ¹ Families Below Poverty With Dependent Children</u>
St. Paul	1,263	39.5%	21.6%
Carver	216	21.7	5.1
Scott	222	19.4	5.2
Suburban Hennepin	2,488	24.4	15.8
Rural CEP	2,929	40.4	20.0

Source: 1: 1980 Census, Income and Poverty: Selected Characteristics
For Minnesota Counties and Community Action Agencies.

The data are cumulative through December 31, 1984.

EXHIBIT 3A

EMPLOYERS' RESPONSE TO QUESTION:

DID YOU PROVIDE ANY SPECIAL TRAINING ON- OR OFF-THE-JOB?

	<u>Number</u>	<u>Percent</u>
Number responding Yes	1,145	77.3%
Number responding No	<u>335</u>	<u>22.7</u>
Total	1,480	100.0

Source: Jobs Now Survey of Private Employers.

EXHIBIT 3B

MEED PLACEMENTS BY OCCUPATION

<u>Skilled Occupations</u>	<u>Private Sector Placements</u> <u>Percent</u>
Executive, Administrative, Managerial	3.4%
Professional, Technical	4.3
Clerical/Administrative Support	28.3
Sales	5.0
Fabricators, Assemblers, Transportation Workers	19.6
Precision Production, Craft and Repair	10.7
<u>Unskilled Occupations</u>	
Laborers	11.4
Service Workers	16.0
Other	<u>1.3</u>
Total	100.0 (2,493)

Source: Jobs Now Survey of Private Employers.

EXHIBIT 4A

LABOR TURNOVER RATES BY SERVICE DELIVERY AREA

<u>Service Delivery Area</u>	<u>Cumulative Number Enrolled</u>	<u>Cumulative Number Jobs</u>	<u>Turnover Rate</u>
Northwest (Reg. 1)	312	247	21.0
Arrowhead (Reg. 3)	1,082	1,043	3.6
Duluth	354	260	26.5
Rural CEP (Regs. 2,4,5)	1,210	925	23.5
Central (Regs. 6E,7E,7W)	1,237	1,135	8.2
South Central (Reg. 9)	612	508	17.0
Southeast (Reg. 10)	1,082	860	20.5
Southwest (Regs. 6W,8)	434	408	6.0
Minneapolis	1,004	881	12.2
Hennepin	1,322	1,138	14.0
Carver	105	99	5.7
Scott	106	92	13.2
St. Paul	606	427	29.5
Ramsey	284	265	6.6
Anoka	642	557	13.2
Dakota	483	392	18.8
Washington	279	166	40.0
Minnesota	11,154	9,403	15.6

Data are cumulative through December 31, 1984, except for Region 1 and Carver County. For Region 1 cumulative data through January 4, 1985 are used; for Carver County cumulative data through January 18, 1985 are used.

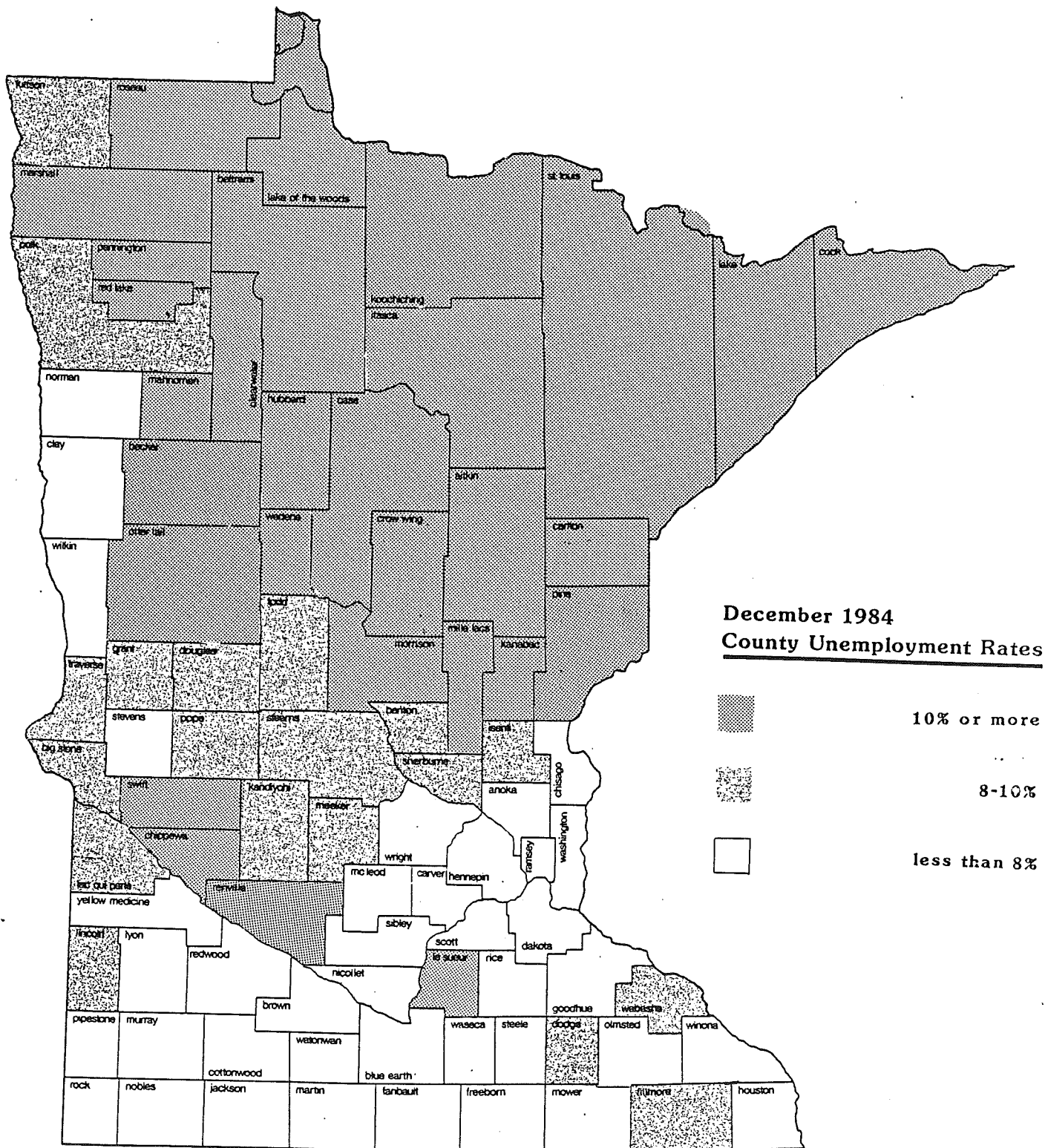
EXHIBIT 4B

RETENTION OF NEW HIRES BY INDUSTRY

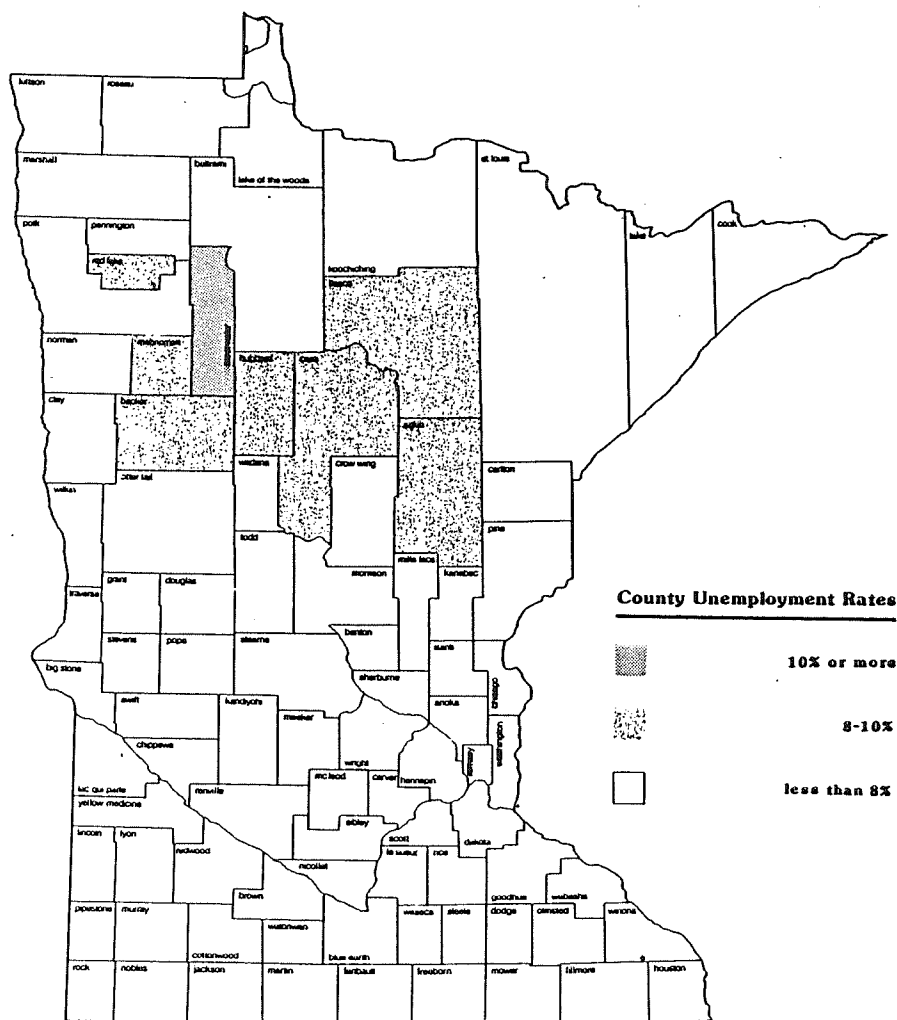
<u>Industry</u>	<u>Retention Ratio</u>
Construction	36.0%
Mining, manufacturing and utilities	56.0
Wholesaling	62.0
Retail	49.0
Eating and drinking	39.0
Finance	74.0
Personal and repair services	52.0
Professional services	66.0
All industries	50.0

Source: Adapted from John H. Bishop, Subsidizing On-The-Job Training: An Analysis of the National Survey of Employers,
OH: The National Center for Research in Vocational Education.

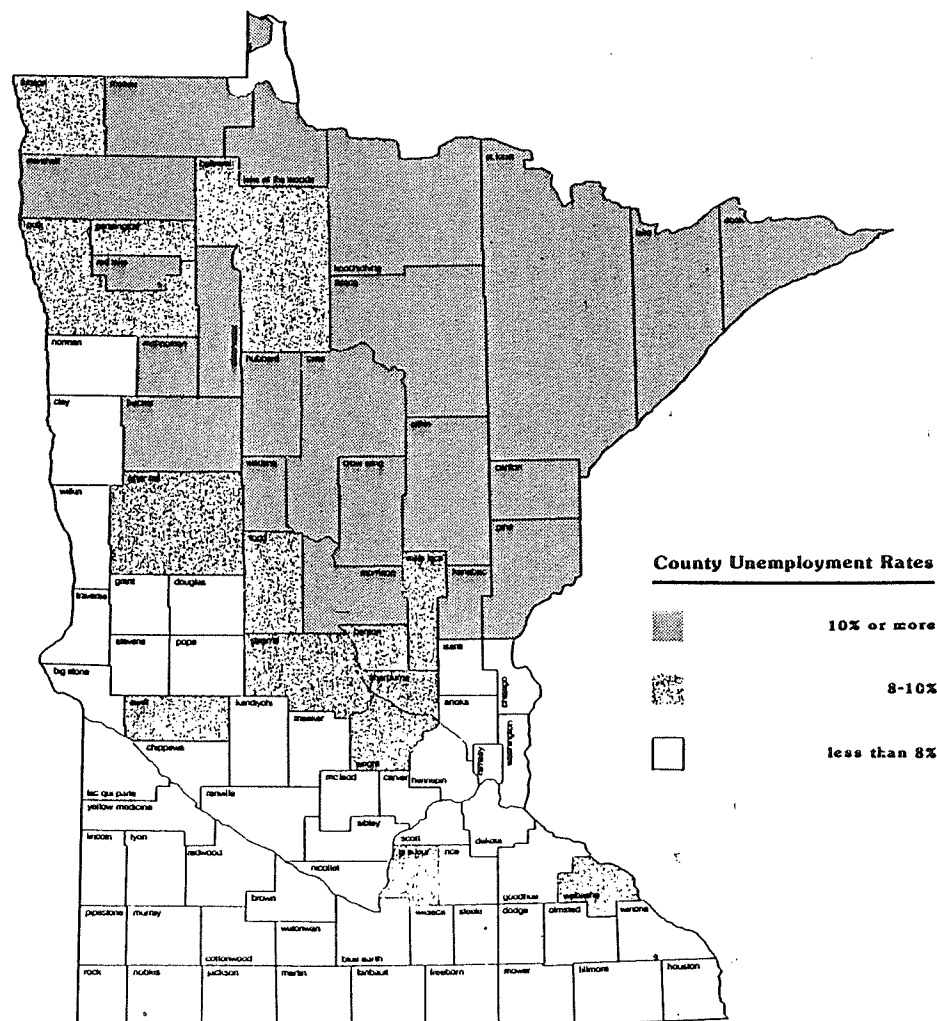
A P P E N D I C E S



Unemployment in November 1979 - on the eve of 1980 recession.



Unemployment in November 1984 - after a year of economic recovery.



Economic Development Region 1

**Economic Development
Regions 2,4,5** -----

Minneapolis

St. Paul

**Hennepin County, Carver County,
Scott County**

**Anoka County, Ramsey County,
Washington County,
Dakota County**

Economic Development Regions 6W,8

Economic Development Region 9

Economic Development Region 10

DEPARTMENT : Energy and Economic Development

STATE OF MINNESOTA

Office Memorandum

PHONE : 296-5783

DATE : January 23, 1985

TO : Senator Michael Freeman
Representative Peter McLaughlin

FROM : Ernie Venegas
Jim Gelbman

SUBJECT : Fiscal Impacts of the MEED Program

This memo is an analysis of the economic impacts of the MEED program based on MEED data and the assumptions provided to us.

The factors considered include:

- * Increased income tax payments from program participants
- * Increased income tax payments from participants retained in private sector jobs after the six-month subsidy ended
- * Increased income tax payments from workers in jobs induced by spinoff economic activity
- * Savings in General Assistance (GA) payments by state and county governments
- * Savings in General Assistance Medical Care (GAMC) payments by state and county governments

This analysis underestimated the full fiscal impact by omitting a number of other offsetting factors. Increased sales tax payments, savings on food stamps, and other public assistance and social service expenditures were not included in the analysis. Likewise, increased income tax payments by participants retained in public sector jobs after the six-month subsidy ended were not included.

BASIC DATA

The basic data used in this analysis covering the period July 1, 1983 through December 31, 1985 (the end of the program) are as follows:

Increased Tax Revenues

Public Sector Job Slots (six-months) (a projection from 6,288 slots through Nov. 1984)	7,494 {a}
Permanent Private Sector Job Slots (a projection from 9,400 slots through Dec. 1984)	9,900 {a,b}
Induced Jobs (based on MN Dept. of Revenue Forecasting & Simulation Model)	2,900
Hourly Wages in Public Sector Job Slots	\$4.00 per hour
Hourly Wages in Private Sector Jobs (actual program data)	\$5.02 per hour
State Tax Rate Applied to Personal Income	4.5%
Percentage of Private Sector Jobs Maintained after Subsidy Ends (actual to date - 97.5%)	95%
Estimated Percentage of Private Sector Jobs That Would Not Have Been Created Without Program	63% {c}

GA & GAMC

Percentage of Participants Eligible for GA & GAMC (actual cumulative data)	39% {d}
Monthly GA Payments Avoided	\$199/person/month
Monthly GAMC Payments Avoided	\$144/person/month
Duration of GA & GAMC Savings in Retained Private Sector Jobs after Subsidy Ends	5 months {e}

{a} Some participants did not complete the six-month subsidy period and employers filled the vacated positions with other MEED enrollees. Thus, for example, the total enrollment of 11,183 in the private sector through December 28, 1984 exceeds the 9,400 private sector job slots subsidized by MEED during the same period.

{b} Since May 1984, 65% of the participants have been in private sector jobs.

{c} To be conservative in our estimates, it was assumed that only 63% of the private sector jobs would not have been created without the subsidy. This is based on the results of the Jobs NOW survey of over 3,200 participating businesses, MEED Means Business (December 1984).

{d} In recent months, a higher percentage of participants were eligible for GA and GAMC - 45.8% from May 1 to November 31, 1984. Thus, GA and GAMC savings could be greater than estimated here.

{e} Jobs retained in the private sector by persons otherwise eligible for GA continue to generate savings in GA and GAMC. Five months, the average length of enrollment in GA, is used to estimate the avoided GA and GAMC costs from the retained private sector jobs.

BASIC FINDINGS

	August 1, 1983- December, 1985	1986
Total Cost of Program	\$100.0 M	-
Overall Increase in State Income Tax Payments	12.9 M{a}.	\$ 6.4 M{b}
GA Savings	14.0 M	3.8 M
GAMC Savings	<u>10.2 M</u>	<u>2.8 M</u>
TOTAL	\$37.1 M	\$13.0 M
Net Cost of Program	\$62.9 M	\$49.9 M

Thus, 37 percent of the \$100 million expenditure will be recovered during the duration of the program. By the end of 1986, one-half of the expenditures will be recovered.

County governments throughout the state share in the savings as follows:

	<u>1983-85</u>		
	State	County	Total
State Income Tax	\$12.9 M	-	\$12.9 M
General Assistance	10.5 M	\$3.5 M	14.0 M
Medical Benefits	<u>9.2 M</u>	<u>1.0 M</u>	<u>10.2 M</u>
Total	\$32.6 M	\$4.5 M	\$37.1 M

{a} Based on \$282 M in personal income.

{b} Based on \$143 M in personal income.