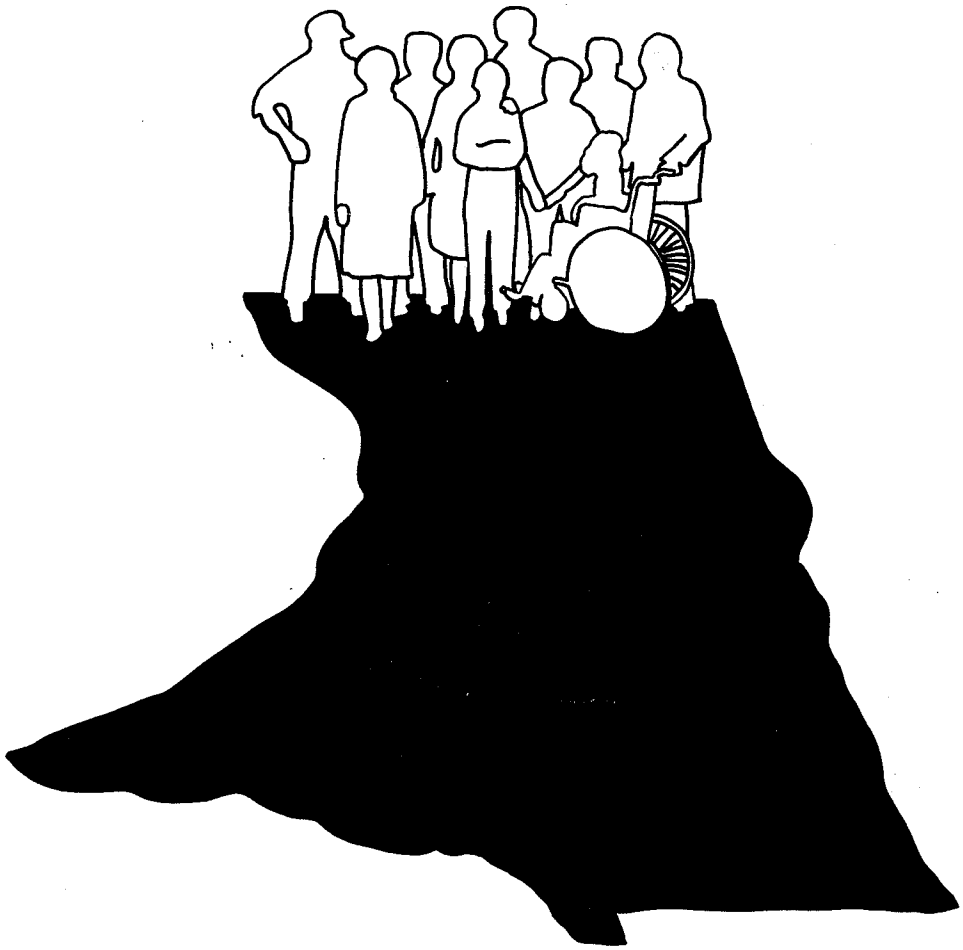
A Poverty of Opportunity:

RESTORING THE MINNESOTA DREAM



Report of the Governor's Commission on Poverty
April 1987

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Restoring the Minnesota Dream

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INTRODUCTION

Poverty in Minnesota has increased by 27 percent since 1979. Today, nearly half a million Minnesotans, more than one of nine, are poor.

In November of 1985, Governor Rudy Perpich established a Governor's Commission on Poverty in Minnesota. The Commission was charged with developing short-term recommendations and a long-range strategy to eliminate poverty in the state by the year 2000.

The 33 Commissioners spent 13 months examining the nature and extent of poverty in Minnesota before formulating specific recommendations. We met in plenary session 18 times, while subcommittees held over 60 working sessions. Commissioners were involved in every aspect of the project.

Day-long hearings were held at seven sites throughout the state. The Commission took testimony from 360 individuals during public hearings in Little Falls, Mahnomen, Marshall, Minneapolis, St. Paul, Virginia, and Waseca. This testimony was a primary resource upon which we conducted our deliberations.

The Commission was also informed by research conducted by a staff director and four policy analysts. They were assisted by an advisory committee from state government agencies. Several state and national authorities on poverty shared their expertise with the Commission. In all, eight subject areas were examined: demographics, employment, income maintenance, taxation, education, child care, health and nutrition, and housing.

Our deliberations centered on three primary questions: Who are the poor? Why are they poor? How can poverty be alleviated?

Who are the poor? This seemingly uncomplicated question was difficult to answer. The poverty population in Minnesota is far from homogeneous. A thorough examination demanded not only the compiling of data and identifying trends, but also an accounting for the complexity and diversity of the subject.

Perceptions about poverty are distorted by half-truths and inadequate data. Images of the poor have sometimes led policy makers and the public to respond to poverty with indifference or worse, hostility. We hope that our findings will help dispel the mythology that permeates the subject.

Why are they poor? It is sadly fashionable these days to hold the poor personally accountable for their poverty. Anyone who wants to escape poverty can do so; anyone who remains poor does so by choice. The Commission found this an inadequate explanation.

To suggest that large numbers of Minnesotans have fallen into poverty because of personal failings implies that individuals are in full control of their economic destiny. In fact, this assumption ignores substantial evidence that poverty for most Minnesotans is the result of socioeconomic forces that are beyond their control.

How can poverty be alleviated? One solution that has received considerable attention in the 1980s is that government actually hinders the poor from escaping poverty because welfare programs create dependency and disincentives to work. Therefore, proponents argue, cuts in social spending would result in fewer poor people.

Underlying this perspective is the assumption that opportunities for economic well-being in Minnesota are limitless. Indeed, if opportunities were truly widespread then government programs might well be part of the problem. The Commission, however, found little evidence to support this hypothesis. Rather, we found an alarming poverty of opportunity in the state. Thus, our report calls for government to become part of the solution.

To restore the Minnesota Dream of economic freedom, all sectors of our community will have to make a concerted effort to expand the opportunities available in this state. We issue this report as a challenge to the goodwill and spirit of Minnesotans to help end the nightmare of neglect and dependency, and create a reality of opportunity for all.

Samuel I. Horowitz, Chair

Steven L. Belton, Vice-Chair

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EXECUTIVE SUMMARY

I. INTRODUCTION

Poverty in Minnesota has grown to crisis proportions in the 1980s. Individual Minnesotans have responded to this crisis with unprecedented charitable contributions. However, these activities meet only a fraction of the need and significant action is still required by the public sector. Ironically, the central question before the Minnesota Legislature in both 1985 and 1986 was not, "How can we alleviate poverty?", but rather, "Should we cut social programs for poor people?"

Even the most conservative critic of social programs does not begrudge a minimal safety net for those unable to provide for themselves. Budget cutting efforts focus instead on those in poverty who are able-bodied, working-age adults. Critics claim that the state's public assistance programs are too generous and discourage those expected to work from doing so. These contentions are often accompanied by anecdotal stories that portray the poor as lazy and immoral.

Since questions concerning the working poor dominate contemporary public policy debates, this issue significantly shaped the deliberations of the Governor's Commission on Poverty in Minnesota. Among the questions explored were: Who are the poor? What are their needs? Who is expected to work? Do they work? Who receives public assistance? Does public assistance discourage work? Are there enough opportunities to escape from poverty? Answers to these and other questions are outlined in the report.

II. A POVERTY OF OPPORTUNITY

The Commission's year-long study concluded that a poverty of opportunity exists in Minnesota, particularly employment opportunities. Even after four years of modest recovery, the state's economy is still unable to produce a job for everyone who needs one. Although unemployment is the most obvious problem, a growing number of Minnesotans who work are not paid enough to elude poverty.

Too many jobs in Minnesota are low-wage, part-time and lack fringe benefits. Being employed is no longer a guarantee that families can meet their needs. The state's working poor often find that health insurance and child care are unaffordable, rent and taxes are too high, and basic necessities have become luxuries.

A poverty of opportunity refers to more than just a shortage of economic opportunities. It also includes those social factors that limit access to opportunities which already exist. A persistent discrimination that diminishes equality of opportunity is an additional obstacle that confronts the aging, those with disabilities, minorities and women.

SIGNIFICANT FINDINGS

Minnesotans in Poverty

- Approximately 475,000 Minnesotans live in poverty, according to the most recent estimate. This is an increase of 100,000 since 1979.
- Over 73 percent of Minnesotas non-elderly households in poverty have income from earnings and are still poor.
- Poverty among working families has increased 56 percent since 1979.
- At least 65 percent of Minnesotans in poverty live outside the seven-county Metropolitan area.
- Two-parent families account for 45 percent of the increase in poverty since 1979, while families headed by single women account for only 32 percent.

Work and Poverty

- An average of 118,000 Minnesotans were unemployed in 1986. While much improved from 1983, this figure remains over 50 percent higher than the 1978 average of 76,000.
- An average of only 30 percent of jobless Minnesotans received unemployment benefits between 1983 and 1985.
- No more than 75 percent of Minnesota's jobs are full-time. The remaining 25 percent are part-time, tend to be low-wage and lack benefits.
- Approximately 32 percent of jobs created in Minnesota between 1976 and 1983 paid less than $9,000, and 63 percent of those new jobs paid less than the state's average wage.
- The purchasing power of the minimum wage has been eroded by 25 percent since 1978. A full-time, minimum wage earner with a family of three earns less than 80 percent of the poverty guideline.

Income Maintenance and Poverty

- A majority of Minnesotans in poverty receive no income maintenance payments.

- The number of two-parent families receiving AFDC has increased by 340 percent since 1980. During the same period, the number of single-parent families receiving AFDC actually declined.

- Only 2.8 percent of Minnesota's $10.5 billion state budget is spent on income maintenance payments.

- 56 percent of families receiving AFDC are on the program less than 24 months, while only seven percent stay on AFDC seven years on longer.

- The AFDC grant for a family of three is only 70 percent of the poverty level, and the purchasing power of that grant has declined 33 percent since 1973.

Taxes and Poverty

- Even though food and clothing are exempt, low-income Minnesotans spend nearly three times as much of their income on the sales tax as do upper-income Minnesotans.

- Minnesota has reduced property tax relief for low-income households by nearly 15 percent since 1980, while spending on tax relief for middle an upper-income homeowners has increased by over 100 percent.

- Many Minnesotans whose income was near or below the poverty level saw their taxes increase as much as $155 due to the elimination in 1985 of the state's low-income credit.

- Single-parent families in Minnesota pay higher taxes than married-couple families earning the same income because of 1985 changes in the state tax code.

- Minnesota is increasing its dependence on regressive taxes such as those on sales and property which place a much heavier burden on low-income taxpayers.

Education and Poverty

- Education may influence who gets the available jobs, but the labor market will determine how many jobs are available. Education is how the Minnesota economy distributes poverty.

- Despite the compensatory benefits of early childhood education, less than 20 percent of eligible Minnesota children participate in Head Start.

- 20 percent of all adults, over 670,000 Minnesotans, are functionally illiterate.

- In Minnesota, minority males at every educational level on an average earn substantially less than equally educated white males.

- In Minnesota, women at every educational level on an average earn substantially less that their equally male counterparts.

Child Care and Poverty

- Over 50 percent of mothers with children under age six are working outside the home.
- Low-income families spend two to three times as much of their income on child care expenses as do median-income families.
- Minnesota's Dependent Care Tax Credit is more advantageous to low-income families than the Federal Dependent Care Credit.
- Just to serve the eligible families on waiting lists, funding for Minnesota's sliding fee program would have to more than double.
- Child care workers are the lowest paid employees in education. In 1984, teachers averaged $5.20 per hour, while assistants received an hourly wage of $4.29.

Health, Nutrition and Poverty

- An estimated 455,000 Minnesotans, 10.7 percent of the population, were without health insurance for all or part of 1985.
- Children account for 100,000 of Minnesota's uninsured, two-thirds of whom live in low-income families.
- In 1985, 66 percent of employees earning $7.50 per hour had medical benefits, while only 28 percent of those earning $4.00 per hour had coverage.
- In 1986, there were over one million visits to emergency food shelves in Minnesota. This is an increase of 481 percent since 1982.
- Although food stamps are targeted to the poor, less than 50 percent of Minnesotans in poverty receive them.
- The supplemental nutrition program for low-income women, infants and children (WIC) serves only one-third of 165,000 eligible Minnesotans.

Housing and Poverty

- Median income for homeowners is nearly double that of tenants, and those who are almost three times as likely to live in poverty.
- Elderly, minority, and female-headed households constitute 61 percent of tenants and 59 percent of homeowners who live in poverty.

- Between August 1985 and May, 1987 emergency shelter usage increased 72 percent. Almost half the shelter population in Minnesota is now made up of women and children.

- Over half of renters who are poor and 23 percent of all tenants spend 40 percent or more of their income on housing.

- Federal funding for low-income housing programs in Minnesota declined between 1982 and 1985 by 43 percent.

III. RESTORING THE MINNESOTA DREAM

The Commission issues these 25 challenges in the hope that all Minnesotans will make their social, economic and political decisions in light of the impact those decisions will have on persons living in poverty. A comprehensive strategy for alleviating poverty demands a strong commitment by all sectors of our community.

COMMISSION'S TOP FIVE CHALLENGES

1. Appropriate $100 million for the Minnesota Employment and Economic Development (MEED) Wage Subsidy Jobs Program.

2. Appropriate $25 million for sliding fee health coverage for uninsured working families with children.

3. Reduce the tax burden on low-income Minnesotans by conforming the Minnesota tax code to the 1986 federal tax reform bill.

4. Appropriate $40 million for the sliding fee Child Care Program.

5. Appropriate $25 million for the Women, Infants and Children (WIC) Supplemental Nutrition Program

TOP FIVE CHALLENGES THAT USE LITTLE OR NO PUBLIC FUNDS

1. Minnesota banks and corporations must invest human and capital resources in small and emerging companies to encourage business development, job creation and economic diversification in distressed communities.

2. Increase the federal minimum wage to $4.45 per hour to recapture the value that has been eroded by inflation.

3. Support automatic income-withholding of child support payments.

4. Foundations and the philanthropic sector should give priority to advocacy strategies that enable low-income individuals, families and communities to take charge of their own futures.

5. Income maintenance grants should be kept at current levels and indexed for cost of living increases. The state must seek waivers from federal regulations in order to design a transitional support system that enables recipients to move from public assistance to employment.

FIFTEEN ADDITIONAL CHALLENGES

Challenges to Individuals, Communities, and the Non-profit Sector

1. Low-income Minnesotans must apply their hopes, dreams and energies in pursuit of these expanded opportunities to achieve full participation in the social, economic and political life of the community.

2. Minnesotans must refrain from actions, words or attitudes that stigmatize the poor, and make their social and economic decisions in light of what those decisions do for the poor, what they do to the poor, and what they enable the poor to do for themselves.

3. Minnesotans must affirm their commitment to end individual and institutional discrimination based on age, disability, ethnicity, race, religion and sex.

4. Minnesotans must continue to focus their voluntary efforts and contributions toward providing for the basic needs of the poor, such as food, clothing, shelter and literacy. However, charity is no substitute for the economic and political changes necessary to expand opportunities for low-income Minnesotans.

Challenges to Private Employers

5. Health coverage must be provided for all full-time and part-time employees, reversing the trend of benefit reduction.

6. Pay equity must be implemented by all employers.

7. Child care benefits should be provided to enable low-income parents to work.

8. Employee leave and flex time to care for sick children must be provided to enable low-income parents to work.

Challenges to the Federal Government

9. Restore funding for Minnesota's job training and retraining programs to 1978 levels.

10. Increase the funding for Head Start to a level that will double the number of eligible children able to participate.

11 The federal government should exempt Minnesota from income maintenance regulations that hinder the design of a transitional support system that enables recipients to move from public assistance to employment.

12 Achieve and maintain a positive balance of trade on the world market and an equitable farm program that enables working people and family farmers to earn a liveable income.

Challenges to State Government

13. Increase funding for mediation, counseling, relocation, and retraining to respond to the needs created by the rural crisis.

14. Increase funding for training and retraining programs for displaced farmers, workers, and homemakers.

15. Develop comprehensive housing programs to replace housing units which have been demolished or converted, and which enable low-income persons to own and manage their own housing.

A PORTRAIT OF POVERTY IN MINNESOTA

An additional 100,000 Minnesotans have fallen into poverty since 1979, an increase of 27 percent. Based on population figures from the U.S. Census Bureau and the Minnesota State Demographer, the Poverty Commission estimates that 475,000 Minnesotans, more than one out of nine, were poor in 1984.(1)

POVERTY FIGURES FOR MINNESOTA

	1969	1979	1984*
People in Poverty (Change)	397,000	375,000 (-22,000)	475,000 (+100,000)
Percent Change	--	(-6%)	(+27%)
Poverty Rate**	10.7%	9.5%	11.3%

* An estimate of the number of Minnesotans living in poverty in 1984 based on changes in the national poverty rate.

**Those in poverty as a percentage of the total population.

Source: Office of State Demographer (1969 and 1979 Figures).

Table 1

This increase reflects a dramatic reversal of the steady decline in poverty during the 1970s. There were 22,000 fewer poor Minnesotans in 1979 than in 1969, a reduction of six percent. This reduction in the number of people in poverty between 1969 and 1979 was not due to a decrease in the population of the state. In fact, the reverse was true. Minnesota's total population increased by seven percent over the decade, making the rate of decline even more significant (See Table 1).

Commission Finding: Approximately 475,000 Minnesotans live in poverty according to the most recent estimate. This is an increase of 100,000 since 1979.

However, this sharp rise in poverty is not unique to Minnesota. The United States as a whole also experienced a significant increase in poverty during the 1980s. The increase in poverty for the nation between 1978 and 1983 represents the first continuous increase for more than two years in the poverty rate since the mid 1960s (See Figure 1).

The state's poverty rate (the percentage of the overall population in poverty) remains well below the rate for the nation. With the exception of Wisconsin, Minnesota has the lowest poverty rate of the states in the Midwest region (See table 2). When compared to all 50 states, only 10 have a lower rate of poverty than Minnesota.

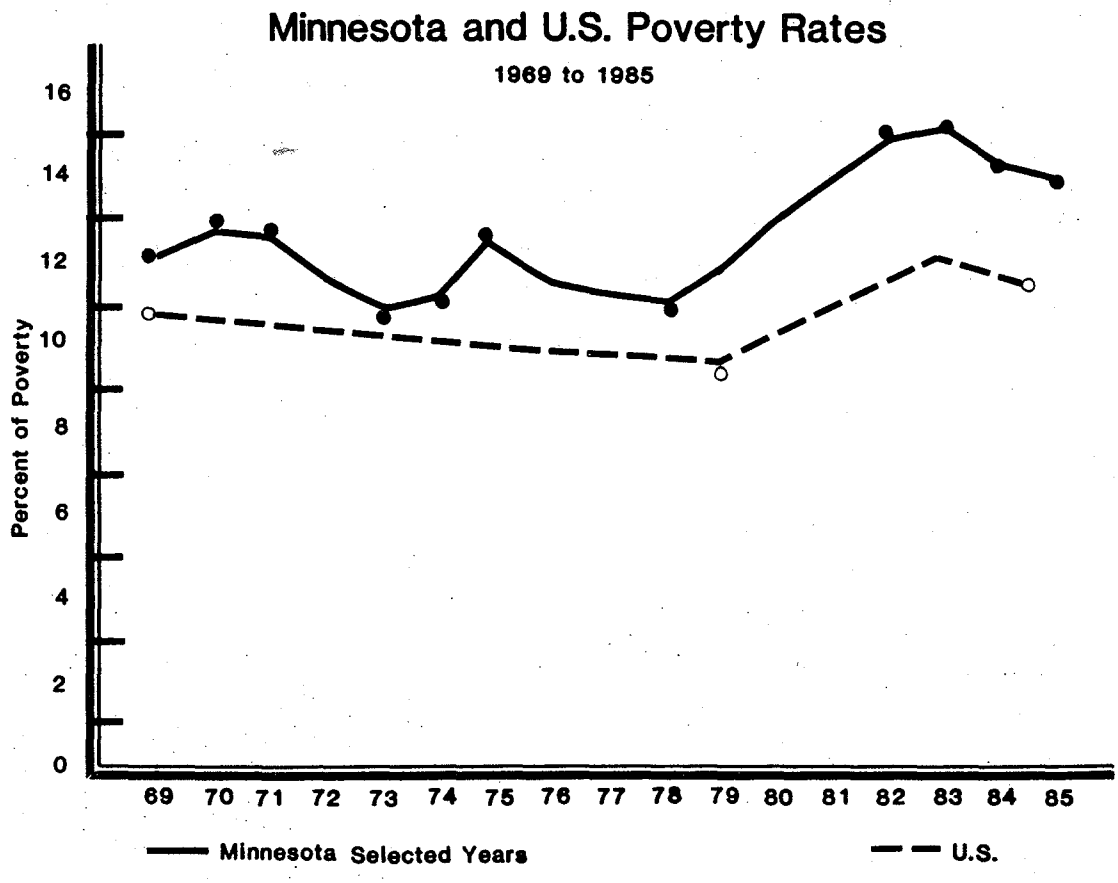
MIDWESTERN STATES RANKED BY POVERTY RATES FOR 1983*

Ranking		Percent	Ranking		Percent
7	Wisconsin	10.6	26	Nebraska	15.3
11	MINNESOTA	12.2	32	Indiana	16.1
17	Kansas	13.5	35	Iowa	16.3
20	Illinois	14.3	36	Missouri	16.7
24	North Dakota	15.0	41	South Dakota	18.1

*1983 is the most recent year for which poverty rates are available for all states

Source: 1984 Current Population Survey.

Table 2



Source: U.S. Bureau of the Census
Figure 1

Defining Poverty

A most compelling definition of poverty was given during the Commission's public hearing in Little Falls, Minnesota: "Poverty means making sure you leave before dinner when visiting friends on Sunday, because they no longer have enough to eat themselves."

A more formal definition of poverty is a lack of sufficient resources to meet one's basic needs. However, to identify whether an individual or family lives in poverty some measure of their resources and an indication of the minimum level of resources necessary to meet basic needs must be determined.

A great deal of controversy continues to exist as to what is the most appropriate way to define poverty. The most widely used method is the "Poverty Threshold" set by the federal government. The "Poverty Threshold" uses income as a measure of available resources, and is adjusted each year for inflation. This definition is based on the assumption that a typical household spends one-third of its income on food.

The original poverty line was set in 1963 at three times the cost of the U.S. Department of Agriculture's "economy food plan." The economy food plan was developed in 1955 as an indicator of a family's temporary minimal food and nutrition requirements in the case of an emergency. The basis for setting the poverty line reflects a very conservative determination of the level of resources necessary to meet a family's basic needs.

The official poverty guidelines represent an "absolute" definition of poverty. An "absolute" definition of poverty reflects a determination of what society believes to be the absolute minimum on which a family could live decently. A family's minimum basic needs are determined once and the poverty line is simply adjusted each year for inflation. The criticisms of this definition center around the issue of what should be included in a families income when deciding whether a family is above or below the poverty line.

Many critics argue the value of non-cash benefits such as medicare, medicaid and food stamps should be included when determining a family's poverty status. If these benefits are included, the number of people designated as living in poverty is reduced. However, the trend of increased poverty remains. Other critics argue the definition should not be based on a family's gross income but rather the income they have left after taxes. Under the current tax structure this would increase the number of people identified as living in poverty.

An alternative to the federal guidelines is a "relative" definition of poverty. A relative definition identifies a person as living in poverty when his/her income is significantly less than the average income of the general population. This method sets the poverty line at an agreed upon percentage of the median income for the state or nation. One argument in favor of a relative poverty is that absolute definitions do not take into account changes in the economy and society such as improvements in productivity. Items such as indoor plumbing and cars were considered luxuries not so long ago; today, this is no longer the case. A relative definition of poverty more accurately reflects the level of resources necessary for a family to meet its basic needs in our society.

The analysis throughout this chapter is based on the official poverty thresholds applied by the U.S. Census Bureau. The thresholds for 1979 and 1984 as well as the figures for 1986 are shown in Table 3.[2]

POVERTY THRESHOLDS

Size of Family	1979	1984	1986 (Preliminary Estimate)
1	$ 3,683	$ 5,278	$ 5,574
2	4,702	6,762	7,133
3	5,763	8,277	8,738
4	7,386	10,609	11,200
5	8,736	12,566	13,257
6	9,849	14,207	14,979
7	12,212	16,096	16,976
8	N/A	17,961	18,868

Source: U.S. Census Bureau, "Money Income and Poverty Status of Families in the United States", Series P. 60.

Table 3

SEVEN MYTHS ABOUT MINNESOTA'S POOR

A clear understanding of who lives in poverty is vital to the development of an overall strategy which expands the opportunities for the poor to climb out of poverty. This section examines common myths about people in poverty. The findings presented below provide "A Portrait of Poverty in Minnesota" and serve as the basis for the Commission's analysis of the nature of poverty and its recommendations for the future.

Work and Poverty

PEOPLE ARE POOR BECAUSE THEY REFUSE TO WORK

There are two important assumptions that underlie this myth. The first is that most people in poverty can be expected to work. In fact, many of the poor are either too young or too old to work. In 1985, almost 50 percent (49.8) of those in poverty were either over age 65 or children under age 18. This figure does not include those working age adults with physical disabilities which prevent them from working or single parents with infant children. If these people are included well over half of those in poverty are not expected to work by society's standards.

The second assumption is the remaining portion of those in poverty can work but choose not to. This ignores a significant sector of the poverty population, the working poor. Census figures indicate that over 73 percent of Minnesota's non-elderly households in poverty have income from earnings and yet remain poor.

Commission Finding: Over 73 percent of Minnesota's non-elderly households in poverty have income from earnings and are still poor.

Based on an analysis of 1984 data, Danziger and Gottschalk determined that a significant portion of those householders in poverty who are expected to work, did work. In the study, nearly half of the women heading poor families with school age children worked at some point in 1984. Additionally, 80 percent of

the able-bodied men in the study who headed poor families with children worked in 1984. [3]

In spite of their effort to work, these families remained in poverty due to low yearly earnings. For many families in poverty these low earnings are the result of low wages, for others it is due to seasonal work. Danziger projected that for most of the households where the employed family member worked less than 48 weeks, they would continue to live in poverty even if the householder had worked for the entire year at his or her current wage rate.

The heart of the problem for working poor families is that it is possible for householders to hold a full-time job, work every week of the year, and still not earn enough to live above the poverty level. Consider a family of four with two parents and two children, where one parent works full-time while the other cares for the household and children. In 1986, if the working parent holds a job where the hourly wage is $5.25 per hour or less, that family will fall below the poverty threshold.

The difficulties facing working poor families show few signs of improvement. In fact, the number of working families living in poverty increased 56 percent between 1979 to 1984.[4] Working families are defined as those families which receive 75 percent or more of their income from employment. Recent federal cutbacks in assistance programs have hurt the working poor by reducing or eliminating benefits for recipients who work.

Commission Finding: Poverty among working families has increased 56 percent since 1979.

Welfare and Poverty

MOST MINNESOTANS IN POVERTY LIVE OFF WELFARE

Closely tied to the first myth is the belief that the poor refuse to work because they can live off welfare instead. The false assumption being made is that everyone in poverty receives income support payments.

The actual number of Minnesotans who receive assistance from income maintenance programs is significantly less than the number of people in poverty. While it is estimated that 475,000 Minnesotans lived in poverty during 1984, figures from the Minnesota Department of Human Services show that the average number of people receiving public assistance payments (221,400) was less than half (47 percent) the number of people in poverty (See Table 4).

MINNESOTANS RECEIVING PUBLIC ASSISTANCE PAYMENTS (FY 1985)

Programs	Average Number of* Recipients (Unduplicated)	Recipients as a % of those in poverty
Aid to Families with Dependent Children (AFDC)	149,342	32%
General Assistance (GA)	34,537	7
Supplement Security Income (SSI)	30,843	7
Other Programs	6,678	1
Total number receiving cash assistance payments	221,400	47%

*The recipients who receive payments from more than one program are counted only once.

Source: MN Department of Human Services.

Table 4

Commission Finding: A majority of Minnesotans living in poverty receive no income maintenance payments.

Geography and Poverty

MOST MINNESOTANS IN POVERTY LIVE IN THE TWIN CITIES AREA

The myth that most people in poverty live in urban areas generally comes from stereotype of the poor as an urban underclass. The Commission found this was not true for Minnesota. A majority of poor Minnesotans live outside the Twin Cities area. Specifically, 65 percent of those in poverty live in greater Minnesota (outside the seven-county metro area).

The poverty rates in rural Minnesota were also found to be much higher than the rates in metropolitan areas. The poorest quarter of Minnesota's 87 counties are rural. None of these counties contains a city with a population greater than 10,000 people.

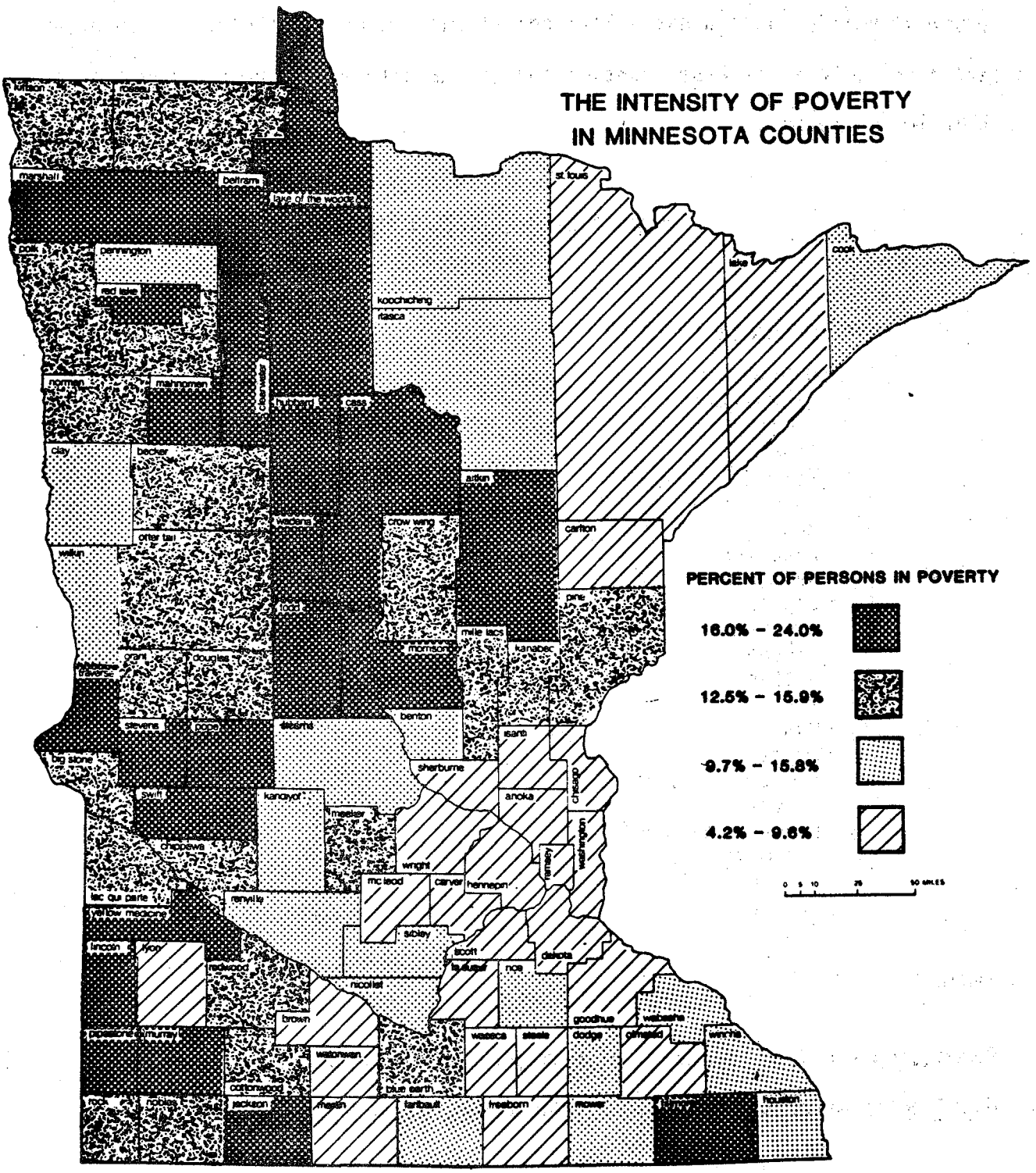
POOREST OF MINNESOTA COUNTIES

Counties	Poverty Rate
Mahnomen	24%
Clearwater	22
Lincoln	22
Todd	21
Morrison	21
Cass	21
Red Lake	20
Pipestone	20
Beltrami	20
Stevens	19
Hubbard	19
Wadena	18
Aitkin	18
Pope	18
Murray	18
Swift	17
Yellow Medicine	17
Traverse	17
Lake of the Woods	17
Fillmore	16
Jackson	16
Marshall	16

Table 5

Commission Finding: At least 65 percent of Minnesotans in poverty live outside the seven-county metropolitan area.

Below is a map showing the location of these counties in our state.



Source: Minnesota Office of Economic Opportunity, Minnesota Poverty, 1983.

Figure 2

Suburban poverty, while not as serious as the poverty of the central cities or greater Minnesota, is more severe than most people are aware. More than one in seven poor Minnesotans lives in the suburban metropolitan area. Additionally, over 43 percent of poor female single-parent families with children in the metro area live in the suburbs.

Poverty in suburban areas has also shown surprising gains. Between 1970 and 1980, while the number of Minnesotans in poverty declined by 6 percent, poverty in the suburban metro counties increased 27 percent.

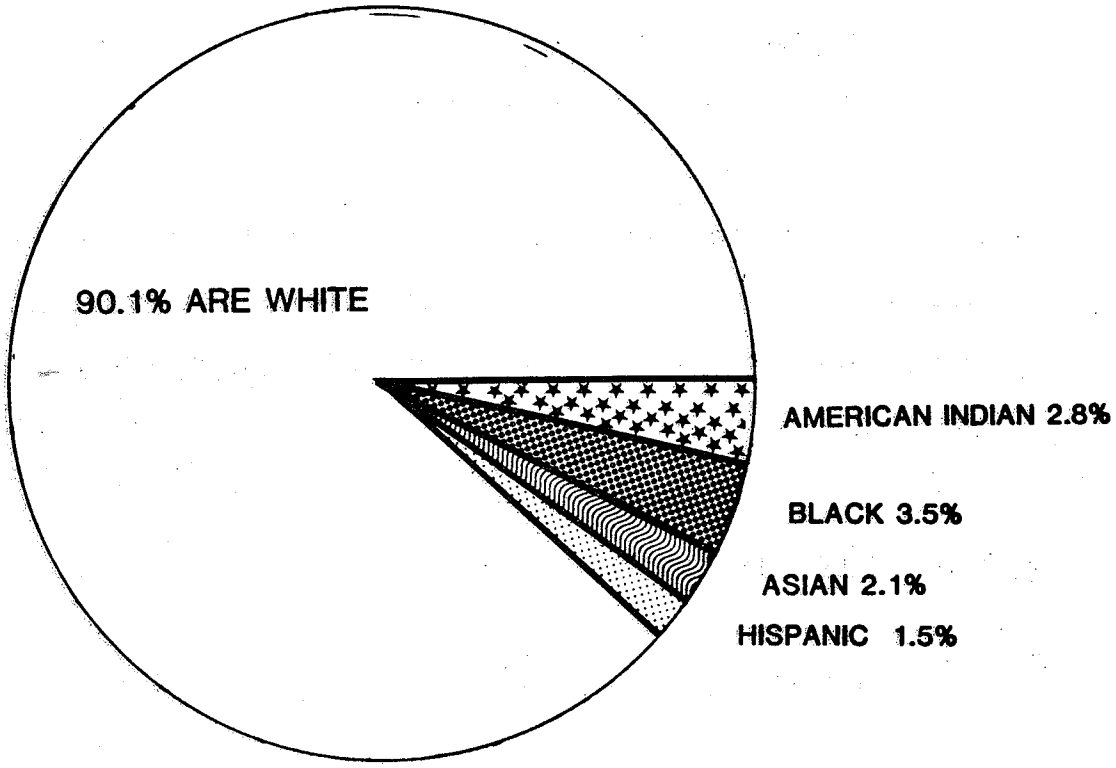
Race and Poverty

MOST OF THE POOR ARE RACIAL MINORITIES AND MOST RACIAL MINORITIES ARE POOR

This myth is perpetuated by the large amount of attention given to the incidence of poverty among minorities. The media frequently highlights the high rate of poverty afflicting minorities. While the news stories are true, the dramatization often leaves people with the false impressions that a majority of the poor are minorities, and that most minorities live in poverty. However, neither impression is true.

The vast majority of Minnesotans in poverty are not minorities. The number of white Minnesotans who are poor is nine times greater that the number of Minnesotans of other races who live in poverty.

Minnesotans in Poverty

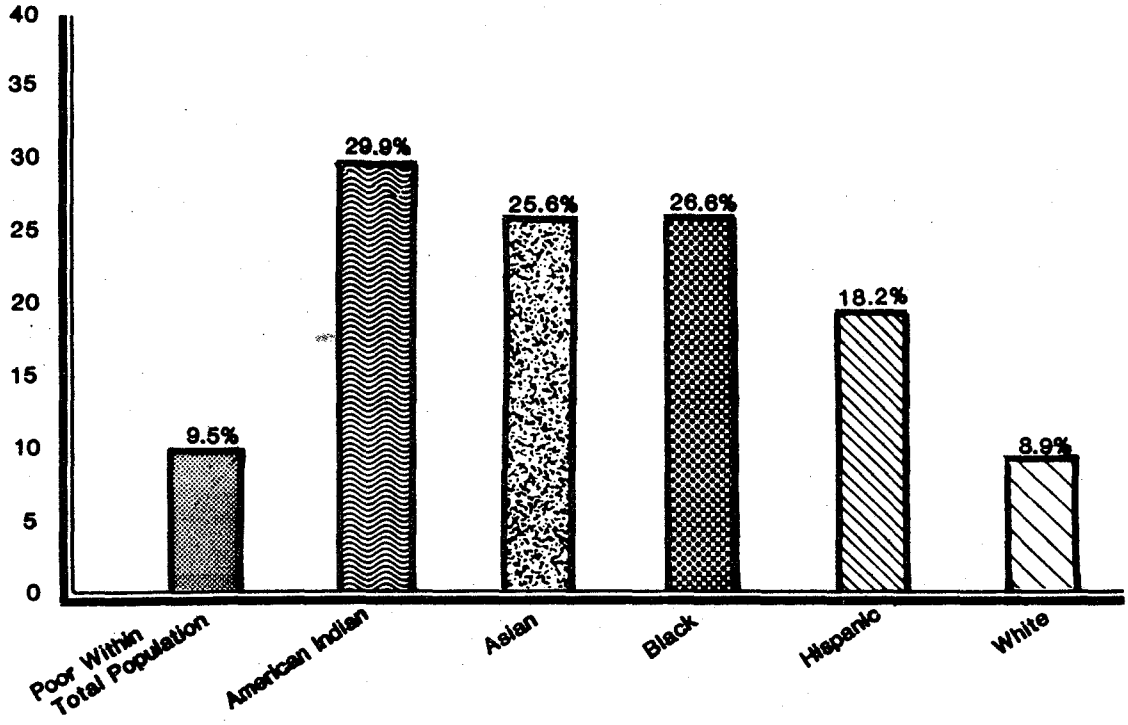


Source: U.S.Census Bureau, 1980 STF-4

Figure 3

However, it is true that minorities experience significantly higher rates of economic hardship than whites or the state as a whole. The poverty rate for all minorities is nearly three times the rate for white Minnesotans.

Poverty Rates by Race



Source: U.S. Census Bureau, 1980, STF-4.

Figure 4

While many minorities experience high rates of poverty this does not mean a majority of the people in a particular minority group are poor. For all minorities in Minnesota, the number of non-poor is much larger than the number in poverty. Seven out of ten American Indians, three out of four Asians and Blacks, and four out of ever five Hispanics have income above the official poverty line.

POVERTY IN MINNESOTA BY RACE

	In Poverty	Not Poor
American Indian	10,314	24,700
Asian	7,873	22,959
Black	13,084	36,787
Hispanic	5,661	25,784
White	337,314	3,485,490

Source: U.S. Census Bureau, 1980 STF-4.

Table 6

The myth that "most of the poor are racial minorities and most racial minorities are poor" leads to a false image of minority groups. It is important to recognize the seriousness of poverty in minority communities and the problems specific to them. However, stereotypes linking poverty primarily to minorities provides an inaccurate portrait of poverty in Minnesota.

Commission Finding: While minorities face a much greater chance of poverty, nine out of ten Minnesotans (90 percent) living in poverty are white.

Gender and Poverty

MOST OF MINNESOTANS IN POVERTY LIVE IN FAMILIES HEADED BY SINGLE WOMEN.

The attention given to the high rate of poverty among single-parent, female-female-headed families leads many to erroneously conclude that individuals in families headed by single women account for the majority of those who are poor.

Despite the fact that single-parent, female-headed families experience a rate of poverty that is nearly three times the figure for the population as a whole, they do not represent a majority of those in poverty. The poor who live in two-parent families still make up the largest group in poverty.

Two-parent families not only account for a majority of families in poverty (52 percent), but also have been most severely affected by the growth in poverty since 1979. Married-couple families account for 45 percent of the increase in poverty since 1979, while single-parent, female-headed families make up only 32 percent of the increase.

Commission finding: Two-parent families account for 45 percent of the increase in poverty since 1979, while families headed by single women account for only 32 percent.

These findings do not diminish the serious nature of poverty among families headed by single women. One out of three single-parent, female-headed families are poor, a significantly higher rate of poverty than the figure for the population as a whole. Minnesotans living in these families face a much greater chance of being poor compared with other families. However, the stereotype of a single mother and her children as the typical family in poverty is <u>not</u> true.

Age, Disability and Poverty

POVERTY HAS VIRTUALLY BEEN ELIMINATED AMONG THE ELDERLY AND DISABLED

Both Minnesota and the nation have witnessed significant reductions in the poverty rate for the elderly leading many to conclude that poverty is no longer a serious problem for the elderly. While an important decline in poverty among the elderly has taken place, it is also true that the poverty rate for those age 65 and older is still significantly higher than the rate for working-age adults (See Table 7).

POVERTY RATES BY AGE GROUP

	Minnesota			National		
	1969	1979	1985*	1969	1979	1985
Children (under age 18)	9.3%	10.2%	NA	14.9%	16.3%	20.7%
Working Age Adults (age 18-65)	8.4	8.0	NA	10.6	8.7	11.3
Elderly (Age 65 and older)	26.7	14.8	NA	27.1	15.1	12.6

*1979 is the latest year these figures are available for Minnesota.

Sources: U.S. Census Bureau 1970 and 1980 Census, 1986 Current Population Survey.

Table 7

It is also often assumed that poverty strikes all elderly people at the same rate. A closer examination of the poverty figures for the elderly reveals the

very old (age 75 and older) are poor almost twice as often as those between the aged of 65 and 74 (See Table 8). The very old account for 55 percent of the elderly poor in Minnesota. For these Minnesotans poverty is still a serious problem.

POVERTY AMONG THE ELDERLY IN MINNESOTA

	Poverty Rate
Minnesotans (age 65 and older)	14.8%
Age 65-75	11.2
Age 75 and older	20.1

Table 8

Commission Finding: The poverty rate for Minnesotans age 75 and older (20.1 percent) is nearly twice the poverty rate for all Minnesotans.

Despite improved federal programs for people with disabilities, poverty remains a fact of life for many disabled Minnesotans. Figures from the 1980 census reveal that one-half of those with disabilities in Minnesota have annual incomes below $4000. In addition, a working-age disabled person is 2.5 times a likely to have an income below the poverty level when compared to a similar person with no disabilities.

Currently there are more than 600,000 Minnesotans with disabilities. Nearly half of the members of the disabled population are heads of households. The threat of poverty remains an important factor in the lives of these Minnesotans.

Commission Finding: A working-age person with a disability is 2.5 times as likely to have an income below the poverty level as a person with no disabilities.

The Persistence of Poverty

ONCE POOR, ALWAYS POOR

The poor are often described as "permanently destitute," those who are unable to function in mainstream society. The "hungry and homeless", trapped in a never-ending search for food and shelter, are one example frequently mentioned. This characterization often leads to the conclusion that a majority of the poor have little or no hope of ever escaping poverty. They are permanently poor.

A unique longitudinal study was initiated in 1968 by the Survey Research Center at the University of Michigan.(5) This study allowed researchers to track the movement of families in and out of poverty, providing new information about the persistence of poverty. Using a representative sample, the study tracked the economic condition of 5,000 families over a ten-year period from 1969 to 1978. The findings offer important insights in three areas: the movement in and out

of poverty; the length of time people spend in poverty; and, the nature of the persistently poor.

The University of Michigan study found that most people in poverty are not permanently poor. The results of the study indicate there is significant movement into and out of poverty. Greg Duncan, the study's author, observed that almost half of the people found to be poor in one year will escape poverty the following year. (6) These people are not permanently poor.

Martha Hill's analysis of the study's results show that a majority of the people lived in poverty for only a short time. According to Hill 56 percent of the people found to be poor between 1969 and 1978 were temporarily poor, (lived in poverty two years or less during the 10-year follow-up). Of this same group, less than 11 percent were found to be persistently poor (lived in poverty eight years or more). (7)

Commission Finding: Only 11 percent of those in poverty have been found to be persistently poor, while 56 percent lived in poverty for less than two years.

Of those people found to be persistently poor, most did not fit the common stereotype of an urban underclass. Further work by Duncan found that over half of those described as persistently poor were found to live outside large, urban areas. Nearly half of the persistently poor lived in families where the head was disabled. The study concluded, "we ought not to have an underclass stereotype in mind when debating policies directed at persistent poverty." (8)

Endnotes

1. Poverty estimates for individuals states are no longer made each year by the U.S. Census Bureau and the Institute for Research on Poverty. The most recent figures for all states are for 1983.

   The Governor's Commission on Poverty chose to estimate the level of poverty in Minnesota for 1984 to provide a more recent figure for a non-recession year. The estimate was made based on the assumption that the level of poverty in Minnesota corresponds to changes in poverty at the national level.

   The formula and figures used are shown below:

Number of Minnesotan's in Poverty (1979)	X	1984 US Poverty Rate / 1979 US Poverty Rate	X	MN Pop. '85 / MN Pop. '80

$$374{,}956 \times \frac{14.4}{11.7} \times \frac{4{,}192{,}973}{4{,}075{,}970} = 474{,}796$$

2. The poverty thresholds are used by the U.S. Bureau of Census to prepare its estimates of the number of persons and families in poverty. The poverty income guidelines are a simplified version of the poverty thresholds and are used as an eligibility criterion by a number of federal programs.

3. Danziger, Sheldon Z. and Gottschalk Peter, "Work, Poverty, and the Working Poor," Monthly Labor Review, September, 1986.

4. Moore, Thomas, St. Paul Pioneer Press and Dispatch, Monday, January 26, 1986. Special analysis of U.S. Census figures commissioned by Knight-Ridder News Service.

5. Duncan, Greg J., et al, Years of Poverty, Years of Plenty, 1984, Ann Arbor, MI, Institute for Social Research.

6. Ibid.

7. Hill, Martha S., "The Changing Nature of Poverty," The Annuals of the American Academy (AAPSS), May, 1985.

8. Duncan, Greg J. and Hoffman, Saul D., "Welfare Dynamics and the Nature of Need," Paper delivered at the conference "The Political Economy of the Transfer Society, Tallahassee, FL, March 5-6, 1986).

WORK AND POVERTY

A basic American value is that able-bodied, working-age adults should work for a living. Minnesotans share this work ethic, approximately 72 percent of their total income is from employment.[1] Further, labor participation for all demographic groups in Minnesota has been significantly higher than other North Central States, and the nation as a whole.[2]

This chapter is about the working poor--those Minnesotans who are part of the labor force [3] but cannot elude poverty. "Working but poor," only a few years ago that phrase would have been considered a contradiction in terms. Today, structural changes in the state's labor markets have produced persistently weak trends in employment and wages and contributed significantly to the dramatic increase in Minnesota's rate of poverty.

UNEMPLOYMENT IN THE 1980s

Despite their strong commitment to the work ethic, more Minnesotans have been unemployed in the 1980s than at any time since the Great Depression. The state's unemployment rate has been exceptionally high since 1980. Minnesota's unemployment rate was considerably below the national rate throughout the 1970s, but the increase in state unemployment during the last seven years have steadily narrowed the gap (See Table 1).

Unemployment rates in every region of the state increased over 1979 rates in 1980, 1981, 1982 and 1983. Although they decreased somewhat in 1984 and again in 1985, they remain higher than the 1979 rate, as reflected in Table 1.

MINNESOTA AND U.S. UNEMPLOYMENT RATES 1978-1985

	1978	1979	1980	1981	1982	1983	1984	1985
United States	6.0%	5.8%	7.0%	7.5%	9.5%	9.5%	7.4%	7.1%
Minnesota	3.8	4.2	5.9	5.5	7.8	8.2	6.3	6.0
Metro Area	3.1	3.3	4.4	4.4	6.3	6.6	4.7	4.4
Northeast Minn	5.8	6.6	10.4	8.9	14.8	15.4	11.6	10.8
West Minn	4.5	5.0	7.2	6.7	7.8	8.2	7.7	7.6
Central Minn	4.6	5.0	7.2	6.6	8.7	9.2	7.6	7.4
Southeast Minn	3.7	4.1	6.0	5.5	7.2	7.6	6.4	6.0

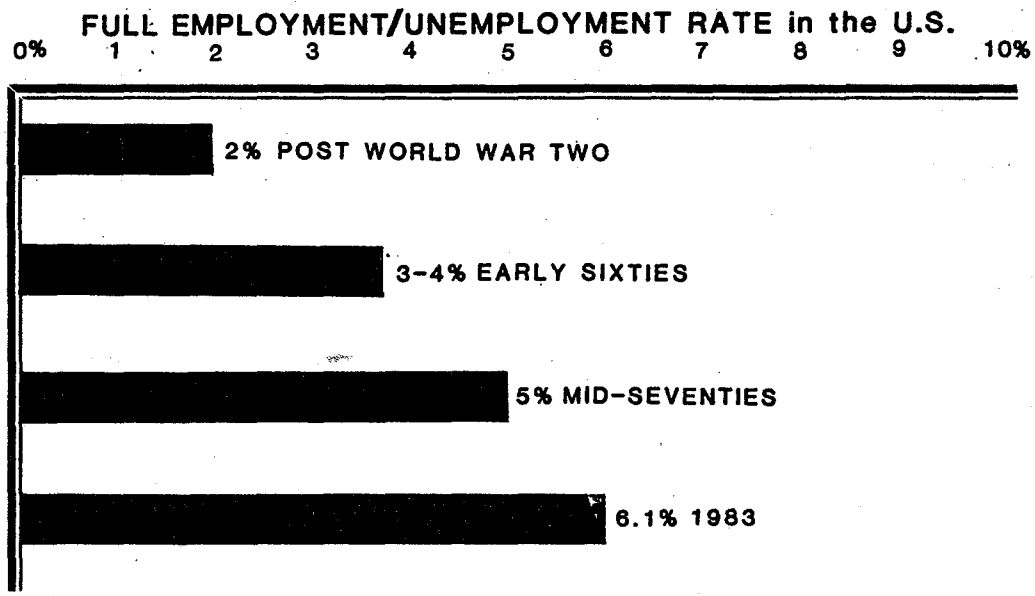
Sources: MN Department of Jobs and Training, LAUS Program Data.
US Bureau of Labor Statistics, Employment and Earnings.

Table 1

Increasing unemployment rates have been accompanied by a redefinition of unemployment by the federal government. The concept of full employment actually refers to a rate of unemployment that is considered acceptable. This is known as the "full employment unemployment rate."

The official full employment unemployment rate has risen steadily since it was initially set at two percent after World War II. During the early 1960s, the rate was increased to three percent, and that climbed to four percent by the end of the decade. In the mid-seventies, the measure rose to five percent, and in 1983, was set at 6.1 percent. The 6.1 percent rate, referred to as the

"inflation threshold unemployment rate,"[4] is a permanent, long-term unemployment rate built into the structure of the nation's economy.



Source: Harrington, Michael, New American Poverty, 1984

Figure 1

Additionally, each recent recession has resulted in higher rates of unemployment than previous recessions, and each subsequent recovery has left more people unemployed than previous recoveries. The implications for poverty rates following each recession are serious.

What does this mean in terms of actual numbers of Minnesotans? Table 2 illustrates the annual average numbers of unemployed workers in the state from 1978 to 1986.

MINNESOTA CIVILIAN EMPLOYMENT STATUS
Years 1978-1986

	Labor Force	Employment	Unemployment	Rate Of Unemployment
1986	2,213,000	2,095,000	118,000	5.3
1985	2,234,000	2,101,000	133,000	6.0
1984	2,229,000	2,088,000	141,000	6.3
1983	2,174,000	1,997,000	178,000	8.2
1982	2,166,000	1,997,000	169,000	7.8
1981	2,143,000	2,024,000	118,000	5.5
1980	2,104,000	1,982,000	125,000	5.9
1979	2,064,000	1,978,000	86,000	4.2
1978	1,994,000	1,917,000	76,000	3.8

Source: Bureau of Labor Statistics

Table 2

Commission Finding: An average of 118,000 Minnesotans were unemployed in 1986. While much improved from 1983, this figure remains over 50 percent higher than the 1978 average of 76,000.

Unfortunately, these figures understate the magnitude of unemployment. One reason is that they do not count the "discouraged worker." A discouraged worker is one who wants to work but does not search for a job because of a belief that such an effort would prove futile. As unemployment rates increase, participation in the labor force declines, a phenomenon known as the "discouraged worker" effect.

State data reflecting actual numbers of discouraged Minnesotans are not available. However, it is known from national data that the number of discouraged

workers correlates with shifts in the unemployment rate. For example, when national unemployment fluctuated in the four to five million range, the number of discouraged workers fluctuated between 600,000 and 800,000. When the number of unemployed exceeded 10 million, the number of discouraged workers rose to between 1.6 and 1.8 million [5].

While unemployment has been increasing, government support for unemployed workers is decreasing. In Minnesota, the proportion of unemployed people receiving unemployment compensation benefits has declined (See Table 3). Between 1970 and 1982, the percentage of unemployed receiving benefits averaged 43 percent. During the past three years, 1983-1985, the percentage receiving benefits has dropped sharply, averaging only 30 percent. The average actual number of unemployed workers not receiving unemployment compensation has more than doubled from 42,783 to 87,391.

PERCENT OF UNEMPLOYED PERSONS RECEIVING
UNEMPLOYMENT BENEFITS IN MINNESOTA

Year	Average Number Unemployed	Average Number Receiving Benefits	Percent
1970	68,000	25,217	37.1%
1971	73,000	33,131	45.4
1972	73,000	32,041	43.9
1973	80,000	29,975	37.5
1974	77,000	37,543	48.8
1975	106,000	60,015	56.6
1976	109,000	50,165	46.0
1977	98,000	42,110	43.0
1978	76,000	30,750	40.5
1979	85,000	31,471	37.0
1980	125,000	51,229	41.0
1981	119,000	47,706	40.1
1982	170,000	68,738	40.4
1983	178,000	51,320	28.8
1984	141,000	38,480	27.6
1985	133,000	45,609	34.3

Source: Minnesota Department of Jobs and Training

Table 3

Commission Finding: An average of only 30 percent of jobless Minnesotans received unemployment benefits between 1983 and 1985.

These figures raise major concerns for the economic vitality of workers in coming years. Economist Greg Duncan studied family income patterns over a 10-year period and determined that 40 percent of prime-age male household heads were unemployed at least once during the period. (6) The implications for other demographic groups such as female household heads, who typically experience greater unemployment rates, are even more serious.

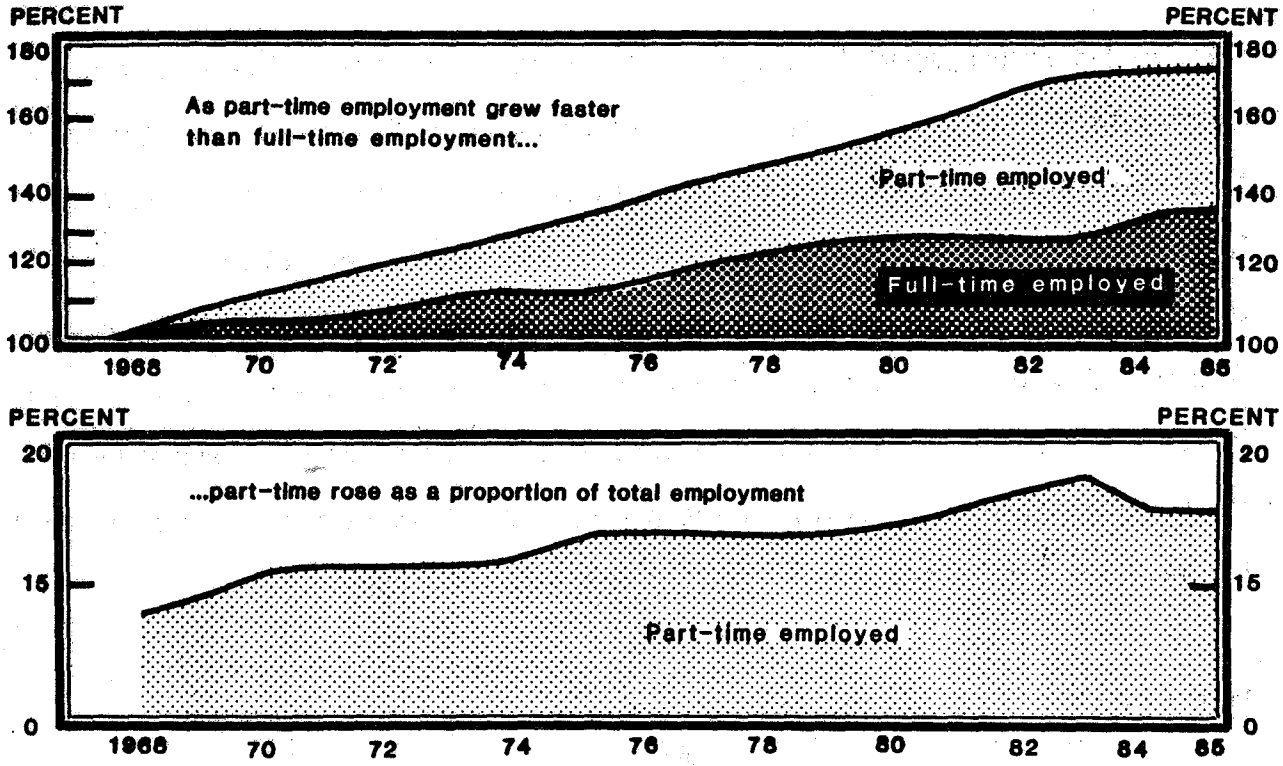
UNDEREMPLOYMENT IN THE 1980s

Even when discouraged workers are accounted for, unemployment rates alone do not accurately portray the scope of work-related problems confronting Minnesota's working poor. Several other factors are exerting pressure on the state's labor market and lead to underemployment. The term "underemployment" has in the past been narrowly applied to people who are not employed in jobs commensurate with their level of skills and training, as in the case of a teacher working as a dishwasher. Within the context of the current discussions on work and poverty, the term also applies to people forced into part-time, temporary or low-wage jobs that provide an insufficient level of support.

Part time Work is Expanding Rapidly

Part-time employment which tends to be unstable, pay poorly and lack benefits contribute significantly to underemployment. Nationally, part-time employment grew more rapidly than full-time employment between 1968 and 1985, as shown in Figure 2. (7)

INDEX of FULL and PART-TIME EMPLOYMENT and PART-TIME EMPLOYMENT as of TOTAL EMPLOYMENT, 1968-1985



Source: Bureau of Labor Statistics, Monthly Labor Review, February, 1986

Figure 2

The Bureau of Labor Statistics estimates that 569,000 Minnesota workers were employed on a part-time basis in 1985. Of this group, approximately 114,000 were classified as working part-time involuntarily. (8)

Table 4 illustrates that the number of part-time Minnesota workers has increased significantly since 1978, and they currently represent 25 percent of our total labor force.

CHANGES IN MINNESOTA EMPLOYMENT

	Total	Total Part-time	Involuntary Part-time
1978	1,917,000	455,000	52,000
1979	2,064,000	468,000	57,000
1980	Data Unavailable		
1981	2,143,000	535,000	93,000
1982	2,166,000	543,000	125,000
1983	2,174,000	532,000	132,000
1984	2,229,000	545,000	121,000
1985	2,234,000	569,000	114,000

Source: Bureau of Labor Statistics

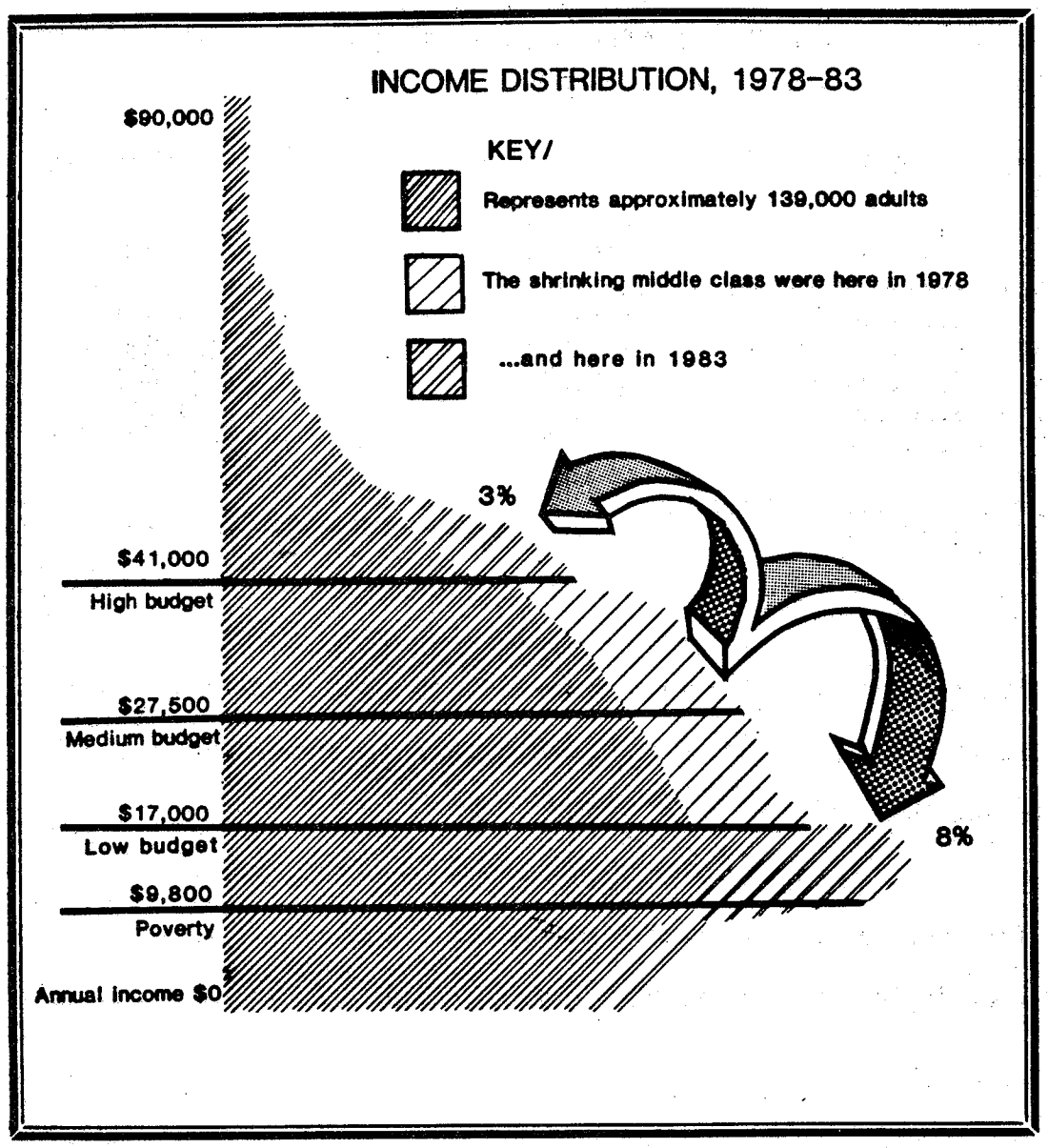
Table 4

The largest portion of part-time work, both voluntary and involuntary, occurs within the service and sales occupations, precisely those Minnesota occupations that are growing the most rapidly. (9)

Commission Finding: Only 75 percent of Minnesota's jobs are full-time, while the remaining 25 percent are part-time and tend to be low-wage and lack benefits.

Wage Levels are Declining

Low wages, which correlate closely with poverty, are becoming more common. Income distribution between 1979 and 1984 has also become more unequal. This disparity is characterized by an increasing gap between the lower and middle class, and between the middle class and those with the highest incomes. (10)



Source/ Social Graphics Star and Tribune Graphic

Figure 3

Figure 3 demonstrates the change in the distribution of workers by income level between 1979 and 1983. Although employment in higher income brackets increased by one-fourth, employment in lower income brackets increased by three-fourths.

In Minnesota, nearly one-half of the 212,344 nonagricultural jobs added to Minnesota economy between 1976 and 1983 were created in the service sector. The fastest growing service is health (particularly nursing homes and HMO's), followed by business services and educational services.[11]

Unfortunately, wages paid for a significant portion of the newly created jobs in the state are below the 1983 average state salary of $16,035. The retail sector for example, pays an average annual salary of $8,335. Although this is in part due to the high number of part-time jobs in this sector, the average salary is nonetheless only 52 percent of the state average. The average business service sector salary is $13,130, and the health service sector pays $14,685.

Only two of the thirteen service subsectors paid wages above the state average: legal services and miscellaneous services. These sectors accounted for only 9,486 of the 103,860 new services jobs.[12] The legal service average salary is probably skewed due to the very high salaries earned by attorneys. However, many very low-paid jobs exist with this subsector as well, including paralegals and general legal support services.

Consequently, 63 percent of the total Minnesota jobs created between 1976 and 1983 paid salaries below the state's average. About 32 percent of all new jobs paid under $9,000 per year, or less than 56 percent of the statewide average. The statewide average salary (adjusted for inflation) actually fell during this period from $16,877 to $16,035. This decline of five percent exceeds the national average wage decline of 4.5 percent during the same period.

Commission Finding: Approximately 32 percent of jobs created in Minnesota between 1976 and 1983 paid less than $9,000, and 63 percent of those new jobs paid less than the state average.

In addition, selected data compiled by the Minnesota Department of Jobs and Training indicate that wages for many occupations have not kept up with inflation. (13) Table 5 is a comparison between wage increases for selected occupational groups and the Consumer Price Index which is a measurement of the effects of inflation. Although none of the occupational groups' wages were untouched by inflation, the purchasing power loss of blue-collar wages is particularly notable.

PERCENT INCREASES IN WAGES FOR SELECTED OCCUPATIONAL GROUPS AND IN THE CONSUMER PRICE INDEX

Survey Period	Professional & Para prof	Office Clerical	Blue Collar	Mpls - St. Paul CPI
1976-86	96.9	98.1	84.2	99.8

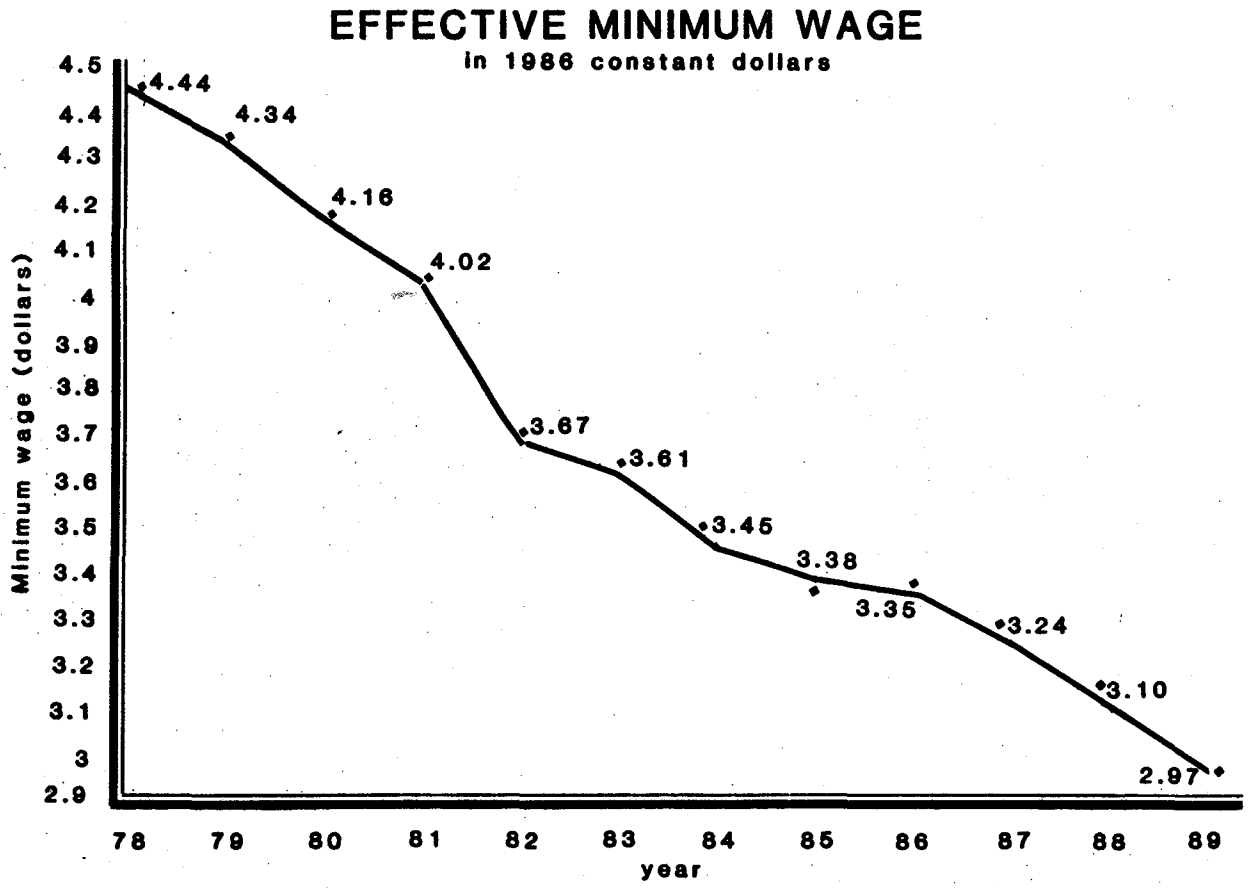
Source: Mpls-St.Paul Consumer Price Index for Urban Wage Earners and Clerical Workers, Bureau of Labor Statistics, U.S. Department of Labor.

Table 5

Real Minimum Wage Has Declined

An estimated 145,000 to 200,000 Minnesotans work for the minimum wage or less. The proportion of workers who earn the minimum wage is on the increase. At $3.35 per hour, Minnesota's rate has not been raised since 1982. Even though

the minimum wage increased regularly until 1982, those increases did not keep pace with inflation. Consequently, the real value of the minimum wage is at its lowest level since 1955.



Note: 1986 constant dollars for 1987, 1988 and 1989 are calculated using inflation rate estimates provided to Department of Finance by Data Resources, Inc.

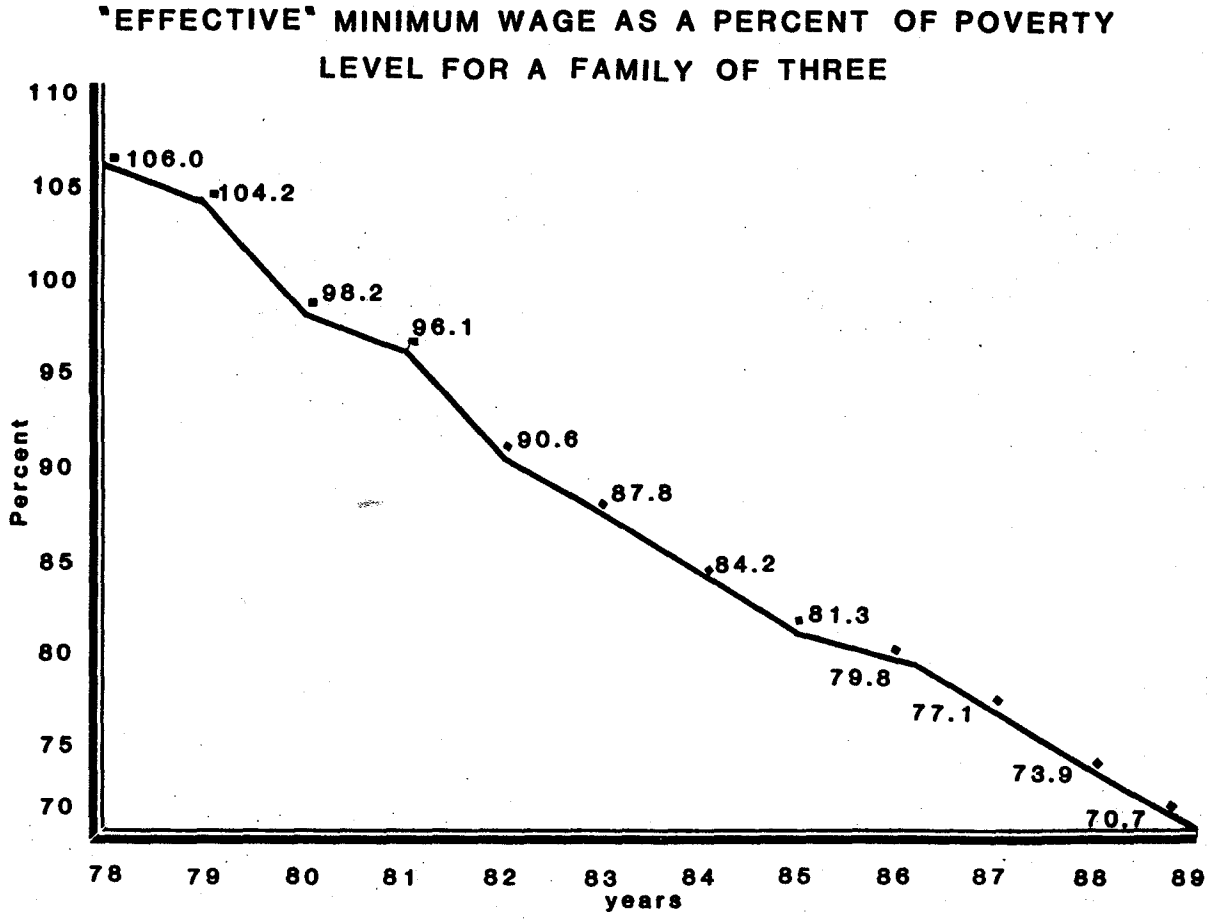
Source: Jobs Now Coalition, "Fact Sheet on Minimum Wage", 1986.

Figure 4

In 1978, the effective minimum wage was worth $4.44 in 1986 dollars. During the last eight years, the minimum wage has lost more than 25 percent of its

purchasing power. If the minimum wage remains the same, its purchasing power will drop an additional 11 percent between 1986 and 1989 due to inflation (See Figure 4). The erosion of the minimum wage affects the poorest paid of the hourly workers. Contrary to the popular belief that most minimum wage earners are teenagers, research shows that over two-thirds (70 percent) of those earning the minimum wage are adults. [14] Over half of minimum wage earners are men and women with children, and nearly three out of every 10 are heads of households. The declining value of the minimum wage particularly hurts women who comprise over 60 percent of minimum wage earners.

Throughout the late sixties and all through the seventies, the minimum wage allowed a full-time, year-round worker to earn an income slightly <u>above</u> the poverty level for a family of three. By 1986, full-time, year-round minimum wage work produced a income equal to 79.8 percent of the poverty level for a family of three. If the minimum wage remains unchanged, full-time work will drop further to only 70.7 percent of the poverty level by 1989, driving the working poor deeper into poverty (See Figure 5).



Note: Poverty rates for 1987 and 1988 and 1989 are calculated by assuming inflation will rise according to the most likely estimates provided to the State Finance Department by Data Resources, Inc. Their estimated inflation rates are 3.5 percent in 1987, 4.3 percent in 1988, and 4.5 percent in 1989.

Source: Jobs Now Coalition, "Fact Sheet on the Minimum Wage", 1986.

Figure 5

Historically the minimum wage has been benchmarked at 50 percent of the average wage of nonsupervisory workers in private industry. As recently as 1981 the

minimum wage was 51 percent of that standard. Today, minimum wage is just 38 percent of average pay, the lowest since 1955.

Commission Finding: The purchasing power of the minimum wage has been eroded by over 25 percent since 1978. A family of three with one full-time minimum wage earner earns less than 80 percent of the poverty guideline.

Discrimination Depresses Wages for Women and Minorities

Employment discrimination also contributes to lower wages for some Minnesotans. Because discriminatory practices are often quite subtle, evidence of a causal link between low incomes and discrimination is difficult to prove. For this reason, proof of discrimination must rest on end results.

White males earn more than white females. Further, white males earn more than black, Hispanic and American Indian males and females (See Table 6). This is true even after accounting for differences in educational attainment (See Table 7). For example, the 1981 U.S. median earning level for black high school graduates was $16,014 as compared with $20,968 for their white male counterparts. Additionally, white male high school graduates have a median income that is greater than that of black male college graduates.

OCCUPATIONS & EARNINGS BY SEX AND RACE FOR FULL-TIME WORKERS IN MINNESOTA, 1980

	All men	All women	White men	White women	Black men	Black women	Hispanic men	Hispanic women	American Indian men	American Indian women
Executives, administrators and managers	$22.8	$12.6	$22.8	$12.6	$20.2	$13.4	$20.1	$12.0	$16.2	$11.0
Professional specialists	$21.5	$13.9	$21.5	$14.0	$18.8	$14.2	$20.1	$12.5	$15.8	$10.8
Technical and related support	$18.1	$11.8	$18.2	$11.7	$17.1	$10.4	$17.7	$16.4	$16.6	$10.8
Sales	$19.0	$9.3	$19.0	$9.3	$15.6	$9.7	$16.2	$9.2	$13.7	$9.4
Administrative Support and clericals	$16.9	$10.1	$16.9	$10.1	$13.9	$10.1	$15.6	$9.5	$16.4	$9.4
Prive household workers	$8.7	$3.6	$8.7	$3.6	--	--	--	$6.7	--	$2.5
rotective service workers	$18.9	$11.9	$19.0	$11.8	$17.3	$17.6	$20.1	$18.6	$11.9	--
All other service workers	$12.3	$7.7	$12.3	$7.6	$9.1	$9.2	$10.4	$7.4	$11.2	$7.0
Farming, forestry and fishing	$9.5	$4.7	$9.5	$4.7	$12.0	$5.6	$10.1	$1.6	$8.3	$4.5
Precision production, craft and repair	$17.8	$11.0	$17.8	$11.0	$15.6	$15.0	$16.6	$9.7	$13.8	$10.3
Machine operators, assemblers and inspectors	$15.5	$10.2	$15.5	$10.2	$13.7	$11.3	$15.1	$10.9	$15.4	$9.8
Transportation workers and material movers	$17.5	$11.0	$17.6	$10.9	$15.1	$16.3	$20.2	$15.4	$13.8	$20.0
Handlers, equipment cleaners, helpers and laborers	$15.2	$9.6	$15.2	$9.6	$15.0	$10.1	$14.4	$9.6	$13.6	$10.0

Median annual earnings, in thousands

Source: U.S. Bureau of the Census

Table 6

EDUCATION AND TOTAL MONEY INCOME FOR FULL-TIME, YEAR-ROUND WORKERS OVER 25 BY RACE AND SEX, 1981 - U. S.

	Black				White			
	Male		Female		Male		Female	
	Median	%*			Median	%*		
Total	$15,629	100	$11,797	100	$22,251	100	$13,531	100
Less than 8 yrs	11,464	19	7,880	17	13,157	8	8,486	7
8 years	12,112	6	8,150	7	16,558	7	10,181	7
9-11 years	12,445	18	9,176	21	17,795	12	10,271	12
H.S. graduate	16,014	32	11,527	32	20,968	35	12,455	43
Some college	17,436	15	13,208	14	23,129	16	14,613	16
College graduate	19,892	6	14,955	6	26,864	12	16,463	9
Graduate school	24,042	4	19,395	3	30,801	11	20,189	6

*Percentage of all persons with income--whether they worked full-time or not
Percentages are not available for full-time, year-round workers alone

Source: U.S. Bureau of the Census, Money Income of Households, Families, and Persons in the United States: 1981, Current Populations Reports, Series P-60, No. 137, Table 47.

Table 7

This table also illustrates the economic impact of discrimination against women. Males at every educational level earn more than females at the same level and the differences in median earnings are greater by sex than by race. For all educational groups, black women workers have earnings that are approximately 78 percent of the earnings of black male workers, but only 54 percent of the earnings of white men. For black females, discrimination appears to be based more on sex than on race, since black female earnings are very close to white female earnings at every educational level.

Because women are less likely to be full-time labor force participants, their earnings are expected to be less than men's earnings. Even after controlling for this and for educational factors, women's earnings are still depressed in comparison with men's earnings. In Minnesota, women earn only 64 cents on an average for every dollar earned by men. (16) While this figure has improved in recent years, the change is believed to reflect the relative decline in male earnings more than an increase in female earnings.

Both male and female Minnesotans who are disabled are much poorer than nondisabled Minnesotans. This is not due to wage discrimination, as much as it is to employment discrimination. According to the Minnesota State Council for the Handicapped, high rates of underemployment and unemployment among people with disabilities are at least partially the result of: 1) societal attitudes that cause employers to discriminate against people with disabilities; 2) discriminatory physical and communication barriers in buildings, transportation and worksites; and, 3) disproportionately inadequate education and training opportunities.

Finally, employment discrimination based upon age is also a growing problem. A national study by the Bureau of Labor Statistics demonstrates that even in favorable economic climates, older workers sustain significantly longer periods of unemployment relative to their younger counterparts. This appears to be based on employer fears that hiring older workers is more costly with respect to training, health and rates of productivity. (17)

Whatever the underlying cause, persistent discrimination against people who are not able-bodied, prime-age white males is a widespread problem creating formidable barriers that can contribute to a lifetime of poverty.

Workers are being displaced from their jobs

A large number of Minnesotans have been displaced from their jobs by plant closings, layoffs and slack work, which contributes to high levels of both unemployment and underemployment. Between January 1979 and January 1984, 89,000 Minnesotans were displaced from their jobs. As of January 1984, 18,000 of these displaced workers were still unable to find new jobs and approximately 12,000 workers had left the labor force altogether.

The remaining 59,000 workers have been re-employed, though many are not working at their previous occupations or wage levels, nor are they necessarily working full time. Minnesota's experience in this regard is consistent with national trends.(18)

MINNESOTA IS DEVELOPING A DUAL LABOR MARKET STRUCTURE

No simple explanation of the cause of our growing employment and poverty problems is sufficient. However, one point is clear: examination of national and international economic trends discredit the myth that we have created our own problems by making Minnesota an inferior state in which to do business.

From World War II until the late 1960s, America's economic superiority enabled it to dominate world markets. As a result, we enjoyed the benefit of a large number of jobs that paid relatively high wages. However, during the last twenty years developing nations have had increasing success building their own branch plants and developing export industries. The most significant factor currently affecting a country's ability to achieve a comparative advantage in attracting certain kinds of industries, processes and functions is its ability to provide cheap labor.

Because developing nations are now able to supply a very low-wage workforce, the international division of labor has shifted and significant numbers of our country's high-wage manufacturing jobs are being exported. These disappearing jobs have historically been the basis for blue collar workers achieving a middle-class standard of living. Their loss has affected worker's ability to earn an income sufficient to avoid poverty.

Minnesota is clearly not alone in experiencing unemployment problems (See Table 8). Minnesota's unemployment rates are comparable to those occurring in neighboring states and underscores the dilemma created by international economic trends that are extremely difficult for individual states to combat.

ANNUAL UNEMPLOYMENT RATES FOR MINNESOTA
AND NEIGHBORING STATES, 1978-1985

	1978	1979	1980	1981	1982	1983	1984	1985
Iowa	4.0%	4.1%	5.8%	6.9%	8.5%	8.1%	7.0%	8.0%
North Dakota	4.6	3.7	5.0	5.0	5.9	5.6	5.1	5.9
South Dakota	3.1	3.5	4.9	5.1	5.5	5.4	4.3	5.1
Wisconsin	5.1	4.5	7.2	7.8	10.7	10.4	7.3	7.2
Minnesota	3.8	4.2	5.9	5.5	7.8	8.2	6.3	6.0

Source: Geographic Profile of Employment and Unemployment 1978-1985, Bureau of Labor Statistics

Table 8

Until recently, public debate on work and poverty has focused almost exclusively on unemployment and has not recognized the dilemma of underemployment. Within the context of unemployment, two groups received attention: the "cyclically unemployed" who are temporarily out of work during recessions, i.e., downward swings of the business cycle; and, the "structurally unemployed" who lack the necessary "human capital" (training, education, experience and skills) with which to participate in the job market.

This model of unemployment may have been valid prior to the 1970s but today, during the 1980s, it no longer applies. Workers who once may have been only cyclically unemployed now find themselves displaced and forced into underemployment. Consequently, the poorer jobs that were once filled by the structurally unemployed after receiving training are now being filled by those who were formerly only vulnerable to cyclical unemployment.

For the structurally unemployed, opportunities have become increasingly scarce. Under the old model, structural unemployment simply referred to the lack of human capital and necessary supports such as adequate transportation, clothing, etc., that making holding a job possible. Today it refers to a structural shift in the world division of labor that has diminished the actual number of middle-class jobs and significantly increased the competition for lower-class jobs.

The notion of a dual labor market refers to a two-tier labor market consisting of primary and secondary sectors. The primary sector encompasses those "good jobs" described by David Gordon as providing "adequate wages and fringe benefits, job security and stable employment, decent working conditions and opportunities for both advancement and control". (19)

The secondary labor sector contains all other jobs. These jobs, many of which are located within the service sector, have few if any, of the "good job" attributes. Because they lack these attributes, secondary sector jobs are considered "poor jobs." They are generally characterized by low wages, low skill and low status, arbitrary management, poor working conditions, no fringe benefits, high turnover and isolation from the job "ladders" that lead to promotion to better jobs.

Economist Robert Kuttner describes the dual labor market this way:

> The "primary" labor market is typically union-organized or professional, with relatively good wages and benefits, fairly predictable careers, and job security. The "secondary" labor market, in contrast, is made up of less desirable, low-wage jobs. Its defining characteristic is instability, with high turnover and a large portion of part time or seasonal work. (20)

The existence of a secondary labor market is not a new phenomenon. However, occupational and economic segmentation is increasing as the mining and manufacturing jobs that have historically made middle class life possible in Minnesota and the nation are being transferred to foreign countries, automated or simply abolished due to obsolescence. Under these conditions the secondary labor market is increasingly becoming the dominant labor market with respect to the share of jobs contained within its structure.

The Secondary Labor Market and the Service Sector

This dual labor market structure is illustrated by the service sector, although not all secondary sector jobs are service jobs, and not all service jobs are secondary sector jobs. (21) This sector has a polarized labor structure, requiring a relatively small group of well-paid executives and engineers at one end and an immense group of poorly paid clerks, waiters/waitresses, health aides and computer operators at the other.

According to economist Barry Bluestone, "The pattern of wages in the old, mill-based economy looked just like a normal bell curve. It had a few highly paid jobs at the top, a few low wage jobs at the bottom, and plenty of jobs in the middle. But in the new services economy, the middle is missing." (22)

Minnesota's labor market trends are consistent with the dual labor market structure described above. According to data from the Minnesota Department of Jobs and Training, by 1990 the greatest number of Minnesota workers will be involved in service, clerical, and managerial/professional occupations. Sales workers will be the State's fastest growing group, with an increase of 24.5 percent.(23)

Table 9 illustrates Minnesota's fastest growing and declining industries, indicating consistency with national trends. The shift to the service industries is clearly visible.

MINNESOTA'S FASTEST GROWING INDUSTRIES

Industry	Percent Change 1980-1990	1990 Employment
1. Legal Services	32.3%	17,200
2. Hotels and Other Lodging	32.0	33,800
3. Business Services	27.7	83,160
4. Eating and Drinking Places	27.3	145,580
5. Paper and Allied Industries	27.2	40,370
6. Transportation Services	26.8	3,790
7. Miscellaneous Services	26.5	26,320
8. Auto Repair Service	26.3	19,170
9. Miscellaneous Retail Stores	25.3	62,810
10. Real Estate	22.4	25,990

MINNESOTA'S FASTEST DECLINING INDUSTRIES

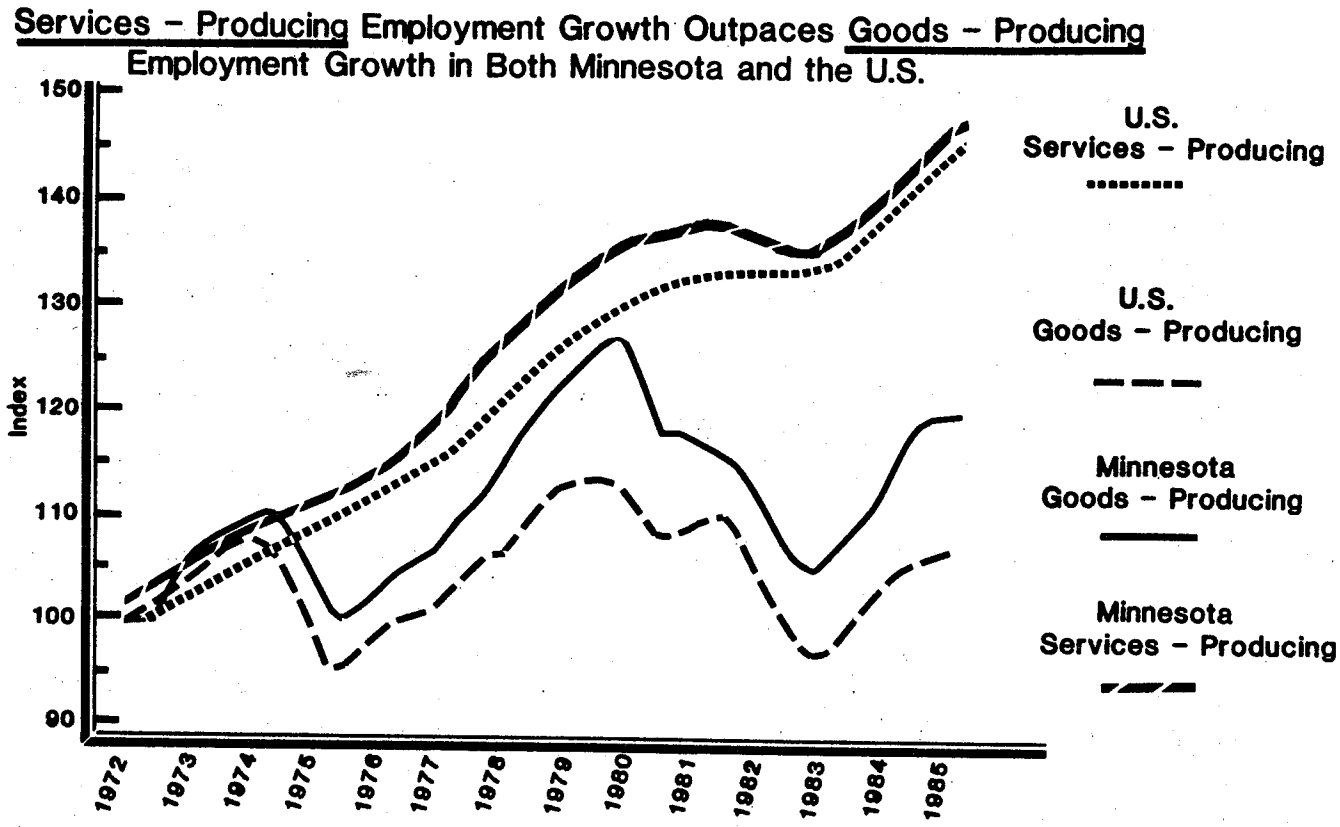
Industry	Percent Change 1980-1990	1990 Employment
1. Apparel and Other Finished Textile Products	-41.7%	3,750
2. Mining	-37.2	9,940
3. Textile Mill Products	-25.8	2,390
4. Railroads	-20.6	12,240
5. Transportation Equipment	-16.7	6,850
6. Agriculture	-9.8	113,010
7. Food and Kindred Products	-5.9	46,680
8. Miscellaneous Manufacturing	-5.2	7,320
9. Construction	-5.1	102,870
10. Leather and Leather Products	-4.3	2,240

Source: Minnesota Department of Jobs and Training: Minnesota Employment Outlook to 1990

Table 9

In fact, the state's service industry has grown at a rate five times faster than our goods producing industry over the last 40 years. Additionally, this trend is accelerating at a rate that is faster than the national rate, although growth of services producing employment outpaces growth of goods producing employment in both the U.S. and in Minnesota (See Figure 6).

COMPARISON OF MN AND US GOODS AND SERVICES PRODUCTION EMPLOYMENT GROWTH



Source: Maki, Wilbur, Minnesota Economic Trends in the 1980s, U of M Staff Paper Series P 85-36, December 1985

Figure 6

As long as the service economy continues to create primarily the secondary sector jobs described above, this trend is cause for alarm. Despite their hard work efforts, some Minnesotans will be forced into underemployment and unable to escape a life of poverty.

REGIONAL TRENDS OF EMPLOYMENT AND UNEMPLOYMENT

Conventional wisdom characterizes Minnesota's labor market as stratified between a thriving metro area and a slow or stagnant non-metro area. However, although the long-term structural shift toward a service-based economy is occurring throughout the state, considerable variation exists between regions with respect to specific labor market trends. Table 10 illustrates variations in employment by region and industry. In addition, unemployment rates vary considerably between regions, as shown in Table 11.

PERCENT EMPLOYMENT CHANGE BY REGION AND INDUSTRY, 1976-1984

	Northeast	Central	West	Metro	Southeast	Minnesota
Mining	-44.0%	97.5%	29.9%	43.7%	-3.6%	-36.8%
Construction	-51.6	18.9	-20.4	26.3	-12.0	3.1
Manufacturing	-11.7	20.1	2.4	21.2	12.5	16.4
Transportation, communications and utilities	0.3	38.8	2.5	19.0	11.2	16.3
Wholesale trade	10.2	32.1	9.3	12.6	2.9	8.7
Retail trade	6.7	40.0	6.6	28.3	15.8	22.8
Finance, insurance and real estate	17.5	54.1	31.2	36.7	28.7	35.4
Services	24.6	71.4	28.5	55.8	40.7	49.7
Government	13.0	12.8	9.1	3.6	2.6	5.6
Total Nonagricultural Industries	-0.7%	32.2%	8.2%	26.9%	15.9%	21.1%

Source: Minnesota Department of Jobs and Training, ES-202 Data

Table 10

MINNESOTA AND U.S. UNEMPLOYMENT RATES 1978-1985

	1978	1979	1980	1981	1982	1983	1984	1985
United States	6.0%	5.8%	7.0%	7.5%	9.5%	9.5%	7.4%	7.1%
Minnesota	3.8	4.2	5.9	5.5	7.8	8.2	6.3	6.0
Twin Cities Metro Area	3.1	3.3	4.4	4.4	6.3	6.6	4.7	4.4
Other Minnesota Regions								
Northeast	5.8	6.6	10.4	8.9	14.8	15.4	11.6	10.8
West	4.5	5.0	7.2	6.7	7.8	8.2	7.7	7.6
Central	4.6	5.0	7.2	6.6	8.7	9.2	7.6	7.4
Southeast	3.7	4.1	6.0	5.5	7.2	7.6	6.4	6.0

Source: Minnesota Department of Jobs and Training, Centers Program Data

Table 11

Northeast

Indications are that the Northeast is and will continue to be the most economically troubled area of the state. This region has been particularly distressed by the shifting labor market. The steel industry, long the employment base of the region, has declined dramatically in recent years and remains highly vulnerable.

While some expansion in retail and service has occurred, these are secondary labor market jobs with few, if any, of the job attributes necessary to replace the primary labor market jobs which have been lost. The size of the region's labor force has diminished, reflecting the outmigration of a portion of the working age population in search of jobs and a rise in the portion of

discouraged workers. The unemployment statistics, already high, probably mask the true magnitude of poverty in the Northeast.

West

The current agricultural crisis, with its roots in declining land and commodity values, is most acute in western Minnesota which has employed about one-third of the agricultural workforce. Although new job creation in service, retail and to a lesser extent, manufacturing managed until recently to keep pace with the decline in agricultural jobs, the current acceleration of agricultural difficulties has significantly aggravated the labor market problem.

This acceleration has resulted in the outmigration of younger workers, leaving a disproportionately high number of older workers who are not traditionally employed by the service and retail sectors. Therefore a service economy is less likely to grow here and, to the extent that it does, will be insufficient to alter the deteriorating employment situation for this region.

Central

The central region has experienced more balanced economic growth in recent years and enjoys a diverse manufacturing base. Although a large portion of the labor force here works in section particularly susceptible to business cycles, its proximity to the metro area and great popularity as a residential community indicate that it will experience comparatively strong economic and labor force growth in the future.

Southeast

The Southeast, while predominantly an agricultural region, also has a high concentration of white collar jobs. Like the other regions, the Southeast has also attempted to diversify its economy to make up for the loss of agricultural jobs. This region may have an advantage over other regions with respect to attracting expanding industries because of its relatively large white collar population and its proximity to the metro area.

Metro

The Metro area is distinct from other regions in that it has not experienced significant job loss in one dominant industry. It is also distinct in that sixty-one percent of the employed workers are in white collar positions, which tends to encourage service sector growth. However, the labor market trends do indicate general conformity with the dual labor market developing statewide. The metro region also remains interrelated with the state's other regions and the economic dynamics occurring in greater Minnesota have implications for this region as well.

One major factor each of these regions has in common is that the economy and labor markets continue to be significantly affected by factors largely outside of the control of the region or the state. Minnesota can do little, for example, to impact commodity prices or to reverse the national decline of the steel industry.

Conclusion

Even after four years of economic recovery, poverty remains a significant problem in Minnesota. The state's economy is not producing enough jobs, and many that are produced do not pay sufficient wages and fringe benefits to guarantee a life above the poverty level. This condition is not the result of a temporary recession. Rather, it is the result of a national trend toward a dual labor market that is developing even in the midst of a recovery period.

The findings of the Governor's Commission on Poverty in Minnesota call for the poverty debate to shift its emphasis from the alleged personal deficiencies of the poor toward an emphasis on the deficiencies of the labor market which limit the economic potential of the poor. Our poverty population is increasingly composed of families who can and do work, and yet are poor. The precarious economic situation in which many people find themselves demands a new perspective on poverty that accurately reflects current economic and labor market reality. Without this new perspective, it is unlikely that an appropriate or effective strategy to reduce poverty will be developed.

Endnotes

1. The balance of Minnesota's income is earned as interest, rent and dividends (16 percent), and government transfer payments (12 percent). Source: 1986 Economic Report to the Governor State of Minnesota.

2. Labor force participation is measured by the percentage of the population that is aged 16 or over and is either employed or is seeking work. Source: U.S. Bureau of Labor Statistics, Geographic Profile of Employment and Unemployment, 1984.

3. The labor force includes not only all people who are working for pay, but also people who are actively looking for jobs. Consequently, labor force participants are both employed and unemployed people with attachments to the labor force.

4. Harrington, Michael, The New American Poverty, Holt, Rinehart and Winston, 1984.

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6. Duncan, Greg J. et. al., Years of Poverty, Years of Plenty, 1984, Institute for Social Research, Ann Arbor, Michigan.

7. Thomas J., "Part-time Workers: Who Are They?" Monthly Labor Review, February, 1986, Vol. 109, No. 2, P 13-9.

8. Bureau of Labor Statistics, Geographic Profile of Employment and Unemployment, 1984, May, 1985.

9. Marcotty, Josephine, Mpls Star and Tribune, April 11, 1984. Also, see Table 8, this Chapter.

10. State of Minnesota, 1987 Economic Report to the Governor.

11. Minnesota Department of Jobs and Training, Minnesota Employment Outlook 1990, Research and Statistics Office, February, 1985.

12. State of Minnesota, 1986 Economic Report to the Governor.

13. Minnesota Department of Jobs and Training, 1986 Minnesota Salary Survey,

14. "Working but Still Poor," Dollars and Sense #122, December 1986.

15. "Economy In Numbers," Dollars and Sense #117.

16. U.S. Census Bureau.

17. Flaim, Paul O. and Sehgal, Ellen, "Displaced Workers of 1979-83: How Well Have They Fared?" Monthly Labor Review, June, 1985.

18. Ibid.

19. Gordon, David, The Working Poor Towards A State Agenda, Council of State Planning Agencies, Washington, D.C., 1979.

20 Kuttner, Robert, "Jobs" in Alternatives, Howe, Irving, ed. Pantheon Books N.Y., N.Y., 1984.

21. Stanbeck, Thomas, et al, Services: The New Economy, Rowman and Allanheld, Totowa, New Jersey, 1983.

22 Bluestone, Barry, and Harrison, Bernett The Deindustrialization of America, Basic Books, New York, New York, 1982.

23. Minnesota Employment Outlook, op. cit. Note: Although use of these data are helpful, it should be pointed out that such projections are always very problematic. For this reason, users should proceed with caution.

INCOME MAINTENANCE AND POVERTY

This chapter focuses on Minnesotans who receive little or no income from the workplace and are eligible for financial assistance from income maintenance programs because their resources fall below a minimum standard.

Income maintenance, or "welfare" programs as they are commonly known, provide cash support to families and individuals who are unable to meet their basic needs through earnings from employment or other sources (i.e., unemployment compensation, savings, family, etc.). Eligibility is based on need and is determined by gross income, family size, and personal assets and property.

The three major income maintenance programs include Aid to Families with Dependent Children (AFDC), General Assistance (GA) and Supplemental Security Income (SSI). Medical Assistance and food stamps are not considered income maintenance programs and will be discussed in the chapter on Health, Nutrition and Poverty.

There is an important distinction in the public mind between these "welfare" programs and social insurance programs such as social security and unemployment compensation. Because social insurance is linked to employment and employee contributions, the benefits received are viewed as an "earned right." There is little or no stigma attached to those who must rely on social insurance payments to meet their basic needs.

Even among recipients of income maintenance there is a sharp distinction between the "deserving" and the "undeserving." The high value placed on work in our society has an influence on the way that recipients are perceived. A 1967 survey of public attitudes found that 84 percent agreed with this statement: "There are too many people receiving welfare who ought to be working."[1]

Men and women who are able-bodied, working-age adults and are receiving income maintenance payments are seen as the "undeserving poor." It does not matter that they are either caring for young children, or they cannot find work and are not eligible for social insurance benefits. The circumstances do not mitigate the public view that they possess the potential to acquire an income through earnings from the labor market, and therefore, are undeserving of any public assistance.

Those who cannot be expected to work (the aged, blind, those with disabilities and children) and must rely on income maintenance payments because they are not eligible for social insurance are seen as "deserving." There is a general consensus in society that these individuals are not expected to acquire sufficient earnings through employment to meet their basic needs and deserve public assistance payments.

INCOME MAINTENANCE

AFDC

AFDC is the largest and most controversial income maintenance program. It is the program most often referred to when discussing "welfare." In Fiscal 1985, families receiving AFDC accounted for 68 percent (149,342) of those receiving welfare payments in Minnesota.

The purpose of AFDC is to provide a subsistence income to families with children who would otherwise live in destitution due to the absence, loss, or unemployment of a parent. Nearly two-thirds (63 percent) of those receiving assistance through AFDC are children (See Figure 1).

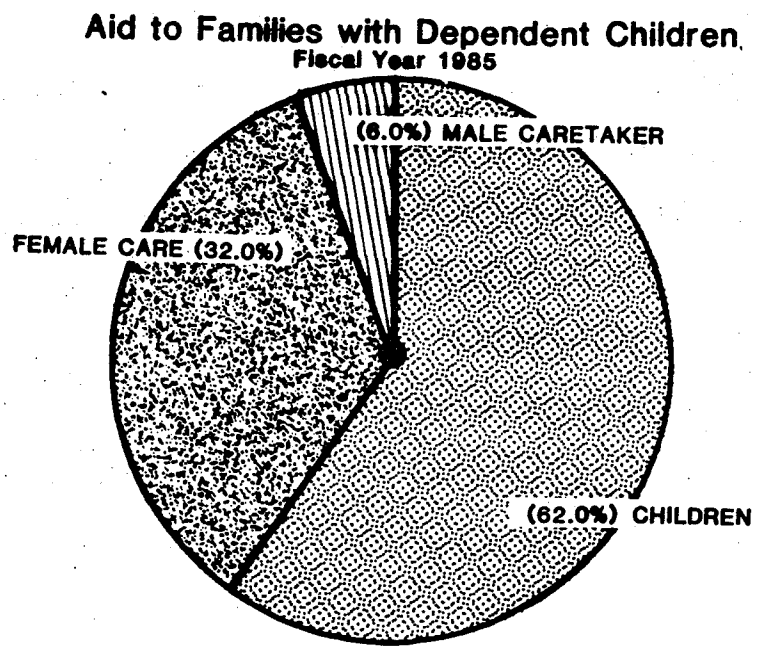


Figure 1 Source: Council on the Economic Status of Women

AFDC remains highly controversial despite the fact that the major beneficiaries of the program are dependent children, a group identified as "deserving poor" because they are unable to work. The debate about AFDC has little to do with the children receiving assistance, and everything to do with the working-age adults who also benefit from the program. The fact that AFDC provides assistance to both "deserving" and "undeserving" poor is a primary reason why there is such wide disagreement about the program.

A brief review of the development of AFDC is helpful in understanding the controversy that surrounds this program. Prior to the Great Depression, assistance and care was provided primarily through private charity. The widespread effects of the Depression led to a decision by the federal government to share responsibility for aiding the poor.

In 1935, the Aid to Dependent Children (ADC) program was passed as part of the Social Security Act. The program was approved and implemented in Minnesota in 1937. ADC was designed to be a short-term program, providing financial assistance to needy children and was to be phased out as more families became eligible for the social insurance programs established under the Social Security Act. (2)

ADC assistance was directed to the children of widows, and in some cases children made destitute through divorce or desertion. Senator Daniel P. Moynihan described the initial program "as one whose typical beneficiary was a West Virginia mother whose husband had been killed in a mine accident." (3) The original program, however, did not provide financial help to the widowed moth-

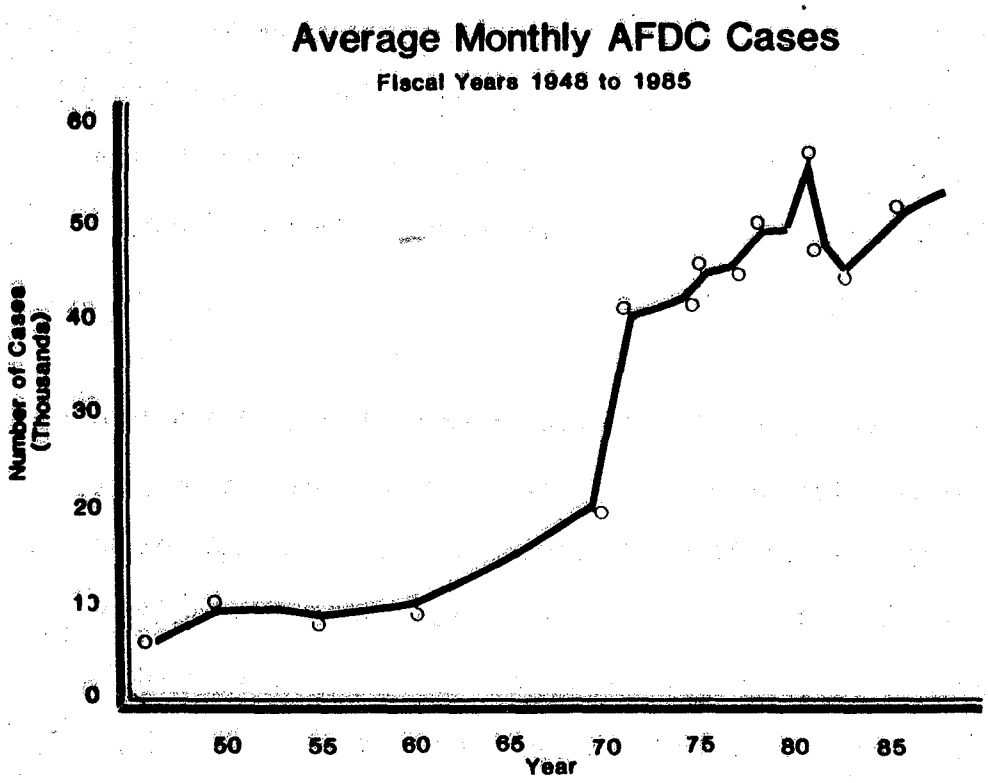
er, only to children through their mother. It wasn't until 1950 that adult heads of families were made eligible for ADC benefits.

The need for ADC did not diminish, and the program continued through the 1950s. Many began to criticize ADC on the grounds that it contributed to the desertion of fathers. Unemployed fathers who did not qualify for unemployment compensation and could not find work were unable to support their families. As long as the father remained at home, the family could not qualify for ADC benefits. However, if the father left, the family became eligible for income support from ADC.

In response to this criticism the ADC-UP (Unemployed Parent) component became a state option in 1961 making it possible for a child in a two-parent family to receive aid as a result of a parent's unemployment. In 1962, the title of the program was changed from ADC to Aid to Families with Dependent Children (AFDC) to emphasize this concern for the family. This component was incorporated into Minnesota's AFDC program in 1970, making two-parent families eligible for assistance when a father's unemployment met the necessary criteria.

The number of families receiving AFDC grew slowly from the 1930s through the mid-1960s. However, program participation began to grow more rapidly in the late 1960s due to several events. A number of court decisions relaxed the restrictions regarding a family's eligibility for benefits. The earned-income disregard was also implemented allowing families to earn a limited income without having their grant reduced. This made more working-poor families eligible for benefits. Finally, the welfare rights movement was working to educate

low-income families about their eligibility for assistance through AFDC and other programs.The result was a dramatic increase in the number of families receiving AFDC between 1967 and 1972 (See Figure 2). A steady increase in program participation continued between 1972 and 1981.



Source: Minnesota Department of Human Services

Figure 2

In 1981 Congress enacted the Omnibus Budget Reconciliation Act (OBRA) which included a provision eliminating the earned income disregard and reducing income deductions for work expenses. These changes served to diminish participation in the AFDC single-parent program while the number of people in poverty continued to grow. Today, there are fewer single-parent families receiving

AFDC on average than in 1980. By contrast, participation among two-parent families in the AFDC-UP program is more than three times the level in 1980.[4]

Commission Finding: The number of two-parent families receiving AFDC has increased by 340 percent since 1980. During the same period, the number of single-parent families receiving AFDC actually declined.

General Assistance

The General Assistance (GA) program was established in 1974 by the State of Minnesota to replace local relief programs previously provided by cities, townships and counties. GA is designed to serve needy individuals who are not eligible for other assistance programs. It is the only major income maintenance program that receives no federal support, relying solely on funding from state and county governments.

GA is a state-supervised, county-administered program. It is jointly funded by the state (75 percent) and the county (25 percent). The GA grant for a single individual is $203 per month.

The purpose of the program is to provide assistance to low-income Minnesotans which enables them to maintain a subsistence reasonably compatible with decency and health. However, the 1985 legislature limited ongoing GA eligibility to those deemed unable or unlikely to secure employment. These individuals are examples of members of the "deserving poor". GA participants classified as

"employable" were transferred to the new Work Readiness program and reflect those described as the "undeserving poor".

General Assistance serves a relatively small number of those living in poverty in Minnesota. During fiscal year 1985, GA served an average of 34,537 people per month. This accounts for only seven percent of those living in poverty, and 16 percent of those receiving income support payments.

Work Readiness

The Work Readiness program was established by the Minnesota Legislature in 1985. The program serves those individuals who meet the income and resource requirements for General Assistance but are not eligible for GA because they are deemed "employable". Work Readiness provides these individuals with a "time limited" grant equal to the GA grant, as well as job search services.

The important difference between the two programs is that Work Readiness participants have time-limited benefits. Standard eligibility provides assistance for two months during a 24-month period. Those recipients identified as not "work ready," or who live in counties with an unemployment rate of ten percent or higher, may receive benefits for up to six months during a twelve-month period.

Supplemental Security Income

The original income maintenance programs established for the aged, blind and those with disabilities under the Social Security Act were designed much like AFDC. The federal government contributed a large portion of the funding, while state and local governments contributed the remaining share, determined eligibility and benefit levels, and administered the programs.

In 1972 the income maintenance programs for the elderly, blind and disabled established under the Social Security Act were revised and combined into one program called Supplemental Security Income (SSI). This consolidation brought these programs under the control of the federal government.

SSI provides financial assistance for elderly, blind or disabled persons who are unable to work, or earn so little they are unable to meet their basic needs. It differs from AFDC and GA because it is entirely federally funded and has an established minimum income for all recipients. Unlike AFDC and GA, SSI benefits are adjusted automatically each year to keep pace with increases in the cost of living. The Social Security Administration is responsible for the administration of the program. After qualifying for assistance, a check is mailed to the recipient each month, much the way a retired person receives a Social Security check.

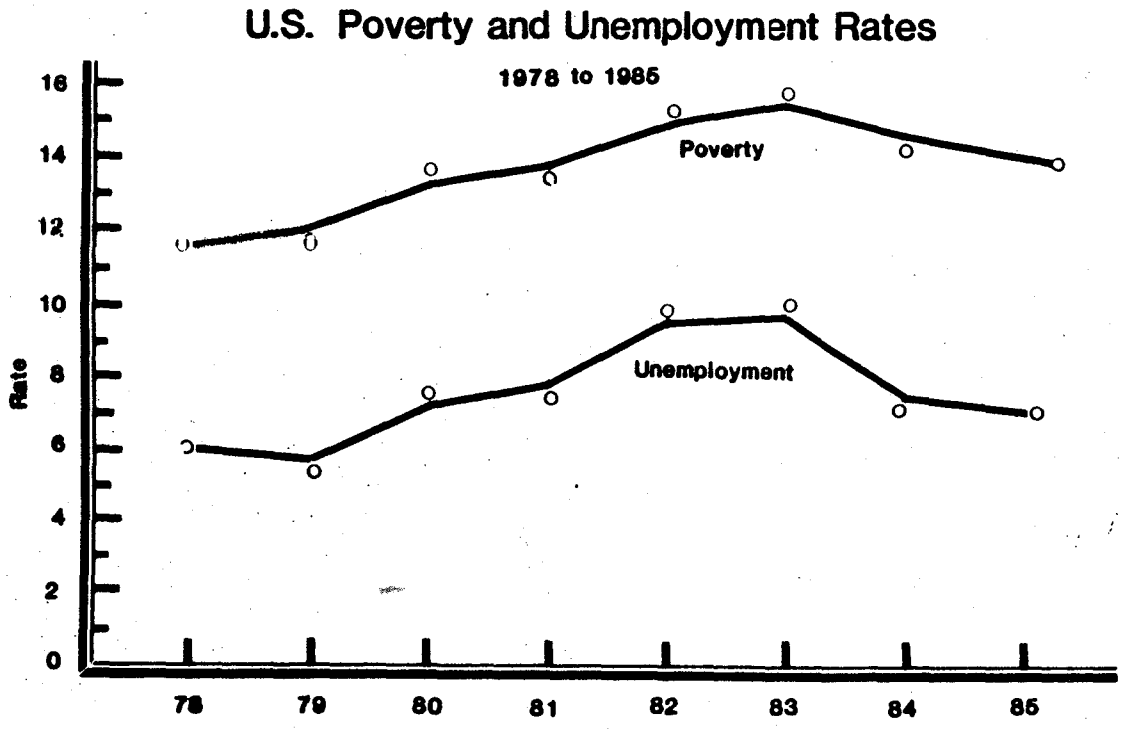
SSI, however, is not the same as Social Security. Eligibility for SSI is determined solely on the basis of need and benefits are paid from general funds of the federal government, not from Social Security contributions. Also those who are receiving Social Security benefits are not eligible for SSI assistance.

TRENDS IN POVERTY AND INCOME MAINTENANCE

Poverty rates in the 1980s are the highest since the mid-1960s. There is also a continued growth in the use of income maintenance programs. These two facts lead some to attribute this rise in poverty to a failure of the welfare system.

Simply observing that the level of poverty today is higher than the level experienced in the late 1960s ignores the decade between 1969 and 1979 when there was a general decline in the level poverty, with only brief increases during the two economic recessions. Between 1969-79, both the number of participants and expenditures for income maintenance programs increased steadily. The trends of the 1970s do not support the belief that income maintenance programs and the welfare system lead to increased poverty.

The decline in poverty during much of the 1970s was followed by a dramatic increase between 1979 and 1983 which corresponds with the 1980-82 recession. The health of our economy and the availability of jobs appears to have a significant influence on the level of poverty. The unemployment figures for the nation (See Figure 3) correspond very closely with the rise and fall in the percentage of the population who are poor. Clearly, the availability of jobs and the opportunity to work are important factors associated with the level of poverty.



Source: U.S. Bureau of Census

Figure 3

While the opportunities for employment have an important influence on the poor, it is also true that many people do work and still find themselves living in poverty. The quality of jobs available also has a significant impact on those working to escape poverty. Low wages and the seasonal nature of many jobs result in low earnings for the working poor.

Reductions in income maintenance and other programs to assist the needy during the 1980s, while successful in reducing the number of people receiving assistance, have failed to move recipients out of poverty. It was argued that simply removing people from these programs would force them to work and move them out of poverty. As noted in Chapter 1 the level of poverty experienced since

the 1980-82 recession is the highest for nonrecessionary years since the mid-1960s.

The level of poverty today does not appear to be the result of a failure in our welfare system, but rather a reflection of conditions in our economy and our lack of commitment to helping people in need.

ISSUES CONCERNING INCOME MAINTENANCE

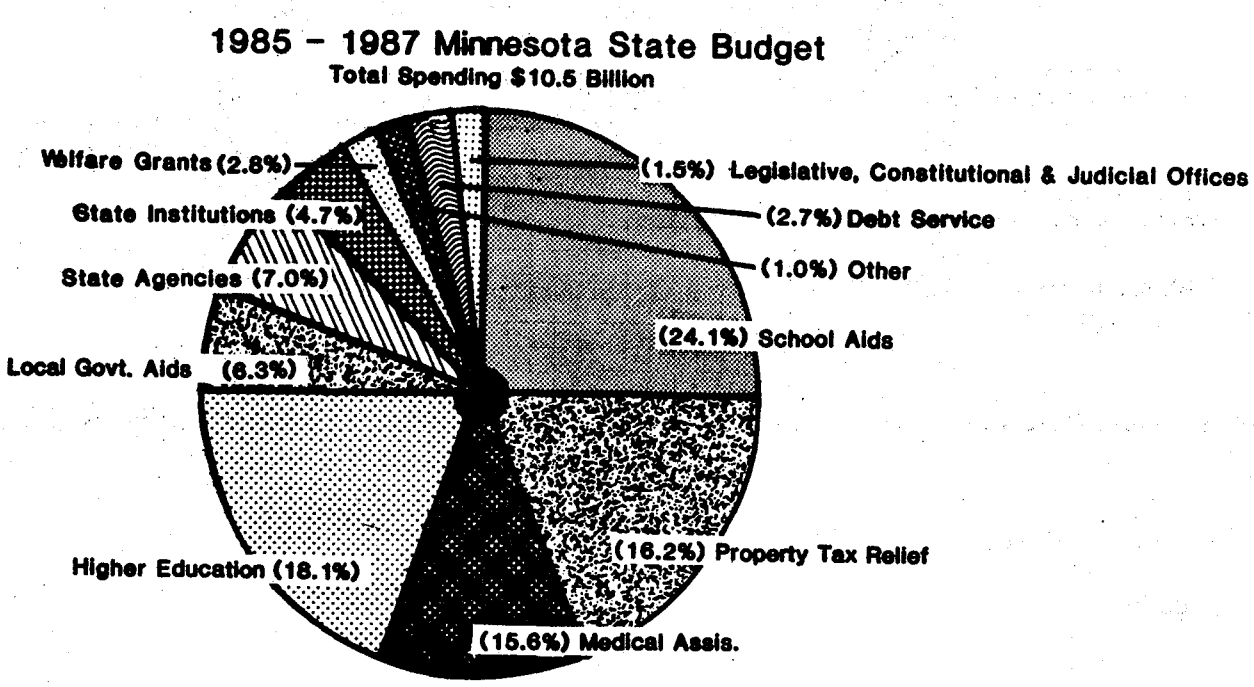
The Cost of Welfare

Reform of the welfare system has become a major issue both in Minnesota and the nation. Much of the attention given to welfare reform is due to a concern about the level of government spending. Revenue shortfalls here in Minnesota and large budget deficits in Washington have led to hard deliberations of ways to hold down government spending.

Programs to aid the poor are easy targets for cuts because those in poverty often lack the political influence of other groups that receive government support. Assistance to middle and upper-income Minnesotans, such as mortgage interest deductions, are seldom targets for spending cuts.

State spending on assistance for the poor is much less than is often assumed considering the level of debate over these programs. Expenditures on income maintenance account for less than three percent of the state's budget (See

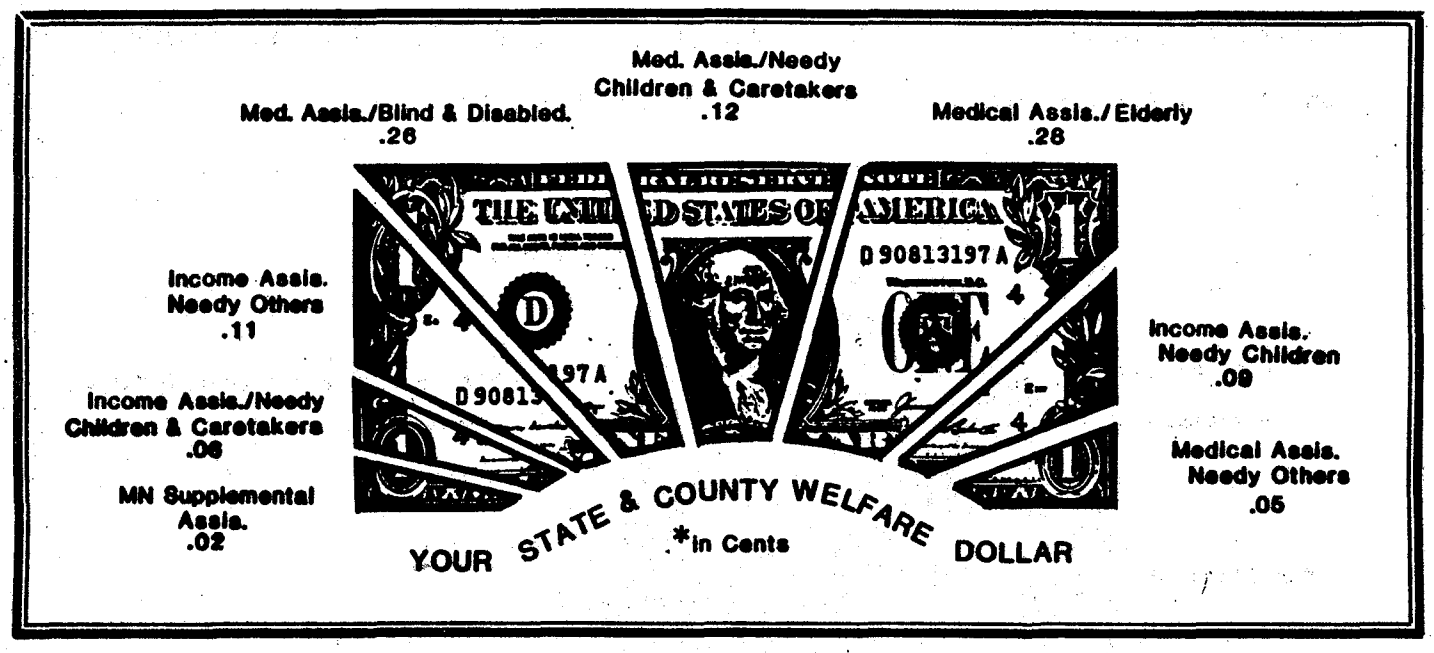
Figure 4). In fiscal year 1986 state expenditures on AFDC, often targeted for spending cuts, amounted to only two percent of the annual budget.



Source: Council on the Economic Status of Women

Figure 4

The public is generally unaware of how state and county welfare dollars are spent. Cash assistance provided through income maintenance programs cost much less than aid for health maintenance. Two out of three public assistance dollars are spent for medical care and significant portion of these expenditures provide health care for persons with disabilities and the elderly (See Figure 5).



Source: Council on the Economic Status of Women

Figure 5

While income maintenance programs could benefit from constructive reforms these programs do not account for a large portion of the state's annual spending. Consequently reductions in these programs do not offer the opportunity for major spending cuts.

Commission Finding: Only 2.8 percent of the state's $10.5 billion budget is spent on income maintenance payments.

Length of Time on Welfare

It is often asserted that the size of Minnesota's welfare grants make it more attractive for people to remain on welfare than to go out and find work. This argument was the reason given for the Minnesota House of Representatives vote to cut AFDC grant levels by 30 percent during the 1986 session.

If it is true that welfare is more attractive than working it would mean that most families on AFDC are long-time recipients. The results of a longitudinal study by the Minnesota Department of Human Services (DHS) show that most families use AFDC only as a temporary measure.

The DHS study selected a sample of families who were first-time users from those families applying for AFDC in December of 1977. These families were then observed each month for seven years (through January of 1985). The findings indicate that 56 percent of the families in the study used AFDC for less than two years (includes non-continuous use), while only seven percent remained on the program for longer than seven years (See Table 1).

LENGTH OF AFDC USE

Total Time on AFDC	Percent of Families
Temporary: Less than two years	56%
Intermediate: Between 2 and 7 years	37%
Long-term: 7 years or more	7%

Source: Minnesota Department of Human Services

Table 1

Commission Finding: 56 percent of families receiving AFDC are on the program less than 24 months, while only seven percent stay on AFDC seven years or longer.

How does Minnesota compare with other states and the nation as a whole? The results of a national study by the U.S Department of Health and Human Services, indicates that while Minnesota's benefits are above the national average, the state has a lower percentage of people on AFDC longer than two years. More than 55 percent of Minnesota's AFDC recipients left AFDC within two years compared to only 47.5 percent for the country as a whole. Over three-quarters of the recipients in Minnesota (76.6 percent) used the program for four years or less, compared 69 percent for the nation (See Table 2).

U.S. AND MINNESOTA AFDC USE

	Minnesota	United States
Percentage of Recipients on AFDC 2 years or less	55.1%	47.5%
Percentage of Recipients on AFDC 4 years or less	76.6	69.3

Source: U.S. Department of Health and Human Services, and the Urban Coalition (5)

Table 2

Mississippi which has the lowest AFDC benefits in the nation has a much higher percentage of long-term recipients than did Minnesota. The study concluded that comparatively higher benefits do not appear to create disincentives to

work, nor do they seem to induce people to stay on welfare for long periods of time.

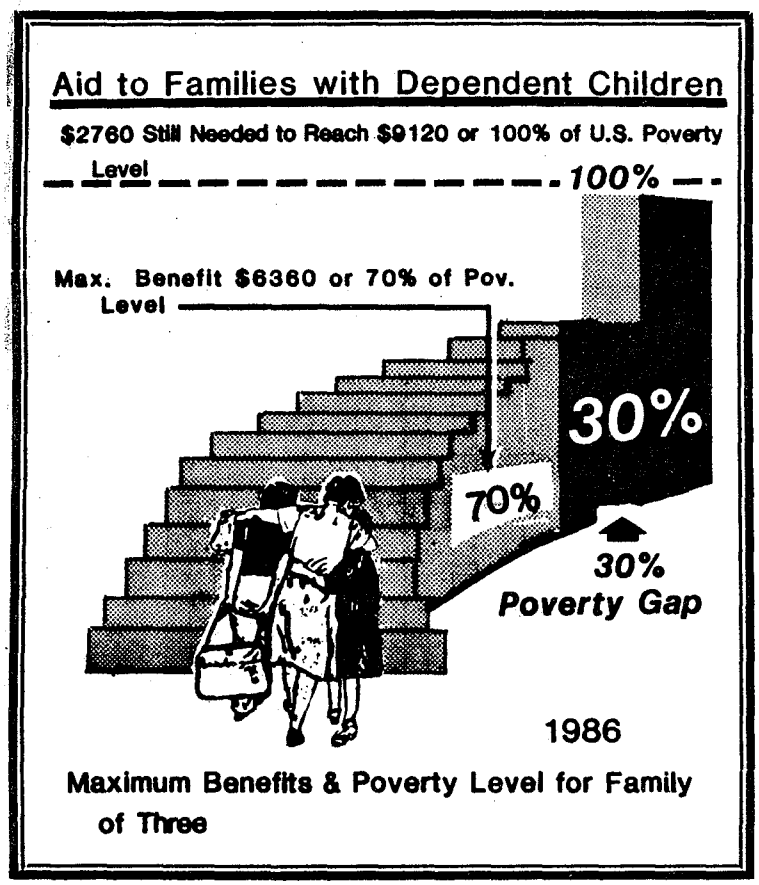
Level of Benefits

Another common complaint is that welfare benefits are too generous and those receiving assistance have little incentive to work because welfare benefits allow them to live too comfortably.

The maximum monthly AFDC benefit for a family of three (the average family size) in 1986 was $532 and amounted to an annual income of $6,360. This figure amounts to an income that was 30 percent below the poverty level for a family of three in 1985. Even if the monetary value of food stamps is included, the family's income still falls 20 percent below the poverty level.

Commission Finding: The maximum income a family of three could receive in AFDC benefits during 1986 was $6,360, 30 percent below the poverty level for a family that size.

The maximum monthly benefit a single person could receive under General Assistance in 1986 was $203 or $2,424 for the year. This amounts to an income for the year which was 55 percent below the poverty level for a single, working-age individual in 1986 (see Figure 6). If the value of the maximum food stamp allocation for a single individual is included, the yearly income would increase to $3,383 or 37 percent below the poverty level.



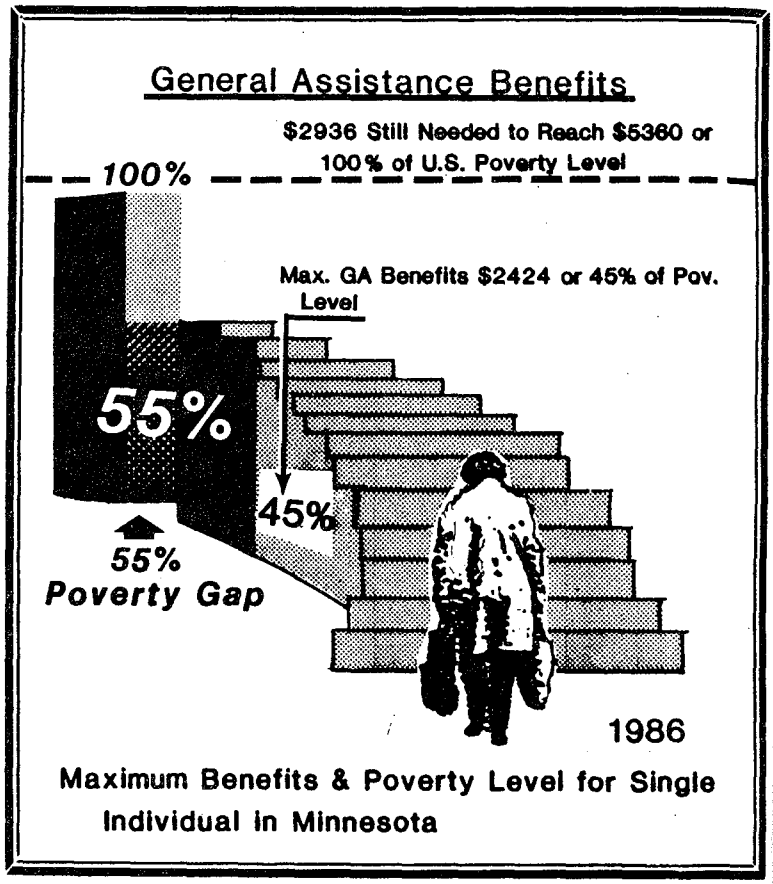


Figure 6

Commission Finding: The maximum income a single Minnesotan could receive from GA benefits during 1986 was $2,424 or 45 percent of the poverty level for a single person.

Purchasing Power of Welfare Benefits

Increases in the cost of living have eroded the purchasing power of both AFDC and GA benefits since the early 1970's. SSI benefits are indexed for inflation and are therefore automatically adjusted each year for increases in the cost of living. The real value of AFDC benefits in Minnesota for a family of three (one adult and two children) declined by 33.2 percent between 1973 and 1986. Thus, the purchasing power of AFDC benefits in 1986 was only two-thirds the level for 1973 (see Table 3 and Figure 7).

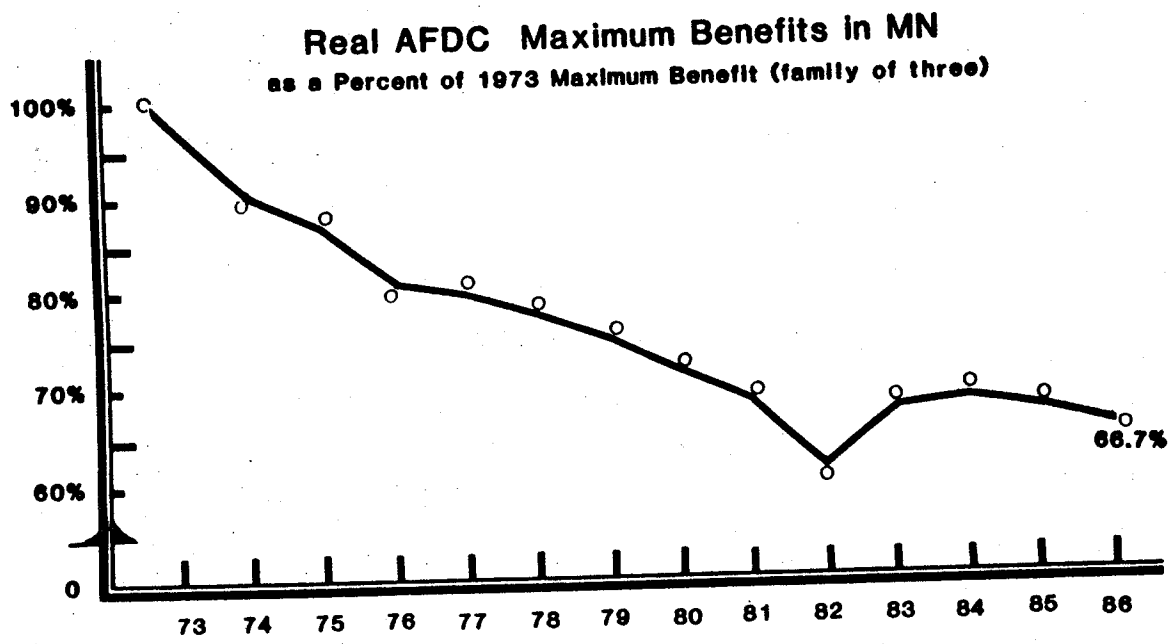


Figure 7 Source: Urban Coalition Data Release #13, February, 1986

MAXIMUM MONTHLY AFDC BENEFIT IN MINNESOTA FOR FAMILY OF THREE
(ONE ADULT AND TWO CHILDREN)

Year	Monthly Benefits	Real Benefits (1973 Constant Dollars)	Percent of 1973 Real Benefits
1973	$317	$317.00	100.0
1974	317	284.30	89.7
1975	330	272.77	86.1
1976	330	256.81	81.0
1977	347	252.20	79.6
1978	364	242.42	76.5
1979	389	231.38	73.0
1980	417	222.55	70.2
1981	446	212.69	67.1
1982	446	193.91	61.2
1983	500	213.89	67.2
1984	524	214.57	67.7
1985	528	211.65	66.8
1986	532	211.40	66.7

Note: Monthly benefit is the maximum benefit in effect on October 1 of each year and was provided by the Department of Human Services. Inflation was calculated using the Minneapolis-St. Paul Consumer Price Index (CPI-W).

Table 3

Commission finding: The purchasing power of AFDC benefits in Minnesota for a family of three decreased by 33 percent between 1973 and 1985.

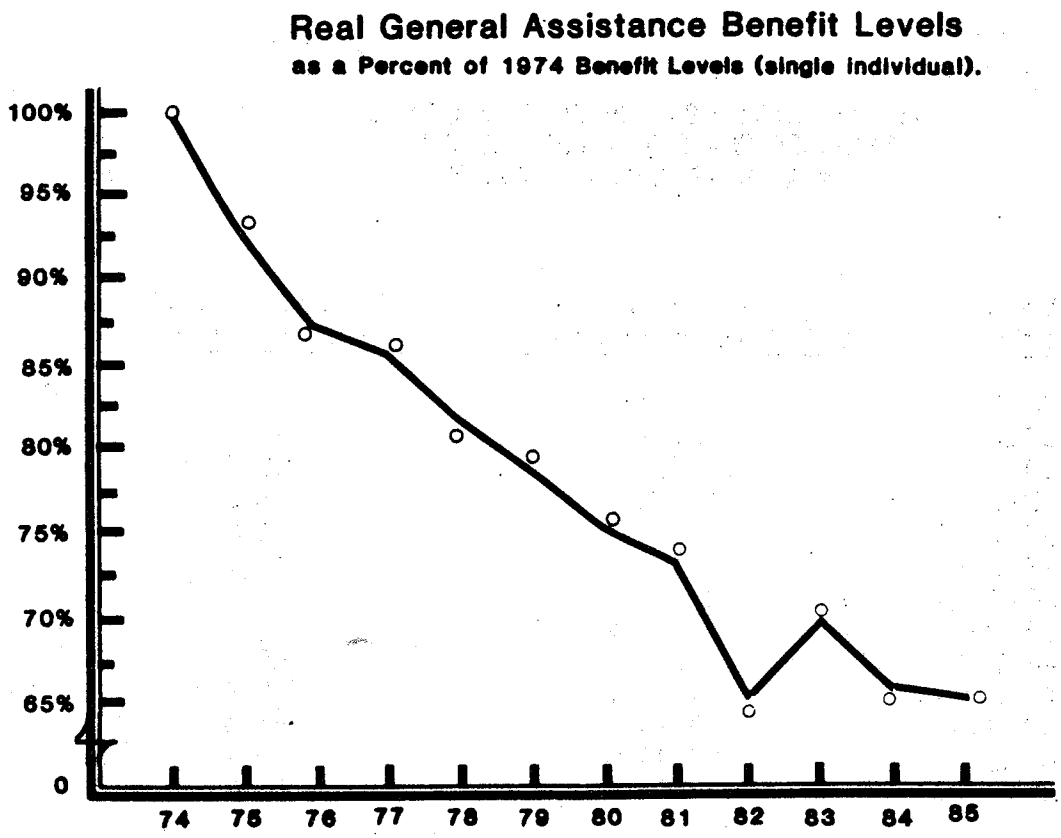
Benefit levels for a single person receiving General Assistance have suffered an even greater loss in buying power (94 percent of GA cases are single individuals). Since GA was established in 1974 the real value of the maximum payment for a single person has dropped 35 percent (see Table 4 and Figure 8).

GENERAL ASSISTANCE BENEFIT LEVELS:
STANDARD PAYMENT FOR ONE PERSON
IN A ONE-PERSON HOUSEHOLD

Year	Monthly Benefit	Real Benefits (1974 Constant Dollars)	Percent of 1974 Real Benefits
1974	$138	$138.00	100.0%
1975	138	127.19	92.2
1976	138	119.25	86.8
1977	145	117.50	85.1
1978	152	112.88	81.8
1979	162	107.44	77.9
1980	174	103.55	75.0
1981	186	98.90	71.7
1982	186	90.17	65.3
1983	199	94.92	68.8
1984	199	90.86	65.8
1985	201	89.84	65.1
1986	203	89.94	65.2

Note: Monthly Benefit is the standard benefit in effect on October 1 of each year and was provided by the Department of Human Services. Inflation was calculated using the Minneapolis-St. Paul Consumber Price Index (CPI-W).

Table 4



Source: Urban Coalition, Data Release #13, February 1986

Figure 8

Commission Finding: The purchasing power of GA benefits for single individuals have fallen by 35 percent since the program was initiated.

A common argument is that cutting back the level of income maintenance benefits will provide an incentive to work and reduce the number of people relying on the programs. The erosion of the purchasing power AFDC and GA benefits provides a convenient test for this argument. The number of people using both programs continues to increase despite the loss of buying power and recent restrictions placed on eligibility for both programs.

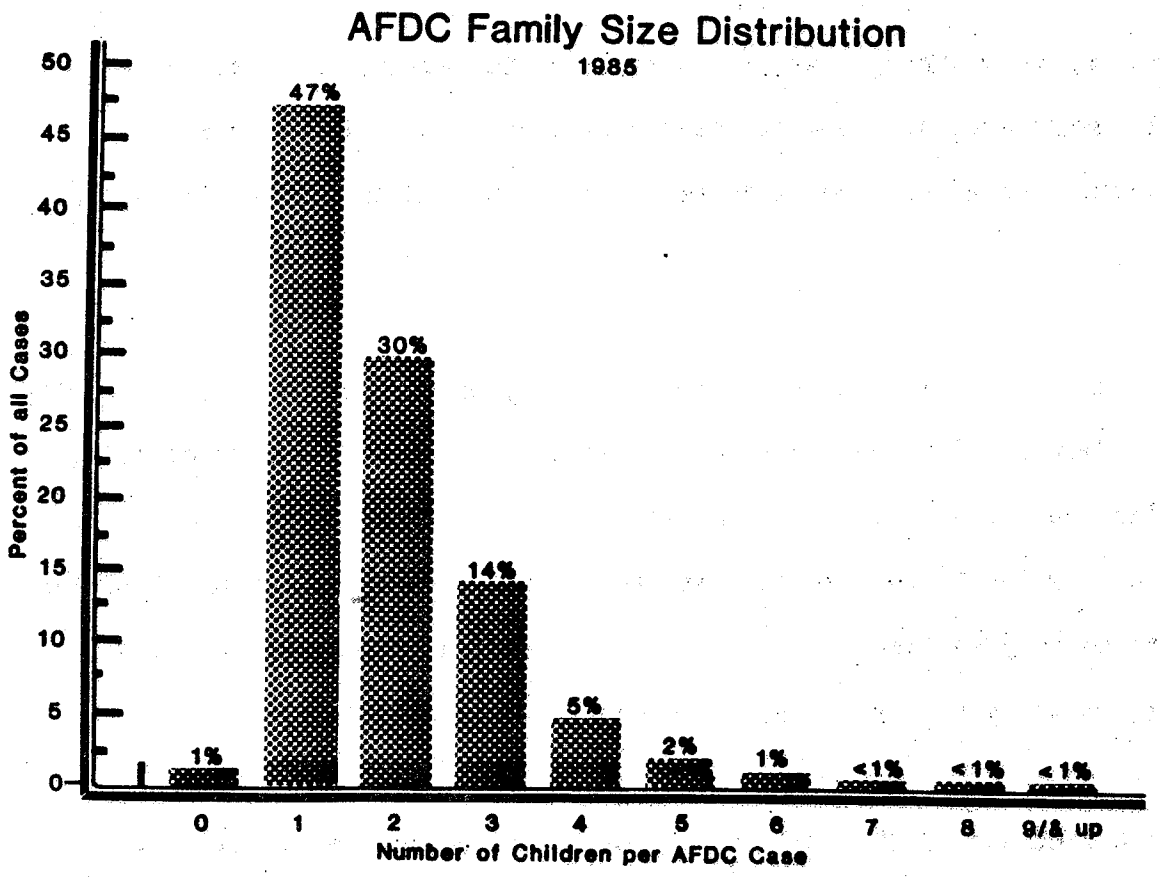
The argument for reducing benefits is based on the assumption that those receiving assistance are somehow "better off" than other low-income Minnesotans. Therefore, non-recipients are encouraged to sign up for programs like AFDC.

The results of the Twin Cities Low-income Survey provide evidence that families receiving AFDC are less well-off than low-income families not participating in AFDC. The study found that AFDC families were two or three times more likely to have gone without basic necessities than were non-AFDC low-income families. The most commonly mentioned unmet need was "essential clothing" followed by "adequate food" as the second most frequently unmet need. (8)

Commission finding: AFDC families are two to three times more likely to have gone without basic necessities than were non-AFDC low-income families.

AFDC: Family Size and Composition

It is frequently argued that AFDC benefits encourage single mothers to have large families. The average family size for most families on AFDC is quite small. In 1985, nearly half of all AFDC cases were families with one child, while 78 percent of all AFDC cases involve two children or less (see Figure 9).



Source: Minnesota Department of Human Services

Figure 9

The average size of families receiving AFDC has declined over the past two decades. The average number of children per case was 1.85 in 1985 compared with 2.8 children per case in 1968.

There is very little if any incentive for a single mother to have an additional child. Last year (FY 1986) a single mother with one child would receive an extra $94 per month or $3 per day for adding a second child. This is hardly enough to meet the extra expenses of raising an additional child and moves the family an additional $750 deeper into poverty (see Table 5).

The benefits for children continue to drop as family size increases and serves as a disincentive to having large families. In fact having an additional child widens the poverty gap (the difference between additional income and the amount needed to reach the poverty threshold).

MINNESOTA AFDC BENEFITS FOR HAVING ADDITIONAL CHILDREN (1986)

Number of Children	Monthly Benefit for Single Parent and children	Yearly Income from Benefits	Poverty Threshold	Poverty Gap	Increase in Poverty Gap
1	$ 434	$ 5,208	7,240	$2,032	-
2	528	6,336	9,120	2,784	752
3	616	7,392	11,000	3,608	824
4	691	8,292	12,880	4,588	980
5	767	9,204	14,760	5,556	968
6	843	10,116	16,640	6,524	968
7	908	10,896	18,520	7,624	1100

Source: Minnesota Department of Human Services.

Table 5

Given that AFDC benefits are less than the poverty level and the small amount a single mother receives for having additional children, there no factual support for the assertion that AFDC encourages larger families.

Commission Finding: The average number of children per AFDC case had declined from almost three children per case in 1968 to less than two in 1985.

AFDC is also asserted to be responsible for encouraging the breakup of families. There is little evidence to support the argument that availability of AFDC benefits lead to higher rates of divorce and separation.

Two Harvard researchers Mary Jo Bane and David Ellwood conducted a study of family status and welfare benefits in the U.S. They found that while the level of Minnesota's AFDC benefits is well above average, our divorce and unmarried birthrates are among the lowest in the nation. Bane and Ellwood concluded, "As explanation for the dramatic changes in family structure, welfare benefits are largely impotent." (9)

Commission finding: There is no factual evidence that AFDC benefits cause higher rates of divorce or separation.

WELFARE REFORM

Most discussions of welfare reform have focused on income maintenance programs which benefit some able-bodied working age adults (AFDC and GA). The majority of attention has focused on AFDC, primarily due to its size, but GA has also experienced several attempts at reform, such as the Work Readiness program. Reform efforts have concentrated on two goals: saving money and reducing the number of people receiving assistance.

The theme of reforms at the federal level has been to target assistance to the "truly needy." The implication of this approach is that there are many "unde-

serving" people who are receiving benefits and should not be eligible. These reforms and proposed actions seek to reduce or eliminate benefits for recipients who are able-bodied working-age adults, many of whom are members of the working poor. This approach has received popular support because it is closely tied to our work ethic and the belief that those who are able-bodied should support themselves.

There are two crucial assumptions which underlie this approach. The first is that there are enough jobs available for everyone who is able-bodied and working age. The fact that recessions in our economy and rising unemployment correspond very closely with increases in the level of poverty highlights the link between a lack of job opportunities and the level of poverty.

The second assumption is that when jobs are available they will provide wages and benefits that enable these people to meet their basic needs and live above the poverty level. The trend toward a dual labor market with an increasing number of low-wage and part-time jobs, discussed in the previous chapter, casts doubt on this assertion as well.

While welfare reforms of the early 1980s had some success in reducing program expenditures and the number of people receiving assistance, both the costs and the number of participants are once again on the rise. The four years of recovery that followed the last deep recession have done little to alleviate poverty.

Changes aimed at those who can do work offer the greatest potential for reforming the system. These people all possess the ability to participate in the job market and contribute to the economy. However, an effective public assistance system must support the entry and re-entry of those in poverty into a labor market where opportunities to earn a living above the poverty level are being developed.

Attempts at reforming income maintenance programs have failed to acknowledge the importance of expanding opportunities as an essential component of moving people off assistance programs. Rather, the reforms have focused on the concern that there are people participating in these program who should not be-- the "undeserving poor." These reforms ignore the fact that a majority of those receiving assistance use the program only as a temporary measure.

Reforms such as those enacted by Congress in 1981, which make the working poor ineligible for assistance, only serve to create disincentives for those program participants who want work. As discussed above, income maintenance benefits provide a standard of living well below the poverty level. However in many cases a full-time minimum-wage job provides an even lower living standard (See Table 6). The result is those people who do work at low paying jobs are often financially less well off than when they were receiving public assistance. In essence, they are penalized for working and fall even deeper into poverty.

MONTHLY LOSS FROM GOING OFF AFDC TO WORK AT
MINIMUM WAGE FOR A SINGLE-PARENT FAMILY* (FY1985)

Number of Children	Monthly Income: AFDC Benefit With One Adult	Monthly Income: Disposable Income at Minimum Wage	Monthly Income: Income Loss
1	431	325	106
2	524	342	182
3	611	357	254
4	685	369	316
5	761	369	392

*Assumes standard tax obligation; work expenses $60; child care expenses (constant) at $150.

Source: Minnesota Department of Human Services

Table 6

AFDC participants who seek to improve their potential earnings in the job market by furthering their education also face difficult barriers. Awards of financial assistance to attend college generally result in a reduction of AFDC benefits and food stamps often making it impossible to meet the additional expenses of attending school, as well as basic needs at home.

The lack of affordable support services such as child care and health care also serve to block the re-entry into the job market for many participants. These barriers are discussed in the chapters on Health and Nutrition, and Child Care.

CONCLUSION

Recently, public dissatisfaction with income maintenance has grown as have attacks by those who criticize the system for not providing a cure for poverty.

The much more difficult and fundamental issue of the changing nature of the U.S. economy and its relationship to the problem of poverty has been thus far neglected.

There is an important role for income maintenance programs in the strategy to alleviate poverty. However, it is only one part of the comprehensive approach that is needed. These programs were not designed as a cure for poverty. Income support serves only to alleviate the effects of poverty and used alone cannot be expected to restore financial independence. Income maintenance programs were not intended to provide the training and retraining needed to keep up with our rapidly changing economy. They were also not created to improve the availability of jobs that enable people to earn a living above the poverty level. These are both crucial links in the transition from poverty to financial independence.

Recent federal reforms and cutbacks have made it more difficult for participants to leave income maintenance programs--yet a majority still do so within two years. An even greater number would achieve independence if income assistance, health and child care support were integrated with innovative job training and job development efforts designed to improve opportunities for those in poverty.

Endnotes

1. Patterson, James J., America's Struggle Against Poverty 1900-1985. 1986, Cambridge, MA: Harvard University Press, P. 172.

2. DiNito, Diana M. and Dye, Thomas R., Social Welfare: Politics and Public Policy, 1983, Englewood Cliffs, NJ: Prentice Hall, Inc.

3. Ibid.

4. MN Department of Human Services "Monthly Report of Income Maintenance Programs, August, 1986.

5. Urban Coalition, Data Release Number 14, August, 1986, Minneapolis, MN.

6. Urban Coalition, Data Release Number 13, February, 1986, Minneapolis, MN.

7. Ibid.

8. Minnesota Center for Survey Research and CURA, Profiles of the Twin Cities Poor, Report #2, "Unmet Basic Needs of Low-Income Single Parent Families." December, 1986.

9. Ellwood, David J. and Bane, Mary Jo, "The Impact of AFDC on Family Structure and Living Arrangements," Report to the U.S. Department of Health and Human Services, Harvard University, 1984.

TAXES AND POVERTY

Federal, state and local taxes have an important, though often unappreciated, impact on low-income Minnesotans in poverty. Most of the public has the mistaken notion that poor people pay little or no taxes. In fact, the total tax burden on low-income people is substantial and has been rising throughout the 1980s.

For Minnesotans living in poverty, every dollar counts. High levels of taxation reduce the ability of low-income people both to purchase basic necessities and to take full advantage of opportunities that might help them escape from poverty.

An equitable and just tax system should be based on principles such as ability to pay and simplicity. Minnesota's income tax is progressive since tax rates rise as one's income rises. However, the state's sales and property taxes are not based on ability to pay and are regressive taxes. This means that low-income people must devote a greater portion of their income to these taxes than do middle and upper-income residents.

Minnesota's state and local taxes have become increasingly regressive in recent years and are marked by serious inequities. Low-income people are now required to pay an even larger share of the total burden than in the past.

Sales Tax

The sales tax rate was increased from four to five percent in 1981, and again from five to six percent in 1983. Even though food and clothing are exempted, the Minnesota sales tax is one of the state's most regressive taxes.

Low-income people generally pay a larger portion of their income in sales taxes than do upper-income people. A recent study by Citizens for Tax Justice found that Minnesota families earning under $9,000 pay at least 2.2 percent of their income in sales tax, while those earning over $165,000 pay only 0.8 percent of their income in sales taxes. (1)

In the past few years, adding the sales tax to clothing and possibly food has been proposed as one way to raise revenues and stabilize state finances. Consumer research indicates that expanding the sales tax to these necessities would disproportionately affect low-income people. A recent Bureau of Labor Statistics study shows that households with incomes under $15,000 devote almost three times as much of their income to food and almost twice as much of their income to clothing than do households with incomes over $40,000. (2)

Commission Finding: Even though food and clothing are exempt, low-income Minnesotans spend nearly three times as much of their income on sales taxes as do upper-income Minnesotans.

Property Taxes

Despite substantial state spending for property tax relief, property taxes remain one of the most burdensome taxes for Minnesotans living in poverty. A study prepared for the Minnesota Tax Study Commission found that the property tax on homeowners was regressive even after all forms of property tax relief were taken into consideration. The authors concluded that low-income homeowners pay a greater percentage of their income in net property taxes than do middle and upper-income homeowners. (3)

Similar studies have not been done for renters, but there is good reason to believe that low-income renters pay high property taxes for the following reasons:

1. The effective tax rate on apartments is about three times higher than the rate on owner-occupied homes.(4) It is relatively easy for landlords to pass on most, if not all, of their property tax bill to tenants in the form of higher rents.

2. Low-income people must devote more of their income to housing costs than do those who are not poor. Consequently, they are disproportionately affected by the high property tax rate on apartments. In 1980, housing consumed over 40 percent of the income of Minneapolis renters earning under $10,000, but only 14 percent of the income of those earning over $20,000.(5)

3. Renters, unlike homeowners, cannot deduct property taxes when computing their income taxes.

The renters credit and the homeowners circuit breaker credit are the only property tax relief mechanisms in Minnesota that consider household income as a factor in calculating the amount of relief provided. Both programs are designed to soften the regressivity of property taxes and provide property tax refunds to low and moderate-income renter and homeowners. In 1983, the last year for which income breakdowns are available, 83 percent of the renters and 76 percent of the homeowners participating in these programs had household incomes under $20,000.

However, in FY 1985 the renters credit and the homeowners circuit breaker credit combined constituted only 16 percent of state spending on direct property tax, credits, and refunds. That share is expected to decline to 13 percent in FY 1987. The remainder goes to property tax relief that is not based on income, primarily the homestead credit, agricultural credit, and local government aids.

In recent years, the state has put less and less money into property tax relief that is explicitly targeted to low and moderate-income people. Between FY 1980 and FY 1985, combined spending for the renters credit and the homeowners circuit breaker <u>decreased</u> 15 percent (38 percent after adjusting for inflation). Meanwhile, spending on the homestead credit <u>increased</u> by 105 percent and spending on the agricultural credit jumped by 152 percent (See Table 1).

CHANGES IN STATE SPENDING
FOR PROPERTY TAX RELIEF
(thousands)

	FY1980	FY1985	Percent Change
Rent Credit and Homeowners Circuit Breaker	210,742	179,969	-14.6%
Homestead Credit	246,058	505,022	+105.2%
Agricultural Credit	37,034	39,160	+151.6%

Note: Spending figures are not adjusted for inflation.

Sources: State of Minnesota, Economic Report to the Governor, 1986, pp. 202-203; and Minnesota Department of Revenue

Table 1

Finally, the dollar value of income-based property tax relief is also declining. Legislation passed in 1985, for example, reduced the average renters credit by eight percent for those with incomes of $10-14,000 and by 12 percent for those with incomes of $14-20,000.

Commission Finding: Minnesota has reduced property tax relief for low-income households by nearly 15 percent since 1980, while spending on tax relief for middle and upper-income homeowners has increased over 100 percent.

Fewer renters are getting help through the rent credit. Between 1980 and 1984, the number of households receiving the credit dropped by over 92,000, or 22.6 percent (See Table 2). Households with incomes under $14,000 showed the greatest declines. As Table 2 indicates, the drop in participation is concentrated entirely in tax years 1982 and 1983, which coincides with the enactment of administrative changes that may have discouraged applications.

NUMBER OF HOUSEHOLDS RECEIVING RENTERS CREDIT

Tax Year	Number	Change Since 1980	Percent Change Since 1980
1980	407,234	-	-
1981	410,515	+ 3,281	+ 0.8%
1982	369,390	-37,844	- 9.3%
1983	314,424	-92,810	-22.8%
1984	315,086	-92,148	-22.6%

Source: Minnesota Department of Revenue, Property Tax Relief for Minnesotans (annual report).

Table 2

Commission Finding: Although the number of low-income Minnesotans has increased by almost 100,000 since 1979, there has been a decrease of over 92,000 participants in the renters credit program.

Income Taxes

Many working families with earnings below or slightly above the poverty level received income tax increases when the legislature eliminated the low-income credit in 1985. In addition, many poor Minnesotans who in the past did not have to pay state income taxes, were added to the tax rolls.

Table 3 illustrated that low-income families do pay income taxes in Minnesota, and in many cases their 1985 tax is higher than their 1984 tax. For example, a single-parent family of four earning a poverty-level income saw their income tax bill jump from $98 in 1984 to $251 in 1985. Although most Minnesota households benefitted from the income tax changes passed in 1985, many workers at the bottom of the economic ladder did not.

STATE INCOME TAX FOR FAMILY WITH
POVERTY LEVEL INCOME 1984-85

	Married Couple			Single Parent		
Family Size	1984	1985	Change	1984	1985	Change
Two	0	50	+50	0	121	+121
Three	0	54	+54	0	155	+155
Four	98	106	+ 8	98	251	+153

Note: Tax calculations are based on the following assumptions:

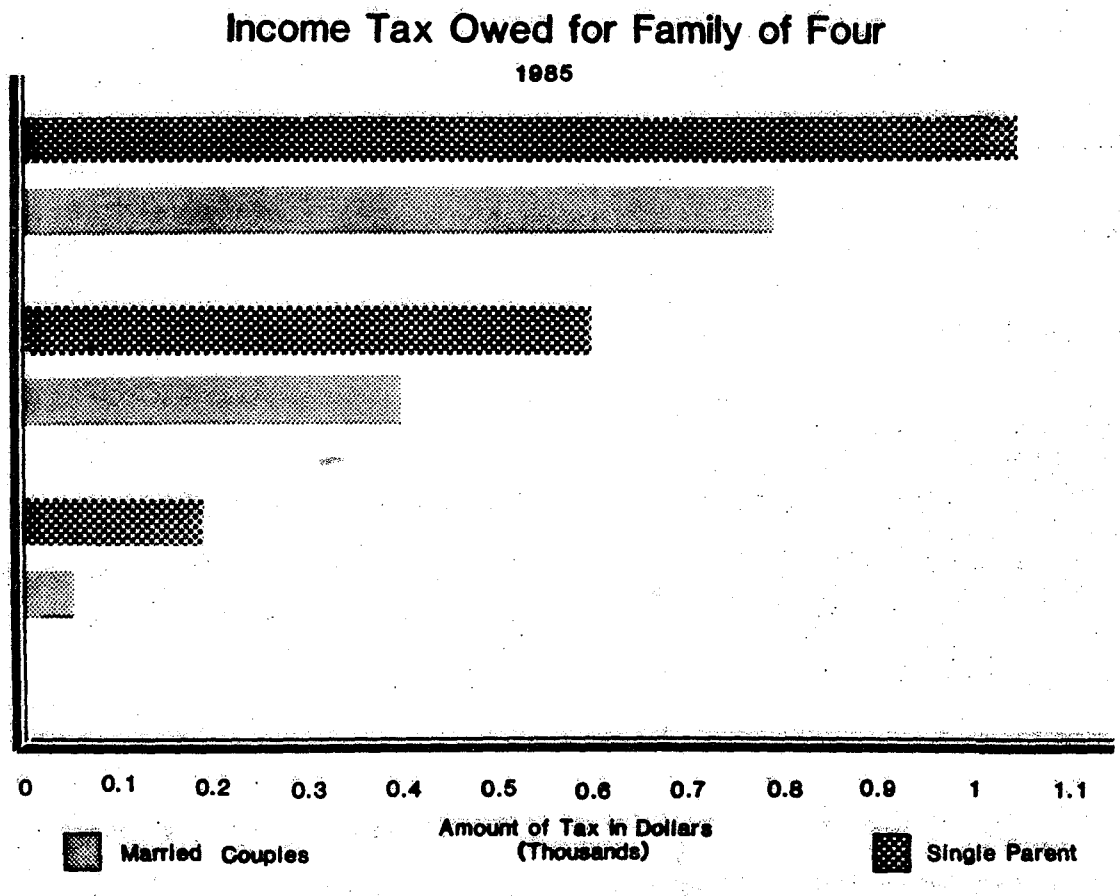
all income comes from wages, interest or dividends;
there is one wage earner in the family;
no itemized deductions; and
no credits except the personal credits and low-income credit (1984 only).

Source: Urban Coalition of Minneapolis, "State Tax Issues Affecting Low-Income People in Minnesota," October, 1986.

Table 3

Commission Finding: Many Minnesotans whose income was near or below the poverty level saw their income taxes increase as much as $155 due to the elimination in 1985 of the state's low-income credit.

One of the most serious inequities in the current income tax system is the single-parent tax penalty, which was created by the legislature in 1985 when it established different tax rates for single people and married couples. Single-parent families must pay higher taxes than married-couple families having the same income. The size of this tax differential can be substantial. At the $15,000 income level, the single-parent family of four pays $221 more in taxes than a married couple family of four (See Figure 1). Single parents affected by this measure are typically low and moderate-income working women.



Note: Tax calculations are based on the following assumptions:
- All income comes from wages, interest or dividends.
- There is one wage earner in the family.
- No itemized deductions
- No credits except personal credits.

Source: Urban Coalition of Minneapolis, State Tax Issues Affecting Low-Income people in Minnesota," October, 1986.

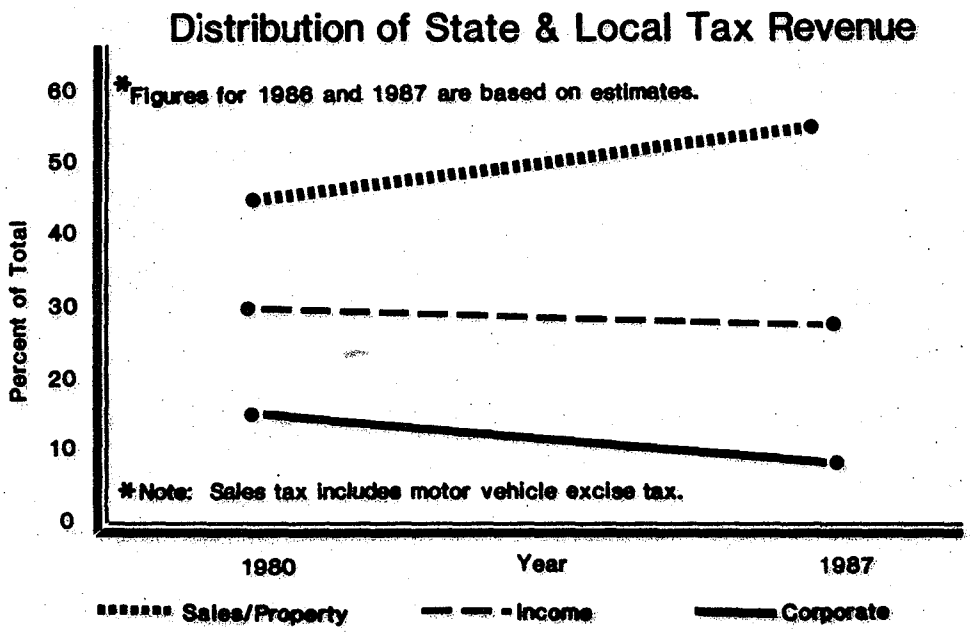
Figure 1

Commission Finding: Single-parent families in Minnesota pay substantially higher income taxes than married-couple families earning the same income because of changes in the 1985 state tax code.

Taxes and State Revenues

Minnesota has come to rely more and more on regressive taxes like the sales and property taxes and less and less on progressive taxes like the income tax. To make up for budget deficits in the early 1980s, the sales tax was increased from four to six percent by 1983. When the recession ended and the state found itself with a budget surplus, the legislature kept the sales tax high and instead cut income tax revenues by $881 million over the 1985-87 biennium.

As Figure 2 shows, the sales tax and property tax combined are expected to account for 55.5 percent of total tax revenue by 1987, compared to only 47.5 percent in 1980. On the other hand, corporation taxes have been cut almost in half, from 13.5 percent. in 1980 to 7.4 percent in 1987. The individual income tax share rose from 29.9 percent in 1980 to 33.5 percent in 1984 and then decreased sharply after the recent tax cut, to an estimated 28.4 percent in 1987.



Note: Sales tax includes motor vehicle excise tax. Figures for 1986 and 1987 are based on estimated revenues.

Source: State of Minnesota, Economic Report To The Governor, 1986, pp. 184-192.

Figure 2

Commission Finding: Minnesota is increasing its dependence on regressive taxes such as those on sales and property which place a heavier burden on the low-income taxpayers.

Federal Tax Reform

Since 1979, the total federal tax burden on the working poor had increased sharply, primarily because Congress and the President had failed to adjust the personal exemption, standard deduction, and earned-income credit for inflation during this seven-year period, even though the cost of living has increased by almost 50 percent.

For example, federal taxes on a family of four earning a poverty-level income rose from $136 in 1979 to $1,144 in 1985. Their tax rate increased from 1.8 percent of family income to 10.4 percent. Working families with earnings below or somewhat above the poverty level have faced similar steep increases.

TOTAL FEDERAL TAX BURDEN ON TWO-PARENT FAMILY OF FOUR EARNING POVERTY-LEVEL INCOME

Year	Poverty Level Income	Total Federal Tax	Percent of Income
1979	$7,412	$ 136	1.8%
1980	8,414	463	5.5
1981	9,287	786	8.5
1982	9,862	950	9.6
1983	10,178	1,001	9.8
1984	10,609	1,077	10.2
1985	10,989	1,144	10.4
1986	11,198	1,163	10.4
1987*	11,590	470	4.1
1988*	12,088	267	2.3

Note: *Poverty levels are based on estimated inflation rate of 3.5 percent in 1987 and 4.3 percent in 1988.

Note: Tax calculations are based on the following assumptions:
-- Income is earned income (wages and salary).
-- There is one wage earner in the family.
-- No itemized deductions.
-- No credits except the earned income credit.

Source: Pete Rode, Research Director, Urban Coalition of Minneapolis

Table 4

Endnotes

1. Citizens for Tax Justice, Revising the Tax Shift, January, 1987.

2. U.S. Department of Labor, Bureau of Labor Statistics, Consumer Expenditure Survey: Interview Survey, 1982-83, Bulletin 2246, February, 1986.

3. Stinson, Thomas and VanderWall, Kathleen, The Guidance of the Minnesota Tax on Home Owners, Paper prepared for the Minnesota Tax Study Commission 1984.

4. Minnesota Tax Study Commission, "Property Taxes in Minnesota: An Executive Summary," 1984.

5. U.S. Bureau of the Census, 1980 Census of Population and Housing, Publication PHC 80-2-244, Census Tracts: Minneapolis-St. Paul, p H-138.

EDUCATION AND POVERTY

The relationship between education and poverty appears to be rather straightforward. The Minnesota maxim could well be "to get ahead, get an education." Indeed, it seems as if educated people are moving ahead everywhere. Success is seen as the reward for educational achievement. The conviction that more education leads to higher income is supported by the statistical data.

By the same token, those who fail are regarded as less than diligent in their pursuit of education. As a rule, those with the least education will end up in poverty. From this perspective, a lack of education is seen as the primary cause of poverty. Therefore, poverty will be eliminated by raising the educational level of all poor people.

Unfortunately, the issue is not quite so simple. There is strong evidence that demonstrates a relationship between poverty and a lack of education. However, the question is not whether the poor are under educated, but whether educational deficiencies cause poverty. Education (or lack of it) is not the cause of poverty; rather, it is how the Minnesota economy distributes poverty.

In an economy that has a limited number of employment opportunities, education serves as a sorting device. The person with credentials will have a competitive edge in the labor market. Likewise, the "least-educated, last-hired" person may well live in poverty. In this sense, there may be some basis for attributing poverty to an educational deficiency. Education may influence who

gets the available jobs, but the labor market will determine how many jobs are available. Even if the "least-educated, last-hired" person attains a college degree and lands a job, it will not reduce the levels of unemployment or poverty; if one's individual position rises, then someone else's falls. If there is only one job opening and three applicants, no amount of educational improvement will leave less than two persons unemployed. In an economy with substantial underemployment and unemployment, a good education is no longer a guarantee of a good job--or even a poor one.

Commission Finding: Education may influence who gets the available jobs, but the labor market will determine how many jobs are available. Education is how the Minnesota economy distributes poverty.

EDUCATION, EMPLOYMENT AND EARNINGS

Minnesota: The Brainpower State

Minnesotans have historically placed a high value on education as demonstrated by data from the U.S. Center for Educational Statistics. In 1985, 90.6 percent of our high school students graduated, compared with 70.6 percent nationally. While the country's graduation rate has actually declined from 74.4 percent in 1980, Minnesota's increased from 85.2 percent. As a result, our graduation rate is the highest in the country, and our state was the first to achieve a 90 percent graduation rate. In fact, since World War II Minnesota has

consistently had one of the highest rates and has frequently held the number one position. (1)

Further, graduation rate statistics do not include students who receive secondary school equivalency certificates (GED) or students who enroll in post-secondary vocational schools or other educational institutions without receiving a high school diploma. Some portion of the 9.4 percent of students not graduating in 1985 probably went on to receive further education or equivalency certificates.

The majority of high school graduates continue their educations. According to a Minnesota State Board of Vocational Technical Education survey of 1984 public high school graduates one year after graduation, 50 percent were enrolled in community or four year colleges, and 11 percent were enrolled in vocational schools. (2) These figures would likely be even higher if the approximately seven percent of graduates from non-public schools were included, and if the study were expanded to include those who enroll in post-secondary education within five years of graduation. (3)

Enrollment of Minnesota students in four-year and community colleges has risen steadily since 1975. Although vocational school enrollment has declined since 1981, this drop has been more than off set by an increase in the total number of students attending post-secondary educational institutions (See Table 1).

PERCENT OF PUBLIC HIGH SCHOOL GRADUATES ENROLLED IN POST-SECONDARY PROGRAMS ONE YEAR AFTER GRADUATION, 1975 THROUGH 1984

	Percentage Enrolled In:			
Class of	Four-Year Colleges	Community Colleges	Vocational Schools	Total
1975	27.1%	9.5%	12.8%	49.4%
1976	31.4	7.2	13.3	51.9
1977	30.9	7.0	13.5	51.4
1978	29.5	7.3	14.1	50.9
1979	30.7	8.3	14.0	53.0
1980	32.2	9.2	14.6	56.0
1981	32.6	9.0	15.3	56.9
1983	35.0	10.2	12.4	57.6
1984	38.9	11.0	11.0	60.9

Source: MN Department of Education, April 1986

Table 1

The high rates of high school graduation and post-secondary enrollment result in a very high level of the general rate of educational attainment for Minnesotans, particularly young adults aged 25 to 34, of whom 93.4 percent had completed 12 or more years of school in 1980. This group is much more likely to have attained this educational level than either their parents or grandparents (See Table 2).

PERCENT OF POPULATION (AGE 25 AND OVER) WITH TWELVE OR MORE YEARS OF SCHOOL, BY AGE, 1960 THROUGH 1980

	Minnesota				United States	
Age	1960	1970	1977	1980	1977	1980
25 to 34	68.3%	83.6%	93.1%	93.4%	83.4%	84.2%
35 to 44	57.5	71.5	83.6	87.2	73.6	76.7
45 to 64	34.8	51.9	64.0	68.4	60.6	61.6
65 and over	16.9	25.2	35.2	38.2	37.5	38.8
Total Population Age 25 and over	43.9%	57.6%	69.7%	73.1%	65.0%	66.5%

Source: Minnesota Department of Energy, Planning and Development; State Demographer Section.

Table 2

Education and Earnings

The evidence that higher levels of education correlate with higher levels of individual income is well documented. As one of many possible examples, Table 3 demonstrates that labor force participation, employment levels and earnings increase substantially as education levels increase.

EDUCATION AND THE LABOR MARKET

	High School Dropouts	High School Graduates	College Graduates
Unemployment Rate %	20.6	11.7	3.8
*Labor Force Participation Rates %	83.4	90.7	95.4
*Full-Time Workers %	74.9	89.7	90.6
Occupation Status	Blue Collar	Clerical	Professional
Average Annual Earnings	$9,291	$12,092	$20,223

*For male workers aged 25-64

Source: U.S. Department of Labor (1981-1983 data)

Table 3

Examining the correlation between education and earnings from another perspective yields similar results. The U.S. Census Bureau has found that the economic benefits of continued education are very significant. For example, a 1979 report estimated that a male high school graduate could expect to earn approximately $803,000 between the ages of 25 and 64 while a male college graduate could earn approximately $1,165,000 between the same ages. The $365,000 obtained by a college education could be increased by another $108,000 for a male with a postgraduate degree. (4)

Finally with specific respect to poverty levels, the association with education is clear: A Minnesotan's tendency to live in poverty diminishes significantly as educational attainment increases (See Table 4).

POVERTY STATUS BY AGE AND EDUCATION MINNESOTA: 1980

Years of Education	Percent of Persons Below Poverty aged 16-64
0 - 4	25.5
5 - 7	18.8
8 - 9	13.5
10 - 11	12.7
12+	5.7

Source: U.S. Bureau of the Census

Table 4

Thus, education is one solution to poverty. The dilemma posed by these data involves reconciling Minnesota's outstanding record of educational achievement with the state's increasing levels of poverty.

One economic theory commonly used to explain these data is known as "human capital" theory. This concept refers to the accumulated education, skill, ability and experience a worker brings to the labor market. The higher the level of human capital a worker possesses, the higher that worker's productivity. Higher rates of productivity are in turn associated with higher wage rates. Low levels of human capital, on the other hand, are associated with lower rates of productivity, lower wages, fewer employment opportunities and a correspondingly greater probability that a worker will experience poverty.

Education is one of the most significant human capital traits, and it has been specifically proven to correlate with income. The sweeping changes underway in Minnesota's economy, however, put new pressures on our educational system to

deliver the opportunity to all residents to develop sufficient human capital to avoid poverty.

Education and the Labor Market

Minnesota enjoys labor force participation rates and education levels that are significantly higher than those of the nation as a whole. Despite these advantages however, we are not immune from the economic transformations (See Chapter 2) being experienced both nationally and internationally. These transformations exert substantial pressure on our labor market to produce an adequate number of middle-income jobs so that Minnesotans can support themselves.

The subsequent restructuring of the Minnesota economy calls for a re-examination of our attitudes regarding education and training. According to the Minnesota Department of Education, education, training and re-training are expected to become a lifelong trend. Lifelong careers are becoming increasingly unusual--so much so that estimates are that a person entering the labor market in 1990 may expect to change careers 15 times in a lifetime. (5)

Aggravating this situation is the likelihood that by 1990 an estimated three out of four jobs will require some education or technical training beyond high school. This can be explained to some degree by technological changes that require workers with higher skills.

A surplus of college graduates will also affect job requirements. On the national level, the Bureau of Labor Statistics projects a labor market surplus

of approximately 4 million college graduates between 1982 and 1995. Some of these graduates will experience prolonged unemployment, but many more will experience underemployment as they enter jobs in clerical, service or retail sales occupations which do not strictly require a college education.(6)

Additionally, employers will respond to the labor market surplus of college graduates by raising educational requirements for job openings and hiring highly educated workers for jobs that were historically occupied by workers with less education. According to the Minnesota Department of Jobs and Training, more that 150,000 jobs formerly requiring less than a high school degree will be filled in 1990 by persons with more education.(7) Thus, there will be a great deal of competition for jobs from people with higher education, and a college degree will become a necessity for workers seeking labor market competitiveness. A recent study released by the Joint Economic Committee of Congress links the growing disparity in the distribution of income with the growing disparity between those with and those without at least some college education.

The economic condition of high school dropouts has clearly deteriorated between 1973 and 1984 as their share of low-wage earnings increased from 44.3 to 53.6 percent (See Table 5). High school graduates also experienced an increase, although not as dramatic, in low-wage employment. In fact, 80 percent of net employment growth among high school graduates since 1979 paid low wages.(8)

EARNINGS AND EMPLOYMENT SHARES BY EDUCATION LEVEL

	1973	1979	1984	'73-79	'79-84
LESS THAN H.S. DEGREE					
Low Stratum	44.3%	47.7%	53.6%	N.A.	N.A.
Middle Stratum	47.6	45.2	41.8	N.A.	N.A.
High Stratum	8.1	7.1	4.6	N.A.	N.A.
Total	100%	100%	100%	N.A.	N.A.
HIGH SCHOOL GRADUATE					
Low Stratum	27.4%	27.0%	31.2%	25.1%	81.2%
Middle Stratum	58.2	59.3	58.4	66.5	47.2
High Stratum	14.5	13.7	10.4	8.4	-28.4
Total	100%	100%	100%	100%	100%
SOME COLLEGE OR MORE					
Low Stratum	24.5%	22.5%	23.5%	17.1%	27.8%
Middle Stratum	47.4	51.5	52.2	63.0	55.5
High Stratum	28.1	26.0	24.3	19.9	16.7
Total	100%	100%	100%	100%	100%

Source: Calculations from Uniform CPS (Marc-Winship) Data Files Joint Economic Committee Report December, 1986.

Table 5

The decline of middle-sector jobs cuts across all educational attainment levels. This decline is a result of international economic trends from which no one is immune. On the other hand, the evidence shows that generally speaking, college educated workers generally experience fewer labor market constraints than their less-educated counterparts. As the Joint Economic Committee observed: "At least in terms of annual wages, Americans are becoming increasingly divided along the lines of educational attainment." (9)

An additional consideration that frames this discussion is the recognition that labor market demands are anything but static; in fact, the dynamic changes brought about by emerging technology put even more pressure on the labor market and can quickly render today's salable job skills and education obsolete. As an example, the Minnesota Department of Jobs and Training believes that:

> During the 1980s and 1990s, the ability of middle and upper-class families to own personal computers may evolve into one of the most significant advantages children of these families have over low-income families who cannot afford this equipment. Given that application and use of PC type installations will become increasingly more common across all types and sizes of businesses, job seekers from minority and low income families emerge at an increased skill disadvantage because they have little or no ability to use this equipment.[10]

In fact, technology is developing so rapidly that it is difficult for people from all economic classes to obtain appropriate education. For example, the developing field of Computer Assisted Design/Computer Assisted Manufacturing (CAD/CAM) permits a draftsperson to produce blueprints by computer rather than by hand. As a consequence of CAD/CAM, a draftsperson requires extensive retraining in order to remain employed.

However, even newer technology is currently under development--Computer Integrated Manufacturing (CIM). Rather than producing computer generated blueprints, CIM allows engineers to design by computer and to directly transform those designs into parts and ultimately into finished products. The middle step in the production process (CAD/CAM) will thus become obsolete.[11] As technology increases its impact, it is apparent that people who lack access to

the most up-to-date education and training will quickly lose their place in the labor market.

In fact, the geographical scope of the labor market has broadened considerably in the last decade, intensifying the competition faced by Minnesota's workers. As noted by the Governor's Commission on the Economic Future:

> Minnesota's educational system is now being compared to global rather than domestic standards. The graduates of Minnesota schools will compete, in a very real sense, with those educated in Germany, Japan, Taiwan and the Soviet Union. (12)

A great deal of attention is currently focused on bringing technology-intensive industry to the State as a strategy for promoting job growth. These so called "high-tech" industries are referred to as "knowledge-intensive," and the availability of a highly educated labor force is an important determinant of a firm's location decision. (13) Thus, increasing educational attainment levels is an effective response to labor market pressures faced by individuals within Minnesota, and by the state as a whole, as the imperative of global job competition becomes more intense.

State Spending on Education

Ironically, as pressure for increasing educational attainment levels in Minnesota rises, state spending on education is falling. Minnesota has historically ranked near the top of the list in comparing three key indicators of state spending on education: per capita, per pupil, and the ratio of per pupil spending to the state's average per capita income. However, the state's ranking is slipping.

In 1970 Minnesota allocated more money per resident to public schools than any other state in the country. Since then, however, Minnesota's spending has decreased by nine percent, and the state's ranking has dropped to seventh place. (14) Expenditures on a per pupil basis have also fallen comparatively, dropping our ranking from 11th to 16th. Wisconsin currently spends more per pupil than does Minnesota. (15)

With respect to per pupil expenditures as a percent of per capita income, Minnesota ranked 4th nationally in 1972 and slipped to 15th in 1982. Although still exceeding the U.S. average effort, Minnesota's effort is now surpassed by Wisconsin, Iowa and North Dakota. (16)

These trends have especially serious implications for students in poor school districts, since only about 62 percent of K-12 public school education costs are paid by the state. The remaining 38 percent of a district's costs are paid by local property taxes, leaving poor students with increasingly precarious educational and economic futures. (17) Thus, as expectations of higher levels

of educational attainment among workers in our state increase, resources allocated to the education of children from low-income families decreases, aggravating the economic problems faced by this group of Minnesota workers in an increasingly competitive labor market.

Increases in state spending for education are on the current legislative agenda. Unfortunately, little if any of the proposed increases are targeted to the needs of low-income people. In light of the fact that much of the financing for these increases is being raised by diverting funds from other important state programs that assist those in poverty, the outlook regarding education expenditures from the perspective of poor Minnesotans is rather pessimistic. Increased spending on programs such as graduate schools will benefit an elite few, many of whom are likely to be nonresidents, and will leave poverty untouched.

POVERTY, EDUCATION AND DISCRIMINATION

Discussion thus far has focused on the broad connections between education, employment and earnings. Clearly labor market competition is intensifying and the importance of education is increasing. However, additional factors affect certain groups in our state which put some individuals at an additional economic disadvantage.

Pre-school

The association between poverty and general levels of educational attainment has been demonstrated. However, inadequate nutrition, health problems and the lack of verbal and sensory stimulation within the home environment of children from some low-income families often compound the difficulty of obtaining a sufficient level of education. Research has shown that special help for the children of low-income parents in the form of pre-school education is crucial to prepare them to succeed in school as they grow older. (18)

Unfortunately, income levels have a determinate effect on pre-school attendance. National data reveals that by 1984 approximately 34 percent of all three and four-year olds were enrolled in nursery schools, pre-kindergarten or kindergarten, excluding programs in day care centers or family day care. Significantly, only 17 percent of three-year olds and 33 percent of four-year olds from families with incomes under $10,000 were enrolled. In contrast, 54 percent of all three-year olds and 67 percent of all four-year olds from families with incomes of $35,000 or more were enrolled in such programs.(19) As the Joint Economic Committee of Congress has also pointed out, Americans are indeed becoming divided along educational lines, just as they are divided along income lines.

In recognition of this disparity and the additional assistance that children from low-income homes require in order to have the same opportunity for success in school as their more affluent peers, the Head Start program was initiated in 1964. Head Start is a family-centered child development program targeted to

children of low-income parents between the ages of three and seven years. The program has four components--education, parent involvement, social service, and health.

In addition to providing children from families in poverty with critical educational assistance, Head Start also provides their parents the opportunity to seek training and employment that might not otherwise be possible.

From the perspective of benefit/cost analysis, the benefits of Head Start have been extensively documented. For every $1 invested in Head Start, taxpayers are estimated to save $5 in reduced crime, welfare, public education costs and increased tax revenue. (20) It is further estimated that because of the family and community components, Head Start has a positive influence on four people for each child served.

Nevertheless, less than 20 percent of eligible children in Minnesota are currently being served. Within the Twin City metropolitan area, the August 1986 estimate of unserved eligible children is an alarming 90 percent. (21) Many of these are children who, because they will start school behind their classmates in readiness and experience, will have reduced chance of success in school.

Commission Finding: Despite the compensatory benefits of early childhood education, less than 20 percent of eligible Minnesota children participate in Head Start.

Literacy

Despite Minnesota's historical emphasis on education and pride in our "brainpower" reputation, many state adults are unable to read. In response to the varying definitions of literacy, several Minnesota groups have recently collaborated on the following definition of literacy:

> The possession of such skills as reading, writing, speaking and computing necessary to function effectively as family and community members, citizens, consumers and job holders.[22]

Estimates of literacy are problematic and as a result, vary widely. The figure given the most widespread acceptance is that 670,640 Minnesota adults are functionally illiterate. This figure represents the number of Minnesotans over age 16 who have not completed 12 years of school and are not enrolled in an education program. While this number does not account for those high school graduates who are functionally illiterate, it also does not account for those high school dropouts who are not illiterate.[23] Because these factors balance each other, this estimate is a reasonable indicator of illiteracy in our population.

Minnesota's rate of functional illiteracy is 20 percent, which is exactly the national rate. In an effort to further refine this estimate however, the U.S. Department of Education conducted a pioneering survey in 1982, sampling nationally from among the 20 percent of adults who had not completed 12 years of school (See Table 6).

ILLITERACY RATES FOR MINNESOTA, SURROUNDING STATES AND THE U.S., 1982

Minnesota	9%
Iowa	10
Wisconsin	10
North Dakota	12
South Dakota	11
United States	13

Source: U.S. Department of Education. (24)

Table 6

The reasons for the large discrepancy are complex and relate both to technicalities in the construction of the Department of Education Survey as well as discrepancies in what was being measured. For example the Department of Education only attempted to identify people who are illiterate, whereas the Minnesota estimate is concerned with people who are functionally illiterate. People who are functionally illiterate are adults who have some literacy skills but are struggling and need to function at a higher level of reading ability.

Commission Finding: 20 percent of all adults, over 670,000 Minnesotans, are functionally illiterate.

The connection between illiteracy and poverty is direct. The Wilder Foundation has recently been conducting research into the extent of this connection, and interviewed a sample of the estimated 52,000 Minnesotans who attended literacy classes during the 1985-1986 school year. The study concluded that an astonishing 40 percent of those enrolled in basic skills classes had already been awarded high school diplomas. Despite these diplomas, however, those

interviewed lacked adequate job market skills which was reflected by the finding that sixty percent had annual incomes of $15,000 or less, and 27 percent had incomes of less than $5,000. (25)

With increasing levels of educational skill required to obtain meaningful employment, the Minnesota Task Force on Functional Illiteracy points out that jobs not requiring reading and communication skills are becoming increasingly scarce. The types of jobs currently being eroded from the state's labor market, especially in the mining and manufacturing industries, are those few positions not requiring high levels of literacy. The new jobs being created to replace those that have been lost generally require higher levels of reading ability. (26)

The Task Force surveyed 30,000 Minnesota job openings in 1985 and determined that only 21 percent could be performed by a worker reading at less than a 6th grade level. However, analysis of employment application forms for companies such as Perkins Restaurant and Carlson Companies, both of whom offer many low-wage jobs, determined that the forms were written at 10th to 12th grade reading levels. Similar analysis determined that AFDC and GA application forms required higher than a 12th grade reading ability. (27)

It is clear that even if a functionally illiterate person could perform the job duties, inability to complete an application form would restrict job access. A recent survey of employers by Literacy 85 determined that employers rated reading as the most critical basic skill required for entry level positions. Reading was deemed to be as important for workers in labor and service positions as it is for clerical workers. (28)

As poor people struggle to gain jobs that allow them to escape poverty, and as the available pool of middle-income jobs shrinks and educational requirements increase, the ability to read will become an increasingly rigid determinant of which people in our state will experience poverty.

Training and Re-training

Minnesota's labor market continues to undergo a massive transformation, and the need for training and re-training is increasing. It is crucial that the state's labor force be flexible, literate and capable of being re-trained on a regular basis, and both the private and the public sectors share responsibility for defining need and providing training.

In 1981, the U.S. private business sector spent an estimated $30 billion on training and re-training workers, affecting approximately six percent of the labor force.[29] Such on-the-job training provides the basis for both job security and later employment advancement. As workers receive training they also build the human capital that expands their labor market opportunities.

However, the greatest share of this $30 billion is allocated to provide training in a limited number of jobs or processes that are unique to the employer, rather than to provide training in transferable job skills. This is because applicable skills make workers more marketable and thus drive up the cost of wages--something few employers consciously choose to do.

Additionally, private sector training opportunities have been shown to be largely unavailable to workers who are minorities or who are white but are from low-income backgrounds. (30)

Because workers with limited marketable skills require specific assistance that is unlikely to be available to them in the private sector, both the federal and state governments have responded with a number of programs in the last 25 years. For example, the Manpower Development and Training Act of 1962, Job Corps of 1964, Neighborhood Youth Corp (NYC), Work Incentive Program (WIN), Comprehensive Employment and Training Act (CETA) of 1973 and the Job Training Partnership Act (JTPA) of 1982, all were geared to meeting the needs of unemployed and underemployed workers.

The JTPA program is designed so that individual states supervise job training programs in cooperation with the private sector and local public/private initiatives. In Minnesota, JTPA is administered by the Department of Jobs and Training through its State Job Training office under the policy guidance of the Governor's Job Training Coordinating Council.

The purpose of JTPA is to establish programs to prepare youth and unskilled adults for entry into the labor force and to provide job training to workers whose lack of training is a barrier to employment. Additionally, Title III of JTPA provides training and employment services specifically for dislocated workers.

JTPA is a major, but not the only, public-sector training program. Minnesota also has several other programs including the Minnesota Jobs Skills Partnership which provides funding for the education and training of workers for specific businesses requiring specialized job skills.

However, funding for public sector training and retraining programs is far below estimated need. For example, in 1985, only 23,668 of the 497,689 eligible JTPA participants in Minnesota actually received training.

Discrimination

In addition to the complexities of education and labor market competitiveness, described thus far, some Minnesotans face an additional factor that contributes to disproportionately high rates of poverty. Discrimination against minorities and women presents a barrier to economic well-being that even high levels of individual educational achievement may be insufficient to overcome.

Although educational attainment and type of occupation are regarded as significant determinants of income, Census data analyzed by the Urban Coalition of Minneapolis demonstrate that even after adjusting for education level and occupation, minorities and women almost always earn less than their white male counterparts. (31) These data are consistent with national data as well (see Chapter 2 for additional discussion).

AVERAGE EARNINGS IN 1979 FOR MINNESOTA'S YEAR-ROUND FULL-TIME WORKERS (25-64 YEARS OLD) BY RACE AND YEARS OF EDUCATION

	MEN				
Years of Education	White	Black	Indian	Asian	Hispanic
11 years or less	$16,422 (100%)	$14,863 (91%)	$14,114 (86%)	$13,153 (80%)	$14,821 (90%)
12 years	18,652 (100%)	15,201 (82%)	15,354 (82%)	15,131 (81%)	16,116 (86%)
13-15 years	20,372 (100%)	15,195 (75%)	16,328 (80%)	16,180 (79%)	17,508 (86%)
16 years or more	27,231 (100%)	20,363 (75%)	17,420 (64%)	26,312 (97%)	22,937 (84%)

	WOMEN				
Years of Education	White	Black	Indian	Asian	Hispanic
11 years or less	8,957 (100%)	10,190 (114%)	7,582 (85%)	8,494 (95%)	9,009 (101%)
12 years	10,362 (100%)	11,098 (107%)	9,686 (94%)	*	10,218 (99%)
13-15 years	11,511 (100%)	11,655 (100%)	10,811 (94%)	11,590 (101%)	10,135 (88%)
16 years or more	14,362 (100%)	15,958 (111%)	13,584 (95%)	16,837 (117%)	14,476 (101%)

Note: Number in parentheses shows minority earnings as percent of white earnings at the same education level.

Note: Average earnings are for the year 1979. Since then, the cost of living has risen by roughly 50 percent. A salary of $20,000 in 1979 would have about the same buying power as a salary of $30,000 would have today.

(*) Not reported due to unreliable data.

Source: U.S. Census

Table 7

Table 7 illustrates the differences in average earnings of full-time year-round workers at different educational levels. These data show that minority male workers earn significantly less than whites at each level of education. Indian men with four or more years of college earn two-thirds (64 percent) less than their white male counterparts, and average earnings for most minorities are only 80-90 percent of the average earnings of similarly educated whites. Black, Indian, Asian and Hispanic men with one to three years of college education consistently earn less than white men with only high school educations.

With the exception of Asians, the earnings gap between white and minority men is smallest at the lowest educational levels and grows wider as education increases. For example, black men with eleven years or less of education earn 91 percent as much as similarly educated white men. Black men with 4 or more years of college however, earn only three-fourths as much as their white counterparts.

Commission Finding: In Minnesota, minority males at every educational level on an average earn substantially less than equally educated white males.

For women, the disparities in earnings appear to be based more on sex than on race, since women of color earn wages that are much closer to white women's wages. In fact, black and Asian women working full-time, year-round earn slightly more than their white counterparts at each educational level, although these data may be slightly misleading because Minnesota's black and Asian population is concentrated in the relatively high wage Twin Cities metropolitan area.

Differences in earnings between men and women are, in general, at least as large as differences among racial groups. For each racial group women earn considerably less than men. Although male-female earnings differentials are not as large among people of color as among whites, this disparity is attributable not to the fact that women of color earn more than white women, as much as to the fact that men of color earn less than white men. White women with four or more years of college earned only 53 percent as much as similarly educated white males. Black and Indian women earn 78 percent as much as black and Indian men. Asian and Hispanic women at the highest educational level earn 64 and 63 percent, respectively, as much as Asian and Hispanic men. (32)

Commission Finding: In Minnesota, women at every educational level on an average earn substantially less than their equally educated male counterparts.

The disparities existing across educational levels raise the question of disparities in the quality of education received by different groups of people. For example, the argument could be raised that college educated black men are only three-fourths as well educated as college-educated white men, and that this accounts for the wage gap between them. However, among women the differentials between women of color and whites are not nearly as great as those among males. Assuming that boys and girls of the same race have access to education of similar quality, differences in quality cannot be the determinant of the earnings differential. The inescapable conclusion is that wage differentials are not correlated with education quality as much as they are correlated with race and with sex.

Significantly, earnings differences remain largely unaffected when studies controlling for occupational differences are conducted. [33] For example, men generally earn more than women even when working in the same occupation. For those occupations that tend to be sex-segregated, female dominated classifications are usually low paid. In Minnesota and elsewhere, numerous studies have found little or no justification for these low wages, and pay equity policies have caused wages to be adjusted upward.

Finally, research by economist Bennett Harrison has found low or insignificant economic returns for education attainment for blacks living both in and outside of urban ghettos. While education may help blacks obtain more prestigious jobs, it does not remedy underemployment, as the earnings from these jobs are barely above earnings received from pre-education employment. Significantly, Harrison also found that whites even when living in urban ghettos, do realize substantial economic returns to education in terms of much higher earnings and significantly less unemployment. The contrast is dramatic. [34]

As demonstrated earlier in this chapter, earnings in general do increase with increases in educational attainment. However, education is not the determinate as to why some groups of people earn more than other groups. One's race and sex remain critically influential with respect to one's earning potential, even when educational disparities are controlled.

Conclusion

The link between educational attainment and earnings, particularly for white males, has been well documented. This is true not only with respect to the acquisition of specific job skills, but also with respect to an individual's overall level of labor market competitiveness. For example, a college graduate usually has an employment advantage over a high school graduate.

Dramatic changes have occurred within state, national and international economies during the last decade that have resulted in an increasingly competitive labor market in Minnesota. In the future, workers will be expected to be retrained repeatedly, and this retraining must rest upon the attainment of a solid educational base. Additionally, middle-income jobs are continuing to be eroded, increasing the importance of education as a defensive necessity in the face of strong competition for jobs with meaningful wages. Within this context, basic skills such as literacy are absolutely essential for people to work.

The implicit assumption underlying this discussion of the relationship between education and poverty is that jobs will be available for Minnesotans who have acquired adequate levels of human capital. However, even after several years of economic recovery, Minnesota continues to experience high levels of unemployment and growing underemployment. Under such conditions a good education cannot guarantee a good job, or even a poor job. In an economy where job seekers outnumber available jobs the labor market resembles a game of musical chairs. Whenever an educated person finds a job, a less educated person will lose his or her job in the competition.

Economist Bradley Schiller points to the history of the market demand for engineers as an illustration of this problem. In the early 1960's, demand for U.S. engineers, especially in the space program, grew very rapidly. As a result, many college students obtained engineering degrees. Shortly thereafter, the space program was curtailed, demand for engineers fell sharply, and the labor market was flooded. Consequently, underemployment and unemployment rates for engineers became significant, even though engineers were well educated. (35)

In the past, people considered to be "structurally unemployed" were targeted for educational assistance that qualified them to perform jobs in the secondary labor market (See chapter 2). Given the constraints of today's labor market however, secondary labor market jobs are increasingly being filled by workers who once occupied primary sector jobs. Consequently, the barriers to economic well-being confronting structurally unemployed workers have become increasingly formidable and problematic.

This discussion is not intended to imply that education is a misallocation of resources. Most people agree that the benefits of education to society as a whole are substantial and that even in the absence of a direct link to a job, the general benefits realized by an educated society far outweigh the costs. On the other hand, massive public investment in education as a strategy for eliminating poverty must rest on the recognition that education alone, without adequate employment opportunities, will not represent a solution to poverty problems.

Investment in education as a strategy for economic growth raises three points that deserve consideration. First, education must be realistically viewed as a long-term strategy. Money invested in educational institutions does not directly translate into job creation; economic development of this nature requires time.

Second, while current legislative proposals focus on research and development, it is impossible to know with any certainty that state money spent on research and development will generate state jobs. The knowledge produced by state-sponsored research is clearly mobile and can easily be transferred to job-producing enterprises outside of Minnesota.

Finally, while raising levels of human capital is believed to raise worker productivity which is believed to generate job growth, such reasoning is not always sound. Unless the profits earned by rising productivity are reinvested in Minnesota's economy, the result will be growth that will do nothing to address poverty.

In the final analysis, the importance of education to benefit individual people in poverty and to benefit society as a whole is undeniable. At the same time, education without an adequate supply of job opportunities does not represent a comprehensive strategy to eliminate poverty.

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CHILD CARE AND POVERTY

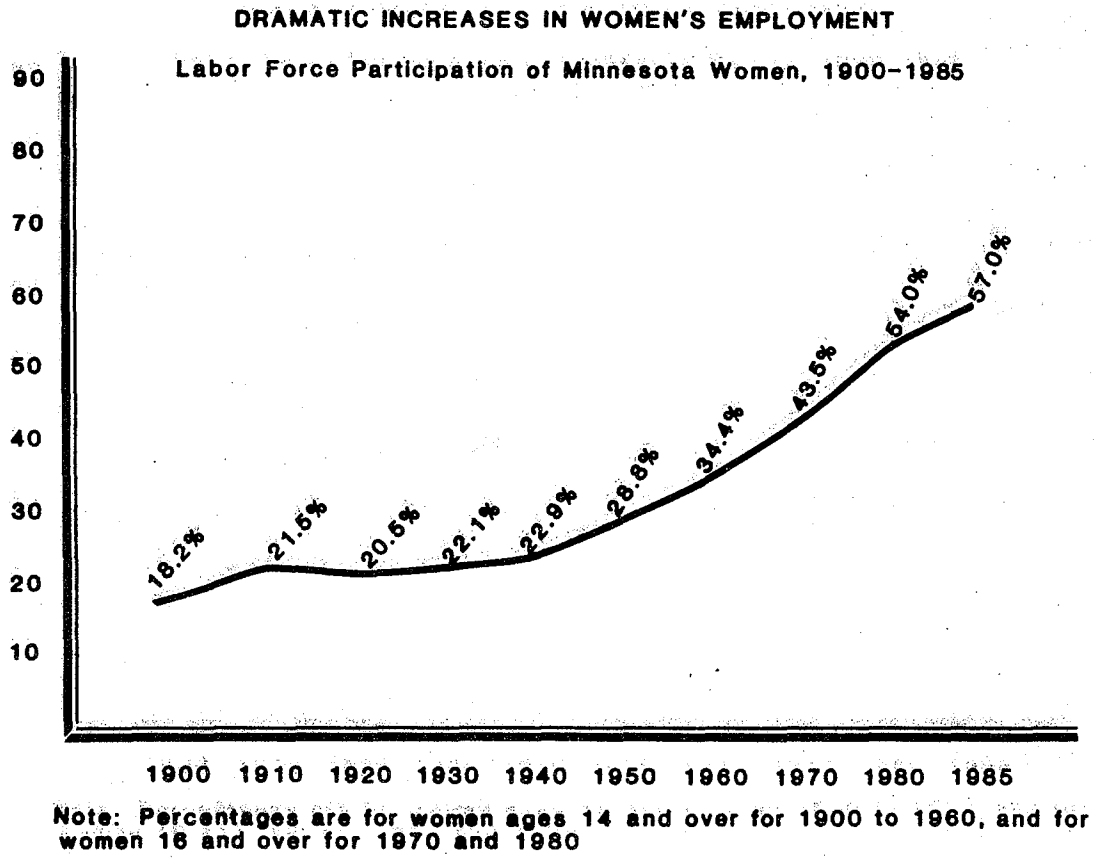
The American economy is undergoing a transformation unprecedented in the 20th century. Correspondingly, society has substantially altered its views about the relationship between women and work in the last 20 years. Women also have different expectations about their own roles. The number of women in the work force, including mothers of young children, has increased dramatically in two decades.

The need for child care has become an integral part of contemporary life. Middle and upper-income families can generally purchase first-rate child care. For families living in poverty, the need for child care is an obstacle that makes improving their economic lot even more difficult. More specifically, the barrier for low-income people is the availability, affordability and quality of child care. That need is particularly acute for single parents in poverty.

WOMEN, WORK AND THE FAMILY

Women and Work

Between 1900 and 1940 the percentage of women in the labor force remained fairly static, increasing only from 18.2 to 22.9 percent (See Figure 1). These numbers reflected the prevailing norm for the sexual division of labor within families: the husband was to be the sole breadwinner, while the wife was to be a mother and homemaker.



Source: Commission the Economic Status of Women, Women in Minnesota, 1984.

Figure 1

The economic situation of women changed dramatically with the advent of World War II. The high demand for labor brought over six million women into the labor force between 1940 and 1944, an increase of 50 percent.(1)

When the war ended, returning male veterans replaced most of the women in the work force. However, more and more low and moderate-income families found they could not support themselves with a single wage earner. These women returned to work throughout the fifties and sixties to supplement the income of their families.

When real wages and family income began to decline in 1973, [2] middle and upper-middle income families also became increasingly dependent on two wage earners to maintain their standard of living. By 1980, the percentage of women in the labor force had reached 54 percent (See Figure 1).

Since WW II there has been a steady increase in the number of women who work outside the home. However, these women have been viewed as "secondary" workers, working primarily to supplement a husband's primary earnings. The majority of women are segregated into 20 of the 420 occupations listed by the Bureau of Labor Statistics. These jobs are characterized by low wages, poor benefits and little opportunity for advancement. In 1984, women working year-round at full-time jobs still earned only $14,780, 64 percent of the $23,220 that men working full time earned.[3]

To define women as "secondary" workers overlooks the fact that nearly two-thirds of all women in the civilian labor force in 1984 were either single (26 percent), divorced (11 percent), widowed (5 percent), separated (4 percent), or had husbands whose incomes in 1983 were less than $15,000 (19 percent).[4]

Working Mothers

An even more dramatic increase is the number of mothers in the labor force. Although the labor force participation rates for all women have increased markedly in the postwar era, the growth among mothers has been substantially larger, so that by 1976 their labor force participation rate actually surpassed that for all women. One important aspect of this increase is the degree to

which mothers today stay in the labor force after birth. Nearly half of the mothers with a child age one or younger were in the labor force in 1984 (See Table 2).

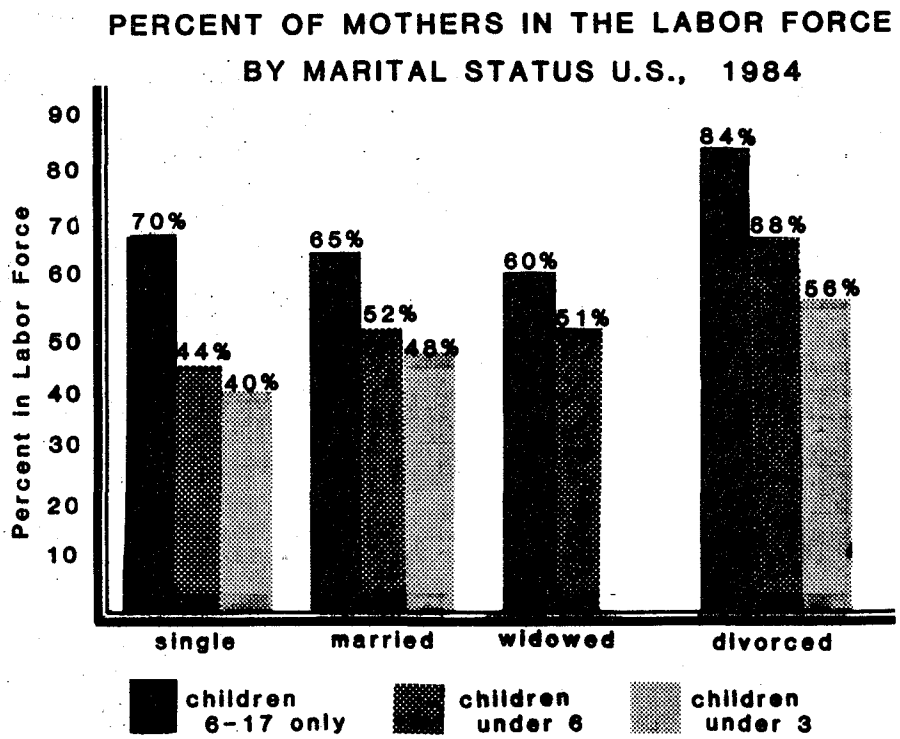
MARRIED MOTHERS'LABOR FORCE PARTICIPATION RATES

Age of Youngest Child	March 1970	March 1984
1 year and under	24.0%	46.8%
2 years	30.5%	53.5%
3 years	34.5%	57.6%
4 years	39.4%	59.2%
5 years	36.9%	57.0%

Source: Monthly Labor Review, December 1984.

Table 1

More than 32 million children, about 56 percent of the nation's 58 million children, had mothers in the labor force in March 1984. In 1970 the proportion was only 39 percent. Most of these children were under 14 years with 9.3 million being under age six, and 14.7 million being between the ages of six and 13. These age groups require care all day, after school, or a combination of both (See Figure 2).



Source: Bureau of Labor Statistics, Working Mothers, Appendix, 1984.

Figure 2

Commission Finding: Over 50 percent of mothers with children under age six are working outside the home.

Families and Poverty

The working poor have been particularly hard hit by the economic downturn of the 1980s. Poverty among working families has increased 56 percent since 1979. Two-parent families account for 45 percent of the increase in poverty during this decade.(5) Low-income couples have been driven to bring in two paychecks

just to survive. For many of these families child care has become an expensive necessity. In their efforts to remain economically self supporting they are often faced with leaving children in inappropriate care, or without care.

For single parents the situation is even more desperate. The number of single-parent households has risen substantially, and one out of three families headed by single women are now poor. Lack of child care, or inability to afford it, can force a single parent to resort to public assistance. Today, society places a premium on self-sufficiency for single parents. Yet, without child care it is often impossible for a parent in poverty to accept low-paying employment, or to pursue an education or training opportunity.

AFFORDABILITY OF CHILD CARE

Child Care Costs

Child care is expensive. Child care costs range from $40 to $120 a week, per child, for all-day care. Infant care is the most expensive. Child care centers tend to be more expensive than family day care. Costs are also higher in the metro area than in the non-metro portions of the state (See Table 2).

LICENSED WEEKLY DAY CARE FEES IN MINNESOTA

	Metropolitan		Non-Metro Cities		Rural Areas	
	1985	1987	1985	1987	1985	1987
Infant						
Day Care Home	$61	$ 66	$55	$58	$48	$55
Day Care Center	92	100	73	74	61	61
Toddler						
Day Care Home	58	63	53	57	47	55
Day Care Center	74	83	62	63	57	57
Preschool						
Day Care Home	56	61	53	56	47	55
Day Care Center	66	73	57	59	52	55

Note: Figures are averages of median numbers within each regional category.

Source: Minnesota Department of Human Services.

Table 2

The 1986 poverty level for a family of two is $7,240, which using a 40-hour work week, provides for a job at $3.47 per hour, barely above the minimum wage. Child care at a conservative $55 per week costs $2860 per year, approximately 40 percent of the gross wage. With a wage of $4.85 per hour ($10,100 annually), child care cost would still be 28 percent of the gross wage. Child care is often an overwhelming expense, ranking just behind shelter and food for many low-income families. As a point of comparison, the state median income in 1986 for a family of two was $20,934. For this family $2,860 would represent only 13.6 percent of their income. The low-income family spends two to three times as much on child care.

Commission Finding: Low-income families spend two to three times as much of their income on child care expenses as do median-income families.

Direct Assistance Programs

In Minnesota direct assistance with child care costs is provided to eligible families through county social services. Funding sources include Federal Title XX funds, AFDC special needs funds, state sliding fee and Community Social Services Act funds, and county tax levy funds. Prior to 1981, the primary source of funds was Federal Title XX money. For families with incomes below 60 percent of the state median income, child care costs were fully paid. In 1981, this source of funding was severely cut and all federal mandates to provide child care were removed.

In 1979, the Minnesota Legislature enacted a pilot program to provide assistance to families that fell between 60 to 70 percent of the state median income on a sliding fee basis. This program was designed to provide a gradual slide from full subsidy to self-sufficiency. Beginning with the loss of federal funds in 1981, the state sliding fee program has gradually changed. The program now covers families from the top of the AFDC eligibility level (about 25 percent of the state median income and 70 percent of the poverty level) to 75 percent of the median income and 230 percent of the poverty level.

In 1985, the program was changed from a voluntary program delivered by only 26 counties to a statewide mandatory program and the funding was increased to $10.1 million for the biennium (almost three times the previous level of funding). Counties spend approximately $25 million per biennium from county, CSA and Title XX and AFDC special needs funds on child care.

State law and rules set the basic child care policies, but there is some flexibility in priorities and procedures to allow for individual county needs. Therefore, the policies implementing the child care assistance programs vary widely. For example, differences in the treatment of training have significant impact on low-income families. Some counties encourage enrollment in education or training programs, including four-year institutions. Others limit funds which can be used by students and make it difficult to get approval for education or training programs. Yet many low-income people--particularly AFDC recipients--depend upon training to improve their economic situation.

County differences can create other barriers to child care accessibility. In some areas, cost of child care has become a barrier to using the sliding fee program. Counties frequently will pay no more than the 110 percent of the median rate required by the sliding fee program. In areas of heavy demand where the market rate is above the 110 percent level, such as in certain sections of Minneapolis, existing child care is not eligible for subsidies and is therefore unavailable to low-income families.

The Dependent Care Tax Credit

The Dependent Care Tax Credit was enacted at the federal level in 1974, and in Minnesota in 1977. Nationally, the credit is claimed by almost five million families annually, including 92,000 Minnesota families. In 1984, 48,771 Minnesota families claimed the state credit. Both credits allow a family to claim up to 30 percent of child care costs up to $24,000 for one dependent ($720 as the maximum refund) and $4800 for two or more dependents ($1440 as the

maximum refund). Both credits decrease as income increases above $10,000. However, the similarity ends here.

The federal credit declines slowly to 20 percent of the child care costs at $30,000 income and remains at that level. The Minnesota credit declines steeply and fades out entirely at $24,000 federal adjusted gross income.

The benefit of the federal credit to low-income families is severely limited because it is not refundable. This means that child care credit cannot be higher than the income against which the credit is being claimed. Thus, if a parent works part-time and attends school, the available credit may cover only a small part of the child care expenses. It is also limited in that it can only be taken if the claimant has a tax liability equal to or greater than the credit amount. The new tax law will further reduce its benefit to low-income families. It can, however, be claimed on the short form.

The Minnesota credit has one unique advantage for low-income families: the full amount can be claimed regardless of the amount of tax owed. Thus, the credit can be claimed by families with no tax liability. It cannot be claimed on the short form, which reduces it effectiveness. See Table 3 for a comparison of the impact of the two credits.

COMPARISON OF FEDERAL AND STATE CHILD CARE CREDITS

Federal Adjusted Gross Income	Percentage of Claims		Percentage of Claims	
	1980 Federal	1984 State	1980 Federal	1984 State
Negative	-0-	.5%	-0-	.5%
0-5,000	-0-	3.8	-0-	3.6
5,10,000	2.8%	13.2	.9%	15.9
10-15,000	15.2	25.3	10.9	32.4
15-20,000	10.1	30.6	4.1	33.8
20-25,000	22.2	26.3	20.6	13.6
25-30,000	12.6	-0-	20.6	-0-
30-40,000	25.5	-0-	30.2	-0-
40-50,000	7.6	-0-	7.3	-0-
50-75,000	2.9	-0-	3.0	-0-
75,000	1.2	-0-	2.3	-0-

Source: Minnesota Individual Income Tax Statistics, 1984, Minnesota Department of Revenue, Research Division.

Table 3

Families with incomes over $25,000 filed 50 percent of the claims for the federal credit. These same families received 63 percent of the money. No families with incomes under $5000 received assistance from the federal tax credit. Approximately four percent of the money paid out under the Minnesota credit went to families with incomes under $5000.

Commission Finding: Minnesota's Dependent Care Tax Credit is more advantageous to low-income families than the Federal Dependent Care Credit.

AVAILABILITY OF CHILD CARE

Availability Versus Need

The number of children under age 6 whose mothers work increased from about 127,000 in 1970 to 221,000 in 1985. However, the number of children that licensed day care facilities could accommodate in 1985 was only 147,762. Between 1980 to 1982, the number of licensed openings increased 28 percent. Since then the rate of increase has been only about three percent per year, and is showing a slight decline in 1986. (6)

Infant care is the most difficult to find. Infants require more space and staff than older children. Expectant mothers have reported finding it necessary to line up child care months before the child is born. Low-income women often need infant care because they are forced by economic necessity to return to work as quickly as possible. Child care subsidies have not resolved the shortage of child care.

DAY CARE DEMAND IN MINNESOTA COUNTIES

	Estimate of Children Under 6 in Need of Day Care	Estimate of Licensed Full-Day Slots	Estimate of Licensed Slots Available Per 100 Children Needing Care
Mahnomen	299	28	9.4
Roseau	699	68	9.4
Koochiching	909	90	9.9
Isanti	1,437	144	10.0
Sibley	850	96	11.3
Todd	1,390	160	11.5
Lake	400	52	13.0
Fillmore	1,043	142	13.6
Pine	998	145	14.5
Morrison	1,756	264	15.0
Chisago	1,685	258	15.3
Cottonwood	710	116	16.3
Pennington	844	146	17.3
Murray	467	84	18.0
Le Sueur	1,550	282	18.2
Clearwater	436	82	18.8
Grant	302	58	19.2
Nobles	1,152	237	20.6
Lincoln	363	75	20.7
Kanabec	723	152	21.0
Pope	523	111	21.1
Itasca	1,676	373	22.3
Kittson	337	75	22.3
Polk	1,672	392	23.4
Traverse	223	53	23.8
Kandiyohi	2,363	567	24.0
Wright	4,129	1,080	26.2
Carlton	1,330	350	26.3
Benton	1,835	483	26.3
Big Stone	387	102	26.4
Goodhue	2,192	586	26.7
Watonwan	664	178	26.8
Stearns	6,784	1,823	26.9
Wadena	651	175	26.9
Mower	1,788	490	27.4
Lake of Woods	194	54	27.8
Freeborn	1,626	465	28.6
Lac Qui Parle	446	128	28.7
Becker	1,508	438	29.1
Meeker	1,135	332	29.3
Hubbard	672	197	29.3
Cass	822	247	30.1
Houston	1,083	333	30.8
Blue Earth	2,996	924	30.8
Crow Wing	1,966	619	31.5

Renville	844	267	31.6
Ottertail	2,412	800	33.2
Clay	2,489	829	33.3
Douglas	1,573	524	33.2
Red Lake	250	84	33.6
Wabasha	1,181	397	33.6
Sherburne	2,012	684	34.0
Norman	320	109	34.1
Martin	1,300	476	36.6
Winona	2,592	963	37.2
Pipestone	452	169	37.4
Olmsted	6,247	2,430	38.9
Redwood	893	349	39.1
Washington	6,471	2,535	39.2
St. Louis	10,287	4,287	39.3
Chippewa	822	324	39.4
Jackson	631	249	39.5
Steele	1,905	752	39.5
Beltrami	1,848	657	39.9
Rice	2,873	1,146	39.9
Marshall	495	201	40.6
Nicollet	1,664	679	40.8
Mille Lacs	990	412	41.6
McLeod	1,524	678	41.8
Lyon	1,358	569	41.9
Stevens	599	247	41.9
Dakota	12,928	5,589	43.2
Rock	463	202	43.6
Brown	1,539	685	44.5
Yellow Medicine	574	260	45.3
Aitkin	471	218	46.3
Waseca	1,809	573	47.4
Dodge	1,095	522	47.7
Anoka	12,505	5,995	47.9
Carver	2,318	1,126	48.6
Cook	196	99	50.5
Wilkin	404	205	50.7
Swift	600	308	51.3
Scott	2,876	1,480	51.5
Hennepin	45,591	24,818	54.4
Faribault	926	510	51.1
Ramsey	23,528	15,803	67.2

Source: Resources for Child Caring

Table 4

Licensed child care capacity is concentrated in the metropolitan area. Some rural counties have only a few child care centers (See Table 4). There are few resource and referral programs in the rural areas, making it difficult for

women to find the kind of care they need. To meet the need, not only must child care exist, but it must be where the need is. Low-income families who use public transportation must have child care convenient to either their homes or their places of work. In rural areas, families in poverty can find their fragile budgets strained to the breaking point by having to drive an extra 50 or 60 miles a day to use child care services.

These needs exist in spite of a fiscal year 1986 expenditure of over $16 million on child care assistance. A survey of Resources on Child Caring in October of 1986 shows 2,658 families on waiting lists in 43 counties.(7) Meeting the estimated need for one year would require an additional $19.2 million in funding. These estimates are conservative. Tax and Census data show a potential 48,000 families in need of assistance.

Commission Finding: Just to serve the eligible families on waiting lists in 43 counties, funding for the sliding fee program would have to more than double.

Employers and Child Care

The federal government has called on the private sector to fill the gaps left by funding cuts. However, the response in the private sector has been very limited and cannot be expected to increase substantially in the near future. A few employers are experimenting with innovative methods to help employees with child care needs such as a cafeteria of benefits, information and referral, flex time, limited subsidy programs and on-site child care. Most of the solutions under experimentation in the private sector tend to benefit professional, upper-income or two-parent families.

Many employers fail to recognize the demands sick children put on their employees. Far too few employers allow employees to use their own sick leave to care for their sick children. Sick child care, when available, can cost $8 to $12 per hour. A serious illness of a child can cost a single parent her job.[8]

Jobs available to women, particularly women without advanced education degrees, tend to be in the service sector and offer low wages. In Minnesota 75 percent of these businesses have less than ten employees. These employees have few--if any--benefits. Low-income workers have little bargaining power to get their employers to offer child care assistance.

QUALITY OF CARE

Quality Standards

Child care licensing standards have set minimum requirements for child care quality. The state is currently investigating how to make those standards clearer and more pertinent to quality. Yet it is difficult to legislate quality. Families in poverty are particularly vulnerable to substandard child care because they often cannot afford even standard care. Low-income single parents are more likely to be faced with accepting less than desirable child care or losing their jobs.

Early childhood education studies have shown the advantage of quality preschool programs. The Perry Preschool Project in Ypsilanti, Michigan is an excellent example. In this study, children of poor and disadvantaged parents with low

education levels were followed over a period of twenty years. Those children with preschool experience showed fewer arrests, a greater rate of employment at higher wages, less time spent in special education programs and the attainment of higher education levels. Low-income children deserve quality care; the quality of care is, unfortunately, related to cost.[9]

Child Care Workers Wages

Child care workers are the lowest paid employees in the education field.[10] According to an October 1984 survey, the statewide average for teachers in all-day care centers is $5.20 per hour. There is no state requirement for teachers to have college degrees, but 62 percent do. Wages for child care assistants average only $4.29 per hour. Wages tend to be higher in the metropolitan area, in nursery schools (half-day programs) and in Head Start programs. Salaries have been increasing less than five percent per year.

Experience levels tend to be correspondingly low; 30 percent of the teachers in all-day care centers have less than two years experience. Family day care providers are just as poorly paid. The turn over rate in Ramsey County, according to a survey done in 1984 and 1985, was 25 percent. Without adequate wages, no matter how important the work, it is difficult to attract and keep educated, talented people. The children suffer as a result.

Commission Finding: Child care workers are the lowest paid employees in education. In 1984, teachers averaged $5.20 per hour, while assistants received an hourly wage of $4.29.

CONCLUSION

Neither the U.S. Government nor the State of Minnesota has adopted a child care policy. Child care has been recognized as an employment issue, a necessity for working mothers of young children. Child care has also been acknowledged as an essential component of any effort to move public assistance recipients into the work force.

Yet, child care remains a two-class system in Minnesota and the nation. Those with adequate income can usually buy first-class child care in the marketplace. Low-income families are left to the mercy of the political and economic forces that dictate social policy. The availability, affordability and quality of child care for the working poor still has not been adequately addressed by policy makers in Minnesota.

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HEALTH, NUTRITION AND POVERTY

HEALTH AND POVERTY

Health care has become prohibitively expensive in the 1980s. Very few Minnesota families would be able to afford medical treatment if they had to pay for it on an out-of-pocket basis. Some type of health insurance has become necessary to guarantee that when treatment is needed it can actually be obtained.

Minnesotans living in poverty have the greatest need for health insurance because they are the least likely to have the resources to pay for health care out of pocket. Many of those in poverty reasonably choose to use their limited resources for necessities like food, clothing and shelter rather than for protection against the uncertain possibility that they may need medical treatment.

Health care for low-income citizens was steadily expanded between 1965 and 1980. Public expenditures were vastly enlarged during this period and the health of the poor significantly improved. These gains, unfortunately, have been eroded in the 1980s.(1)

The effects of poverty on health and well being are straightforward and profound. The poor are more likely to be sick, less likely to receive adequate

medical care, and more likely to die at an early age.[2] The first half of this chapter explores why, given these facts, the state's health care system fails to assist so many Minnesotans living in poverty.

The Limits of Subsidized Health Insurance

The United States is the only western industrial nation without the protection of universal health insurance for its citizens. Instead, America substituted the principle of subsidized health insurance--but without the essential ingredient of universal coverage.

The primary vehicle for subsidizing health insurance in the U.S. is through employment. Job-related health insurance is subsidized indirectly because of its tax-exempt status. This means that employer-provided health coverage is exempt from both income and social security taxes.[3]

Employment-based health insurance has been supplemented by public health insurance programs such as Medicare and Medicaid. These public programs are also subsidized, directly from taxes. There remain a substantial number of Americans who receive no insurance subsidy.

Some of the "unsubsidized" are able to buy health insurance on their own. A portion can afford comprehensive coverage, but a significant percentage have policies with limited coverage. People in this second category are likely to be "underinsured," particularly if they are low income and their policies have high deductibles.

Finally, there are the uninsured. Not only are they unsubsidized, but these Americans have neither private nor public health insurance. This bottom rung of the American health care system is significantly over-represented by low-income citizens.

Minnesota's Uninsured

In 1984, the State Planning Agency commissioned ICF, Inc., a Washington, D.C. consulting firm, to do a study of uninsured Minnesotans. The material in this section draws from that report.[4]

The ICF report found that most Minnesotans have subsidized health insurance. An estimated 60 percent of the population receive subsidized health coverage through employment. An additional 21 percent have subsidized insurance through public programs. The remaining 19 percent receive no insurance subsidy. Of these, approximately 10 percent were able to purchase private health insurance on their own (See Table 1).

The study estimated that at any given time 342,000 Minnesotans were uninsured. However, the number without health coverage is not static. People gain or lose coverage throughout the year, primarily due to changes in employment or family status.

ICF found that 246,000 Minnesotans, 5.8 percent of the population, were without insurance the entire year. An additional 209,000 residents, 4.9 percent, were

without coverage for part of the year. In total, 455,000 Minnesotans, 10.7 percent, were uninsured for all or part of 1985.

Commission Finding: An estimated 455,000 Minnesotans, 10.7 percent of the population, were without health insurance for all or part of 1985.

MINNESOTANS' PRIMARY HEALTH INSURANCE COVERAGE

Source of Primary Coverage	Number	Percentage of Population	Percentage of Category
1) Subsidized Through Employment			
Covered in own name	1,230,000	29.1%	48.1%
Covered as a dependent	1,328,000	31.4	51.9
Total	2,558,000	60.5	100.0
2) Subsidized Through a Public Program			
Medicare	490,000	11.6	56.1
Medicaid	259,000	6.1	29.7
VA, CHAMPUS, other federal	82,000	2.0	9.4
General Asst. Medical Care	42,000	1.0	4.8
Total	873,000	20.7	100.0
3) Unsubsidized			
Indiv. purchased insurance	452,000	10.7	56.9
No insurance	342,000	8.1	43.1
Total	794,000	18.8	100.0
MINNESOTA TOTAL	4,225,000	100.0	

Source: Kennell, David LJ. and Sheils, John F., Analysis of Health Insurance Coverage and Health Care Utilization in Minnesota for 1985: Final Report, November, 1986.

Table 1

It is noteworthy that 75 percent of Minnesota's uninsured between the ages of 19 and 64 worked at least part of the last year. Significantly, 40 percent of those without coverage work the entire year. Working Minnesotans without coverage are most likely to be employed in the service sector, crafts or farming. The employment sector with the largest percentage of uninsured persons is labor (See Table 2).

Perhaps the most striking characteristic of the uninsured is family income. More than half of the uninsured are low-income Minnesotans. Nearly 31 percent of those without coverage have incomes below the official poverty level. Another 21 percent make less than 200 percent of the poverty threshold and qualify as low income.

The Minnesotans without health insurance are by no means a homogenous group. Persons of all incomes, ages, races and occupations are represented among the uninsured. Nevertheless, some generalizations can be made about the characteristics of the uninsured.

DEMOGRAPHIC CHARACTERISTICS OF THE UNINSURED

Age Distribution of Minnesota's Uninsured Population

Age Group	Number of Uninsured	Percent of all Uninsured
0 - 17	99,969	29.2%
18 - 24	80,429	23.5%
25 - 54	141,892	41.5%
55 - 64	19,936	5.8%

Percentage of Uninsured by Identification

Race or Ethnic ID	Number Uninsured	Percent of Group Uninsured
White	333,316	8.1%
Black	6,062	11.7
Hispanic	1,826	5.7
Other	1,032	1.2

Employment Status of Minnesota's Uninsured Population
(For Uninsured Minnesotans in 19-64 years of age)

Employed	Number Uninsured	Percent of Uninsured
All Year	92,049	40%
Part of the Year	79,198	35
None of the Year	57,162	25

Percentage of Occupation Uninsured Employees

Employment Type	Number Uninsured	Percent of Occupation Uninsured
Non-Farm Laborer	14,172	15.3%
Farm	26,909	14.7
Service	41,457	13.8
Craft and Kindred	29,354	11.6
Operatives	23,408	9.3
Management and Sales	14,713	2.9

Uninsured Minnesotans by Family Income

Family Income	Number Uninsured	Percent of All
Below poverty line	105,890	30.9%
100-200% of poverty	72,816	21.3
200-400% of poverty	127,451	37.2
Over 400%if poverty	36,079	10.5

Uninsured Adult Minnesotans (25-54 Years) by Income

Family Income	Number Uninsured	Percent of All	% Uninsured
Below Poverty Line	38,967	27.5%	41.9%
100-200% of poverty	25,058	17.7	16.8
200-400% of poverty	59,519	41.9	9.6
Over 400% of poverty	18,348	12.9	2.3

Uninsured Minnesota Children (0-17 Years) by Income

Family Income	Number Uninsured	Percent of All	% Uninsured
Below Poverty Line	38,015	38.0%	11.1%
100-200% of poverty	27,268	27.3	8.0
200-400% of poverty	29,228	29.2	8.5
Over 400% of poverty	5,458	5.5	1.6

Note: The above number in this table are based on the number of people uninsured at a given time, not the larger number of people uninsured for all or part of the year.

Source: Citizens League Report, Start Right with "Right Start": A Health Plan for Minnesota's Uninsured, February, 1987.

Table 2

Many of those without coverage are children. Nearly 30 percent of Minnesota's uninsured population are children under the age of 18. Minnesota also has a large number of middle-aged persons who are uninsured. More than 40 percent of the population without coverage are between the ages of 25 and 54 (See Table 2).

Uninsured children are far more likely to reside in low-income families. Of the 100,000 children without health coverage 38 percent are living in poverty and an additional 27 percent live in low-income households (See Table 2).

Commission Finding: Children account for 100,000 of Minnesota's uninsured, two-thirds of whom live in low-income families.

Rural and farm families traditionally have had less health insurance than other Minnesotans. The ongoing farm crisis is only making matters worse. More and more insured farm families are being forced by economic hardship to drop their coverage.

Barriers to Health Coverage

Why are over 450,000 Minnesotans uninsured? Like other states, Minnesota relies heavily on employment-based private insurance to provide health coverage for its citizens. When access to medical insurance is so dependent on the labor market, sudden increases in unemployment become an immediate barrier to health coverage.

The recession of the early 1980s left Minnesota with its worst economic slump since the Great Depression. By February of 1983, 225,000 Minnesotans (10.5 percent of the labor force) were searching for work. Despite four years of economic recovery, the number of jobless in 1986 remained over 50 percent higher than the pre-recession level of 1978.

Many of those jobs were in manufacturing and have been lost forever to foreign competition. These positions usually paid well and included full fringe benefits. Nationally, 10.8 million Americans lost their jobs between January 1981 and January 1986. Nearly a third were still unemployed at the end of this period.

Underemployment is another barrier to health coverage. The unemployed who were fortunate enough to find a new position often discovered that a job is no guarantee of medical benefits. This is particularly true of the rapidly growing service sector. This is one of the sectors of the economy with the highest percentage of jobs without health insurance.

Employers of low-wage and part-time workers are far less likely to provide health insurance as a fringe benefit. A recent survey found 66 percent of employees earning $7.50 per hour had medical benefits while only 28 percent of employees who made $4 per hour had coverage.[5]

Commission Finding: In 1985, 66 percent of employees earning $7.50 per hour had medical benefits, while only 28 percent of those earning $4.00 per hour had coverage.

An increasing number of employers who do provide a health plan are requiring employees to make a significant contribution toward the premium. Even when a family's primary breadwinner is insured through employment, dependents are often not covered under the policy. A substantial co-payment may be required for dependent coverage or dependents may be ineligible altogether.

The number of uninsured Minnesotans has also grown because of federal budget cuts in 1981 that sharply reduced access to the nation's largest public health program for the poor. This development is particularly ironic given the original intent of that program.

Medicaid, or Medical Assistance (MA), was created in 1965 to provide low-income Americans with access to private medical care. The goal was to do away with the two-tier medical system of private care for those who could afford it and charity care for those who could not.

Medicaid is funded by federal, state and county funds. In order to receive federal matching funds, states must provide coverage to everyone receiving cash benefits from the Aid to Families with Dependent Children (AFDC) and Supplemental Security Income (SSI) programs. States also have the option of covering non-AFDC families whose medical expenses bring their income below the eligibility level, and elderly persons who do not qualify for cash assistance.

The 1981 reductions in MA were accomplished by modifying the AFDC "work incentive program." These changes penalized the working poor. Any family that

earned more than 75 percent of the federal poverty level was no longer eligible for Medicaid. A family of three that earned $530 per month in 1985 could no longer qualify for MA, yet were hardly capable of purchasing private health insurance. In addition, this family could have no more than $6,000 in personal assets in order to be eligible for Medicaid.

An estimated 20,000 Minnesota families lost their health coverage because of federal cuts in 1981.[6] One consequence was that only 39 percent of Minnesota children in poor families had Medicaid coverage in 1983.[7]

Conclusion

A shrinking majority of Minnesotans receive health coverage through employer-sponsored plans. The elderly and the very poor are eligible for government-sponsored medical programs. That leaves the uninsured, those whose incomes are low but still too high to qualify them for medical assistance, or who work for employers who provide no health benefits.

The ranks of the uninsured are swelling. The direct health consequences are being suffered daily by hundreds of thousands of Minnesotans. Minnesota is steadily slipping back into a two-tier medical system of private care for those who have public or private health coverage and charity care for those who do not.

NUTRITION AND POVERTY

Minnesota's most obvious social problem in the 1980s has been the reemergence of widespread hunger. The frightening proliferation of soup kitchens and emergency food shelves have become a mirror of the state's new poverty. What initially appeared to be a temporary emergency in 1982 has mushroomed into chronic deprivation for hundreds of thousands of Minnesotans.

This new epidemic of hunger is perplexing because it is a "disease" that the nation knows how to cure. It was just three decades ago that extensive hunger was discovered in America and government action in the 1960s and 1970s was able to virtually eliminate the malady.

What is Hunger?

Most people have experienced the occasional pang of hunger. More and more Minnesotans now know what it means to be persistently undernourished. Few, however, understand the clinical implications of malnutrition. The chairman of the Harvard University-based Physician Task Force on Hunger in America has written that a definition of hunger "generally accepted in the medical community is that a hungry person is chronically short of the nutrients necessary for growth and good health."[8]

The effects of malnutrition are many and varied.[9] Loss of function is an early, often difficult to detect, effect of poor nutrition for all age groups.

Undernourishment can impair the functioning of the immune system, leaving the person vulnerable to infectious disease and various deficiency diseases. Finally, severe and prolonged malnutrition can lead, directly and indirectly, to death.

Certain demographic groups are particularly susceptible to hunger. Pregnant women, infants, children and the elderly are likely to suffer more harm when malnourished.

A number of dangers arise for a mother if her diet is inadequate during pregnancy, including anemia and toxemia. The growing fetus's health can be compromised by poor maternal nutrition. The risks include prematurity, low birth weight, and fetal and infant deaths. Premature infants are at risk of weakened immunity and respiratory distress. Low birth weight babies are 40 times more likely to die before their first birthdays.

Children are particularly vulnerable to malnutrition. Poor nutrition can impair brain function during a child's early years and limit intellectual development. Other risks involve stunted growth, low weight and greater vulnerability to environmental toxins affecting health. Finally, youngsters with poor nutrition are more prone to catch colds and infectious diseases.

The risks of malnutrition are further heightened in old age. The elderly often need special diets because of ailments like hypertension and diabetes. Nutrient-dense foods are often critical in old age because of an inability to absorb nutrients, impaired digestion and reduced caloric intake. Additionally,

the elderly may have difficulties with shopping and cooking, as well as a lack of appetite and trouble chewing some foods.

Why is There Hunger?

Hunger remains widely misunderstood. Food is a basic human need. Food is plentiful and available. Nevertheless, hunger in Minnesota has reached crisis proportions. Why is this?

Homegrown Hunger, a landmark study of emergency food shelves in the state, had a rather straightforward answer: "Hunger is ultimately an income problem."[10] That investigation found that many Minnesotans with a limited income must sometimes go hungry in order to pay for other basic necessities like rent, heat and medical care.

Although low income is not the only factor associated with inadequate nutrition, it is certainly the chief one. Numerous studies demonstrate that hunger and malnutrition are directly linked to poverty and many illnesses related to inadequate nutrition are tied to household income.

Perhaps appropriately, the federal guidelines for poverty are derived from the cost of food. Poverty is defined as three times the cost of the U.S. Department of Agriculture's (USDA) 1963 Thrifty Food Plan, adjusted annually according to the Consumer Price Index. That definition was originally based on the assumption that to provide the necessities (housing, medical care, clothing, transportation, etc.), a family must have income in excess of three times the cost of an adequate diet.

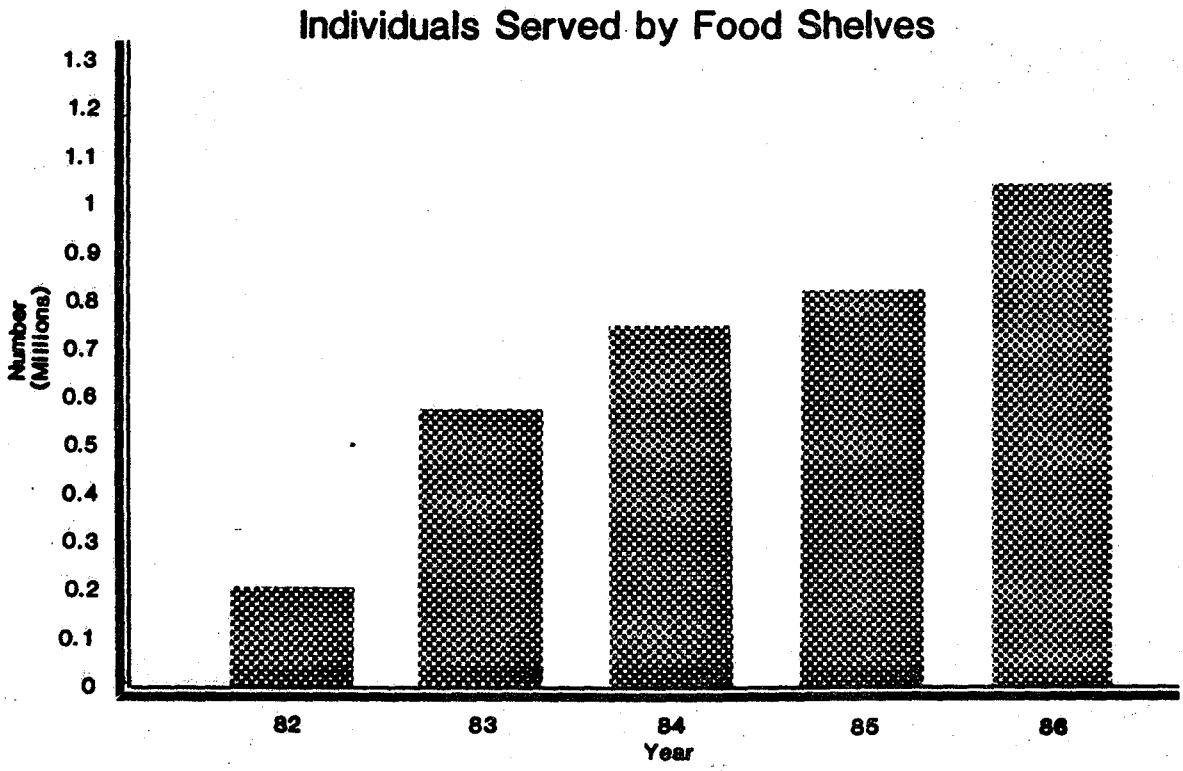
Measuring Hunger

Hunger is difficult to measure. Clinical malnutrition often takes a long time to develop, as do nutritionally-related health problems. The best indicators of nutritional deprivation are those conditions that have a positive correlation with hunger such as food shelf visits, food stamp usage and poverty rates. This section will examine some of those indicators.

Emergency Food Shelf Usage

Emergency food shelf usage provides a handy barometer for the magnitude of hunger in Minnesota. In 1982, there were 65 emergency food shelves in the Twin Cities area and a handful in rural Minnesota. Initially, food shelves were used primarily as a one-time crisis food supply.

Today, seven regional foodbanks supply nearly 300 emergency food shelves in all of Minnesota's 87 counties. They are now serving as a permanent food supplement service for the impoverished. Most food shelves allow only one visit per month and provide a three-to-five day supply of donated foods. Geographical service boundaries prevent people from visiting more than one food shelf in a given month.



Source: Special Report, Minnesota Food Education & Resource Center, A project of the Urban Coalition of Minneapolis, April, 1986.

Figure 1

In 1982, the last year of the recession, there were over 183,000 individual visits to the food shelves. The number of visits had more than tripled by 1983, rising to better than 560,000. Another substantial jump occurred in 1984 when over 757,000 individual visits were recorded (See Figure 1).

In 1985, visits had skyrocketed to nearly 850,000. This was the third year of an economic recovery and many observers had thought that the hunger crisis had peaked. The problem was actually worsening. Individual visits leaped nearly 20 percent between 1985 and 1986. There were over one million visits in 1986, representing an increase of 481 percent since 1982.

Commission Finding: In 1986, there were over one million visits to emergency food shelves in Minnesota. This is an increase of 481 percent since 1982.

Hungry Counties

A series of national surveys provide a unique longitudinal portrait of hunger in America. These reports have focused on "hungry counties." A hungry county is one with a poverty rate higher than 20 percent and with fewer than one-third of those eligible for food stamps actually receiving them.[11] As these reports are careful to point out, these counties are not the only ones where hunger exists; they are the counties experiencing the most severe hunger.

In 1968, the Citizen's Board of Inquiry into Hunger and Malnutrition in the U.S. identified 280 counties in the nation as hungry. A similar survey was conducted in 1973 by the U.S. Senate Select Committee on Nutrition and Human Need found that the number had decreased slightly, to 263 counties. A panel of physicians, including those who had participated in earlier surveys, found that poverty still existed in 1977, but there was no longer widespread hunger or clinical malnutrition.

HUNGER COUNTIES IN MINNESOTA, 1986

	Poverty Rate	Food Stamp Participation	Rate*
Lincoln	22.06	13.57	48
Todd	20.92	21.61	77
Morrison	20.51	25.69	105
Mahnomen	23.97	26.30	107
Clearwater	22.13	31.24	140

*From 1 to 150, 1 indicating the most sever incidence of hunger.

Source: Hungry Counties, 1986: The Distribution of America's High Risk Areas, Physician Task Force on Hunger in America, Harvard University School of Public Health, January, 1986.

Table 3

However, a recent hunger survey documents an alarming trend. In 1986, the Physicians Task Force in America again found 150 hungry counties. Five counties in Minnesota were identified as hungry (See Table 3). In the 1968 survey, when the nation as a whole had a hunger epidemic, not a single country in Minnesota was counted among the hungry. This latest survey found that hunger is concentrated in the Upper Midwest. One-third of the 150 counties were in North Dakota (28), South Dakota (11), Minnesota (5) and Iowa (2). Minnesota joins Texas, Iowa, Montana, Nebraska and Illinois as states with relatively high per capita income and hungry countries.[12]

Understanding the Hunger Crisis

Minnesotans meet their food needs in three ways: income from employment and pensions; income from public assistance programs; and through public and private food programs (See Table 4). If one of these systems deteriorates, pressure on the others rise accordingly. If all three systems deteriorate, Minnesota has a hunger crisis.[13]

MAJOR SYSTEMS FOR OBTAINING FOOD

	Earned Income	Public Assistance (Income Maintenance)	Food Programs	
Source	Employment Private Pension Savings	Social Security Aid to Families with Dependent Children Supplement Security Income Unemployment Compensation Etc.	**Public** Food Stamps Women, Infant & Children Program (WIC) School Lunches Surplus Commodities	**Private** Food Shelves Soup Kitchens
Method	Income to purchase food	Income to purchase food	Receive food directly or receive coupons	
Affected by:	Unemployment Underemployment Minimum wage level Changes in wage and benefit levels	Eligibility for assistance Amount of assistance granted to household Barriers to participation	Eligibility for assistance Amount of assistance granted to household Barriers to participation Availability of food Accessibility of food source	

Source: Homegrown Hunger, Minnesota Food Education and Resource Center, a project of the Urban Coalition of Minneapolis, December, 1985, page 4.

Table 4

Three factors clearly appear to account for the re-emergence of hunger in the 1980s. Each is related to one of the major systems of obtaining food in Minnesota. All three contributed significantly to the hunger crisis.

First, the 1980-82 recession left more Minnesotans in economic jeopardy than anytime since the Great Depression. There were 225,000 jobless Minnesotans in February of 1983, a 300 percent increase since 1978. Even though the totals for each year declined somewhat, the number of unemployed in early 1987 remained more than 50 percent higher than the 1978 figure.

Some were fortunate enough to find new positions. Many, however, found that their old jobs with good pay had been replaced by a new job with a lower wage. Structural changes in the state's economic are creating a new class of underemployed Minnesotans. From the late 1970's until the early 1980s fully two-thirds of the new jobs paid less than the state's average wage. All too many of these new positions have little or no fringe benefits.

Second, income from three key income maintenance programs has been severely eroded for those who obtain food through this system. An average of only 30 percent of those who were jobless between 1983 and 1985 received unemployment compensation benefits. Some of the rest were able to qualify for other income maintenance programs, but most were ineligible and had to fend for themselves.

Aid to Families with Dependent Children (AFDC) and General Assistance (GA) grants have been so eroded by inflation that income from these programs have lost at least one-third of their purchasing power since 1973. Eligibility for

both AFDC and GA have been significantly restricted during the 1980s further reducing the income available for hungry people to obtain food.

With unemployment setting post World War II records and eligibility for income maintenance becoming more restrictive, the demands on the third major system for obtaining food continue unabated. Food programs are often the last resort for destitute Minnesotans.

Private sector funding sources such as individuals, foundations, corporations, churches and synagogues helped create a statewide network of private feeding programs such as food banks, food shelves and hot meal programs. These services, entirely dependent on donations and volunteer workers, are feeding hundreds of thousands of hungry Minnesotans each year.

There is a direct correlation between the increasing number of people turning to private food programs for help and the reduced eligibility and benefit levels of public food programs in the 1980s.

Federal Nutrition Programs

Government food programs were created in the 1960s in response to growing evidence of widespread hunger in America. These programs were strengthened and broadened in the 1970's. The economic downturn of the 1980s quickly eroded all the progress of the last two decades. Soup kitchens became a common sight for the first time since the Great Depression. Just as hunger was reaching crisis proportions, legislative cuts erected barriers to participation in public food programs for all too many hungry Minnesotans.

Food Stamps

The Food Stamp Program was created in 1961 to improve the nutrition of low-income Americans. It is a federally-funded entitlement program that guarantees food assistance to all eligible persons. Eligibility is linked to the federal poverty guidelines and benefits are determined by income, household size and assets.

Program participants receive coupons that can be redeemed in grocery stores for food items. Food stamps are allocated so as to enable a households to purchase three-quarters of the food required by the USDA's Thrifty Food Plan. The average monthly allotment in 1984 was $32.33, a mere 39 cents per person for each meal.[14]

A series of cutbacks in the Food Stamp Program that began in 1981 have reduced the scope of the program by 15 percent. At the peak of the last recession, food stamp participation in Minnesota dropped by 12,000 individuals in just three months time. This dramatic decline coincided with the implementation of new restrictions on program eligibility.

In 1984, an estimated 475,000 Minnesotans were living in poverty. Approximately 235,000 persons were receiving food stamps during the same year. Although food stamps are targeted to the poor, less than 50 percent of Minnesotans in poverty receive them.

Commission Finding: Although food stamps are targeted to the poor, less than 50 percent of Minnesotans in poverty receive them.

Why do so few poor people receive food stamps in the 1980s? One reason is that the federal cuts in 1981 included a provision that totally eliminated outreach efforts. Outreach programs inform potential participants of eligibility requirements and application procedures.

REASONS FOR NOT APPLYING FOR FOOD STAMPS

Reasons for Not Applying for Food Stamps	Frequency of Answers
Did not know how to apply	7.9%
Did not think they were eligible	41.0
Too much paperwork	6.0
Stigma	5.0
Want to stay off welfare	23.5

*Based on responses given by households which were not receiving food stamps and had not applied for food stamps in the past year.

Source: Homegrown Hunger, Minnesota Education and Resource Center, A project of the Urban Coalition of Minneapolis, December, 1985.

Table 5

Evidence for this conclusion is found in Homegrown Hunger (See Table 5). That study found nearly half of food shelf users did not participate in the Food Stamp Program. Astonishingly, 41 percent of those persons had not applied for food stamps because they assumed they were not eligible and another eight percent did not know how to apply.

Women Infants and Children

The Special Supplemental Food Program for Women, Infants and Children (WIC) was created in 1972. WIC was designed to supplement the diet of pregnant women, nursing mothers and children under the age of five who are nutritionally at risk and have a low income.

Like food stamps, eligibility for WIC is tied to the poverty guidelines. The income limit for WIC is 185 percent of poverty, or about $20,000 a year for a family of four. Women and children must also demonstrate nutritional risk.

The program provides vouchers for the purchase of prescribed foods or direct delivery of eggs, milk, juice, cereal, beans and infant formula. WIC also has educational programs on nutrition. Finally, WIC is a bridge to other health programs and encourages prenatal care and continued health services.

WIC is not an entitlement program. This means the program receives a limited amount of funding and may not be able to serve everyone who is eligible. It is is estimated that 165,000 women and children in Minnesota qualify for WIC. Current funding levels provide services for only about one-third of the eligible population.[15]

Commission Finding: The supplemental nutrition program for low-income women infants, and children (WIC) serves only one-third of 165,000 eligible Minnesotans.

A priority system has been established to ensure that the limited funds available reach those most at nutritional risk. Those in the highest priority category are pregnant women, breastfeeding mothers and infants at nutritional or medical risk. The Minnesota Department of Health estimates that because of a lack of funding one-third of low-income preschoolers who are malnourished are unable to receive WIC services.

Child Nutrition Programs

The School Lunch Program is the oldest and most widely accepted public effort to enhance the nutrition of children. This program was established in 1945 as a response to the poor physical condition of many World War II recruits. The School Breakfast Program began in 1966 after the discovery of widespread malnutrition among low-income children.

School breakfast and lunches are entitlement programs available to all children in participating schools. Free meals are provided to those in households with incomes below 130 percent of poverty. Reduced-price meals are provided to those in households with incomes below 185 percent of poverty. Meals are available to all other children at full price.

Child nutrition programs were cut by 30 percent between 1981 and 1984. Eligibility guidelines were tightened and federal reimbursements were reduced. Some students who had received reduced-price meals were no longer eligible. Others who had received free meals were forced to pay for reduced-price meals. Additionally, the cost of reduced-price meals doubled.

In Minnesota, the results of the federal cutbacks were immediate and dramatic. The average daily participation in school lunches dropped from over 517,000 in 1981 to 435,000 in 1982, a decrease of over 15 percent. In Minneapolis, participation in the lunch program dropped 40 percent during the same period, while breakfast participation declined by 25 percent.[16]

Conclusion

Perhaps there is no more eloquent conclusion to this discussion of nutrition and poverty than the following quotation from Homegrown Hunger:

> "The lack of understanding of hunger will affect our willingness as a community to tolerate two economies, two distinct classes of citizenry: one employ and secure, and the other unemployed and dependent. Are we willing to accept the reality and consequences of a community where the affluent purchase food in grocery stores and the poor are given food, when it is available, at food shelves"?

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HOUSING AND POVERTY

Lines of homeless people seeking a bed in an overcrowded emergency shelter has become a familiar sight on the evening news. However, this population represents only a small percentage of those Minnesotans who are struggling to remain housed. Homelessness is simply the worst in a continuum of housing problems that confront this state.

Most low-income people face grim choices for shelter--they can live in substandard units, they can crowd into better dwellings, or they can use a disproportionate share of their limited income for housing. Too often, the poor must resort to all three. The goal of decent and affordable housing for every Minnesotan seems less attainable today than it did 20 years ago.

A number of recent developments have contributed to this vacuum in the housing market. Significant changes have occurred in the following areas: the household characteristics of the housing population; the affordability and quality of shelter; and government programs and the availability of low-cost housing. The cumulative impact of these alterations is a low-income housing crisis in Minnesota.

Household Characteristics and Poverty

Any analysis of the relationship between housing and poverty must begin with the distinction between homeowners and renters. Most Minnesotans own their home. Statewide, 72 percent of households live in owner-occupied units while 28 percent reside in rental housing.(1) Households in poverty are much more evenly divided between renters and homeowners--48 percent own and 52 percent rent (See Table 1).

The income discrepancy between owners and renters is conspicuous. The 1980 census reported a statewide median household income of $17,685. The median for homeowners was $21,035, while for renters it was $10,992. While median income has risen significantly since 1980, this data remains relevant for purposes of comparison.

Statewide, 11 percent of households had incomes below the federal poverty threshold. Renters are nearly three times more likely to be poor than owners. The rate of poverty for homeowners is seven percent while almost 20 percent of tenants are poor. About 43 percent of renters have incomes less than 200 percent of the poverty line (the standard definition of a low-income household).

Commission Finding: Median income for homeowners is nearly double that of tenants, and those who rent are almost three times as likely to live in poverty.

SUMMARY DATA FOR MINNESOTA'S OCCUPIED HOUSING
UNITS BY TENURE AND URBAN-RURAL LOCATION

	Owner Occupied		Renter-Occupied	
	Urban*	Rural**	Urban	Rural
Number of Units	661,761	373,928	338,407	71,126
Vacancy Rate	1.5%	1.5%	5.2%	8.5%
Structure type-units in bldg.				
detached home	88.6%	88.9%	10.6%	60.5%
attached home	2.2	0.4	2.7	0.9
2 units	3.2	1.6	13.8	8.8
3-4 units	0.9	0.6	8.9	6.0
5-9 units			8.4	6.6
10-49 units	2.3	1.1	36.3	10.5
50 or more units			18.4	0.7
Manufactured housing (i.e., mobile homes)	2.8	7.4	0.8	6.1
persons-per-unit (median)	2.70	2.72	1.60	2.07
lacking complete exclusive plumbing	0.3%	3.2%	3.3%	6.1%
built before 1940	30.2%	39.6%	27.8%	47.5%
household income (median)	$ 23,527	$ 16,555	$ 11,130	$10,321
minority householder	2.0%	0.8%	6.6%	2.2%
below poverty level	4.2%	12.1%	18.9%	23.1%

*Urban is defined as population of 2,500 or more.

**Rural is defined to be outside urban area and has fewer than 2,500; it need not imply farm residence or sparse settlement.

Source: 1980 U.S. Census of Housing: CH.A., General Housing Characteristics, Minnesota, CH. B. Detailed Housing Characteristics, Minnesota.

Table 1

The contrast between urban and rural householders provides additional insight into Minnesota's low-income housing problem. The most striking difference between the urban and rural poor is the type of dwelling they occupy. While 70 percent of poor households in urban areas rent, homeowners account for 73 percent of rural poverty.[2]

The overall poverty rate in rural areas is 14 percent, while the rate for urban units is just nine percent. Rural homeowners are three times as likely to be poor as their urban counterparts. Although the poverty rates for urban and rural tenants is quite comparable, their housing status is not--55 percent of urban households that rent live in buildings with 10 or more units, while 61 percent of rural tenant households live in single-family homes (See Table 1).

Elderly, minority and female-headed households are the demographic groups within Minnesota's housing population that have the highest incidence and proportion of poverty. These groups also have the most difficult time finding decent and affordable housing (See Table 2).

The elderly constitute nearly half of the state's homeowners living in poverty and 30 percent of renters are age 65 and older. Renters who are elderly have a poverty rate of more than one of four. Of elderly renters who are poor, nearly 80 percent are women living alone.

INCOME, TENURE, AND POVERTY RATE

FOR HOUSING POPULATION SUBGROUPS

Group	Definition	Home Ownership Rate		Median 1979 Household Income	%of Households Paying 30% or more of Income For Housing	Poverty Rate
Poor	Households with family incomes below the federal poverty threshold.	48%	Owners	$3,000	68%	100%
			Renters	$3,060	74%	100%
Female-Headed	Family households headed by a woman under age 45 with no husband present.	38%	Owners	$13,410	53%	18%
			Renters	$8,020	54%	40%
Elderly	Households with a householder age 65 or older.	68%	Owners	$9,140	23%	12%
			Renters	$5,000	46%	27%
Minority	Households with a non-white householder.	37%	Owners	$22,000	19%	10%
			Renters	$8,000	40%	36%

Source: U.S. Bureau of the Census, Public Use Microdata Sample, Minnesota, 1980.

Table 2

Nearly two-thirds of minority households are tenants. In comparison, only 28 percent of white households rent. The poverty rate for minority renters is 36 percent. For the 37 percent of minority households that own, the poverty rate drops off to 10 percent. This compares to seven percent for all homeowners and 11 percent for the entire housing population. There seems to be a correlation between economic well-being and homeownership for minorities.

Only 38 percent of female-headed households own their own home. By contrast, 76 percent of married couple households are homeowners. The poverty rate for female-headed families that own is 18 percent and the rate more than doubles for those who rent.

Elderly, minority and female-headed households make up 61 percent of tenants and 59 percent of homeowners who live in poverty.(3) While the proportion of poverty for these households has declined slightly, the incidence of poverty has actually increased in the 1980s.

And demographic trends indicate this situation will only worsen as these populations continue to grow. Increased lifespan is expanding the number of elderly, particularly those age 75 and over. Asian and Hispanic immigration has made those groups the decade's fastest growing minorities and will substantially add to the state's minority population the 1990 census. Finally, high divorce rates and an increasing number of births to single women will continue to expand the proportion of households that are female-headed.

Commission Finding: Elderly, minority, and female-headed households constitute 61 percent of tenants and 59 percent of homeowners who live in poverty.

The Homeless in Minnesota

However, limited their options, the households discussed in the previous section at least had been able to secure housing. The homeless are involved in a daily struggle just to keep a roof over their heads. They may seek shelter in the homes of friends or relatives, emergency housing, automobiles, unoccupied buildings, or cardboard shanties.

It is impossible to calculate the number of homeless persons in the state. Only those served by emergency housing programs can be reliably documented and they represent only a fraction of the population. Statewide surveys of the emergency shelter programs conducted by the Department of Jobs and Training do provide some measure of homelessness in Minnesota.(4)

Those surveys began in August of 1985 and they count the number of persons served by emergency programs on a selected night each quarter. The survey includes emergency housing for men, women and children, as well as shelters for battered women, homes for young runaways and short-term transitional housing programs. County governments and private agencies are also surveyed to see how many people they have put up in hotels or motels.

The first survey in the summer of 1985 found 1,165 people in residences for the homeless. The number of persons sheltered grew steadily each quarter until late 1986 when totals levelled off. however, since then there have been steep increases in each three-month survey.

The numbers for May of 1987 were 1,999. This represents a 29 percent increase from a year earlier. It also shows a 72 percent hike since the first survey was taken 21 months earlier.

The latest survey reveals that women and children now account for almost half the shelter population. The May 1987 figures show that men made up 51 percent of shelter residents, while women represented 26 percent and children 23 percent. The numbers were almost identical for August of 1986, suggesting that this breakdown is not a one-time occurrence.

Commission Finding: Between August 1985 and May 1987 emergency shelter usage increased 72 percent. Almost half the shelter population in Minnesota is now made up of women and children.

Minneapolis and St. Paul provide most of the temporary shelter in Minnesota. Minneapolis served nearly one-half and St. Paul almost one-quarter of the shelter residents surveyed in May of 1987. The remainder were served at locations throughout the state (See Table 3).

GEOGRAPHICAL BREAKDOWN OF

THE SHELTER POPULATION

Location	May 1987	August 1986
Minneapolis	46.4%	49.1%
St. Paul	23.3	25.8
Rural Minnesota & small urban areas	6.3	6.7
7-County Metro (non-Mpls. & St. P.)	5.0	4.2
Mankato	2.6	4.0
Rochester	2.2	2.8
Crookston	6.4	2.1
Moorhead	2.4	2.0
Duluth	3.2	2.0
St. Cloud	1.8	1.7
	100%	100%

Source: Minnesota Department of Jobs and Training, Economic Opportunity Office.
Table 3

Obviously, the principal reason for this geographical breakdown is because the Twin Cities have a larger population that is vulnerable to homelessness. But there is another factor that deserves more attention. Those forced to seek emergency shelter in other parts of the state sometimes have no other option but to gravitate to the metropolitan area.

Although the shelter population in Minneapolis and St. Paul has continued to grow, their share of statewide total has declined by nearly five percent points in the last nine months. This may be just a statistical aberration. On the other hand, it might indicate that either homelessness is growing faster in other parts of the state or that the availability of shelter is increasing outside the Twin Cities.

Homelessness is not new. What is new in the 1980s is the magnitude of the problem. Why are so many Minnesotans without a roof over their heads? The homeless are a diverse group and no single answer will do. However, there is a long list of factors that are contributing to the intractability of homelessness: the loss of low-income housing units, long-term unemployment, cutbacks in public assistance programs, underemployment, deinstitutionalization of the mentally ill, spouse abuse, and chemical dependency. The Metropolitan Council's report on homelessness concluded that:

> The shelter system has become a permanent part of the housing stock, as a form of housing rather than emergency service, and is filling the traditional role served by the "poorhouse" as well as state mental health institution --both of which roles they are ill equipped to play.[5]

The bottom line is that shelters are an emergency service, not a solution to the state's low-income housing crisis.

Affordability and Quality of Housing

Affordability has become the primary housing problem for low and moderate-income households in Minnesota. Federal government guidelines recommend that no more than 30 percent of a household's income be used for housing, including rent or mortgage payment, heat, water utilities, etc. Households in poverty, renters and owners alike, spent the most disproportionate amount of their income on shelter. According to the Minnesota Housing Finance Agency (MHFA), 86 percent of poor homeowners have housing cost ratios of 30 percent or higher.

Tenants fare little better. Three-quarters of poor renters spend 30 percent or more of their income on housing, while 53 percent spend 40 percent or more.[6] Tenants in general have very high housing cost ratios. Over one-third of all renters spend 30 percent or more of their income on shelter, while nearly one-fourth used 40 percent or more.

Commission Finding: Over half of renters who are poor and 23 percent of all tenants spend 40 percent or more of their income on housing.

Affordable housing is a severe problem for other groups of householders as well. Among female-headed families, 53 percent of tenants and 54 percent of owners had housing cost ratios of 30 percent or higher. Two-fifths of minority renters and 47 percent of elderly tenants spend 30 percent or more of their income on shelter (See Table 2).

Quality is another important measure of the state's housing stock. There is a strong correlation between a household's income and the quality of their housing. There also seems to be differences of quality between urban and rural housing.

The MHFA did a survey in 1980 to assess housing needs in the state. To measure the adequacy of a housing unit, they developed an instrument called the Housing Distress Index (HDI).[7] The HDI score is a composite of per capita income, housing cost ratio, and the number of people and rooms in a dwelling. The results were then broken into six categories, ranking from the very well-housed (category 1) to highly distressed housing (category 6).

While only 0.1 percent of poor households were living in the two best categories of housing, 64 percent of homeowners and 95 percent of tenants living in the worst category had incomes below the poverty line. More than four of five households that live in the most distressed category of housing spent 40 percent or more of their income on shelter.

A number of indicators suggest that the state's rural housing stock may not be in the best of health. One measure of poor quality shelter is the lack of complete exclusive plumbing. Rural dwellings are nearly three times as likely to lack complete plumbing as urban units. Of every 100 rural rental units, 16 lack complete plumbing (See Table 1). The age of a unit is often an indicator of substandard housing. Older units are usually in need of more maintenance and comprise the majority of poor quality housing. While 29 percent of all urban housing units were built before 1940, 41 percent of all rural units were built before that date. Nearly half of the rental housing in rural areas was built before the start of World War II.

Manufactured housing (i.e., mobile homes) may be another measure of shelter quality. Rural households are three and one-half times as likely to reside in mobile homes as their urban counterparts. Mobile homes constitute seven percent of the rural housing stock and 86 percent are owner-occupied.

Government Programs and the Availability of Low-Cost Housing

Homeownership is an essential part of the American Dream. Since the 1930s, the federal government has assumed a significant role in determining whether or not that dream was fulfilled. The Federal Housing Administration (FHA) was created in 1934 to expand homeownership to a larger segment of the American population.

The U.S. Government continues to provide incentives and support to promote construction of new homes for middle-income families. It is estimated that 15 million households have been assisted with financing and mortgage insurance by the FHA since its inception. Federal programs now guarantee 18 percent of all mortgage loans for private homes.(8)

The federal government also provides indirect subsidies to owners through tax deductions for mortgage interest payments. In 1984, homeowners and rental property owners received $46 billion in federal assistance through interest deductions and tax shelters.(9) The state of Minnesota in 1986 provided owners an additional $185 million in tax expenditures.(10)

Who receives this aid? The higher the household earnings and the higher the tax bracket, the greater the percent of the mortgage that the government subsidizes. It has been estimated that 75 percent of the housing tax breaks in 1984 went to those Americans in the upper-15 percent income bracket.(11) Most of the remaining subsidy dollars went to middle-income households.

Consequently, the nation's largest housing assistance program provides very little aid to low-income homeowners. Many homeowners with low incomes are the elderly and divorced single-parents, people who owned before their incomes declined. Their low income and correspondingly low tax bracket means that the percentage of their mortgage the government subsidizes is minimal.

About seven percent of Minnesotans who filed for mortgage interest tax deductions had incomes below the poverty line. Those 35,500 households received only four percent of the $185 million of taxes forgiven by the state. The remaining 96 percent went to subsidize the housing of moderate, middle and upper-income households.[12]

INCOME REQUIREMENTS FOR PURCHASE OF A NEW HOME

Single Family Home Sold at Market Price and Qualified for Homestead Credit:

	Median Sales Price	Monthly Payment (PITI)	Annual Income Required	Interest Rate
Greater Minnesota	$44,900	$356	$15,257	10%
	44,900	556	23,800	15%
Seven County Metro Area	$72,900	$610	$26,400	10%
	72,900	917	39,300	15%

Source: Minnesota Housing Finance Agency, "An Analysis of House Sales Prices in Minnesota," January, 1984 - September, 1985.

Table 4

Excluded from participation in this tax break is the largest low-income housing population--renters. It is virtually impossible for households with an income less than 50 percent of the state median to become first-time buyers. The median price, monthly payment level, and 10 percent down-payment requirement put the conventionally-financed home beyond the reach of all households in poverty and most low-income families. (See Table 4).

The MHFA and some counties and cities in the state have programs to encourage homeownership among low and moderate-income households. The principal mechanism is to reduce the interest rates so as to lower the monthly payments and income requirements.

Reduced interest rates do have an impact on the ability of potential home buyers to purchase a first house. A drop in the interest rate from ten to eight percent causes the minimum income required to drop by 16 percent. However, even at eight percent the cost of a home for households in poverty remains too great. Programs that reduce the interest rate for first-time buyers are very effective for moderate-income families, but seldom reach into the poverty population.

These households have little choice but to rent--and lose out on this subsidy. However, low-income households have historically had access to a variety of tenant assistance programs such as public housing and rent subsidies. Federal programs have been the principal source of funding that enabled state and local governments to construct, rent, purchase and operate low-cost housing. Since 1981, this flow of federal dollars has slowed to a trickle.

Federal programs for new acquisition, construction and substantial rehabilitation of rental housing have been significantly reduced in the 1980's. Between 1974 and 1980, over 200,000 subsidized units were built each year. Construction of new units in 1985 dropped to 25,000.[13]

Annual federal appropriations for low-cost housing have declined this decade from $30 billion to less than $10 billion. Federal housing funds for low-income Minnesotans have dropped from nearly $4.5 million in 1982 to a little more than $2.5 million for 1985--a decline of 43 percent[14]

Commission Finding: Federal funding for low-income housing programs in Minnesota declined between 1982 and 1985 by 43 percent.

Not only has the supply of new subsidized housing virtually ceased to grow, but there is an increasing danger that currently subsidized projects will be converted to private market-rate housing. Privately-owned buildings that were constructed as subsidized housing under contract with the U.S. Government can be sold or converted to market-rate housing when the contract expires.

The new federal tax law makes these subsidized units a less attractive investment and encourages owners to convert their buildings to private market rentals to take advantage of escalating rents. In all, the seven-county metropolitan area risks losing over 25 percent of its subsidized rental units by the year 2,000.

Subsidized housing units are not alone in their conversion to other uses. Especially in metropolitan areas, low-cost housing such as single room occupancy units (SRO) units have been lost to demolition or conversion to more expensive rental units. SRO's are over low-cost housing units rented primarily to low-income single individuals.

In Minneapolis alone, at least 1,300 SRO units have been lost since 1980. Of the remaining 4,725 units in downtown Minneapolis, nearly 30 percent are expected to be razed to make space for development projects. Similar situations are found in St. Paul and other urban areas. Since 1980, St. Paul has lost 415 units to demolition and an additional 300 to conversion.[15]

This shrinking supply of low-cost housing units and steadily increasing rents have substantially increased the need for rent subsidies. The primary rent supplement program was established by Section 8 of the Housing and Community Development Act of 1974.

Under Section 8 housing assistance, the tenant's share of the rent is 30 percent of household income. The federal government then pays the difference between the tenant's payment and the actual rent. Federal cutbacks took effect just as the need for housing assistance began to skyrocket. The number of Minnesota households receiving Section 8 certificates is just above the 1981 levels.

SUBSIDIZED HOUSING BY HOUSEHOLD TYPE

	Estimated Number of Low Income Households in Minneapolis & St. Paul, 1984	Number of Federally Subsidized Housing Units of all Types in Minneapolis & St. Paul, 1984
Elderly	30,494	12,095
Families With Children	26,228	12,363
Non-Elderly-Childless	42,293	-0-
Total	100,014	24,458

Source: More Than Shelter, Study, October, 1985.
Table 5

Most of the subsidized housing units in Minnesota are in the Twin Cities. Less than 25 percent of low-income households in Minneapolis and St. Paul are living in subsidized housing. The households receiving subsidies are evenly divided between the elderly and families with children (See Table 5). As these numbers indicate, certificates are at a premium. The wait for available certificates may run as long as three years. For units with three or more bedrooms the wait may be up to five years.

There is no federal housing subsidy program available for the single, childless, non-elderly population. Couple this lack of eligibility for subsidies with the demolition of SRO units and it is little wonder that this population is so disproportionately represented among the homeless.

Conclusion

Decent and affordable housing is beyond the reach of far too many low-income Minnesotans. The need for housing assistance continues to grow. Conversely, public and private resources for low-cost housing continue to dwindle. In 1984, the U.S. Government provided homeowners and real estate investors with $46 billion in indirect subsidies. In that same year, federal funding for low-income housing was a paltry $10.8 billion. In 1986, the state of Minnesota subsidized housing for homeowners to the tune of $185 million. Total appropriations and tax expenditures for low-cost housing during the same year were a mere $13 million.

A critical issue in the state's housing policy is equity. The key question facing policy-makers in not the "appropriateness of public subsidies for housing, but rather who gets the subsidy and how effectively these resources are targeted to those truly in need."[16]

Endnotes

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RESTORING THE AMERICAN DREAM

The Commission issues these 25 challenges in the hope that all Minnesotans will make their social, economic and political decisions in light of the impact those decisions will have on persons living in poverty. A comprehensive strategy for alleviating poverty demands a strong commitment by all sectors of our community.

COMMISSION'S TOP FIVE CHALLENGES

1. Appropriate $100 million for the Minnesota Employment and Economic Development (MEED) Wage Subsidy Jobs Program

   Even in prosperous times, the Minnesota economy is not producing enough jobs for all workers. An average 118,000 Minnesotans were unemployed in 1986. While much improved from 1983, this figure remains well above the 1978 average of 76,000. An appropriation of $100 million will create 16,000 permanent jobs in the private sector, and 4,000 public of non-profit jobs. Additionally, the wage subsidy will provide vital economic assistance to small businesses in distressed communities throughout the state.

2. Appropriate $25 million for sliding fee health coverage for uninsured working families with children.

More than 450,000 Minnesotans have no health coverage, even though most of them live in a household headed by a wage earner. The state's $25 million would be supplemented by the federal government, income from the sliding fee, employers, and county expenditures. This program would result in fewer AFDC cases, fewer infant deaths, and reduced pressure on providers.

3. Reduce the tax burden on low-income Minnesotans by conforming the Minnesota tax code to the 1986 federal tax reform bill.

During the 1980s, the working poor have undergone substantial state and federal tax increases. By conforming to the new federal tax law, Minnesota could remove up to 125,000 low-income earners from the state income tax rolls. These changes would foster economic independence by creating the ability for low and moderate-income working people to provide for their families through earnings.

4. Appropriate $40 million for the sliding fee Child Care Program.

Lack of child care is one of the major barriers to independence for low-income families. Approximately 48,000 low-income families are estimated to be eligible for this program. An appropriation of $40 million would meet the needs of one-third of the eligible families. A state child care program that is adequately funded is essential if AFDC recipients are to move off the welfare rolls and on to the payrolls.

5. Appropriate $25 million for the Women, Infants and Children (WIC) Supplemental Nutrition Program.

Only one-third of the 165,000 eligible Minnesotans are currently served by the WIC program. This federally funded program provides supplemental nutrition for women and children. An appropriation of $25 million would serve 50 percent of those eligible in Minnesota. The WIC program has demonstrated that it prevents infant deaths, increases birth weights, and improves the health of preschool children.

TOP FIVE CHALLENGES THAT USE LITTLE OR NO PUBLIC FUNDS

1. Minnesota banks and corporations must invest human and capital resources in small and emerging companies to encourage business development, job creation and economic diversification in distressed communities.

Small and emerging Minnesota companies increasingly lack the resources to start, maintain or expand their businesses. To facilitate economic growth in distressed communities, banks and corporations must provide access to capital, management and technical assistance, and direct their own business to local vendors.

2. Increase the federal minimum wage to $4.45 per hour to recapture the value that has been eroded by inflation.

The value of the minimum wage has declined substantially in recent years. A full-time minimum wage earner with a family of three earns less than 80 percent of the poverty income threshold. The purchasing power of the minimum wage has declined by 25 percent since 1987. Thus, an increase to $4.45 per hour would allow many low-income Minnesotans to meet their expenses independently and escape poverty.

3. Support automatic income-withholding of child support payments.

Up to one-half of the custodial parents who are awarded child support received either partial or no payment. In 1984, 35 percent of custodial parents received AFDC benefits. Present Minnesota law allows the withholding of child support only after payment is delinquent for more than 30 days. Automatic income-withholding will reduce dependence on AFDC and increase opportunities for single parents to become self supporting.

4. Foundations and the philanthropic sector should give priority to advocacy strategies that enable low-income individuals, families and communities to take charge of their own futures.

Poverty is more than a lack of sufficient income to meet basic needs. It also reflects an erosion of the power necessary to achieve self-determination. Minnesota's foundations and other members of the philanthropic sector will have the greatest impact on poverty by supporting projects that empower low-income Minnesotans to achieve full participation in the social, economic and political life of the community.

5. Income maintenance grants should be kept at current levels and indexed for cost of living increases. The state must seek waivers from federal regulations in order to design a transitional support system that enables recipients to move from public assistance to employment.

Income maintenance grants, already less than the poverty level, have lost one-third of their buying power to inflation during the last decade. Also recent changes in program regulations have diminished the opportunities for participants to achieve independence. Waivers from federal regulations would give Minnesota the freedom to develop a transitional support system linking income maintenance, education and training, and job development efforts. Increased coordination between these areas would facilitate the movement from welfare to employment.

FIFTEEN ADDITIONAL CHALLENGES

Challenges to Individuals, Communities, and the Non-profit Sector

1. Low-income Minnesotans must apply their hopes, dreams and energies in pursuit of these expanded opportunities to achieve full participation in the social, economic and political life of the community.

2. Minnesotans must refrain from actions, words or attitudes that stigmatize the poor, and make their social and economic decisions in light of what those decisions do for the poor, what they do to the poor, and what they enable the poor to do for themselves.

3. Minnesotans must affirm their commitment to end individual and institutional discrimination based on age, disability, ethnicity, race, religion and sex.

4. Minnesotans must continue to focus their voluntary efforts and contributions toward providing for the basic needs of the poor, such as food, clothing, shelter and literacy. However, charity is no substitute for the economic and political changes necessary to expand opportunities for low-income Minnesotans.

Challenges to Private Employers

5. Health coverage must be provided for all full-time and part-time employees, reversing the trend of benefit reduction.

6. Pay equity must be implemented by all employers.

7. Child care benefits should be provided to enable low-income parents to work.

8. Employee leave and flex time to care for sick children must be provided to enable low-income parents to work.

Challenges to the Federal Government

9. Restore funding for Minnesota's job training and retraining programs to 1978 levels.

10. Increase the funding for Head Start to a level that will double the number of eligible children able to participate.

11. The federal government should exempt Minnesota from income maintenance regulations that hinder the design of a transitional support system that enables recipients to move from public assistance to employment.

12. Achieve and maintain a positive balance of trade on the world market and an equitable farm program that enables working people and family farmers to earn a liveable income.

Challenges to State Government

13. Increase funding for mediation, counseling, relocation, and retraining to respond to the needs created by the rural crisis.

14. Increase funding for training and retraining programs for displaced farmers, workers, and homemakers.

15. Develop comprehensive housing programs to replace housing units which have been demolished or converted, and which enable low-income persons to own and manage their own housing.

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A Poverty of opportunity

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