EXECUTIVE SUMMARY

Significant progress was achieved in the 2013-2014 Minnesota Legislature on laws and policies aimed at linking more equitable workforce training and development to economic growth and development in the Twin Cities and in Minnesota. Three key policy objectives were achieved: improving reporting requirements for workforce training outcomes, reducing reliance on racially biased screening tools, and establishing new pathways to educational credentials. The Twin Cities region should continue this progress with targeted resources and interventions to improve and expand explicit equity goals in economic development projects and foster entrepreneurism and business growth in communities of color.

GROWTH & JUSTICE GOALS

Traditionally, workforce development, economic development and race equity have been separate and distinct entities. In the Workforce Equity for a Competitive Economy project, Growth & Justice seeks to reframe the approach to workforce development in the Twin Cities region, laying the base for strategic workforce efforts linked to economic development and tied to equity, and access to long-term, sustainable and living wage jobs with career tracks for all workers.

In this view, training, equity and development are inextricably linked to each other, and linked in turn to the economic well-being of the Twin Cities region and the state of Minnesota. They are inseparable imperatives that must be addressed simultaneously, to provide greater opportunity for our entire workforce—one that is growing older and more diverse—to prepare for the increasing demand for skilled jobs in our region. This goal reflects the consensus of partners and advisers and a broad array of workforce experts, business leaders, racial justice advocates and educators.

INSEPARABLE IMPERATIVES:
Workforce Equity for a Competitive Economy

EQUITY:
Civic leaders warn we must close racial employment gaps.

WORKFORCE:
Educators know they must align training to future jobs.

EMPLOYERS:
Businesses and other employers must create good 21st century jobs.
In order to make progress on equitable workforce development, we must approach the challenge on multiple fronts. Some changes necessary are administrative, having to do with regulatory discretion; some changes are in specific policy interventions, and some changes require more comprehensive solutions for multiple industries and multiple types of workers and jobseekers.

The *Workforce Equity for a Competitive Economy* project identified five distinct types of policy initiatives (listed below) to boost economic development and reduce racial disparities in employment in our region, leading to a more prosperous economy and more equitable growth.

During the 2013-2014 legislative session, Growth & Justice—together with other nonprofits, social service providers, businesses and grassroots community supporters—successfully advocated for multiple bills that became laws and moved the economy in our state toward greater prosperity and equity. Some of these bills draw from our recommendations, while some are beyond the scope of our original workforce equity recommendations, but contribute to improved working conditions for many Minnesotans.

Progress was achieved on the first three policy initiatives listed below, and action on the fourth and fifth items in the list is expected in 2015-16.

1. **Measuring outcomes:** Utilizing measurement tools to evaluate race equity impacts of workforce development program investments and to improve accountability around pledged outcomes.
2. **Reduced reliance on racially biased pre-employment screening:** Expungement of criminal records.
3. **New pathways to educational credentials:** Widening the availability of industry-recognized occupational training and more broadly rewarding and crediting work experience.
4. **Explicit equity goals:** Promoting and prioritizing economic development and job creation decisions that have racial equity in employment as an explicit goal.
5. **Ownership:** Fostering entrepreneurism and small business development in communities of color.

**LEGISLATIVE SUCCESS**

**Measuring Outcomes:** Utilizing measurement tools to measure net impacts of workforce development program investments and to improve accountability around pledged outcomes.

Important breakthroughs were reached on general reporting of outcomes using disaggregated data. New legislation directs the commissioner of Minnesota’s Department of Employment and Economic Development (DEED) to develop and implement a comprehensive system for data collection, reporting, and analysis of the effects and outcomes of adult workforce development programs and services. The outcomes will be publicly available on the DEED website, and will include the total number of participants enrolled, total number of participants completed, total earned credentials, and participant wage data for two years following program completion. The report will contain total numbers as well as a breakdown by geography and by participant education level, race and ethnicity, and gender. The results will include a comparison of the outcomes of participants who enrolled in workforce programs with the outcomes of people who were not enrolled.

In 2015 the DEED commissioner will report on a net impact pilot project, that creates a framework for measuring and understanding the net impact and the social return on investment (ROI) of publically funded workforce programs. In addition, beginning in 2017, the commissioner must report to the legislature every four years on the net impact of workforce services on individual employment, earnings, and public benefit usage outcomes; and provide a cost-benefit analysis for understanding the monetary impacts of workforce services from the participant and taxpayer points of view. The department must engage an independent entity to produce the report, and the report must be made publicly available on the DEED website.
Reduced reliance on racially biased pre-employment screening: Expungement of criminal records.

The Minnesota Legislature made strides in reducing reliance on racially biased employment screening tools by reforming the process for criminal records expungement.

Expungement is the process of asking a judge to seal a court record. People may ask for an expungement when they have been denied a job, housing, or a professional license because of their criminal background. The new law fixes a major gap that prevented judges from sealing records held by the Bureau of Criminal Apprehension (BCA) and other executive branch agencies. Because the BCA is a primary source of information for employment and housing background checks, most people were left without an effective remedy even after they had proven to the court that their past was behind them and they were deserving of a second chance.

Under the new law a full expungement—which seals both court records and executive branch records—may be granted in the following situations:

- All records related to juvenile delinquency can be expunged.
- The case was resolved in the individual’s favor, either by acquittal or dismissal.
- The case resulted in diversion or stay of adjudication; if no new criminal convictions for at least one year after completion of sentence.
- The case resulted in a petty misdemeanor or misdemeanor conviction; if no new criminal convictions for at least two years after completion of sentence.
- The case resulted in a gross misdemeanor conviction; if no new criminal convictions for at least four years after completion of sentence.
- The case resulted in a low-level nonviolent felony conviction; if no new criminal convictions for at least five years after completion of sentence.

If the case resulted in a conviction, the person must be able to prove to the court that the need to have their record sealed outweighs any public safety concerns in order to have their expungement petition granted.

The law has a number of other provisions as well. It protects employers and landlords from liability based on expunged records, it requires private business screening services to delete expunged records, and it allows for housing eviction records to be sealed when there is a finding in favor of the tenant. These changes will go into effect on January 1, 2015.

New pathways to educational credentials: Widening the availability of industry-recognized occupational training and more broadly rewarding and crediting work experience.

The Legislature took important steps in the right direction, creating a new pathway for a high school diploma that rewards partial credit for coursework, and that allows work experience and industrial training to count towards the degree. The new diploma is under development. Another new law modifies existing Minnesota Family Investment Program (MFIP) regulations to allow more opportunities for recipients to pursue education and training while receiving assistance. And the new PIPELINE Project was funded with a goal of aligning education pathways and jobs in key industries and adapting an apprenticeship training model to new industries.

STANDARD ADULT DIPLOMA

Minnesota’s Adult Basic Education (ABE) program serves about 75,000 students each year, in 500 sites across the state, about one-half of whom are English Language Learners. New legislation directs the Minnesota Department of Education to create a standard adult diploma, offering a new pathway to a high school degree. This option will be available for anyone who is ineligible for K-12 services, does not have a high school diploma, does not have a GED, and is not receiving education services from the state’s education program.
and completes an approved program of instruction in an adult basic education program. Previously, the only two options for adults without a high school degree had been the GED, a set of four computerized tests with high costs and limited availability in testing sites across the state, or a regular high school diploma that meets current graduation standards—an option that worked best for students who had already finished most of their high school requirements. The new diploma expands options for adult learners in Minnesota by providing alternative ways to demonstrate completion of the adult diploma requirements. The diploma is currently in development. Some of the options for earning credit could include: verified K-12 classes; postsecondary courses; other approved trainings or experiences; test-verified knowledge; ABE instruction; and applied learning projects.

MINNESOTA FAMILY INVESTMENT PROGRAM (MFIP) WORKFORCE EDUCATION

Legislation passed in 2014 makes Minnesota the only state in the nation to encourage education in the welfare-to-work program. About 60% of parents enrolled in MFIP will be eligible to pursue their high school diploma, and 40% will be eligible to pursue postsecondary training and education. MFIP enrollees are required to fulfill a certain number of hours in “approved activities” each month. The changes in legislation will allow class time and study hours to count toward the required activity hours. MFIP case managers must inform enrollees of their right to attend school. Participants can pursue Adult Basic Education, GED coursework, English as a Second Language learning, and postsecondary education and training, including four-year degrees, without seeking specific approval for these activities.

MINNESOTA PIPELINE PROJECT

The Minnesota PIPELINE (Private Investment, Public Education, Labor and Industry Experience) Project was funded by the Legislature in 2014 to create credible competency standards for specific jobs, both entry level and higher-skilled, in four key industries that are identified as high growth potential in Minnesota. The Department of Labor and Industry will convene advisory councils comprised of employers, education and training providers, industry experts, and labor to define competencies and skills for jobs in advanced manufacturing, agriculture, health care services and information technology. The four advisory councils will report to the Legislature in 2015 on their progress in defining competencies. The goal is to develop a path for individuals to obtain a degree and career, and to better align education and training offerings to match the competencies needed in high growth potential industries.

ADDITIONAL 2013-14 LEGISLATIVE ACHIEVEMENTS ADVANCING WORKFORCE EQUITY

MINIMUM WAGE

Prior to August 1, 2014, the minimum wage in Minnesota was $6.15 an hour—one of the lowest minimums in the nation. Minnesota will soon have one of the highest wage floors, rising to $9.50 per hour by 2016. The increases are phased in, and do not apply to small businesses or youth or training wages. In 2016 the minimum wage will be indexed to inflation, but capped at 2.5% per year. The benefits of a minimum wage increase are well targeted to those who are most often left behind in our economy, including women and people of color. Fifty-seven percent of those who would benefit from the wage increase are women. Additionally, almost one in three Hispanic workers in the state and about one in five black workers will see higher wages from this policy change.

WOMEN’S ECONOMIC SECURITY ACT (WESA)

This legislation includes a wide-ranging set of policies and investments that include protections for pregnant and nursing women in the workplace, expanded family and sick leave, provisions to enforce pay equity.

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compliance, and investment in workforce development for women in high-demand, high-wage, nontraditional fields. WESA includes $1.25 million in appropriations to grant programs for women entrepreneurs, women-owned businesses and women-in-apprenticeship programs. Taken together, these measures will provide security for more women in the workplace, and greater financial security for them. The majority of minimum wage workers and low wage workers are women. WESA addresses workplace gender discrimination for women, and also provides support and opportunities for women to move into higher paying careers in nontraditional jobs.

WORKING FAMILY TAX CREDIT

The Minnesota Working Family Tax Credit is a tax refund available to parents based on income earnings and family size. The tax credit is based on the federal Earned Income Tax Credit and is designed to help working families keep more of their income, by offsetting a portion of the substantial state and local taxes that lower-income working people pay. This change will make a difference for working families in Minnesota in two major ways. First, the Minnesota Working Family Tax Credit now conforms to improvements in the federal law, which will reduce marriage penalties, beginning with tax year 2013. An estimated 53,700 Minnesota families headed by married couples could benefit by an average of $334. Second, the Minnesota Legislature increased the maximum credit starting in tax year 2014. The combination of these two improvements represents about a 25 percent increase in the Working Family Tax Credit.

NEXT STEPS

Progress has been made, but there is still more work to do. A strong economy in Minnesota does not absolve business and elected leaders from paying attention to racial disparities, because the entrenched patterns will not disappear rapidly and will not disappear without consistent attention. A long-term vision for economic growth in our state should have a focus on eliminating racial disparities.

Specifically, there is still a need for policies in Minnesota that target institutional and structural inequities in employment, education and training, and that make progress on two additional fronts:

Explicit Equity Goals: Promote and prioritize economic development and job creation decisions that have racial equity in employment as an explicit goal, and improve accountability for diversity and equity outcomes.

Substantial investments in infrastructure projects with strong minority hiring goals have historically been, and continue to be, an important avenue for linking people of color to good jobs. Infrastructure projects—building and repairing roads, bridges, schools, parks, water systems, and the like—create jobs through the labor they demand and through the increased economic activity they foster. At the same time, infrastructure projects help to keep communities safe and vibrant, and can revitalize distressed areas. A $1 billion investment in infrastructure creates roughly 18,000 jobs, most of which are skilled jobs in construction and manufacturing that pay good wages. As recipients of certain federal and state funds, these projects typically carry specific minority business inclusion and diversity hiring goals.

Improved accountability means additional and enforceable clawback provisions on public subsidies and incentives. This means that tax credits and concessions are only given if certain performance criteria are met; or, in cases where businesses need capital up front, loans could be granted but only forgiven if established community benefits are delivered.

Businesses in Minnesota have made some progress in achieving minority hiring goals in construction projects, through community training partnerships and improved business practices. But there is still room for

5  http://www.mnbudgetproject.org/current-agenda/improving-the-working-family-tax-credit
improvement, and hiring practices are not the only explicit equity goals that could be associated with public infrastructure projects in Minnesota. Other opportunities exist to streamline the certification processes for Disadvantaged Business Enterprises and Minority Business Enterprises to make it simpler.

Ownership: Target entrepreneur training and business development programs to mid-sized businesses able to grow in communities of color.

While there are now business development and entrepreneur training programs aimed at small minority-owned businesses, that support should be expanded and made available to bigger businesses that can hire in the hundreds. This can be place-based and population-based, building on the location-specific strategies of the Central Corridor, for example, as well as populations in other areas of the Twin Cities region.

Evidence shows that business owners of color are more likely to train, hire, and promote workers of color than are their white counterparts.\(^8\) The Twin Cities have several high-quality community-based organizations delivering entrepreneur training and supports to minority-owned businesses, particularly in geographic areas that are economically challenged. The Neighborhood Development Center (NDC), Northside Economic Opportunity Network (NEON), and Metropolitan Economic Development Association (MEDA) have collectively trained thousands of entrepreneurs, supported hundreds of businesses, and helped advance growth and employee hiring among many of those firms. While providing important resources and benefits to the businesses they serve, much of these organizations’ efforts are on retail businesses that often will not grow to be large job generators.

Finally, there are new cooperative ownership models that show promise for equitable job creation for a competitive economy. Cooperative ownership is often understood as a housing organization or a grocery co-op; however, examples of cooperative ownership as a vehicle for equitable job creation are emerging.

CONCLUSION

The Met Council projects that if everyone in the Twin Cities in 2040 enjoyed the same socioeconomic profile as white non-Latino Twin Cities residents do today, our region would have an additional $31.8 billion in income. Looking ahead to 2040, the region’s population will be 40% people of color, up from 24% today.\(^9\) If racial disparities were eliminated in 2040, and people of color matched the rates of the white population on the following measures, the region would have:

- 171,000 more people with a high school diploma
- 124,000 more people with jobs
- 274,000 fewer people in poverty
- an additional $31.8 billion in income
- 186,000 more homeowners\(^10\)

Workforce equity is a crucial component of the future of our region, from the perspective of both growth and justice. Minnesota must build on the progress made in the 2013-2014 legislative session to develop a statewide strategy to advance economic and racial equity in our state.

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\(^10\) Ibid. Figures are Metropolitan Council staff calculations based on 2007-2011 American Community Survey data for the seven-county Twin Cities region and the Metropolitan Council’s Revised Regional Forecast to 2040 (February 2014).