Workforce system race and class disparities in Minnesota

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Minnesota Department of Employment and Economic Development
Performance Management Office

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Executive Summary

Racial and class employment disparities in Minnesota are well-documented. For instance, recent research compiled by Wilder Research in the Minnesota Compass project shows that while the Twin Cities ranks number one among America's largest metropolitan areas in terms of overall employment participation, it consistently ranks among the last in terms of racial disparities in that same measure. What role does the state's public workforce system have in addressing these disparities?

Department of Employment and Economic Development (DEED) staff have begun planning for a system-wide approach to addressing racial and class employment disparities. **In addition to increasing the transparency of DEED's data on adult workforce development disparities, the intent of this report is to synthesize previous policy recommendations with views from the field to help inform the current conversation around DEED's role in promoting employment equity.**

This report provides summary data that confirms racial and class employment disparities exist among participants in workforce development programs administered by DEED and targeted to low-income and recently laid-off adults. It also provides rates of common barriers to employment—including low educational attainment, criminal background, limited work experience, and limited English skills—by race and class. Unsurprisingly, rates can differ greatly by race and class.

A survey of counselors and interviews with program managers from across the state add context to this administrative data and provide insight into how our workforce system currently addresses employment barriers and how DEED can better support their work to address disparities. Complete summary results from this project's survey of counselors and interviews with program managers are available as a companion to this report.

Highlighted recommendations from the report include serving people of color more intentionally, engaging with employers more intentionally around how to successfully employ individuals with barriers, and finding performance solutions to serving participants with barriers. However, this report is not intended to be the final word on workforce development disparities. Readers are encouraged to submit comments on the report to add perspectives to this conversation and guide future research.

As the conclusion of the report states: "Currently, approaches to addressing disparities vary across service areas and across providers. Although this can be messy and hard to communicate, this diversity of approaches may be a strength of our workforce development system worth retaining even as DEED takes on a more prominent role."

The strength of this conversation, too, rests on a diversity of stakeholders sharing their perspectives.

Introduction

Many reports have detailed the race and class employment disparities that exist in Minnesota.[1] Many reports have also made economic and moral cases for addressing those disparities and recommended specific policy changes to do so. This is the first report to examine statewide disparities specifically among participants in workforce development programs administered by the Minnesota Department of Employment and Economic Development (DEED) and targeted to low-income and recently laid-off adults and the first to engage workforce professionals from around the state regarding approaches and recommendations to addressing those disparities.

The primary intended audience for this report is workforce development professionals, managers, and policymakers. The programs reflected in this report are only a piece of the entire workforce system, which also includes programming for youth and people with disabilities. Additional research can investigate disparities in these programs as well as the unique role they play in promoting equity.

The intent of this report is to synthesize previous recommendations with views from the field to help inform the current conversation around DEED's role in promoting employment equity. DEED staff have begun planning for a system-wide approach to addressing racial and class disparities. This planning process is engaging local partners (from workforce service areas as well as from independent workforce agencies), who have a unique perspective on the feasibility of various approaches and strategies in their own context.[2]

DEED does not currently mandate specific policies or actions on the part of local partners in terms of explicitly addressing racial and class disparities.[3] Local partners have varying approaches to addressing disparities within their service area, and this report does not provide a comprehensive assessment of what each local agency is doing to address disparities.

The Minnesota Department of Health published a strong racial equity message in the 2014 report [Advancing Health Equity in Minnesota](). One key message of the report concerning structural racism applies equally to programs under DEED oversight:

> "Structural racism — the normalization of historical, cultural, institutional and interpersonal dynamics that routinely advantage white people while producing cumulative and chronic adverse outcomes for people of color and American Indians — is rarely talked about. Revealing where structural racism is operating and where its effects are being felt is essential for figuring out where policies and programs can make the greatest improvements."

This report is intended to aid in this conversation.

Understanding how DEED programs can impact Minnesota's disparities

How does the information in this report fit within the larger context of state-wide employment disparities?

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[1] For example, Wilder Research, through the Minnesota Compass project, has been collecting resources around disparities, including [an extensive library of reports on the topic]().
[2] For more information on how to engage with DEED in this conversation, see [Get involved]().
[3] DEED does require each contracted agency to address disparities in their workforce planning documents. See [Planning around reducing disparities]().

Answering that question requires understanding who would participate in the Dislocated Worker, Workforce Investment Act (WIA) Adult, or Adult Workforce Development programs.[4] At the most basic level, the vast majority of adult workforce development participants would be considered to be in the labor force—that is, working or actively seeking work. Indeed, multiple counselor survey respondents reported that one reason otherwise eligible individuals are not enrolled into these programs is because they are seeking part-time rather than full-time work.[5] Because of this, the program is not likely to have an impact on labor participation rates, which do vary by race.[6]

Participants in Dislocated Worker are almost universally unemployed or on layoff notice (the basic eligibility criteria for that program is having been laid off through no fault of their own). Participants in the Adult programs may be unemployed or underemployed. As the broad goal of all of these programs is to help participants find good-paying jobs, we would expect them to help lower the unemployment rate. To understand how these programs can impact the state's unemployment statistics, we also need to address outreach and access to workforce development programs.

In general, the racial breakdown of Dislocated Worker participants roughly mirrors the racial breakdown of the state's working age population, while Adult program participants tend to be less white than the state as a whole. However, the ideal comparison group for this type of back of the envelope analysis is probably not the state's working age population but rather the eligible population in need of services, which is harder to define and measure.

Because these programs are held to employment outcome standards, service providers do need to assess whether applicants will successfully finish the program before enrolling them. Counselors report that applicants to these programs need to complete an average of three formal steps before enrolling in the program, such as attending a workshop, filling out an application form, or meeting one-on-one with a counselor.

One program manager explained the screening process in this way:

> "[I]f you're picking the best of the best so you get your outcomes, are you truly closing the racial disparity gap? Probably not. So, we don't want to say 'You don't have an 8th grade education so we're going to disqualify you'. But we do want to carefully screen people to make sure that they're ready to earn and learn, […] so we do a lot of qualification."

This suggests that workforce development participants may have higher motivation than the un- or under-employed population in general. Moreover, the number of participants served by these programs is much smaller than the number of Minnesotans unemployed at any given time. For instance, the number of unemployed Minnesota residents in April of 2015 was 114,000, compared to 10,000 participants served in Dislocated Worker, WIA Adult, and the Adult Workforce Development programs in that same month.

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[4] For information on each of these programs, view the state Dislocated Worker annual report, the Workforce Investment Act annual report, and the state Adult Workforce Development pilot program report.

[5] Read a note on programmatic wording in Appendix A. Read about our qualitative research methodology in Appendix B.

[6] See the American Community Survey estimates of employment status in Minnesota by race and Hispanic or Latino origin by searching for table S2301 and geography Minnesota.

All of this suggests that, while these programs will never single-handedly eliminate employment disparities, they do play an important role in Minnesota's economy and have the potential to promote employment equity in the state.

The Net Impact project will be an important part of the conversation around evaluating how effective our current workforce development programs are at reducing employment disparities. This ongoing project, developed under the direction of the Governor's Workforce Development Council, provides the first look at the real impact Dislocated Worker and WIA Adult are having on participants in Minnesota. It uses a rigorous evaluation method that can control for mitigating factors and can examine differences in impact across participant groups, including by race and class.

Initial results indicate that both Dislocated Worker and WIA Adult have a positive impact on both white and Black or African American participants' employment potential and earnings.[7] The impact for the two groups is about the same in the Dislocated Worker program, but WIA Adult appears to benefit Black or African American participants much more than white participants. This implies that the WIA Adult program is reducing employment disparities among the people it serves, at least for the cohorts in the study.
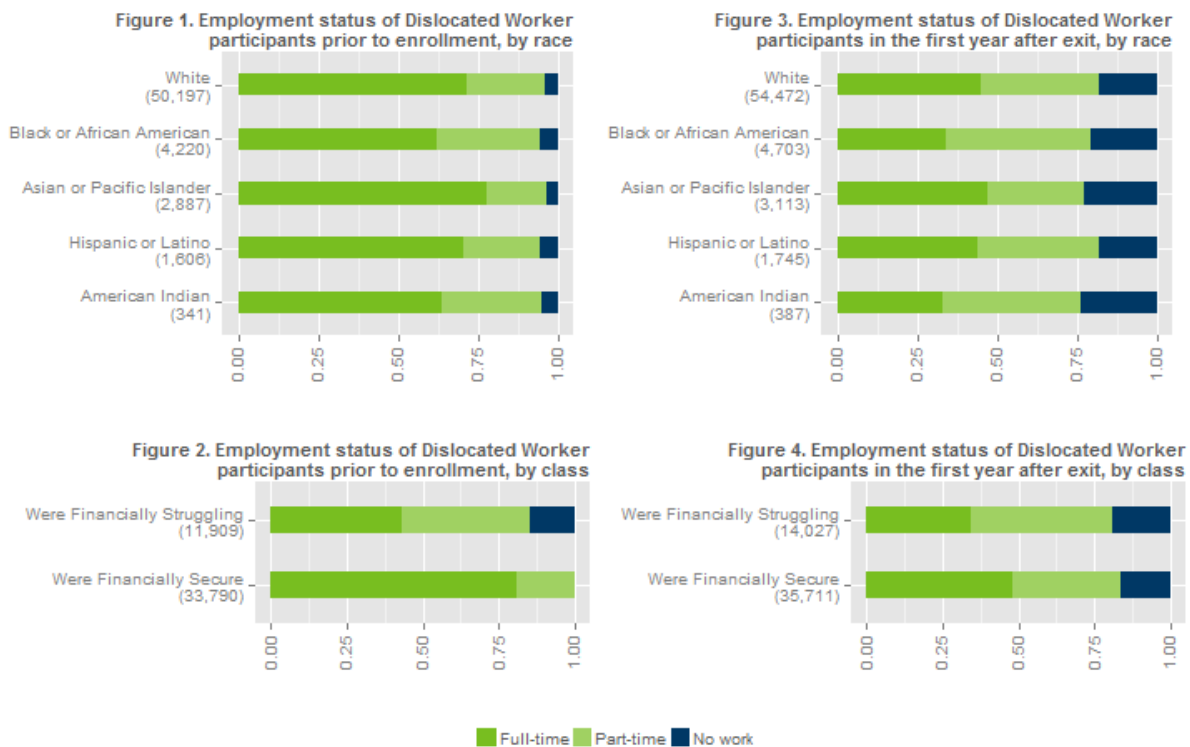
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[7] On average, Black or African American participants in WIA Adult double their income, while white participants see an increase of about 50 percent. See the full project report Smart Investments, Real Results. Too few participants in this study identified with other racial and ethnic groups to provide reliable statistical estimates for those populations.

Racial and class disparities in program outcomes

The employment gap among Dislocated Worker program participants

Figures 1 through 8 show the full-time and part-time employment status before and after program participation.[8] We define employment status in reference to the total hours worked in the reference year, across all four quarters and all employers.[9]

'Full-time' means employment with yearly work hours equivalent to at least 35 hours per week for 52 weeks. Two or more part-time or temporary jobs may equal full-time work under this definition. 'Part-time' means any employment not meeting this full-time threshold, while 'no work' means the participant had no work hours in the reference year.

Figure 1. Employment status of Dislocated Worker participants prior to enrollment, by race

Figure 3. Employment status of Dislocated Worker participants in the first year after exit, by race

Figure 2. Employment status of Dislocated Worker participants prior to enrollment, by class

Figure 4. Employment status of Dislocated Worker participants in the first year after exit, by class

We exclude errors in the work hours data where work hours are recorded as zero but wages earned are greater than zero. This data cleaning accounts for the different sample sizes associated with each figure (noted in parentheses below each label).

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[8] See more about the data sources used in this report in Appendix C. Read our definitions of race and class in Appendix D.

[9] The year prior to participation means the third through sixth quarters prior to the quarter of the enrollment date. We look at least six months prior to participation to better capture the 'status quo' earnings and to avoid the loss of employment that drives many participants into the program. The year after exit means the first through fourth quarters after the quarter of the participant's program exit date.

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Generally speaking, prior employment is a condition of enrollment in the Dislocated Worker program, which explains why nearly every participant is working prior to participation in the program.[10]

However, we do see disparities in full-time employment. Fewer than half of participants who were financially struggling prior to participation worked full time, compared with over 80 percent of those who were financially secure (Figure 1). Of course, according to our definition of class, everyone who was financially secure had at least a part-time job. Full-time employment rates range from a high of 78 percent among Asian or Pacific Islander participants to 62 percent among Black or African American participants (Figure 2).

It is important to note that we do not know whether these part-time workers actually wanted full-time work. Among other things, part-time work may have allowed for family care or school attendance.

Across all race and class groups, employment levels in the year after program participation are lower than those in the year prior to program participation. Again, the share with no work is roughly similar across race and class groups—the employment disparity appears when looking at full-time employment. Among those who were financially struggling prior to program participation, only about one third found full-time employment after program participation—compared to nearly half among those who were financially secure (Figure 4). American Indian participants have a full-time employment rate of about one third, compared to nearly half of Asian or Pacific Islander participants (Figure 3).

The employment gap among Adult program participants

Across all racial groups in the Adult program, part-time work is more common than full-time work and one quarter to one half of participants in each racial group have had no work at all in the year prior to participation (Figure 5). This is in stark contrast to the rates shown for the Dislocated Worker program in Figure 1.
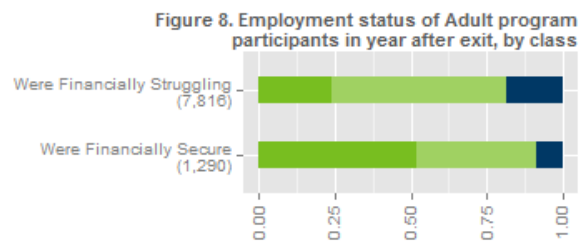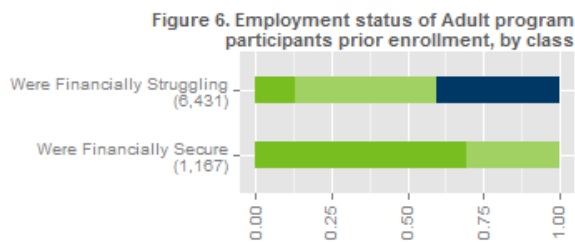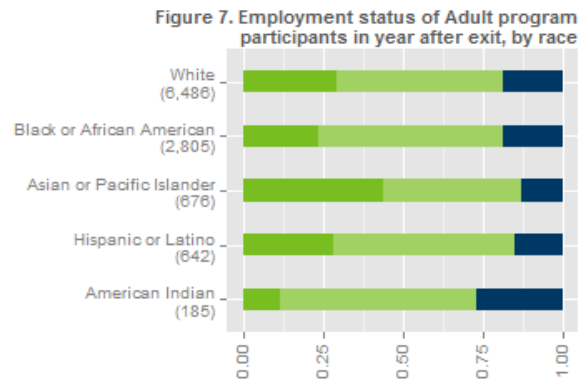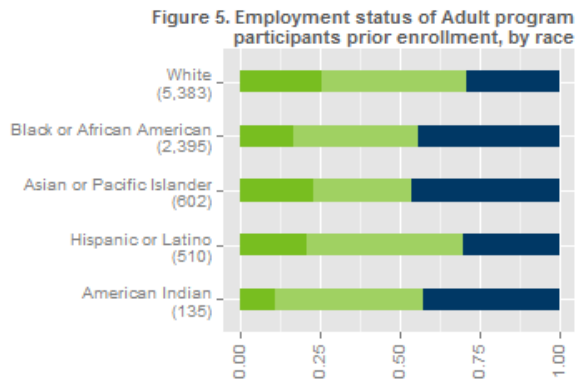
White and Hispanic or Latino participants in the Adult program are the most likely to be employed in the year prior to participation: nearly three quarters are working either full time or part time. White, Asian or Pacific Islander, and Hispanic or Latino participants are the most likely to be employed full time (roughly 20-25 percent).

Among those who were financially struggling prior to participation, only 13 percent were working full-time—compared to 70 percent among those who were financially secure (Figure 6). Over 40 percent of those struggling financially had no work at all.

Employment rates increase in each racial group in the year after program exit compared to the year before participation, especially among Black or African American participants and Asian or Pacific Islander participants. The result is a partial reduction in the racial employment gap among Adult program participants (Figure 7). This increase in employment is driven mostly by part time work. Asian and Pacific Islander participants see a significant boost into full time work, but the full time employment rates inch up or are stagnant for other racial groups.

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[10] Long-term unemployed Minnesotans are eligible for the program, as are individuals laid off from employment in other states (employment not covered by Minnesota's Wage Detail).

We also see reduced but still large employment disparities by class: full-time employment rates increase among those who were financially struggling prior to participation, but decrease among those who were financially secure (Figure 8). Part-time employment increases among both groups, and a portion (9 percent) of those who were financially secure before participation are unemployed after participation.

Figure 5. Employment status of Adult program participants prior enrollment, by race

Figure 7. Employment status of Adult program participants in year after exit, by race

Figure 6. Employment status of Adult program participants prior enrollment, by class

Figure 8. Employment status of Adult program participants in year after exit, by class

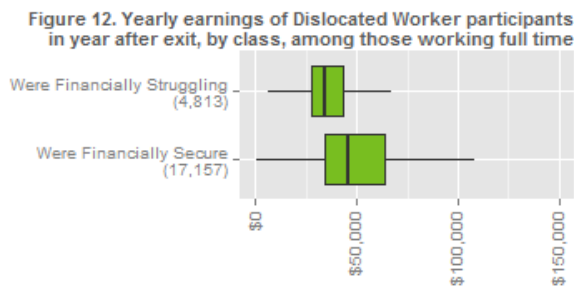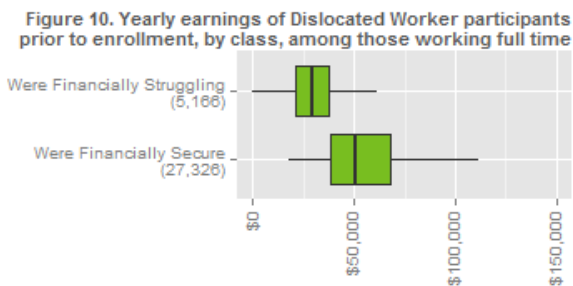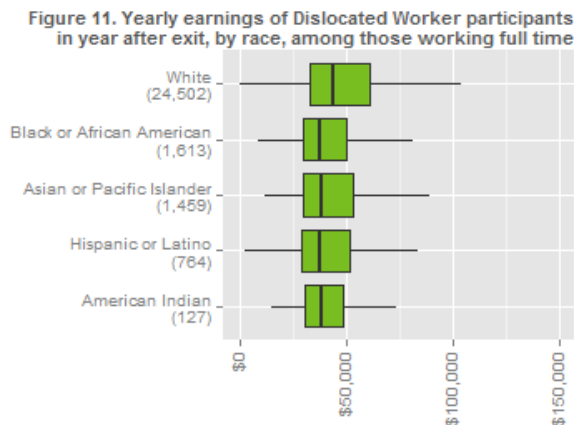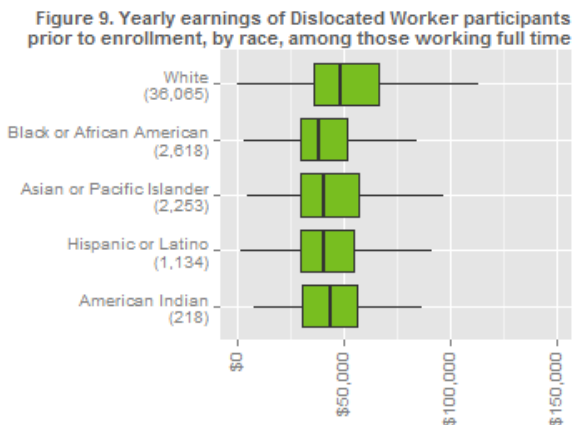### The wage gap among Dislocated Worker participants

A persistent wage gap by race and class exists among Dislocated Worker and Adult program participants, both before and after they participate in the program.[11] This mirrors the income trends we see in the statewide labor market.[12]

Figures 9 through 12 show the earnings distribution of Dislocated Worker participants. Each of these graphs shows earnings only among full-time workers to better isolate the earnings gap from the employment (and part-time employment) gap. Full-time employment could be one full-time, year-round job or multiple part-time or temporary jobs.

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[11] Learn more about these wage boxplots in Appendix E.

[12] See for instance the Minnesota Compass dashboard on median household income by racial and ethnic group. According to the latest available data, Asian residents have the highest median household income at $61,000 followed by White (non-Hispanic) residents at $60,000. Black and American Indian residents have the lowest median household incomes, at $27,000 and $28,000, respectively. Keep in mind that these figures are not directly comparable to those shown in this report, because we show individual income rather than total household income.

The median yearly earnings of full-time employed, white participants prior to enrollment is nearly $50,000, compared to the lowest median earnings of about $38,500 among their Black or African American counterparts (Figure 9). The median participant who was financially secure prior to participation earned over $51,000, compared to the median participant who was financially struggling (who earned about $29,000) (Figure 10).

Figure 9. Yearly earnings of Dislocated Worker participants prior to enrollment, by race, among those working full time

Figure 11. Yearly earnings of Dislocated Worker participants in year after exit, by race, among those working full time

Figure 10. Yearly earnings of Dislocated Worker participants prior to enrollment, by class, among those working full time

Figure 12. Yearly earnings of Dislocated Worker participants in year after exit, by class, among those working full time

In the first year after program exit, the median full-time employed white participant earned almost $45,000, compared to every other racial group, whose median earnings are between $38,000 and $39,000 (Figure 11). Again, the class disparity is larger. Among those who were financially secure prior to participation, median earnings are about $46,000 in the year after participation, while the median among those who were financially struggling is nearly $35,000 (Figure 12).

Because the earnings distributions shown here are among those working full time, they suggest a systematic difference by race and class in job quality rather than job availability. See Context on racial and class employment disparities for a discussion of some of the potential factors behind this difference.

The wage gap among Adult program participants

Participants in the Adult programs have roughly the same pattern of wage disparity as Dislocated Worker participants, presented in Figures 9 through 12, although earnings tend to be lower among this population.

In the year prior to enrollment, white participants who work full time have the highest median earnings, at about $32,000 (Figure 13). American Indian participants who work full time have the lowest median

earnings, at about $20,000. Again, the class disparity is greater: the median earnings among those who were financially secure before program participation was over $39,000, compared to about $20,000 among those who were financially struggling (Figure 14).

Figure 13. Yearly earnings of Adult program participants prior to enrollment, by race among those working full time
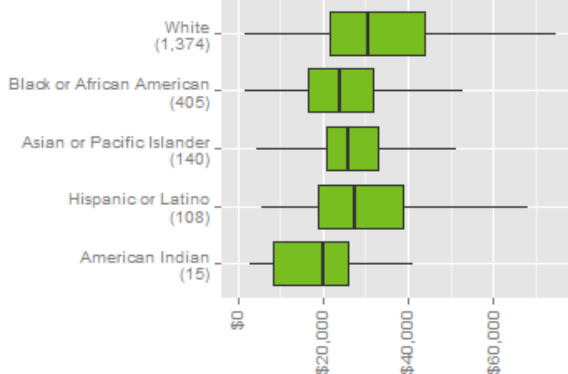
Figure 15. Yearly earnings of Adult program participants in year after exit, by race among those working full time
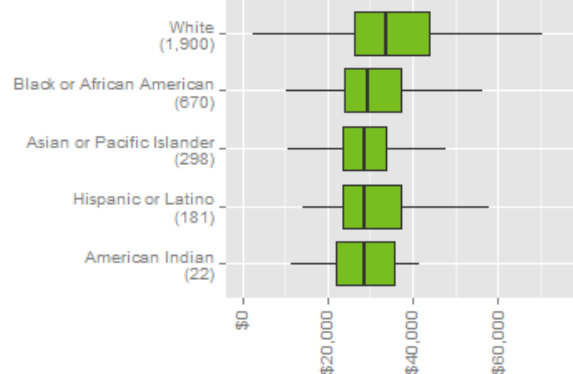
Figure 14. Yearly earnings of Adult program participants prior to enrollment, by class among those working full time
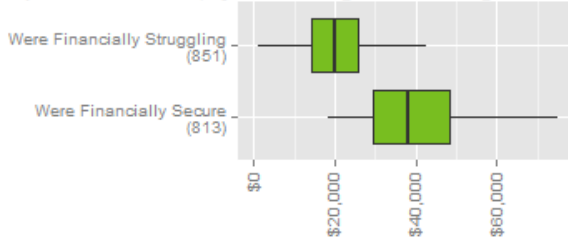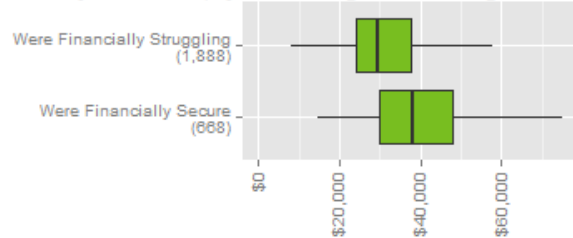
Figure 16. Yearly earnings of Adult program participants in year after exit, by class among those working full time

In the year after program exit, median earnings by race and by class show roughly the same pattern as that prior to enrollment. Median earnings among white participants working full time are nearly $35,000 in the year after participation, while earnings among every other racial group are nearly $30,000. Median earnings among those who were financially secure before program participation are almost $39,500 in the year after participation, while median earnings among those who were financially struggling are nearly $30,000 in the year after participation (Figure 16).

Context on racial and class employment disparities

This section sheds light on some of the important context around the employment and wage disparities presented above, including educational attainment, criminal background, family composition, years of work experience, number of employers, prior occupation, age, and limited English skills. Because each of these factors can influence the type and quality of employment that participants find, this context can suggest some partial explanations for existing disparities.

Educational attainment

Figures 17 through 20 show the education attainment that Dislocated Worker and Adult program participants had at the time of enrollment. Because individuals can attain higher education throughout their working life, we show results by age cohort.

A striking feature of the figures showing educational attainment by race is the high rates of 'Less than HS Diploma/GED' among Asian or Pacific Islander and Hispanic or Latino participants, especially among older cohorts (Figures 17 and 19). Given the information presented in the section 'Limited English skills', this may be driven by participants in immigrant communities who grew up in a different education system. DEED programs are beginning to collect information on immigration status, so an analysis on this topic will be possible in the future.
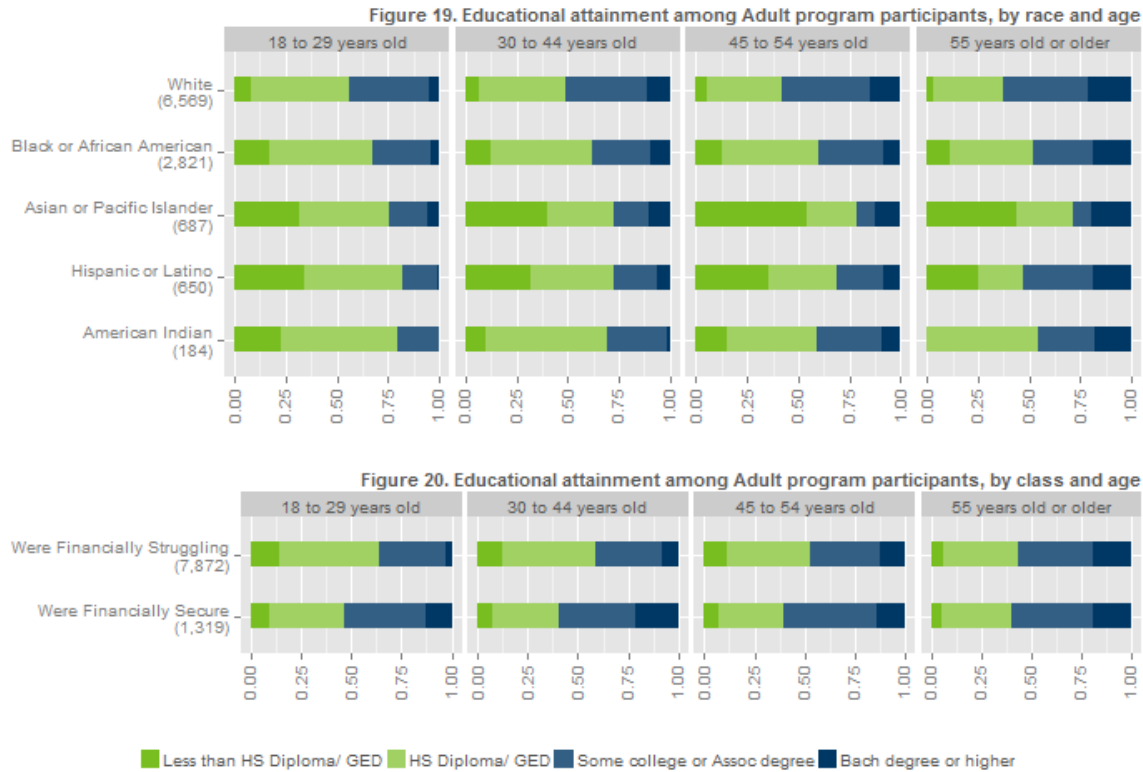

Figure 17. Educational attainment among Dislocated Worker participants, by race and age

Figure 18. Educational attainment among Dislocated Worker participants, by class and age

Legend: Less than HS Diploma/ GED | HS Diploma/ GED | Some college or Assoc degree | Bach degree or higher
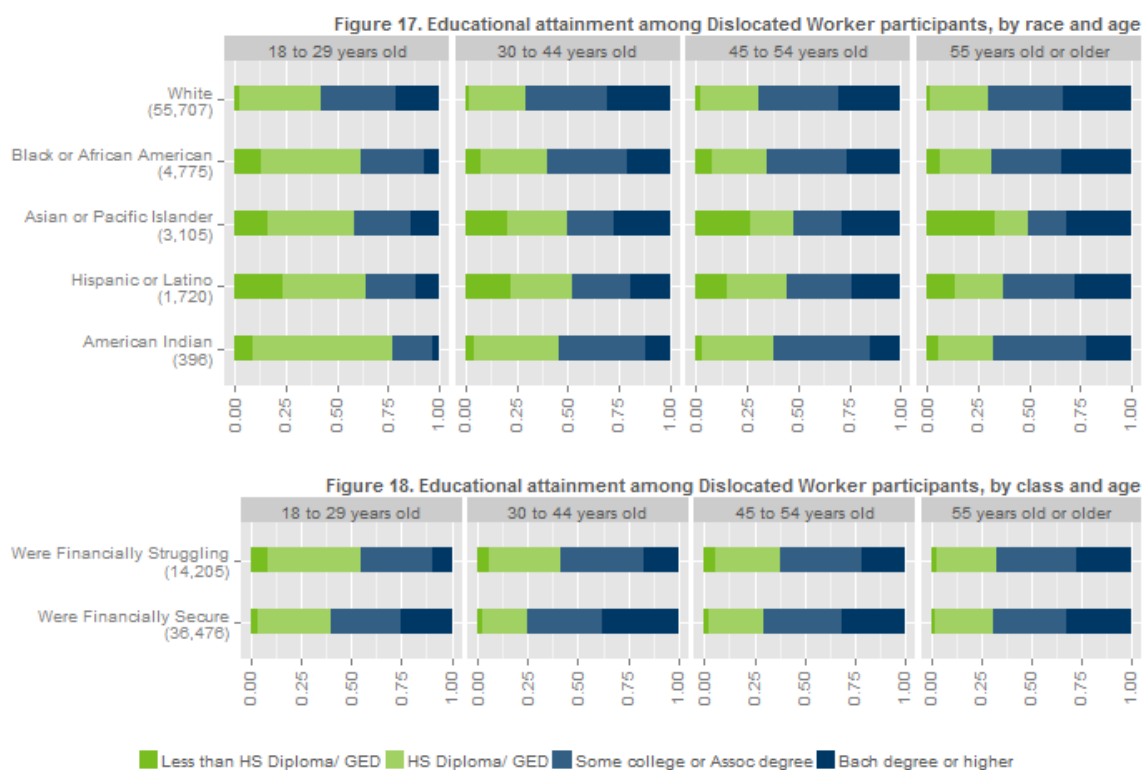
Otherwise, white participants and participants who were financially secure prior to participation tend to have the highest postsecondary educational attainment rates, especially among cohorts under age 45. This could indicate multiple different trends. Perhaps white participants and financially secure participants have a head start in postsecondary educational attainment. Although this would imply that the other groups catch up towards middle age, those who are highly educated at younger ages have a longer period of earning the rewards associated with higher education.

Because this is a snapshot in time, these figures could also reflect the changing higher education context of increased tuition costs, or it could simply reflect differences in who is likely to participate in the program.

Whatever the underlying cause, the educational attainment of program participants has direct relevance in the job market. In the job search process, a college degree can serve as an applicant screening tool even when a degree is not required for the job, a policy that would disproportionately rule out younger participants of color and lower income participants in these programs.[13]

Figure 19. Educational attainment among Adult program participants, by race and age

	18 to 29 years old	30 to 44 years old	45 to 54 years old	55 years old or older

White (6,569)
Black or African American (2,821)
Asian or Pacific Islander (687)
Hispanic or Latino (650)
American Indian (184)

Figure 20. Educational attainment among Adult program participants, by class and age

	18 to 29 years old	30 to 44 years old	45 to 54 years old	55 years old or older

Were Financially Struggling (7,872)
Were Financially Secure (1,319)

■ Less than HS Diploma/ GED ■ HS Diploma/ GED ■ Some college or Assoc degree ■ Bach degree or higher

One program manager spoke to this use of education as a screening tool. When asked about the role employers can play in addressing disparities, La Tasha Shevlin, Director of Adult Employment and Training at East Side Neighborhood Services, said,

> "I believe a lot of the racial disparities come from a classism too, […] and education is a class: [it] definitely sets people apart when it comes to class. […]It leads to a lot of […] unconscious racism, essentially. Minnesota is a state that very much values education. So if you have people like the individuals that we work with here at East Side Neighborhood Services who have a lower education level, that is shutting them out of employment. And it's a domino effect, essentially, going back from the achievement gap. […] I think a lot of places are open to diversity, [as long as] it comes to them in a package they like, which includes highly educated."

Additionally, our interviews with program managers indicated that those with no experience with higher education often have a mental barrier to seeing themselves enroll in school. When asked about barriers to long-term training, Bev Warren, Rural Minnesota CEP Team Leader at the Bemidji WorkForce Center, said,
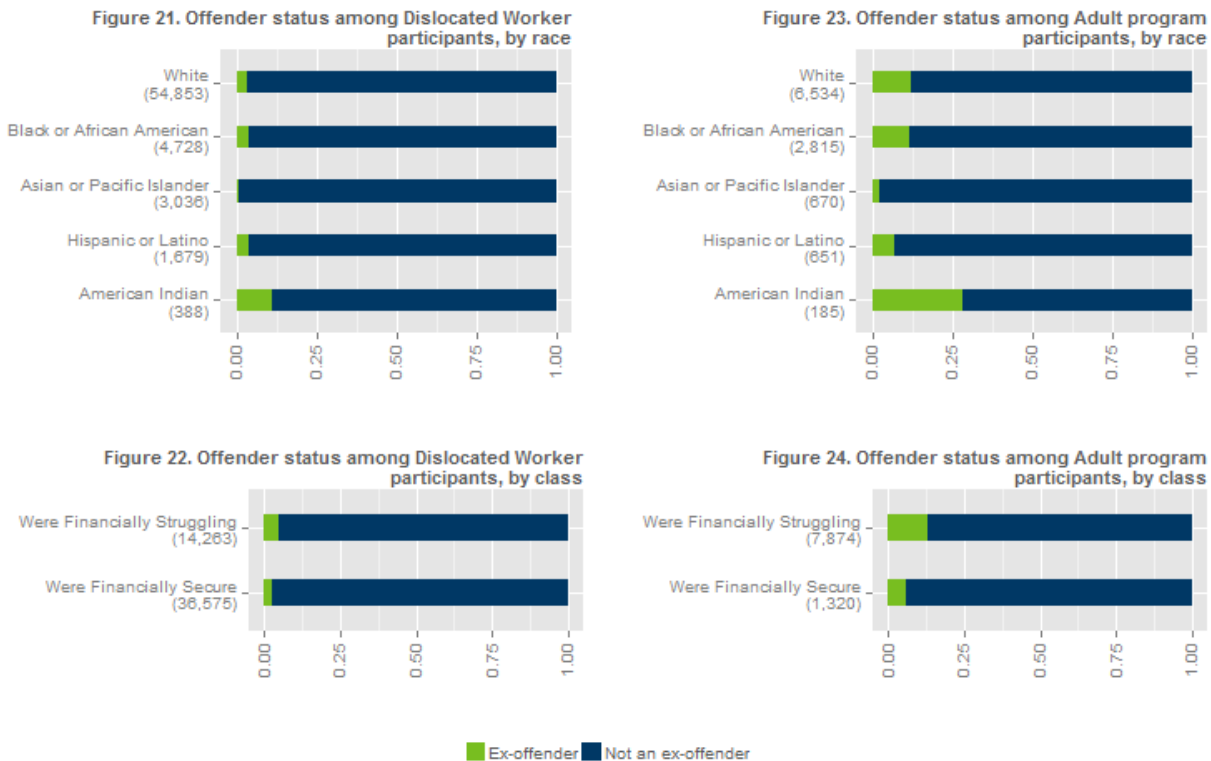
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[13] See the New York Times article "It Takes a B.A. to Find a Job as a File Clerk" for a journalistic take on this trend.

"Some of our clients that we bring there [to Northwest Technical College, as a part of graduating the Beltrami Works leadership program] never envisioned ever walking through those doors. And so by virtue sometimes of us bringing them there, we've had clients say 'You know what, I think I can do this. I think I can be here.'"

See Training engagement rates by race and class for information on training rates through these programs, which have the potential to reduce some of the educational attainment gaps we see at enrollment.

Criminal background

Participants are asked in the enrollment process whether they have a criminal background. Although a criminal record is clearly relevant to a job search, some participants may feel reluctant to disclose this information, especially to a counselor they have just met. One program manager reported that some participants who had not been through a job application process for a decade or more simply did not realize they had a criminal record for recent offenses. For these reasons, the self-reported offender status in these figures are best interpreted as an undercount of the true number of participants with a criminal background.

Figure 21. Offender status among Dislocated Worker participants, by race

Figure 23. Offender status among Adult program participants, by race

Figure 22. Offender status among Dislocated Worker participants, by class

Figure 24. Offender status among Adult program participants, by class

Ex-offender   Not an ex-offender

More American Indian participants than any other racial group report having a criminal background at the time of program enrollment (Figure 21 and Figure 23). Similarly, those who were financially struggling prior to program enrollment report a higher offender status rate than those who were financially secure (Figure 22 and Figure 24). Asian or Pacific Islander participants report virtually no criminal backgrounds.

According to the Council on Crime and Justice, "[c]ompared to other states, Minnesota has the greatest black-to-white disparity in imprisonment rates. In 1997, the most recent year for which state-by-state data are available, the ratio of African Americans to whites in state prison was 25.09 to 1."[14]

More recently, the American Civil Liberties Union found racial disparities in low-level arrests (for offenses such as marijuana possession, loitering, or vagrancy) in Minneapolis. This analysis finds that "between 2004 and 2012, an African American individual was, on average, 11.5 times more likely to be arrested than a white individual for marijuana possession."[15]

Meanwhile, job seeking with a criminal background is among the most frequently reported barriers to employment. Over half of the program managers we interviewed said having a criminal background is among the most significant employment barriers faced by their program participants. Nine percent of counselor respondents reported that a criminal history is the most common personal barrier to obtaining high-quality, living-wage employment faced by their participants. Nine percent of counselor respondents also reported that a criminal history is a barrier to engaging in longer-term training, in some cases because of the occupational restrictions it brings.

Some of the counselors who reported a criminal history being a significant barrier for their participants also reported addressing that barrier by counseling participants about how to have a record expunged. Multiple program managers said counseling around how to talk about a criminal record in a job interview can be effective, as well as employer education around the federal bonding program and the Work Opportunity Tax Credit. Most also reported that they have a sense of which employers will be open to applicants with a criminal history, and advise participants accordingly.

When asked about common employment barriers, one interviewee said,

> "[T]here's some internal barriers that they [participants] hold within themselves. Confidence is huge. It's never really a lack of skill, because a number of our clients have a wealth of skills to use. It's just they don't spend a whole lot of time on jobs because of not knowing how to resolve conflict or work in a team environment in the proper way. [… Regarding] the criminal background, I think the lack of confidence comes in […] because they identify with that [criminal background] being them as opposed to their skills being the defining thing [about] themselves. So there's a lot of internal barriers that—those are kind of the hardest to uncover, because the participant doesn't even realize that they exist."

Family composition

Figures 25 through 28 show the family composition of participants, imputed from the participants' total family size and number of dependents under the age of 18.
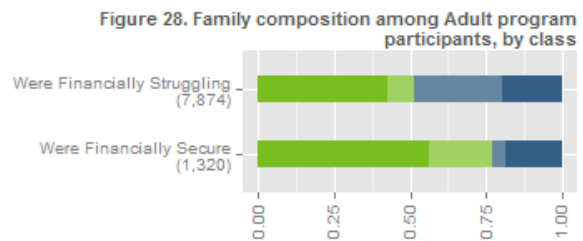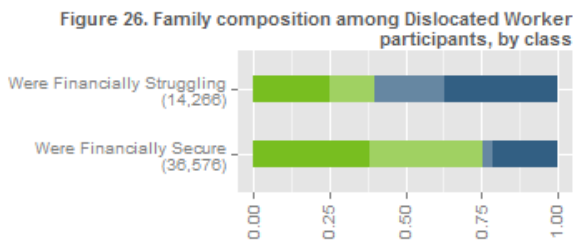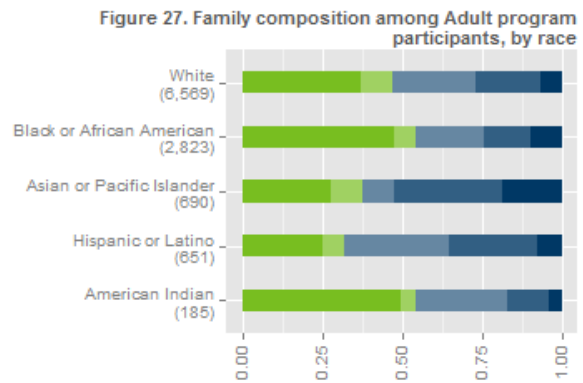
We know from conversations with people experienced in the job counseling field that the participant's support network is extremely important, not only because of the hidden job market that relies on these informal networks but because they provide mental health, social, and sometimes even financial

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[14] See the report African American Males in the Criminal Justice System.

[15] See the news release ACLU releases data showing racial disparities in low level arrests in Minneapolis from October 28, 2014.

support. Fourteen percent of counselor respondents reported that having a strong support network is necessary for someone to be a good candidate for long-term training, a resource-intensive endeavor. We do not have information on participants' full support network; however, this information on their immediate family structure provides an indication of at least part of the support network.

In both the Dislocated Worker and Adult programs, Asian or Pacific Islander participants are the least likely to be single parents and have the highest rates of 'Other family type', which means the family has three or more adults living together, with or without children (Figures 25 and 27). This potentially points to cultural difference in support networks across racial groups; namely, the importance of the extended family.[16]

Figure 25. Family composition among Dislocated Worker participants, by race

Figure 27. Family composition among Adult program participants, by race

Figure 26. Family composition among Dislocated Worker participants, by class

Figure 28. Family composition among Adult program participants, by class
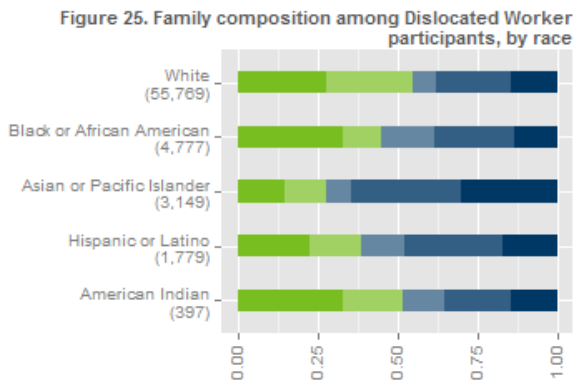
Single, no children   Partnered, no children   Single parent   Partnered parent   Other family type

Note that "Other family type" is excluded from the figures showing family type by class. This is because we do not have cost of living estimates for families of three or more adults.

Half of participants who were financially struggling prior to participation were parents, compared to just a quarter of those who were financially secure. Although we do not know the number of dual-income families among the partnered families shown in these charts, logic would suggest that having a partner

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[16] The healthcare field has resources for practitioners to understand how to work effectively with the cultural differences in family structure to overcome health disparities. See for instance Closing the Gap: Cultural Perspectives on Family-Driven Care. We are not aware of similar resources in the workforce development field.
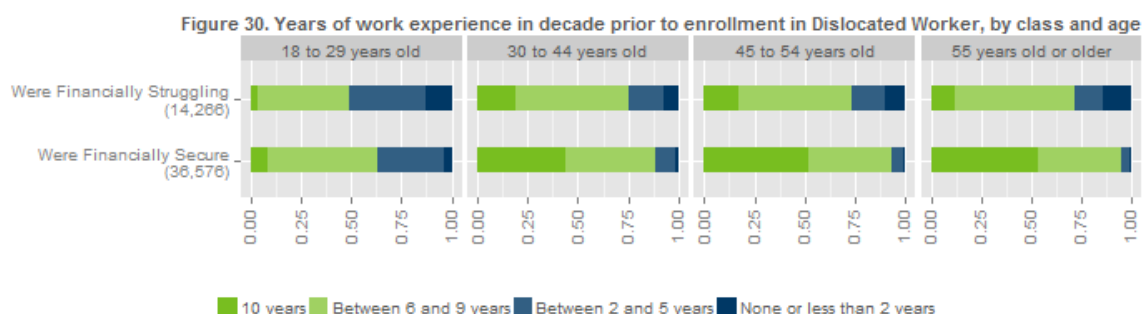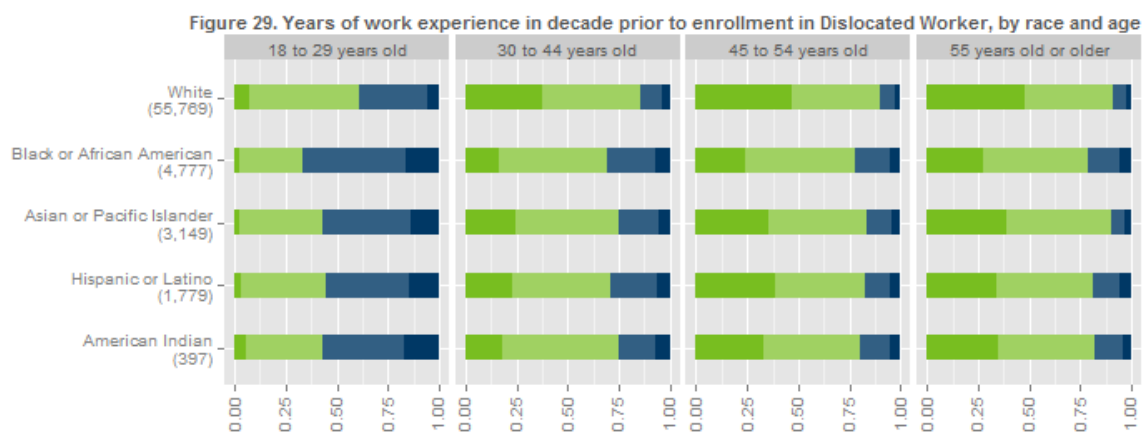
does increase the chance of weathering an income loss simply because that partner is likely to have an income of their own.[17]

Of course, a support network is often a give and take. Lack of personal support, lack of child care, and overwhelming family obligations were all mentioned by counselors when asked what are the most common barriers to high-quality, living-wage employment. As Shereese Turner, Senior Program Manager at Twin Cities RISE!, said,

> "I always use this: more money, more problems, right? That's real. Because now that you're starting to make money, keep in mind that you may still have that same unit that was with you when you were *not* making any money, and things start to change. The dynamic, the family dynamic changes now. Because they feel like 'OK, you're making money, now I need some support.'"
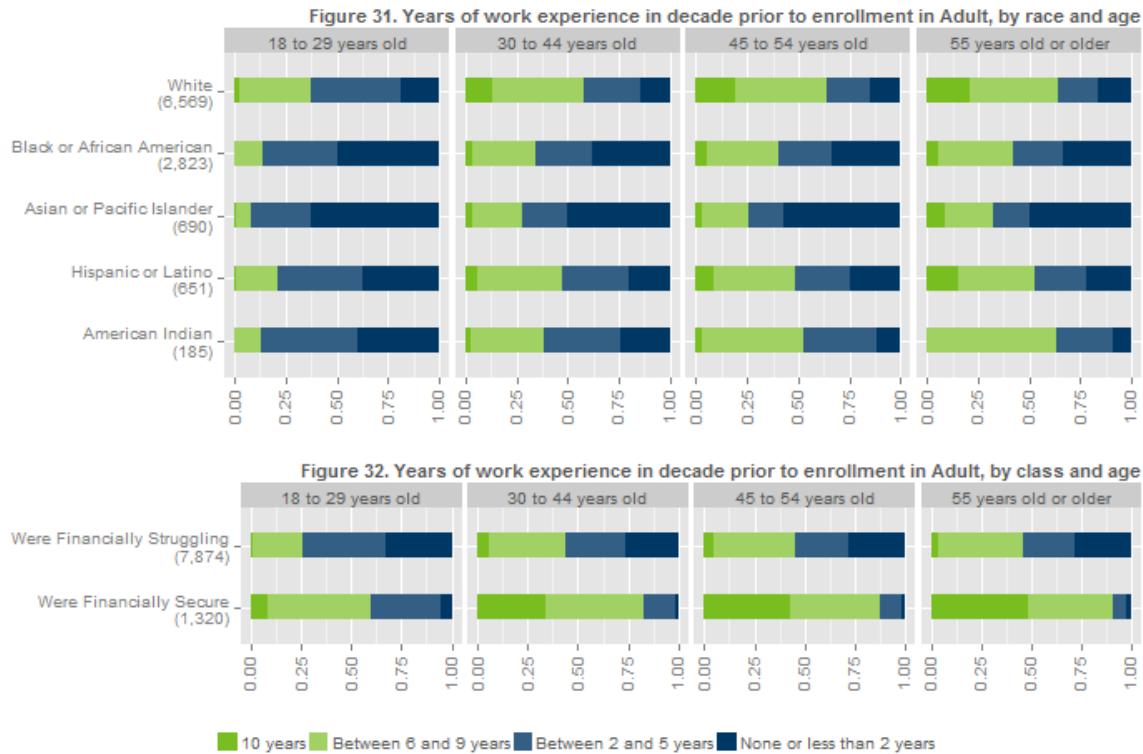
Years of work experience

Figures 29 through 32 show the number of years participants worked in the decade prior to enrollment. '10 years' implies a perfect work history, at least for the previous decade. Because years of work experience is directly impacted by age, we show results by age cohort.

Figure 29. Years of work experience in decade prior to enrollment in Dislocated Worker, by race and age

Figure 30. Years of work experience in decade prior to enrollment in Dislocated Worker, by class and age

■ 10 years ■ Between 6 and 9 years ■ Between 2 and 5 years ■ None or less than 2 years

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[17] Moreover, recent research from the Pew Research Center has shown that the racial wealth gap has widened since the Great Recession. Wealth (such as housing equity) can help someone weather a temporary income loss.

The starkest disparity appears by class (Figures 30 and 32). Those who were financially secure have much higher rates of consistent employment in the previous decade (reaching 50 percent or even more among older participants) than those who were financially struggling (whose rates are less than 20 percent).

Among Dislocated Worker participants, racial disparities are less pronounced. The largest disparity in rates of '10 years' of work experience among Dislocated Worker participants, especially among older cohorts, is that between Black or African American and white participants (Figure 29).

Figure 31. Years of work experience in decade prior to enrollment in Adult, by race and age

Figure 32. Years of work experience in decade prior to enrollment in Adult, by class and age

Asian or Pacific Islander and Black or African American participants in the Adult program have high rates of 'None or less than 2 years' of work experience. Given the large proportion of Asian or Pacific Islander Adult program participants with limited English skills (see the section Limited English skills), this could reflect rates of recent immigration.

Of course, a lack of work experience and long term unemployment are well-known barriers to employment, particularly relevant for this group.[18]

Number of employers

Figures 33 through 36 show the number of employers the participant worked for in the decade prior to enrollment. Because we expect the number of employers to vary by age, we show results by age cohort.

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[18] Recent research out of the Brookings Institution on the long-term unemployed has suggested these worker remain on the margins of the labor market, even a year after their unemployment spell.

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A high number of employers could signal that participants have held seasonal or temporary jobs, that they tend to hold more than one job at a time, or both. Although more employment stability is not uniformly better, and wider labor market trends are reducing this option altogether for younger generations, employment stability can signal a higher job quality.

Figure 33. Number of employers in the decade of work history prior to enrollment in Dislocated Worker, by age and race
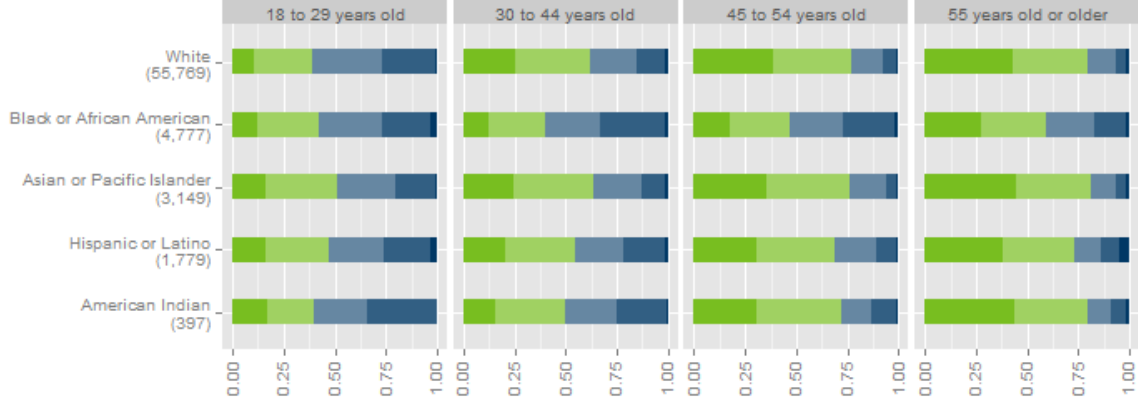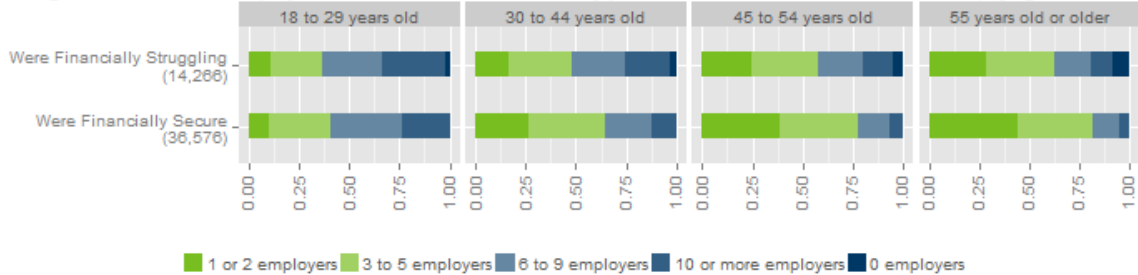

Figure 34. Number of employers in the decade of work history prior to enrollment in Dislocated Worker, by age and class

Among those age 30 and older, white and Asian or Pacific Islander participants in both programs tend to have the highest rates of employment stability, with one or two employers in the past decade (Figures 33 and 35). Similarly, participants in both programs who were financially secure prior to participation have higher rates of employment stability than those who were financially struggling (Figures 34 and 36).

One program manager spoke to the "soft skills" barrier to employment stability:

> "[We're] really working with them on the soft skills because honestly a lot of our folks can get jobs. It's keeping jobs is where they have problems. Conflict management, conflict resolution. […] And we can support them on how to handle certain situations in the workplace."

Among Adult program participants over age 30, a significant proportion of Asian or Pacific Islander, Black or African American, and Hispanic or Latino participants have had no formal employment in the decade prior to enrollment. Given the information on rates of limited English skills (see the section Limited English skills), this likely signals immigrant status rather than joblessness per se.

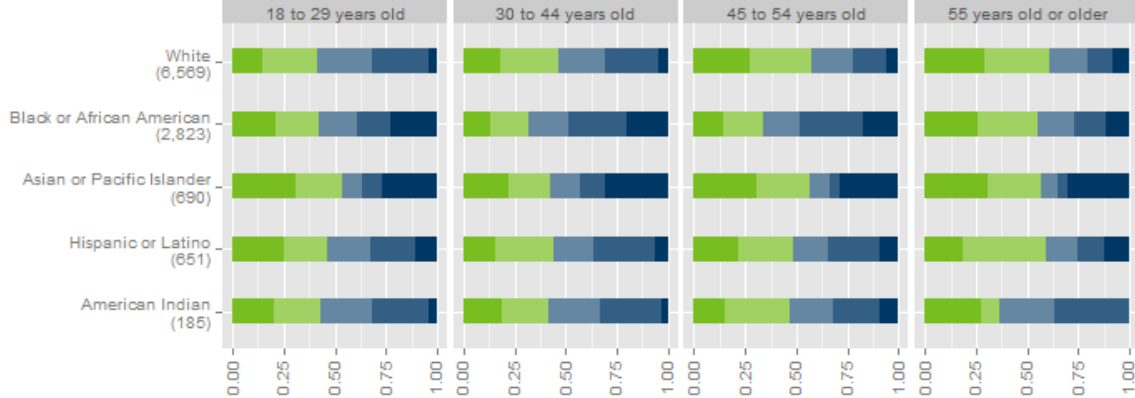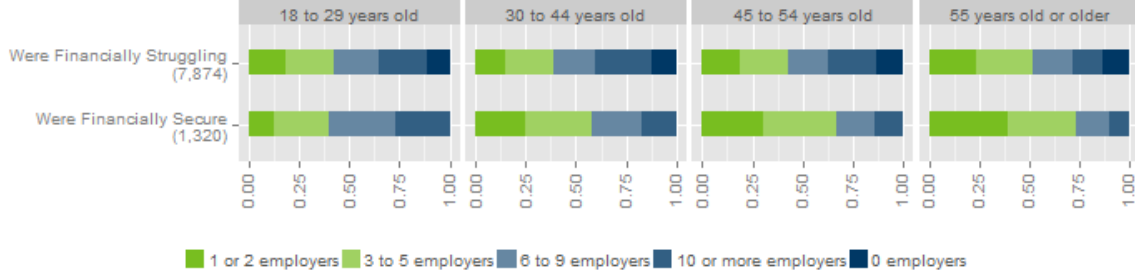**Figure 35. Number of employers in the decade of work history prior to enrollment in Adult, by age and race**

Figure 36. Number of employers in the decade of work history prior to enrollment in Adult, by age and class

Legend: 1 or 2 employers | 3 to 5 employers | 6 to 9 employers | 10 or more employers | 0 employers

Other research suggests that this employment stability disparity among program participants is not reflective of the general population. Recent research has shown no racial differences, among white, black, and Hispanic baby boomers, in the number of jobs held during their prime working years (25 to 48).[19] We do not know whether this result will hold true for the younger generations represented by program participants, but this could suggest that participants of color (especially Black or African American, Hispanic or Latino, and American Indian participants) have unique barriers related to job history.

Prior occupation

Figures 37 through 40 show participants' occupation prior to program participation. Participants in each of these programs are asked to identify the occupation of their previous job. For Dislocated Worker participants, this is the job of their qualifying layoff. The data provided by employers in Wage Detail does not contain information on the employee's occupation, making this type of analysis unique to DEED program participants.

Across racial groups, participants in the Dislocated Worker program are more likely to have worked in the business and financial, computer and engineering, and management fields. Meanwhile, sales and service occupations are much more prevalent among Adult program participants.

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[19] See the Bureau of Labor Statistics report ['Number of Jobs Held, Labor Market Activity, and Earnings Growth Among the Youngest Baby Boomers: Results from a Longitudinal Survey Summary'](#).

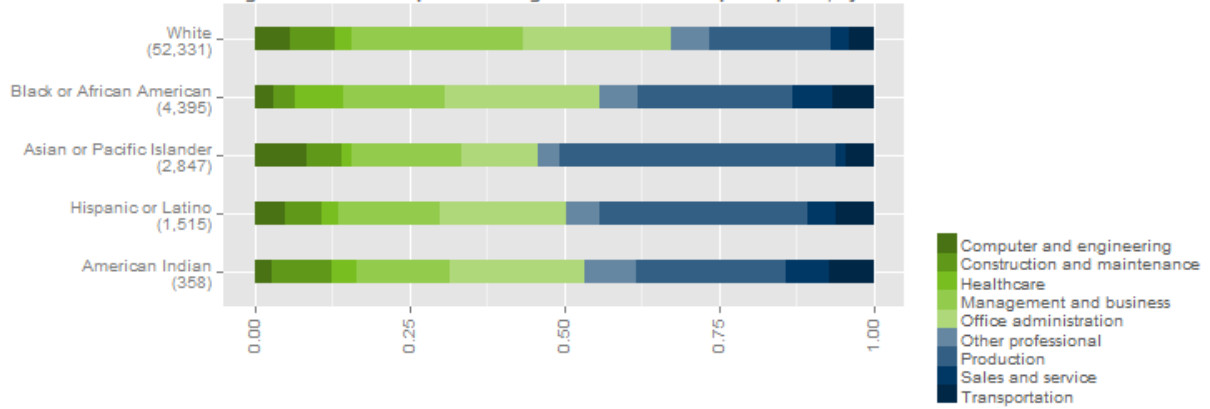**Figure 37. Prior occupation among Dislocated Worker participants, by race**

White
(52,331)

Black or African American
(4,395)

Asian or Pacific Islander
(2,847)

Hispanic or Latino
(1,515)

American Indian
(358)

0.00   0.25   0.50   0.75   1.00

- Computer and engineering
- Construction and maintenance
- Healthcare
- Management and business
- Office administration
- Other professional
- Production
- Sales and service
- Transportation

Figure 38. Prior occupation among Dislocated Worker participants, by class

Were Financially Struggling
(13,311)

Were Financially Secure
(34,904)

0.00   0.25   0.50   0.75   1.00
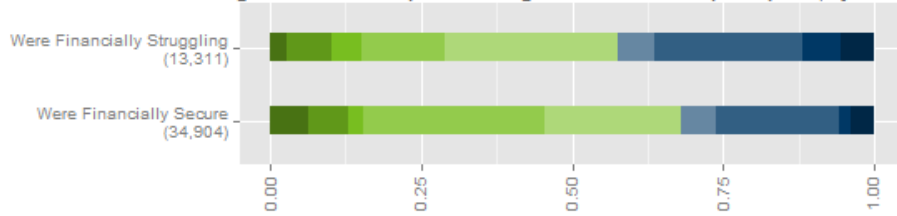
Figure 39. Prior occupation among Adult program participants, by race

White
(5,707)

Black or African American
(1,785)

Asian or Pacific Islander
(380)

Hispanic or Latino
(518)

American Indian
(127)

0.00   0.25   0.50   0.75   1.00

- Computer and engineering
- Construction and maintenance
- Healthcare
- Management and business
- Office administration
- Other professional
- Production
- Sales and service
- Transportation
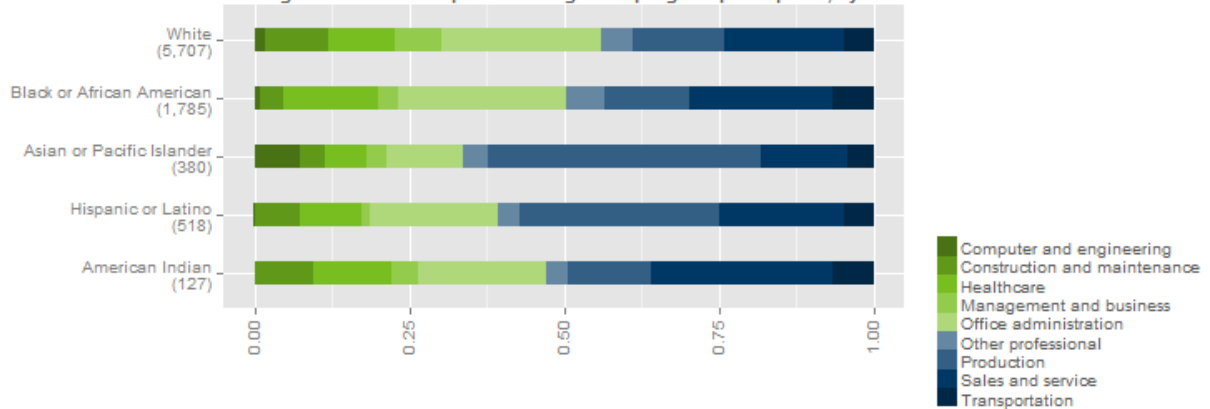
Figure 40. Prior occupation among Adult program participants, by class

Were Financially Struggling
(6,056)

Were Financially Secure
(1,159)

0.00   0.25   0.50   0.75   1.00
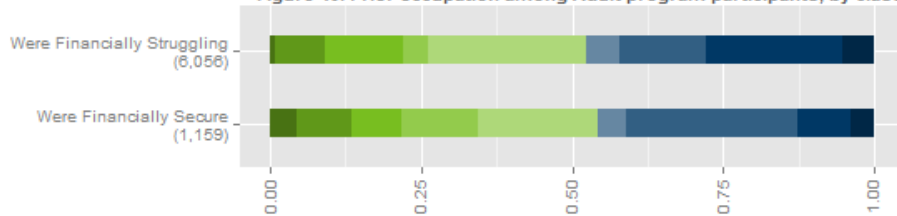
Previous occupation varies significantly across race and class. Asian or Pacific Islander participants in both programs are more likely to have worked in a production occupation or in a computer and engineering occupation than other racial groups, and the least likely to have worked in office administration or sales and service. Black or African American participants have a higher prevalence of healthcare occupations than other racial groups, while white participants are more likely than other racial groups to have been in management and business. American Indians have higher rates of construction and maintenance and sales and service occupations relative to other racial groups.[20]

Participants in both programs who were financially struggling prior to participation are more likely to be employed in the healthcare, office administration, and sales and service fields than those who were financially secure, and less likely to be in computer and engineering or management and business occupations.

Age

Figures 41 through 44 show participants' age at enrollment.

Figure 41. Age of Dislocated Worker participants, by race

Figure 43. Age of Adult program participants, by race

Figure 42. Age of Dislocated Worker participants, by class

Figure 44. Age of Adult program participants, by class

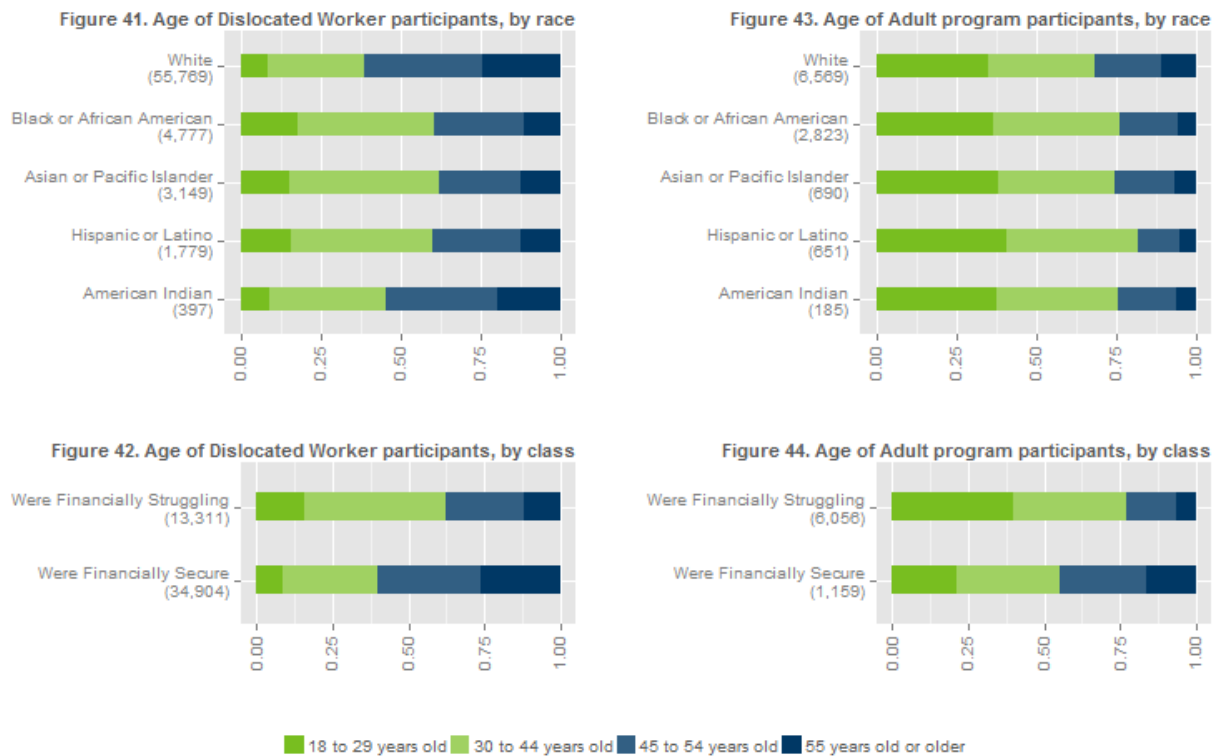18 to 29 years old   30 to 44 years old   45 to 54 years old   55 years old or older

White and American Indian participants tend to be older than other racial groups in the Dislocated Worker program. The majority of white and American Indian participants are over age 45, and nearly a quarter of white participants are over age 55 (Figure 41).

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[20] Previous research has suggested that reducing occupational segregation by race one way to effectively close the racial wage gap. See "Whiter Jobs, Higher Wages" from the Economic Policy Institute.

In contrast to Dislocated Worker participants, Adult program participants have a relatively even age breakdown by race (Figure 43). Across both programs, participants who were financially struggling tend to be younger than those who were financially secure prior to participation Figures 42 and 44).

Looking at employment outcomes by race or class alone masks these underlying age differences. All else equal, we expect a 45-year-old worker to earn more than a 25-year-old worker simply because of accumulated experience and likely accumulated education.

On the other hand, multiple program managers reported that their older participants face potential age discrimination. Systematic age discrimination would dampen the earnings of older workers, especially if their years of experience are in a declining occupation with few hiring opportunities.

One program manager, when asked what barriers to employment they see most often, said,

> "Well I think when people come in here, the most common barrier that we hear that they are identifying in their lives is age. A lot of people think or have the perception when they come into the program that the reason they are not getting a job immediately is age related, and we do see more older workers being impacted by layoffs."

Limited English skills

Figures 45 through 48 show rates of limited English proficiency among participants. Language skills clearly exist on a continuum, and no formal definition of what constitutes limited proficiency exists at the state level.

Figure 45. Limited English skills among Dislocated Worker participants, by race
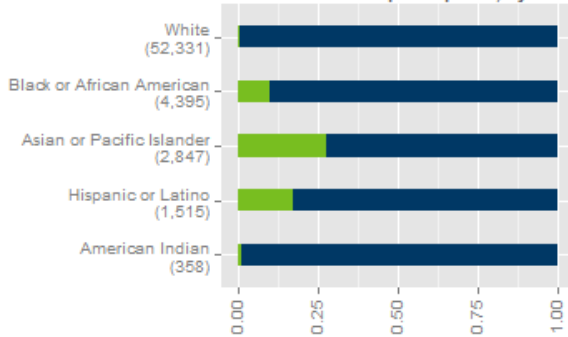

Figure 47. Limited English skills among Adult program participants, by race
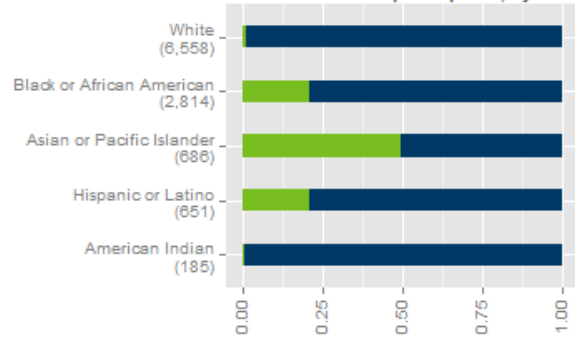

Figure 46. Limited English skills among Dislocated Worker participants, by class
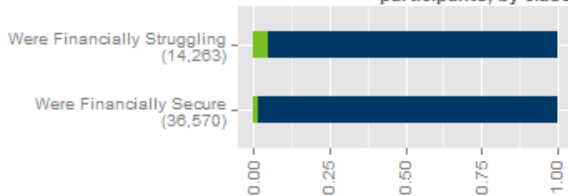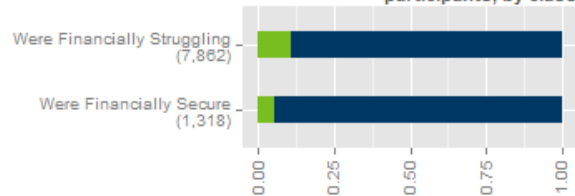

Figure 48. Limited English skills among Adult program participants, by class

Legend: Limited English / Not limited English

Significant percentages of Asian or Pacific Islander participants in both Dislocated Worker and Adult programs have limited English skills. Over a quarter of Asian or Pacific Islander Dislocated Worker participants have limited English skills (Figure 45). Fully half of Asian or Pacific Islander participants in the Adult programs have limited English skills (Figure 47).

Smaller proportions of Black or African American and Hispanic or Latino participants have limited English skills, and white and American Indian participants have very low rates of limited English skills.

Differences in limited English skills by class are less stark but still present among both program populations: financially struggling participants in both programs have higher rates of limited English skills (Figure 46 and Figure 48).

Having limited English skills is itself a barrier to employment, but it also signals the possibility of related barriers having to do with immigration, such as limited comfort navigating the job search process in this country and limited awareness of job search and training resources available.[21]

Multiple program managers reported having a network of employers who hire those with limited English skills. For example, when asked whether she sees promoting entrepreneurship as a way to reduce disparities, Rebekah Tedrick-Moutz, Teocalli Tequiotl Latino Academy Manager at the Latino Economic Development Center, said,

> "Yes, because you get more people of color in management. And they come back and hire from our workforce clients. So you no longer have to wait until you're fluent in English even for a sales job or a tax preparer's job."

Diane Heldt, Senior Director of Employment Training Services at Lifetrack Resources, reported having a similar network of former immigrant participants in managerial roles who are now in the position to hire current participants with limited English skills.

Over 60 percent of counselor respondents report working with program applicants who have limited English skills. By far the most common accommodation was to provide translation services, whether from professional translators, from staff who know the language needed, or from LanguageLine, a company that provides interpretation over the phone.

About 10 percent of counselors who report working with applicants who have limited English skills also report that they must refer the person to language learning resources before they can enroll the person in these programs, suggesting limited English skills are not just a barrier to employment but can also be a barrier to participating in these programs.

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[21] The legal barriers faced by undocumented immigrants are not applicable to these populations: having the legal right to work in the US is a basic eligibility criteria for each of the programs included in this report.
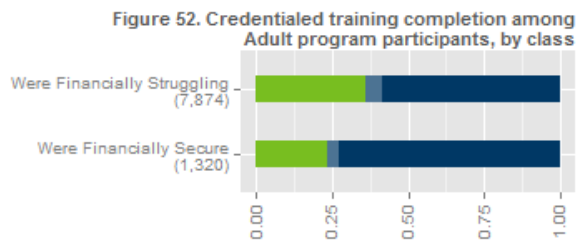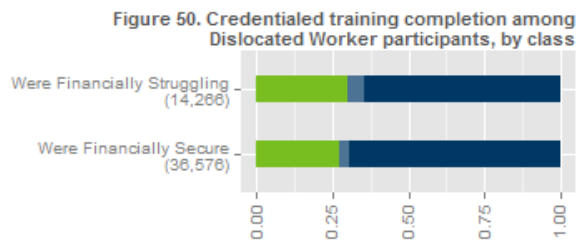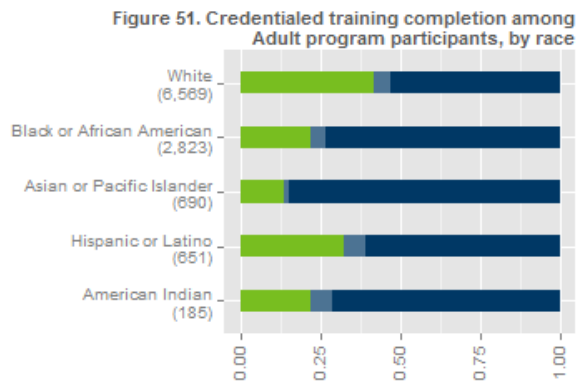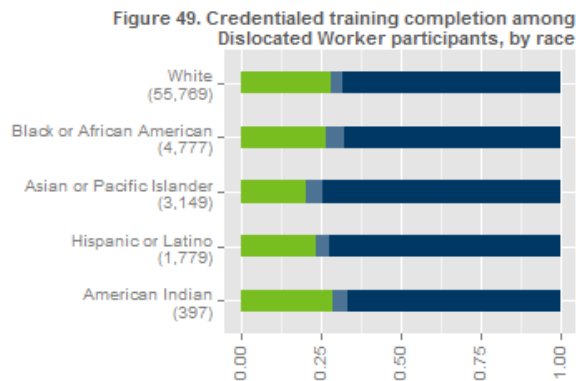
Training engagement rates by race and class

Upgrading skills can be an effective way for a program participant to increase his or her employability and potential earnings. This section shows the training completion and credential attainment rates of participants in the Dislocated Worker and Adult programs. All training provided through these programs is counselor-approved, meaning counselor and participant must agree that the training is needed to obtain the participant's employment goal.

Credentialed, classroom training

Credentialed training refers to training that results in an industry-recognized credential, as defined by the US Department of Labor. This definition has grey areas but is meant to ensure that publicly-funded training results in a valuable credential. Generally, on-the-job training provided by an employer does not result in a credential; for that reason, these figures only show classroom training from a certified training provider. See also On-the-job training.

About a quarter of Dislocated Worker participants complete credentialed, classroom training, a rate that varies from a low of 20 percent among Asian or Pacific Islander participants to a high of nearly 30 percent among white and American Indian participants (Figure 49). Those who were financially struggling prior to participation have a slightly higher rate of credentialed training completion than those who were financially secure (Figure 50).

Figure 49. Credentialed training completion among Dislocated Worker participants, by race

Figure 51. Credentialed training completion among Adult program participants, by race

Figure 50. Credentialed training completion among Dislocated Worker participants, by class

Figure 52. Credentialed training completion among Adult program participants, by class
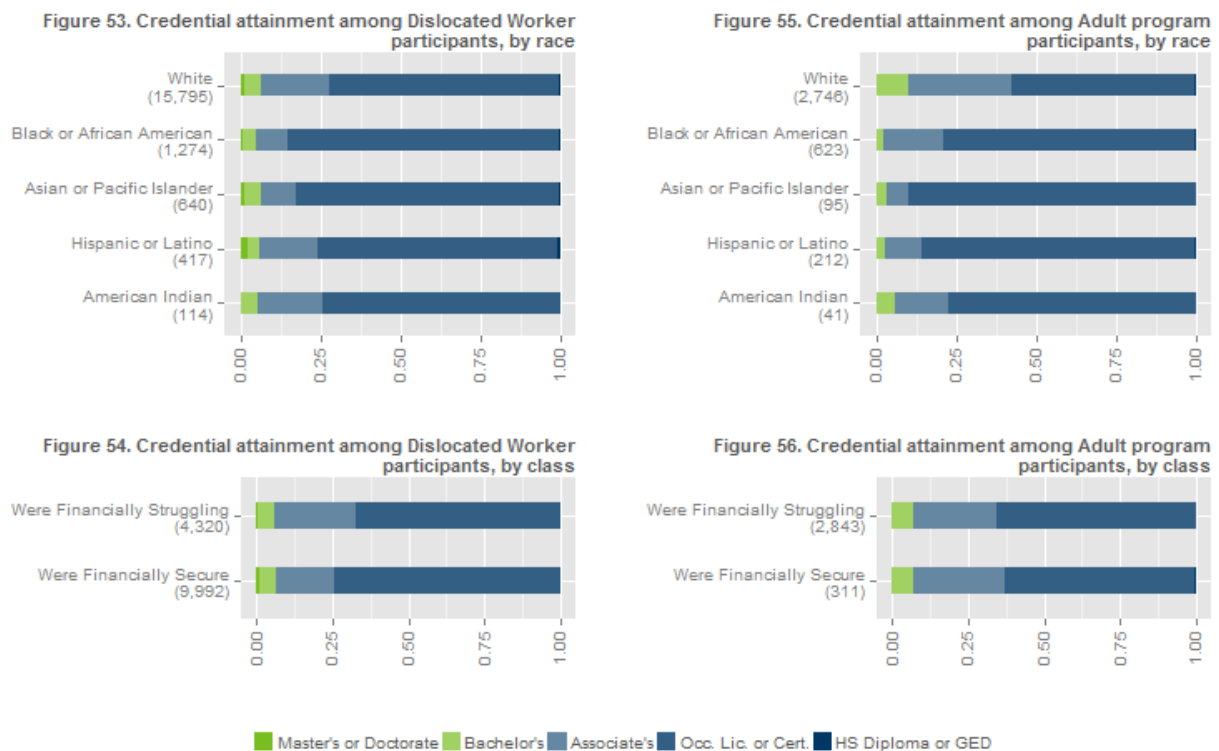
Differences by race and class among Adult program participants are much starker. Rates of credentialed training completion range from a high of 42 percent among white participants to 14 percent among Asian or Pacific Islander participants (Figure 51). Participants who were financially struggling prior to

participation have higher rates of credentialed training completion (at 36 percent) compared to those who were financially secure (less than a quarter) (Figure 52).

Among program participants, those who engage in credentialed training are a select group: counselors report that good candidates for training are highly motivated, diligent, and are able to afford the time out of the labor market.

Credential attainment among those who completed credentialed, classroom training
Figures 53 through 56 show the type of credential attained, among those who successfully completed credentialed, classroom training.

Figure 53. Credential attainment among Dislocated Worker participants, by race

Figure 55. Credential attainment among Adult program participants, by race

Figure 54. Credential attainment among Dislocated Worker participants, by class

Figure 56. Credential attainment among Adult program participants, by class

Master's or Doctorate   Bachelor's   Associate's   Occ. Lic. or Cert.   HS Diploma or GED

Although possible, participants who complete a multi-year degree through the program tend to enter with at least some credits toward that degree—it is rare for the program to support a participant in school for more than two years.[22] The choice of credential will vary based on the participant's prior educational attainment and occupational goal. It will also depend on the participant's ability and desire to take on long-term coursework rather than shorter term classes.

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[22] According to what data we have on length of training, which is recorded by the counselor rather than the training institute, the median length of successfully-completed, credentialed, classroom training in the Dislocated Worker program is 145 days, in the WIA Adult program 189 days—about a semester. About a quarter of successfully-completed, credentialed, classroom training lasts over one year, and only about seven percent lasts over two years.

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The vast majority (nearly three quarters) of credentials earned through the program are occupational licenses or certificates. Second in popularity are Associate's degrees. On average, we would expect an Associate's degree to have a higher payoff than an occupational certificate.[23]

About a quarter of white, Hispanic or Latino, and American Indian Dislocated Worker participants obtained a degree higher than an occupational license or certificate (Figure 53). Differences by race are much starker among Adult program participants: nearly half of white Adult program participants in obtained a degree higher than an occupational license or certificate, compared to about 10 percent of Asian or Pacific Islander participants (Figure 55).

Differences in credential types are less pronounced by class, among participants in both programs (Figures 54 and 56).

Credentialed, classroom training in an occupation in demand

Figure 57 through 60 show credentialed, classroom training completion in an occupation in demand (OID).

Figure 57. Credentialed training completion in an occupation in demand among Dislocated Worker participants, by race
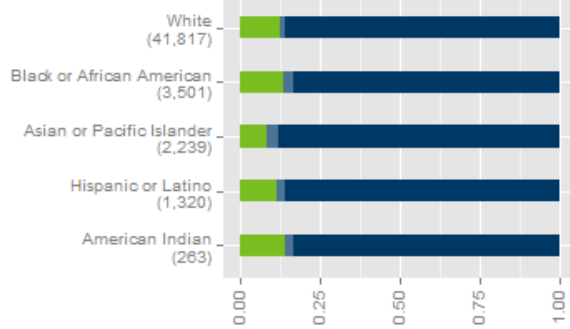

Figure 59. Credentialed training completion in an occupation in demand among Adult program participants, by race
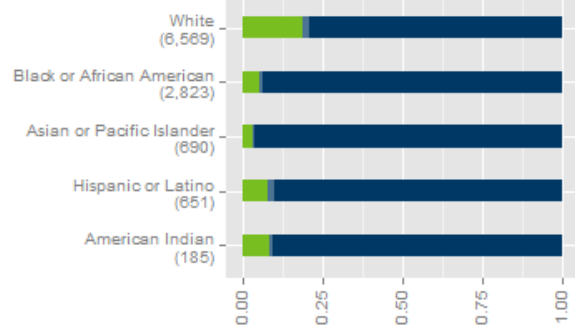
Figure 58. Credentialed training completion in an occupation in demand among Dislocated Worker participants, by class
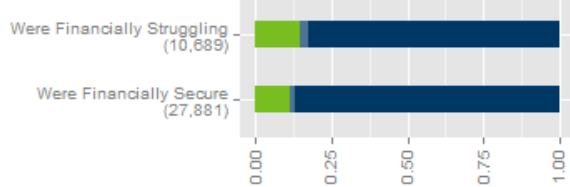
Figure 60. Credentialed training completion in an occupation in demand among Adult program participants, by class
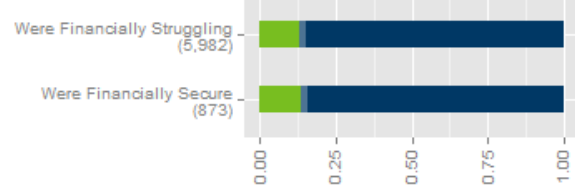
■ Successfully completed   ■ Did not complete   ■ Did not enroll

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[23] The Graduate Employment Outcomes tool shows, on average, wages and employment increase with education level, from sub-baccalaureate certificates (which would align with the occupational licenses or certificates shown in Figures 53 through 56) up to graduate degrees.

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Due to data inaccuracies, the true rate of training in an OID is likely higher (see Appendix F for details). However, we have no reason to believe that there are systematic data inaccuracies by class or race of the participant; therefore the pattern should hold true even if the overall rate is low.[24]

Rates of credentialed, classroom training in an occupation in demand are roughly equal by race and class (around 10 to 15 percent) among Dislocated Worker participants (Figure 57 and Figure 58). Rates by class among Adult program participants are likewise roughly equal (again between 10 and 15 percent) (Figure 60). Rates by race among Adult program participants vary much more, from a high of 19 percent among white participants to a low of 4 percent among Asian or Pacific Islander participants.

On-the-job training

Figures 61 through 64 show the rate of on-the-job or other customized training completion.

Customized training in general refers to training that occurs on a worksite, supervised if not provided by an employer. The most common type of customized training in these programs is on-the-job training. On-the-job training in this context refers to a contractual agreement between the workforce development agency and an employer—the employer agrees to employ and train the participant, and the workforce development agency agrees to reimburse a portion of the participant's wages (50 percent or more, depending on various criteria).

Figure 61. Customized training completion among Dislocated Worker participants, by race

Figure 63. Customized training completion among Adult program participants, by race

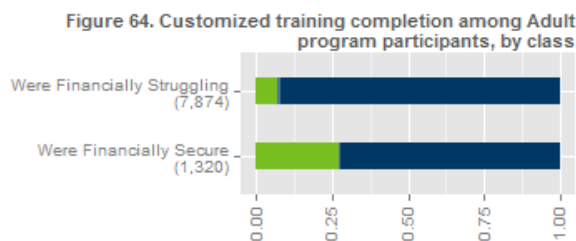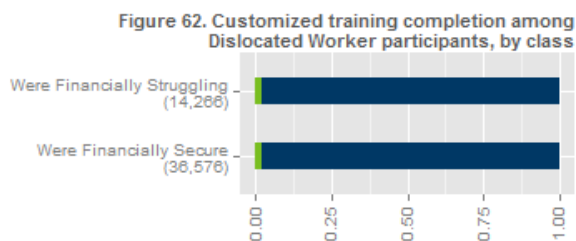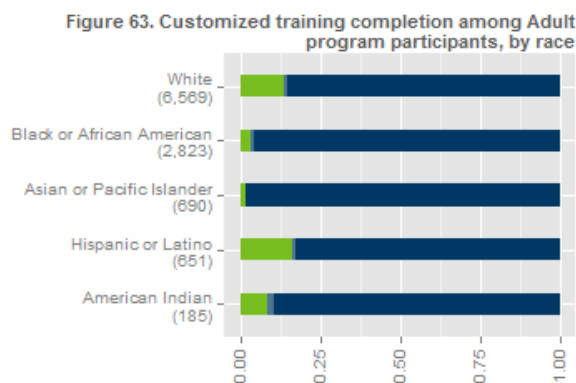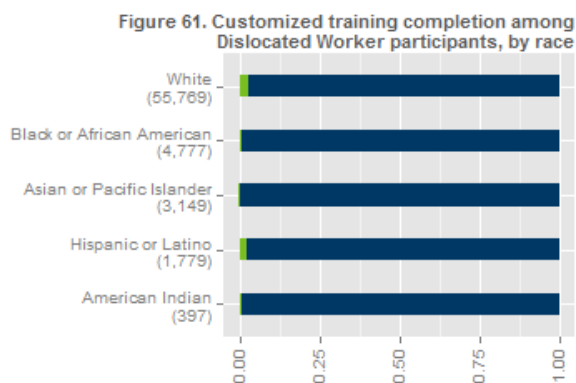Figure 62. Customized training completion among Dislocated Worker participants, by class

Figure 64. Customized training completion among Adult program participants, by class

Legend: Successfully completed — Did not complete — Did not enroll

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[24] Analyzing occupations in demand is a key aspect of local area planning. Each Workforce Service Area's official yearly plan addresses how the area will use information on occupations in demand to guide client training decisions.

This program acts as an incentive to hire, which can be especially valuable for participants with barriers to employment. Sue Hilgart, Rural Minnesota CEP Team Leader at the Brainerd WorkForce Center said,

> "[Participants engaged in on-the-job training learn] teamwork and all of those kinds of things that you can tell people about in a lecture form, or in a workshop, but it's much more transferable when they're experiencing it and getting a paycheck for it. So the combination of that exposure to work and a paycheck is a very valuable experience for anybody who is coming with a spotty work history or no work history or something in their background."

Overall, despite many areas' active promotion of this strategy, actual on-the-job training completion rates are low among Dislocated Workers. Rates range from virtually zero percent among American Indian, Asian or Pacific Islander, and Black or African American participants, to three percent among white participants (Figure 61). There is very little difference in completion rates by class (Figure 62).

Rates among Adult participants are higher, but differences by both race and class are also more pronounced. Completion rates range from a low of two percent among Asian or Pacific Islander participants to a high of 16 percent among Hispanic participants (Figure 63).

Even more striking, completion rates range from seven percent among those who were financially struggling prior to participation to 27 percent among those who were financially secure (Figure 64).

Interestingly, rates of 'Did not complete' are much lower for on-the-job training than for any other training type.

Any training

Figures 65 through 68 show rates of any training completion, from credentialed training in an occupation in demand to on-the-job training or non-credentialed training (not previously shown).[25]

Rates of any training completion among Dislocated Worker participants range from a high of 60 percent among white participants to a low of 45 percent among Asian or Pacific Islander participants (Figure 65). The difference is smaller by class: 59 percent of participants who were financially secure prior to participation completed any type of training, compared to 55 percent of those who were financially struggling (Figure 66).

Here again, disparities in training completion rates are much more pronounced among Adult program participants. Nearly 70 percent of white participants completed any type of training, compared to 24 percent of Asian and Pacific Islander participants (Figure 67). Again, the difference by class is smaller: 67 percent of those who were financially secure prior to participation completed any type of training, compared to 55 percent of those who were financially struggling.

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[25] Non-credentialed training includes anything from English language classes to Adult Basic Education to short-term classes in Excel.

Figure 65. Training completion among Dislocated Worker participants, by race

White (55,769)	
Black or African American (4,777)	
Asian or Pacific Islander (3,149)	
Hispanic or Latino (1,779)	
American Indian (397)	

0.00 0.25 0.50 0.75 1.00
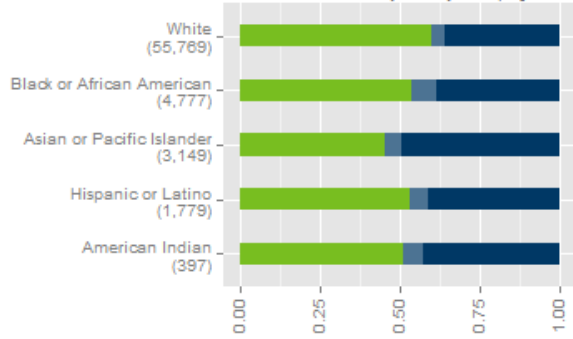
Figure 67. Training completion among Adult program participants, by race

White (6,569)	
Black or African American (2,823)	
Asian or Pacific Islander (690)	
Hispanic or Latino (651)	
American Indian (185)	

0.00 0.25 0.50 0.75 1.00
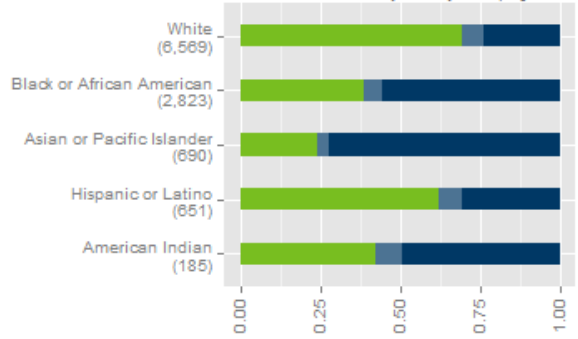
Figure 66. Training completion among Dislocated Worker participants, by class

Were Financially Struggling (14,266)	
Were Financially Secure (36,576)	

0.00 0.25 0.50 0.75 1.00
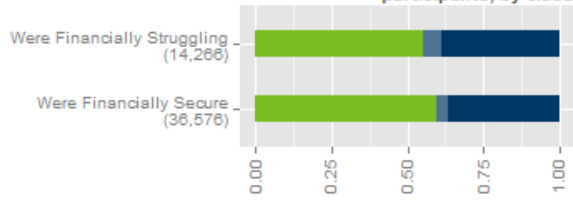
Figure 68. Training completion among Adult program participants, by class

Were Financially Struggling (7,874)	
Were Financially Secure (1,320)	

0.00 0.25 0.50 0.75 1.00

■ Successfully completed ■ Did not complete ■ Did not enroll

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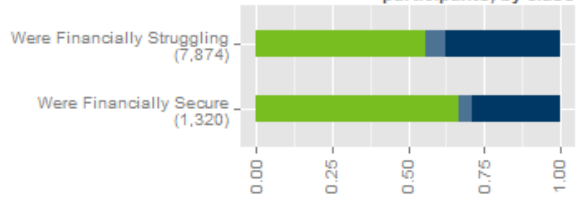
Current work addressing disparities

The US Department of Labor requires each state to submit a five-year unified plan outlining the state's workforce system needs and goals. According to [Minnesota's unified plan](), submitted in 2012, one of Governor Dayton's seven priorities for economic development is to "close the educational achievement and employment gap in Minnesota by working to end disparities, including but not limited to those based on race, ethnicity, class, disability and place".

Local Workforce Councils (also known as Workforce Service Areas) in turn submit Local Unified Plans to the state, in which they are asked to identify employment disparities in their local area and report how they are addressing those disparities.

While the most common employment disparity identified by local areas is racial, disparities by age, educational attainment, and refugee status are also identified. Most areas report addressing these disparities through dedicated grants targeting communities of color, such as MFIP, FastTRAC, or Adult Workforce Development grants. Most areas in the seven-county Twin Cities metro region report participation in Everybody In, a concerted, metro-wide effort to close the racial employment gap.[26]

Many areas also report addressing disparities through cooperation with other WSAs in the Minnesota Workforce Council Association, which in its [2014 state legislative platform]() includes addressing racial disparities as one of its key priorities.

Additionally, the state-funded Dislocated Worker program revised part of its funding formula in June of 2013 to provide financial incentive to independent non-profit providers for serving long-term unemployed participants and participants of color. After a two-year transition period to collect sufficient performance data, the first new allocations using this formula went out July 2015.

In business development, the [Urban Initiative Loan Program]() exists to support the growth of minority-owned and operated businesses and to create jobs in economically depressed areas of the Twin Cities. Since lending began in 1995, over 700 loans totaling more than $16 million have been granted, and 81 percent of business recipients have been minority-owned.

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[26] See [Everybody In: A Report to Reduce Racial Employment Disparities in the Ramsey County Metropolitan Area]() for more information on this effort.

Potential for further work addressing disparities

Previous policy reports have recommended various programming changes that DEED could enact to reduce disparities. We also asked workforce development program managers in the field for their own opinion regarding DEED's potential role in reducing disparities.

A few broad themes emerge both from policy reports and from the program managers we interviewed. These include serving people of color more intentionally, engaging with employers more intentionally around how to successfully employ individuals with barriers, and finding performance solutions to serving participants with barriers.

Serve people of color more intentionally

The 2014 Racial Equity Agenda of the Organizing Apprenticeship Project (now known as Voices for Racial Justice) has multiple specific recommendations for DEED around serving people of color more intentionally:

> The Department of Employment and Economic Development (DEED) can be a stronger partner in closing that gap by intentionally assessing the impact of its programs on people of color. Its programs for long-term unemployed people, dislocated workers, and others should prioritize reaching people of color most impacted by the economic recession, but also facing limited opportunities to education and training. A racial equity impact analysis process, one that is being used in other public entities, including the Minneapolis Public Schools, could also improve DEED's success in closing the employment gap and building living wage, family sustaining careers.

Multiple program managers spoke about the importance of having staff reflective of the population they serve and of offering culturally relevant programming. Tuleah Palmer, Executive Director of the Northwest Indian OIC, said,

> "One of the things that I saw that I am constantly championing and echoing is when we, as an organization, flipped our organization and started doing things inside the cultural context and the worldview of the community we were serving, the response was something unseen and unprecedented. I think that's why I feel this big conviction about being very vocal about culturally responsive programming. Historically, this organization had served between 175 and 200 participants per year. And when we did that, our numbers jumped up to 1200 a year."

One program manager echoed this when asked what DEED could do to address disparities, but acknowledged the political difficulty of seeming to prioritize some groups over others:

> "Some general recommendations I had for DEED were to understand different demographics and to prioritize the needs of each group and then stand behind those prioritizations. Sometimes in a political atmosphere, it might be hard to defend prioritizing helping minorities, but they [DEED] should still do it."

DEED's potential specifically as a funder was also addressed by program managers we interviewed. One program manager spoke to how a dedicated grant can effectively focus resources on serving a subset of program participants, leading to more intentional service:

"If we had a dedicated pot of funding to serve individuals from communities of color, we would expand the partners we're working with, bring them together, brainstorm what are the best strategies for this population, and identify how their needs are different. We aren't able to get to this depth through our regular programming. Our two biggest populations that are experiencing disparities are older workers and offenders. We focused our Adult Workforce Development grant on these populations and it taught us a lot about these two populations, even though we had been serving them for years."

Another program manager spoke to the same idea that the funding agency has the ability to set the agenda on disparities reduction:

"I think sometimes the key to that [addressing disparities] is funding, which is terrible for me to have to say because I don't want more funding requirements! But if the agencies who are funding require that there is some sort of disparities plan or some sort of discussion, then it'll happen."

Engage with employers more intentionally around employing individuals with barriers

Because DEED administers both workforce development and business development programs, multiple recommendations center on aligning disparity reduction priorities in both areas. For example, one program manager suggested DEED could explicitly leverage workforce development and business development funding by writing cooperation into the contracts with businesses:

"[W]hat I've tried to do as a strategy is reach out to the employers that DEED is supporting and say 'Ok, DEED is supporting you with this MJSP [grant], and you're expanding, and you're getting to train incumbent workers. But I know you need to hire a bunch of new workers. Well, DEED is funding us, too. So why don't you work with us?' And I don't get lots of legs there. I haven't gotten a great response. [DEED could tell these employers,] 'You put in 5 million and we'll put in a million, or we'll put in 500,000 for every 5 million. However, if you hire x number of your new employees from our P2P [Pathways to Prosperity] grant recipients, well now, actually, you only have to put in this much, because you're going to be leveraging other efforts.'"

At least one recent report has suggested business development strategies to combat disparities. Growth and Justice suggests in their report on Workforce Equity Progress in 2013-14: "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."

Multiple managers spoke to more general employer outreach on behalf of job seekers with barriers, including workforce development participants:

"I think it is DEED's responsibility to say to employers reevaluate your hiring practice, reevaluate what you're looking at and is it shutting out Minnesotans because they quote unquote may not look like you."

"I think if DEED, just because with the disparity a lot of times of particularly black males, it has to do with a [criminal] background. It's so much harder to get a job when you have a background, and unfortunately that's who it impacts the most. And I think if there was some kind of [… effort at DEED] cutting around the taboo and the intimidation that employers feel about people with backgrounds, I think that would be [helpful]."

Find performance solutions for serving participants with barriers

The Dislocated Worker and WIA Adult programs require local providers to meet performance goals around the percentages of their participants who get a job, who keep a job for six months, and who earn a credential, as well as a goal around the average earnings of participants. Local service providers—and states—which fail to meet their targets may lose federal funding.

Research has shown, and conversations with workforce development professionals in the field have confirmed, that the current federal performance metrics create an incentive structure that rewards "cream skimming"—that is, focusing enrollment on participants who are likely to succeed.[27] Much effort, at the local and state level, is directed toward working around these incentives to serve the participants who are less likely to have the positive outcomes that these programs need to secure funding.

Federal performance rules do allow providers to exclude some participants from their official performance if that participant needs to exit the labor force, for example to care for family or for health reasons. At least one program manager said this exclusion rule allows them to take some risks on serving participants with these family care or health barriers.

Importantly, the state-funded Adult Workforce Development program does not directly tie funding to performance metrics. Instead, past performance is considered in the competitive proposal process. Some program managers have reported that this allows them to use their Adult Workforce Development funds to target populations with barriers which would be difficult to serve in a federal program.

Additionally, some program strategies that have the potential to reduce racial and class disparities carry a performance risk, including promoting entrepreneurship and promoting on-the-job training.

The initial report from Everybody In suggests that the workforce system "foster business and entrepreneurial opportunities that result in job creation and identify practices to help enlarge the customer base for businesses owned by members of racial, ethnic and cultural communities."[28]

Promoting entrepreneurship is risky in terms of performance management because, while employment is captured through administrative data, self-employment must be verified through tax and operations paperwork provided by the participants themselves. At least one program manager reported that many of their self-employed participants are reluctant to provide this documentation, and indeed former participants have no incentive to comply with this request.

One program manager spoke about a new policy of supporting entrepreneurship among Dislocated Worker participants, which removes this performance management disincentive:

> "[W]e also talk in our registration sessions about CLIMB and that the support is there if you're thinking about your own business. […] I think CLIMB really helped us. Sometimes prior to CLIMB,

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[27] See, for example, the book chapter Performance Management of U.S. Job Training Programs: Lessons from the Job Training Partnership Act by Burt S. Barnow and Jeffrey A. Smith.
[28] Read the full Everybody In report.

we were struggling with, is it a good idea to support this person in that goal? Because they are coming from a high level, good paying job, and the program is designed to get them back into similar work. So leaving your high paying marketing job to start a drawing business is risky, and maybe not something that DEED would look at as a great career plan. And so CLIMB has been helpful in that it's encouraging that and that makes us feel a little safer with supporting people in those plans."[29]

Similarly, promoting on-the-job training is risky in terms of performance management because it generally does not result in a recognized credential. That means providers will have a much lower credential attainment rate than if their on-the-job training participants were instead engaged in classroom training.

A few different strategies exist to ensure on-the-job training results in a credential, including pairing a short term occupational safety certificate with the training or having a higher education institute's customized training department certify a credential for the proposed on-the-job training plan.

While local providers and DEED state staff have developed these examples of working around performance goals, multiple local providers have stated the need for more flexibility to serve the hardest to serve.

One program manager highlighted this point:

> "I think that our role as well as DEED's role is in that of education and ensuring that there's not only grants available or focus made available on targeting some of these groups—which we've done—but also understanding that somehow, some way, if I want to say 50% of my WIA Adult population that I'm going to serve this year is going to be long-term unemployed and people of color. Knowing that I can do that and my performance [goal] is going to be reflective of that. That's a huge concern with us because we would like to do so many different things but we just, we realize that we have to hit here. If there could be some kind of equation that could be figured in as far as these are the characteristics of the population that we're going to serve so that performance is reflective of that. I think that would go a long way with us being able to serve more of the hard to serve."

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[29] Converting Layoffs Into Minnesota Businesses (CLIMB) is an entrepreneurship track in Dislocated Worker. More information can be found under the CLIMB tab.

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Conclusion

Persistent race and class employment disparities among workforce development program participants do exist, and many program providers have noted areas in which DEED can better support work to reduce those disparities. The specific approach that DEED takes will depend on the outreach process that DEED staff are now engaged in.

Currently, approaches to addressing disparities vary across service areas and across providers. Although this can be messy and hard to communicate, this diversity of approaches may be a strength of our workforce development system worth retaining even as DEED takes on a more prominent role.

Multiple program managers expressed the concern that overly prescriptive statewide program policies can backfire when program providers are tasked with implementation. A policy that *should* work—that even has a track record of success in another context—may not work with the unique partners, infrastructure, and situation of each local provider. One program manager spoke to this difference between setting a goal and naming the strategies that each provider must take to reach that goal:

> "[DEED could say] 'You must follow these program designs.' And then you do have to design it differently. Your statement on racial equity has to be different. Because now it's not just about saying 'Goal is x and we're going to fund you to do that.' […] But as soon as you start dictating to the locals or to nonprofits how to do their work, you then need to build it in. Because we've now had our hands tied to the strategies we can deploy on the street."

Get involved

If you have further ideas of how DEED can address disparities, have suggestions for further research on this topic, or have any other comments on this report, please send us a public comment by using the comment field on this report's webpage. We will post comments to the online version of this report.

If you provide employment and training services to Minnesota residents and would like more information on grant and other partnership opportunities with DEED, please contact our community outreach leads.

Appendices

A. A note on programmatic wording

For the sake of consistency, this report will use the term "counselor" to refer to workforce development professionals who offer one-on-one case management, guidance, career counseling, and referrals to participants. Some agencies very deliberately choose terms such as "employment specialist", "coach", or "navigator" to speak to the philosophy behind their services. Our uniform use of the term "counselor" is not intended to discount the distinction between these terms; rather, we hope it can stand in as a general term that encompasses the wide range of activities and approaches taken by professionals in the field.

Additionally, this report will use the term "participant" to refer to people served by workforce development programs. Some agencies use terms like "client" or "customer".

B. Qualitative methodology

Program manager interviews

We requested interviews with a targeted list of 25 program managers, chosen for their regional and organizational diversity. Twenty managers agreed to participate. We interviewed managers at eight of the state's 16 workforce service areas and at ten independent workforce agencies around the state which have contracts with DEED. In addition, we spoke with one manager within the Workforce Center System and one manager in Adult Basic Education.

Eleven program managers we interviewed are located in the Minneapolis-St. Paul metro area; three are located in southern Minnesota, one is located in central Minnesota, and five are located in northern Minnesota. We recorded, transcribed, and qualitatively coded all interviews, which ranged in length from one to two hours. We removed filler words (such as 'um' and 'you know') from quotes for readability.

Counselor survey

We designed the survey with an informal focus group of state staff, including former counselors. We drew our survey population mainly from staff assigned as the primary case manager in DEED's participant tracking system Workforce One for participants in the Dislocated Worker, WIA Adult, or Adult Workforce Development programs, or the workforce development programs funded by a direct legislative appropriation (Twin Cities RISE! and the Opportunity Industrialization Centers).

Of all 353 counselors across the state invited to participate, 137 (39%) completed the 15-minute telephone survey, which was conducted by our survey vendor Issues and Answers. The regional breakdown of responses is: 45% Minneapolis-St. Paul metro area, 26% northern Minnesota, 20% southern Minnesota, and 9% central Minnesota. Issues and Answers transcribed all responses, and we qualitatively coded open-ended responses.

C. About the data

The figures in this report draw from DEED's administrative data on all Dislocated Worker and Adult program participants who completed their program enrollment between 2007 and 2013. We include so many years in our analysis to have a sufficient number of participants in each of the race and class

groups to show program activities and employment outcomes. Program data are entered by counselors into the case management system Workforce One and data on employee earnings and work hours are entered by employers into UI's Wage Detail.

Throughout this report, Dislocated Worker refers to both the federally- and state-funded program, as well as to the federal Trade Adjustment Assistance program integrated into Dislocated Worker. Adult programs refer to the federal WIA Adult program and the state Adult Workforce Development competitive grant program.

Wage Detail covers an estimated 97 percent of all Minnesota employment. It does not include work in other states, self-employment, employment purely on a commission basis, or informal employment. See 'About QCEW' for more information on this data.

D. Data Definitions

Definition of class
We define two classes based on whether the participant did or did not earn enough to meet their family's cost of living prior to program participation. Our use of the labels 'financially secure' and 'financially struggling' for these two classes is intended to be intuitive shorthand. DEED's Labor Market Information Office calculates the cost of a basic needs standard of living based on county of residence, number of children, whether the person is single or partnered, and whether the person is over age 50.

Because we do not know the earnings of the partner, we assume that partnered participants must earn 66 percent of the family's cost of living (single participants must earn 100 percent of the family's cost of living). Why 66 percent and not 50 percent? The average Minnesotan family consists of one full-time and one part-time worker, and we assume that the participant in a workforce development program is the main earner.

While the concept of class draws on factors other than income (commonly including educational background, occupation, household wealth, and even parents' income), we chose this definition for its workability and meaningfulness. Further research could develop a more nuanced definition of class that includes other factors captured in our administrative data.

Definition of race
Program case managers throughout the state ask Dislocated Worker and Adult program participants to self-identify with one or more of the following racial groups: American Indian or Alaska Native, Asian, Black or African American, Pacific Islander, and White. Participants are asked separately whether they identify as Hispanic or Latino. This mirrors the US Census Bureau practice of terming an Hispanic origin an ethnicity rather than a race. In this report, we will use the term "race" to refer to both race and ethnicity.

DEED does not collect more detailed race and ethnicity information than this, and for the period of this study did not collect immigration status. Therefore, each racial group contains a meaningful amount of diversity that we are not capturing.

Because of small population sizes, this report combines the Asian and Pacific Islander racial groups into one (very few participants identify as Pacific Islander) and does not show statistics on participants

identifying with two or more races. In combining race and ethnicity into one demographic, we report all participants identifying as Hispanic or Latino as such, making the other racial groups non-Hispanic or Latino.

Definition of employment
We define employment status in reference to the total hours worked in the reference year, across all four quarters and all employers. The year prior to participation means the third through sixth quarters prior to the quarter of the enrollment date. We look at least six months prior to participation to better capture the 'status quo' earnings and to avoid the loss of employment that drives many participants into the program. The year after exit means the first through fourth quarters after the quarter of the participant's program exit date.

'Full-time' means employment with yearly work hours equivalent to at least 35 hours per week for 52 weeks. Two or more part-time or temporary jobs may equal full-time work under this definition. 'Part-time' means any employment not meeting this full-time threshold, while 'no work' means the participant had no work hours in the reference year.

We exclude errors in the work hours data where work hours are recorded as zero but wages earned are greater than zero. This data cleaning accounts for the different sample sizes associated with each figure (noted in parentheses below each label).

E. About the wage boxplots
The boxplots in Figures 9 through 16 show not just the median earnings but also the wider distribution of earnings.

The green box shows the 25th through 75th percentiles. Half earn an amount within this range. The dark line in the middle of the green box shows the 50th percentile (or median). Half earn more than the median, and half earn less.

The dark horizontal lines extending from the green boxes shows the distribution of earnings within 1.5 times the difference between the 75th and 25th percentiles. Outliers beyond this range are not shown in these graphs.

Earnings are inflation-adjusted to 2014 dollars.

F. Methodology behind occupations in demand
DEED's Labor Market Information Office calculates occupations currently in demand, for each planning region in Minnesota, based on job vacancy rates, total employment rates, and layoff rates. These occupations are classified according to the Standard Occupational Classification (SOC) system, the same system that counselors use to classify the occupation associated with their participant's training program. Although a single training program could be helpful in gaining employment in multiple occupations, counselors would choose the occupation desired by their participant.

Coding occupations is not always intuitive, and keyword searches are not always helpful. While an accountant would be classified in the Auditors and Accountants occupation, a forklift driver is classified

in the Industrial Truck and Tractor Operators occupation. A previous analysis found that only about 64 percent of occupational codes entered into Workforce One are accurate.

For this reason, these figures are likely under-reporting the rate the training in an OID. Data on occupations in demand are available starting in 2008, so these figures only show participants enrolled in or after 2008.