

The Impact of Welfare Reform on Southeast Minneapolis Neighborhoods

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NPCR
330 HHH Center
301 19th Avenue South
Minneapolis, MN 55455
Phone (612) 625.1020
Email: npcr@freenet.msp.mn.us

Prepared for the South East Business Association (SEBA) and South East Improvement Association
by Joel Spoonheim

Graduate Research Assistant
Neighborhood Planning for Community Revitalization
Center for Urban and Regional Affairs
University of Minnesota
Minneapolis, MN

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INTRODUCTION

In 1996, the United States Congress passed the "Personal Responsibility and Work Opportunity Act" which significantly reforms U.S. welfare policy. The key focus of this legislation is to move recipients of public assistance into work. Most significantly, the act places a life-time cap on benefits one may receive and requires most recipients to work. For Minnesota, this change comes during a period of strong economic growth and extremely low unemployment. Across the state, but especially in the Twin Cities region, businesses are struggling to find employees.

Welfare reform will move approximately 10,000 Hennepin County public assistance recipients into the workforce over the next five years. This will impact every neighborhood of Minneapolis and provides employers the opportunity to gain needed employees. However, the success of the new employees will be partially dependent on employers' ability to understand and work with some of the challenges faced by this population. Employers have access to significant resources to support them in this effort, and if they combine these resources with possible management changes, the outcome will be increased competitiveness in the market.

This study expands upon the Southeast Industrial Area (SEIA) Economic Development Study conducted in 1994-1995 by Neighborhood Planning for Community Revitalization (NPCR). The SEIA Economic Development Study identified the critical planning issues for the SEIA and the surrounding neighborhoods of Como, Marcy-Holmes, Prospect Park, and University. This study summarizes the new welfare law, its impact on the four neighborhoods that comprise the South East Business Association, and options for businesses to recruit and retain quality employees.

U.S. PERSONAL RESPONSIBILITY AND WORK OPPORTUNITY ACT

This law makes numerous national changes, but transfers responsibility to the states for designing and implementing many programs. Key changes include: [\(1\)](#)

- Replacement of Aid to Families with Dependent Children (AFDC), the main federal welfare program, with Temporary Assistance to Needy Families (TANF). Unlike AFDC, TANF sets a maximum limit of five years to receive benefits, and requires participants to work.
- Limitation of the availability of Food Stamps.

- Revision of the definition of disabled children who qualify for Supplemental Security Income.
- Reduction of benefits available to non-citizens.

The law allows states until July 1, 1997 to submit plans to the federal government about how the new program will be implemented. While Supplemental Security Income and food stamps will continue to be administered under federal guidelines, states, with federal block grants, are responsible for designing and operating TANF. States are given few mandates about how to operate TANF; the primary requirement is that by certain dates a percentage of TANF recipients must be employed. Work participation rates are 25 percent in 1997 followed by five percent increments annually until a target of 50 percent is attained in 2002. Minnesota's plan, the Minnesota Family Investment Program (MFIP) was signed into law by Governor Arney Carlson on April 30 and will take effect January 1, 1998.

THE MINNESOTA FAMILY INVESTMENT PROGRAM (MFIP)

Minnesota legislation calls for the expansion of MFIP - the Minnesota Family Investment Program which was a pilot welfare-to-work program. While state agencies will oversee welfare policy and funding, *county governments will be responsible for direct implementation.*

The Minnesota Family Investment Program began as a pilot on April 1, 1994 in eight counties: Anoka, Dakota, Hennepin, Mille Lacs, Morrison, Ramsey, Sherburne, and Todd. This program replaces the four key programs "welfare" recipients use:

- Aid to Families with Dependent Children (AFDC) -- the primary "welfare" program,
- Family General Assistance (FGA) -- a Minnesota program to assist families that do not qualify for AFDC,
- Food Stamps, and
- STRIDE -- a job training and placement program.

Before MFIP, public assistance recipients frequently had multiple sets of rules, and often different caseworkers for each type of assistance they received. By simplifying four programs into one, MFIP is designed to focus recipients on training and employment.

MFIP was designed to encourage work and personal responsibility. When a person qualifies for MFIP, they are assigned a case manager or job counselor who helps them develop a plan to increase their skills, education, or to find work. The plan sets clear goals for each individual and is signed as a contract. Those who fail to meet their contract will have their assistance reduced. In contrast, for those who do work, they are able to keep their earnings with only partial reduction in assistance until they reach a threshold which is 120 percent above the poverty level. Currently, the poverty level for a family of

three is \$13,330. Before, for every dollar earned, recipients saw a decline in assistance, which discouraged many from working. In effect, MFIP recipients are weaned off of assistance as they build up work experience and skills. "Weaning" is considered more effective for permanently moving people into financial independence. Numerous pilot welfare-to-work programs are implementing this approach. (2)

To date, MFIP was only for welfare recipients who had received assistance for over two years - the population considered most difficult to move into work. Under statewide MFIP, many first-time applicants for assistance will be encouraged to utilize other resources available to assist them. Only those who demonstrate significant need according to county guidelines will be placed into the program.

While studies conducted thus far on the success of placing of MFIP recipients into the work force demonstrate a greater margin of success than previous programs (3), the newness of the program prevents drawing any firm conclusions. In addition, the MFIP legislation passed for statewide implementation is different than the program currently implemented in Hennepin County. The program follows more the model of Ramsey County, with a stronger focus on work than training. Further complicating any attempt to project the impact of the program is that funding for MFIP-State is lower than under the pilot program; cash assistance drops approximately 5 percent while training funds drop by approximately 25 percent. Those currently responsible for implementation of MFIP acknowledge that many unknown factors need to be worked out before the statewide program takes affect January 1, 1998. They also recognize that the entire program is likely to undergo revision in the next legislative session. (4)

Key provisions of the statewide MFIP law include:

General:

- five year lifetime limit on cash assistance (with exceptions for people over sixty, victims of domestic violence, illness or incapacity, and a few others) - note that the five year period begins July 1, 1997;
- continuing assistance until a family reaches 120 percent of the 1996 poverty level, though transitional child care and medical assistance will continue for another year;
- basic monthly grant for a family of three is \$763 (includes cash and food assistance);
- people moving to Minnesota from other states will not receive any assistance the first 30 days - the following 12 months they are eligible for assistance only up to the level of the state in which they previously resided;
- no 18-50 year olds losing federal food stamp assistance will receive state aid;
- new applicants will be screened and diverted to non-welfare programs when possible;
- special needs funds will be discontinued which previously paid for emergency home/appliance repairs and other temporary needs;

Work Requirements, Training, Penalties:

- single parents are required to begin a job search within six months of applying for assistance -- exemptions are available for training, education, or other pre-employment activities;
- two parent families are required to begin a job search immediately;
- adults with children under 1 year old are exempt from the work requirements for up to 12 months in a lifetime;
- assistance is cut for failure to meet work requirements;
- training assistance is funded at \$1,473 per slot per year - this is not per person, thus many counties will seek to use a slot for more than one person;

Legal Immigrants

Minnesota's bill provides more assistance for legal immigrants than TANF, however, most of these benefits are currently only authorized until July 1, 1998. This issue will likely be reconsidered by the 1998 session of the Minnesota Legislature. Key provisions include:

- legal immigrants are eligible for medical assistance (no end date)
- elderly and disabled immigrants will be eligible for general assistance of \$203 per month
- legal immigrant children and families are eligible for food assistance portion of MFIP

In short, the program is very focused on training and immediate placement in work.

IMPACT ON SOUTHEAST NEIGHBORHOODS

Four neighborhoods are represented in SEBA: Como, Marcy-Holmes, Prospect Park, and University. According to 1990 Census data, there are 23,409 residents in these neighborhoods combined [\(5\)](#). Data from Hennepin County for December 1996 show that: [\(6\)](#)

- 682 residents are on AFDC (most of whom also receive food stamps and other assistance);
- 465 AFDC recipients, 68 percent, are children (393 are age 12 or under which means they are likely to need child care) - note that this number means that roughly 25 percent of all children in these neighborhoods receive assistance;
- 362 residents receive food stamps but are not on AFDC; and,
- 1,795 residents receive medical assistance.

While the exact impact of welfare reform cannot be determined, it is clear that many of the current AFDC recipients will either lose or see reduced benefits in

the near term. At least 200 adults from the SEBA neighborhoods may enter the labor force during the next five years while over 10,000 adults in Hennepin County may also enter the job market. Virtually all of the 120 non-U.S. citizens in these neighborhoods receiving assistance will lose much of the assistance they were receiving prior to the new law.

Hennepin County

Surrounding the Southeast area are Hennepin and Ramsey Counties, home of the two largest public assistance recipient populations in Minnesota. In Hennepin County there are approximately 18,120 families on AFDC at any one time in 1997, which include roughly 34,000 children. The proposed revisions to Supplemental Security Income (SSI) may exclude from assistance an additional 3,600 non-citizens, 1,450 children with behavioral disabilities, and 2,000 people who have drug or alcohol addiction.

Characteristics of Welfare Recipients

Many stereotypes exist about recipients of public assistance, and not surprisingly, these stereotypes are inaccurate. Of AFDC recipients: [\(7\)](#)

- most are between ages 20-45, not teenagers;
- many have some work experience though it may be only for short periods or in non-formal settings like home-based child care or other businesses;
- half of all recipients in Minnesota leave public assistance on their own in just over two years, many without participating in training or other job placement programs;
- almost all are women with one or two children, not four or more;

In Minnesota the correlation between race and poverty depends greatly upon one's location. The following table demonstrates the differences between the state averages, urban areas, and Hennepin County.

Breakdown of AFDC Recipients by Race for Caretakers Only (Children Excluded) October 1996 [\(8\)](#) (in percentages)

Location	Asian	Black	Hispanic	Indian	White
State	9	23	5	8	56
Urban	13	38	3	6	39
Hennepin Cty.	9	50	2	8	31

Employment Issues

Numerous factors impact the future success of welfare recipients as productive employees. These include:

Child Care:

The South East area of Minneapolis faces a severe shortage of child care, especially for second and third shifts (i.e. between the hours of 7pm and 7am). MFIP provides child care funding for recipients, but lack of local providers undermines that opportunity to work locally. Lack of child care availability also limits the shifts new employees can work unless they are able to find a regular informal provider. Frequently such arrangements prove unstable or are impacted by irregular work schedules, and thus fall through.

Public Transportation:

While there is frequent bus service on University Avenue, service is very limited linking the neighborhoods of Como, Marcy-Holmes, and Prospect Park. The industrial park is virtually unserved by bus lines. A map of all routes in the southeast area will be available mid to late summer 1997 and will be distributed as an additional appendix.

Bus Lines Serving Southeast and their Routes:

#2 - Franklin Avenue to Riverside to Cedar to Washington to Oak to University/4th to 10th Avenue SE to 8th Street SE

#6 - Downtown on Hennepin to University/4th Street SE to 15th Avenue SE to Como Avenue SE into St. Paul. The 6E also serves businesses along Kasota Avenue and Elm Street coming from downtown Minneapolis (arriving at Kasota and Highway 280) at 5:51am, 6:48am, 7:24am, 7:49am, and 8:17am. In the afternoon it heads toward downtown from Kasota and Hwy. 280 at 2:21pm, 3:40pm, 4:36pm, and 5:21pm.

#8 - Downtown links to E. Franklin into Prospect Park up to University Avenue at Emerald Street, along University Avenue to Eustis Street, then back to Franklin

#16 - Downtown on Washington to University to the Capitol in St. Paul

Education:

According to data gathered by Hennepin County, 40 percent of AFDC recipients over age 25 have less than a high school diploma or GED. [\(9\)](#)

Work/Life Skills:

Many recipients have little long-term work experience. The lack of work experience outside the home can cause some to have what are considered inappropriate reactions in the workplace. Most often, employers noted a misunderstanding of constructive criticism or how to react to unknown events. Crisis management skills are lacking - and thus the

client/employee needs someone to intervene and help them think through how to solve a problem, such as a sick child that needs to be picked up from school in the middle of a work shift. [\(10\)](#)

Safe Affordable Housing:

Most families (of three) living on public assistance receive about \$750 dollars a month. This significantly limits their choices of housing and many live in areas considered less safe. The result is that some parents are only willing to work day-time shifts so they can be at home before dark or early in the evening. Furthermore, such environments can impose great stress on an employee.

BUSINESS NEEDS

Southeast businesses like employers throughout the region are facing a labor shortage. The two primary impacts on businesses are greater difficulty recruiting quality employees and retention. SEBA members use varying methods to retain employees, but for most entry level positions, employers cite a difficulty in attracting motivated, committed, and qualified job applicants. Interviews with SEBA members identified specific qualities needed in employees which, when addressed in the context of welfare recipients, provide support for the actions suggested in the recommendation part of this report. In addition, this section suggests a tool for determining the cost of turnover which in turn can be the basis for funding retention promoting activities.

Regional Labor Market Issues

Economic and population changes both regionally and in the state significantly impact the labor market for SEBA members. Tom Gillaspay, the State Demographer at the Minnesota Planning Agency provided the following analysis on June 4, 1997. [\(11\)](#) First, the labor force is growing more slowly than employment in Minnesota's strong economy. Labor force growth is projected to continue declining from a current .9 percent, to .2 percent in 2010 - 2020. A key factor is that Minnesota's population is aging. The result is that unemployment will decline and the labor market will become even tighter. Minnesota, with the highest proportion of population employed in the nation, will be especially hit by the demand for labor.

However, coinciding with this tightening labor pool will be entrance of people previously not in the labor pool, including welfare recipients. While the new entrants may be insufficient to meet the demand, they are a critical resource for employers.

Findings of Interviews

During the course of the study, sixteen formal interviews were conducted with SEBA members in addition to numerous informal conversations. The interviews sought to identify the following:

- types of entry-level openings available,

- skills or background necessary to be hired,
- reasons for (low) retention rates,
- work environment (including coworkers, personnel policies, etc.),

Positions Available and Hiring Requirements:

As expected, there is significant diversity among SEBA members. Entry-level jobs include, but are not limited to: nurse assistants, hospitality staff, janitors, front desk/reception, bank tellers, sales persons on the floor or phone, line-workers for product sorting/packaging, and mechanics. In addition to the diversity of types of jobs available, there are also varied requirements for hiring. While every owner/manager interviewed identified the need for employees that are reliable, responsible, and committed for more than 90 days, there are numerous other factors for potential employees to know about. These include considerations for:

- English communication skills;
- U.S. citizen vs. legal immigrant;
- criminal record - for some any criminal record is an automatic rejection while others vary;
- drug testing;
- depth of work experience.

Some of these requirements are imposed by regulations, however others are set internally. For example, state law requires that nurse assistants cannot have a violent criminal history. SEBA members who find their hiring pools radically limited by regulations perceived to be inappropriate may seek to identify similar businesses who are negatively impacted to lobby oversight agencies or state legislators for change. Some SEBA members mentioned that the regulations often date back many years, thus the author believes that simple revisions, including conditioned waivers, could be achieved over the course of a year.

Clearly for the employers who set stringent internal policies, the cost of labor shortages must be weighed against hiring a "risky" employee. Under welfare reform, with the new incentive for work, many public assistance recipients, including rehabilitated criminals, could prove to be good employees.

Employers frequently identify that many job applicants are not qualified or do not understand the nature of the position. As employers seek to link to job training and placement programs they must explicitly state the requirements necessary for hiring. Many advertisements are vague and provide little information for a potential employee. Two ways to help unqualified people screen themselves out include:

- Build relationships with placement programs so they know what kind of applicant to send to each business. Building this relationship can also facilitate applicants receiving appropriate skill training before interviewing.

- If posting on JOB LINK, an electronic job bank for the Twin Cities region, fill out the employer profile which gives detailed information about hiring requirements, the reality of the job (i.e. smelly or loud environment), and career potential.

Retention

The **turnover** of employees **is extremely expensive for employers**. The time spent to advertise, interview, and train employees, in addition to the indirect expenses, costs many small businesses, including those with less than 20 employees, thousands of dollars annually. Larger businesses see retention costs often in the tens of thousands of dollars because of time spent by human resource personnel and trainers. [\(12\)](#)

THE COST OF TURNOVER

This simple exercise will assist employers in identifying the cost of current turnover patterns. This is important information when considering options to increase retention. Many retention programs have a cost, but this exercise will help weigh that expense against all the costs associated with turnover.

- ___ 1. Identify the number of employees lost in a year.
- ___ 2. Calculate the advertising budget per year to attract new employees.
- ___ 3. Identify:
 - The number of hours to design and place ads for a new employee.
 - The number of hours conducting interviews.
 - The amount of time, formal and informal, spent training a new employee - do not forget the decreased efficiency of others who help out a new person.
- ___ 4. Calculate the number of hours identified in step 3 by the hourly wage of the person responsible for these activities. Multiply this total by the number of employees replaced annually.
- ___ 5. Project any lost productivity or overtime costs due to vacant positions.
- ___ 6. Sum steps 2, 4, and 5. This amount is a rough estimate of the cost of turnover.

This exercise was created by Joel Spoonheim

The above exercise is suggested to help employers identify all costs related to turnover. Calculating this cost is necessary for assessing the benefit of management or other changes to increase retention.

Retention is also critical for creativity and innovation. In an increasingly competitive market, employees that have institutional knowledge can be invaluable for identifying cost cutting measures or new approaches to routine work. A few employers identified the contribution of long-term employees to the success of the company. On a similar note, those who work their way up from entry-level jobs often are best able to relate to new employees and create an environment that increases retention.

Few employers interviewed know exactly why their employees leave, though some speculate that wage rates, competitive labor market, vicinity to home, and habitual job-hopping contributed to their departure. Some of those interviewed knew that their entry level pay-scale was not competitive either in the short or long run, but could not afford for it to rise. The result was for many a dependency on temporary employees.

Most employers stated that poor attendance or performance was the leading cause of firing employees. Of those interviewed, many expressed concern that very few new employees in recent years had a good work ethic. Many employees do not call when they fail to come to work or are late. Employers also expressed that they felt that employees did not understand the importance of attendance despite repeated efforts to clarify requirements.

SEBA members use the following programs to increase their retention.

- bonuses for perfect attendance during first 90 days (i.e. an employee is given a bonus of \$.50 per hour worked during the 90 day probationary period, paid within a week after completion of period);
- on-the-job training for both initial positions and advancement;
- off-site training to support advancement;
- benefits, including medical, dental, life, disability insurance or profit sharing, either immediately or after a trial period;
- English language classes.

It is difficult to provide data supporting the impact of any of these programs. Despite many employers implementing such options, only one employer could provide direct proof of a benefit (see case study on the Econo Lodge). When implementing retention programs, SEBA members must identify methods to measure the impact. Failure to do so makes performance measurement difficult and may result in wasted resources.

CASE STUDY - ECONO LODGE ON UNIVERSITY

SEBA Members Lori Gapinski and Patrick Shea of the Econo Lodge at 2500 University Avenue, SE had 0 percent turnover among their cleaning staff for over 18 months. This 100 percent retention rate among entry level housekeepers followed a history of 200 percent turnover.

Their success resulted from a few simple factors:

1. Nearly two years ago, Pat picked a couple new employees he thought were "better than average," and as openings occurred, hired their friends. Eventually, six of the eight staff were Hispanic women who were friends outside of work.
2. When the busy season ended last year which then required a few layoffs, he asked if there were any volunteers. Two women volunteered because they had the best English skills and could get hired easily elsewhere.
3. Pat asked the regional office if he could get Spanish lessons for his management staff. He was told instead to give the appropriate staff English lessons. The regional office authorized Pat to purchase personal tape players like "walkmen" for the women on duty along with ESL tapes to listen to while working. In addition, on paid time, the workers attend an ESL class every week taught by an instructor who comes to the facility. While some may argue that the housekeepers look less professional listening to the walkmen, their improving language skills allow them to better serve customers. The total monthly expense is roughly \$400 to provide the ESL training, but that is far less than the cost of recruiting and training new staff.
4. While staff started out at \$6.00 per hour, most earn over \$7.00 per hour now, and will probably begin receiving benefits in the near future. While these are not "living wages," the quick increases in wages reward retention.
5. Staff are encouraged to pursue more advanced positions as their skills allow.

Key lessons to learn from this success.

- Retention costs, but costs less than turnover.
- Retention does not only mean paying decent wages; employers must provide opportunities for employee's growth.
- Give employees some authority in decision making - it can increase loyalty and save the company money.
- Hiring from a specific population or neighborhood is useful because the employees then may have an additional support network to help them during crises (i.e. sick child, broken car, etc.).

The following section provides numerous recommendations for recruiting and retaining quality employees based on the success of certain SEBA members and other programs.

RECOMMENDATIONS

Many southeast businesses are facing a labor shortage and high costs to recruit and train new employees. The recommendations are separated into recruitment and retention programs because these activities are separate for many employers. The majority of

recommendations fall under the retention classification to provide a wide variety of employer based initiatives. [\(13\)](#)

RECRUITMENT

Numerous services are available for businesses seeking new employees. The temporary employee industry, which is one of the fastest growing in the U.S., provides access for a fee to employees that can be screened before hiring. However, many agencies charge high fees for any employee hired from an agency placement.

The State of Minnesota, Hennepin County, and other agencies provide job bank services where employers can at no cost send in postings for openings. Increasingly, these programs serve not only welfare and disadvantaged populations, but also those impacted by downsizing of facilities. Many of these "displaced workers" have significant work experience that is valuable for entry to mid-level positions.

Most public assistance recipients will be utilizing newspaper "want ads" and job banks both "on-line" such as JOB LINK, or at neighborhood based centers. Few SEBA businesses currently use job banks as a resource for posting openings despite the simplicity of faxing an announcement. Key programs and contacts include:

JOB LINK - JOB LINK is an electronic database that is accessible at participating community centers/training programs. Businesses can post information simply by faxing 529-3208 or calling 529-4373 and speaking with a JOB LINK Employer Representative. Larger businesses with frequent turnover may wish to post an "Employer Profile" which provides additional information about a business, position responsibilities, and promotion potential in order to help applicants screen out themselves based on their qualifications or interests. To have an Employer Profile written, contact Bill McMahan, JOB LINK Director at 529-4373 ext. 306.

Minnesota Workforce Center - The Workforce Centers, in affiliation with the Minnesota Department of Economic Security, provides numerous services for employers. For information call 1-888-438-5627.

- Electronic Job Bank - call 296-8400 for information
- Hiring Advisor Software - information on employment law, job analysis, recruiting, drug testing, etc.
- Work Opportunity Tax Credit (WOTC) - a tax credit for hiring people from targeted groups. See WOTC section under retention recommendations.
- Tax & Employment Information

East Side Neighborhood Services (ESNS) - ESNS is the agency contracted by the City of Minneapolis and Hennepin County to provide job training and placement services for southeast Minneapolis. ESNS is located at 1929 2nd Street NE. ESNS provides clients

with counselors who seek to match them with available openings that best meet their interests and skills. SEBA members would benefit by building relationships with the job training counselors who can then screen potential employees. Their goal is to get people jobs and businesses are one of their clients. *Contact Ann Oliver at 781-6011 to post job openings or to inquire about potential employees.*

Wages and Benefits - SEBA members pay entry level workers a variety of wages and provide a range of benefits, from none to many. Many factors besides wages or benefits directly impact retention including work environment, personal skills, and convenient transportation. None-the-less, virtually all employers stated that either they had begun providing benefits or plan to in the near future in order to remain competitive. All interviewed employers also started employees at a minimum of \$6.00 per hour, a rate above the minimum wage. Though not a statistically valid observation, the author noted that those who paid a higher base salary generally had less turnover. Also of note, the Econo Lodge case demonstrates that providing unusual benefits such as language training can be highly effective in lieu of medical benefits or higher wages.

Friends of Existing Employees - Many businesses interviewed cited the success of hiring friends of existing employees. While an obvious resource, many employers overlook this resource which has benefited numerous SEBA members. Especially with adults entering the workforce at entry level positions, working with friends provides a social support network that can help when a car breaks down or child is sick.

Link with Local Schools - Today's students are tomorrow's workforce. Minnesota recently received a multi-million dollar award to further school-to-work (STW) programs. This grant will further the efforts to provide students exposure to and experience with local businesses. STW programs are a valuable resource for recruiting future employees with the skills a business needs. While they do not provide an immediate return for investment, businesses throughout the state that have participated in STW have noted significant improvements in the young workforce.

In addition, many area high schools provide technical training for students. The following is a list of special programs by high school. Contact the school directly to inform instructors of openings that are related to their program.

North High School (627-2778) - Cabinet making/Wood Technology, Computer Graphic Communication, Computer Aided Design and Drafting, Math/Science/Technology program, Technical Electronics, Commercial Photography, Television/Radio Production.

Roosevelt High School (627-2658) - Automotive Mechanical and Body Repair, Health and Medical programs.

Washburn High School (627-2658) - Aviation and Aerospace

Edison High School (627-2982) - Business and Finance, Service Occupations.

SEBA Fax Network - Last autumn, members of SEBA sought to begin a fax network, where employers could send postings to Dick Murphy of Murphy Warehouse who would then distribute them to neighborhood organizations. This effort has not been utilized at all as of May 1997. While the intent of the program is solid, it may be more time-effective for businesses to build links to East Side Neighborhood Services and JOB LINK which are already equipped for rapid distribution of such information.

RETENTION

There is a great deal of discussion in management and trade journals about how to increase retention rates. In addition, there are increasing programs available to businesses. While not an exhaustive list of suggestions, the following summarizes programs in the Twin Cities, and suggestions made by SEBA members and others in interviews.

Management of Employees:

Management plays a critical role in retention. While many SEBA members are frustrated by ongoing turnover and see minimal incentive to invest in new employees, a demonstrated commitment is essential for welcoming and then retaining employees. This may be an attitude or cultural change for businesses after years of discouraging turnover. However, SEBA members recognize that training is expensive (see turnover cost exercise earlier in paper), and employees are mobile, so actions to increase the commitment of employees to the organization will pay off.

For small business owners this is often challenging because as owners, they do not particularly enjoy management activities. For larger businesses, human resource specialists may be burned out by experience. Successful small and large businesses demonstrate a clear commitment to changing the work environment to generate commitment from employer and employee. This is particularly critical when hiring employees with little or no experience. Many first-time employees, *whether a high school student or welfare recipient*, desire to succeed but are very nervous and insecure. They may need extra attention early on until they feel comfortable.

The following suggestions come from a variety of SEBA members and human resource specialists. Clearly, not every suggestion will apply to every business, but are worth mention.

- Accept that employers have a responsibility for success and retention of an employee. Businesses that demonstrate a commitment by both the owner and supervisor are far more likely to create the environment that supports good employees. All too often only the top decision maker believes in making an attitudinal change, thus the employee encounters the continually cynical supervisor.

- Be direct about requirements, responsibilities, and reality of positions. Tell the good with the bad. Setting unrealistic notions about the job immediately discourages employees once they learn "the reality" and leads to turnover.
- Provide more feedback to new employees, especially encouragement of what they are doing right. Many retention programs encourage the use of small awards to create the practice among supervisors and managers for recognizing and rewarding good employees.
- Work with existing employees to create positive mentorship experience. Many new employees complain that the other employees assume they are going to leave, so the environment is not friendly. (Note: it may be important to create a reward for the mentor - i.e. bonus if they keep a person on for six months)
- Provide a clear career track and identify skills/experience necessary to move ahead. Employees are rarely interested in a dead end job and will leave a position if they perceive no future. Not only should employers make the career track evident, but compliment actions that demonstrate progress toward promotion. Within this context, constructive criticism can be more effective.

While contradictory, the following two approaches have worked to increase retention in businesses in Minneapolis. Both require setting clear expectations and consistent enforcement in addition to learning something about the resources available to assist employees. For example, having a contact person at East Side Neighborhood Services, a local church with support programs, or a child care facility would be beneficial.

1. Hire people, be clear about a "three no shows and you're fired" policy, but also work to assist employees on issues inside and outside of business to help ensure their success. Critical to this model is building a relationship with the employee based on that you, the employer, will help to the best of your ability to support them, such as putting them in contact with the right program for specific assistance.
2. Hire people, but be tolerant of mistakes during initial month, being clear about expectations, but not punitive. Get more stringent over time, but communicate possible punishment ahead of time. This model is successful because it allows people new to the work-force time to "get used to working" and by being "forgiving" initially, can build a commitment for people.

Maintain Constant Work Schedules - Irregular shifts create numerous obstacles for many low income employees. Buses may only run at certain hours or car pools depend on regular groups. Child care facilities are usually equipped only for certain shifts. Some employees may work more than one job. Varying an employee's schedule can make these arrangements more difficult and be enough of a barrier to prevent a person from being highly successful. When possible, maintain constant work schedules to provide as much stability as possible.

Job Coaching - the NICO/Whittier Works Program - NICO is a metal fabrication industry located next to 35W in the Whittier Neighborhood. NICO and Whittier Works, a neighborhood employment program, joined forces to provide training and support for

unemployed workers. The critical part of this program is the use of a *job coach* - a job coach works with new employees as they are placed on the job, checking in daily with the employee and their supervisor to make sure that both party's needs are met. When conflicts or misunderstandings arise, the job coach seeks to solve them. When a client is having problems with transportation, punctuality, child care, etc., they contact the job coach. Currently this program is funded by grants from the City of Minneapolis but Whittier Works is expanding their services to other businesses. For more information, contact John Flory of Whittier Works at 879-0109.

Saint Paul Rehabilitation Center (SPRC) - SPRC is piloting a new program, building on years of experience placing disabled people into private sector jobs. The SPRC program - Adult Employment Competency Modules -- provides business managers a varied curriculum to address specific problems of a work force, including punctuality, supervisor/employee relationships, completing tasks effectively, group negotiations, balancing personal and work life, company structure and organization, cultural diversity, and positive attitude. The program operates by working with employees in sessions to discuss the issues identified by the management. Sessions occur during work hours in a group process. Relevant issues raised by employees are reported back to management to facilitate communication between parties. For more information contact Kari Olson at 227-8471 ext. 168.

Hire Friends of Current Employees - While also a recruitment tool, hiring friends or family of current employees has benefited some SEBA members. By hiring friends, employers, such as the Econo Lodge have also a built in support network among employees. When an employee is sick, needs transportation, etc. their friends are able to support them. The result is that employee attendance is higher and turnover is lower. (14)

Increase Availability of Child Care - Southeast Minneapolis is underserved for child care, especially for second and third shifts. As community members who may use or know local providers, SEBA may wish to encourage local entrepreneurs to create new facilities. In addition, Prospect Park has a Child Care Planning Committee that is working to develop additional resources, and plans to release their findings in September.

If an employee is in need of information about available child care facilities, have them call the Early Childhood Resource Center at 721-0112.

Shift Bus Routes to Serve SEBA Area - Metro Transit is undergoing a study to determine the service of public transportation to areas with jobs. This initiative is part of the Metropolitan Council's welfare reform initiatives to get welfare recipients to work. SEBA and the Prospect Park East River Road Improvement Association (PPERRIA) are meeting with Metro Transit staff beginning in July to work with them to ensure the south east area is better served. Employers will be a critical voice to moving this process along. Reducing transportation barriers for employees will greatly enhance retention.

Financial Assistance to Increase Retention

Minneapolis Enterprise Zone Funds - Businesses in much of Marcy-Holmes, Como, and University neighborhoods fall within the Minneapolis Enterprise Zone - Eastside Area (see appendix for map). The program provides a grant to businesses that hire employees that live within the enterprise zone. The grant, which will equal 20 percent of annual wages paid to the zone resident (up to \$5,000), is awarded based on meeting certain criteria. These criteria are included in the appendix. SEBA members that qualify may find this program a way to subsidize job coaching or other programs that work to increase retention.

Work Opportunity Tax Credit (WOTC) - The Work Opportunity Tax Credit provides employers a tax credit if they hire a person from one of seven target groups. Once this person works for 180 days or 400 hours, the employer can receive a credit of 35% for the first \$6,000 in wages up to a maximum of \$2,100. Three of the seven target populations include:

- AFDC (or TANF) recipient in 9 of the last 18 months
- Veterans receiving AFDC (or TANF) in 9 of the last 21 months or food stamps for 3 out of the last 15 months
- Ex-felon convicted or released from prison within the last year and with a total family income less than 70% of the lower living standard

For more information about this program, contact the Minnesota Department of Economic Security at 296-8746. Note that this program is pending extension by Congress, otherwise it will expire in September 1997.

Transportation Tax Credit - The federal government provides a tax credit to employers who provide employees passes for mass transit. In Minneapolis, most employers are able to buy a monthly bus pass for employees and get a full reimbursement as a tax credit. For more information contact Kathy Laudenslager of Metro Transit at 349-7531.

CONCLUSION

The success of welfare reform is ultimately reliant on two parties, employers and former welfare recipients. Minnesota businesses are in dire need of quality employees, and the new employees are seeking employment opportunities where they can learn to be skilled members of the workforce. Fortunately, public, non-profit, and private resources are available to support these parties. Together they can increase the competitive viability of business and financial independence of public assistance recipients.

SEBA members are uniquely positioned to take advantage of active local neighborhoods that are home to many seeking work, and significant interest by social service agencies to build links to businesses. Businesses must take the initiative to build these links, recognizing their own self-interest in providing opportunities for local residents leaving public assistance. Capitalizing on the available resources, and making internal

management changes can create a win-win situation for businesses and those moving from welfare to work.

Glossary of Key Welfare Reform Terms

AFDC - Aid to Families with Dependent Children is the federally funded program commonly called "welfare." This program provides cash payments to families that qualify (must have dependent children and fall below a certain income level). The federal government provides 54 percent of the funding with the remainder provided by the state. AFDC will be replaced by TANF in 1997.

Food Stamps - Federally funded coupons that can be used to purchase food.

General Assistance - a state program that provides financial assistance to poor singles and families who do not qualify for federal assistance.

GMAC -General Assistance Medical Care - a state program to assist poor singles and families who do not qualify for Medicaid.

Medical Assistance - Minnesota's name for Medicaid.

MFIP - the Minnesota Family Investment Program is a comprehensive welfare reform program designed to replace AFDC that is being tested in Minnesota. This program encourages work by allowing families to keep more of their cash assistance when they work up to a percentage over the poverty level, but also reduces benefits for those who do not work. MFIP is the program that will serve as TANF.

MSA - Minnesota Supplemental Aid - a cash assistance program for the elderly and disabled which supplements SSI.

TANF - Temporary Assistance to Needy Families is the new federal program that combined AFDC, Emergency Assistance, and the Job Opportunities and Basic Skills Training Program. TANF requires work, sets a five-year life-time limit for receiving benefits, and imposes sanctions on those who do not meet work requirements.

SSI - Supplemental Security Income is the federal program that provides assistance for the disabled, blind, and elderly. Revisions to SSI qualifications exclude benefits to many children with behavioral disabilities and adults with drug or alcohol addiction.

STRIDE - Success Through Reaching Individual Development and Employment - Minnesota's version of the federal Job Opportunity and Basic Skills program. MFIP replaces STRIDE.

SEBA Members Interviewed:

(note: in some cases, a human resources or other staff member was contacted instead of SEBA member)

Alex Alexandro - Wholesale Produce
Barry Bosold - University Technology Center
David Carland - CSM Corporation
Karen Finney - University Good Samaritan
Lori Gapinski/Pat Shea - Econo Lodge
Myron Hanson - Gopher Machine & Engine Company
Bill Kuross, Jr. - Savoie Supply Company, Inc.
Richard Murphy, Sr. - Murphy Warehouse Company
Debra Myers - Summit Packaging Inc.
Jim Nahrgang - Ryan Construction
Harrison Nelson - Nelson, Knowland, & Parr
Ann O'Laughlin/Carol Carrier - University of Minnesota
Bob Rynda - Kampa Tire Company
Jim Tierney - Tierney Brothers Inc.
Amy Stedman - Hubbard Broadcasting
Darin Zielsdorf - Norwest Bank

Joel B. Spoonheim

Mr. Spoonheim is currently a graduate student at the Hubert H. Humphrey Institute of Public Affairs at the University of Minnesota. He is pursuing a Masters of Planning degree with an emphasis on Community and Economic Development. Prior to working with the South East Business Association, he served as the economic development research assistant for Scott County, the second fastest growing county in the Twin Cities region. His work included coordinating and facilitating the Scott County Leadership Forum, a program to bring elected and appointed officials from throughout the county together to address interjurisdictional issues. In addition, he participated in the Scott County Welfare Reform Task Force representing local employers.

Mr. Spoonheim moved to Minnesota from Washington, D.C. During 1995-1996 he directed the Military Base Reuse Consortium of the International City/County Management Association. From 1993-1995 Spoonheim worked as the Legislative Representative for Council for a Livable World. His responsibilities included budget analysis, lobbying, and coordinating policy campaigns.

Spoonheim is a graduate of Luther College in Decorah, Iowa.

NOTES

- (1) www.urban.org/welfare/overview.html
- (2) A similar program is New Hope in Milwaukee.
- (3) From data presented by Manpower Demonstration Research Corporation to the Minnesota Legislature, January 1997. Received in fax from Minnesota House Research.
- (4) Summarized from conversations with various public assistance providers.
- (5) U.S. Census Data from http://www.freenet.msp.mn.us/ip/resource/urb_coalition/data/mpls/
- (6) Hennepin County Planning Data Base, updated December 1996
- (7) Minnesota Department of Human Services "Characteristics of Job Seekers" May 2, 1997
- (8) Minnesota Department of Human Services, Reports and Forecasts Division. October 1996
- (9) Hennepin County Planning Data Base, updated December 1996
- (10) Interviews with Jean Senell of Scott County Human Services, John Flory of Whittier Works, and Kari Olsen of Saint Paul Rehabilitation Center.
- (11) Data from handout provided by Tom Gillaspay at the "Making the Connections Work: Linking Employers and Employees" Conference June 4, 1997.
- (12) While not exactly equal, the author found that comparing a few cases, the proportion of turnover costs to annual budget is roughly the same for all sizes of business with the same percentage of annual employee turnover. The author found this to be true after asking some interviewees to use the "Cost of Turnover" tool. While not a statistically valid assertion, it none-the-less deserved mention.
- (13) In June of 1997 the author received funding to continue research on this issue, specifically to help design an employment and training program in southeast Minneapolis. This effort to match southeast residents with local employers is being coordinated by Jerry Stein of the Prospect Park East River Road Improvement Association. An additional report will be released in September 1997 outlining the program and how businesses can participate. By taking a neighborhood based approach, the author believes that welfare recipients and other disadvantaged populations may achieve greater success as employees because transportation and child care will be less of obstacles. Jerry Stein may be reached at 623-0588.
- (14) Hiring friends of employees can create two risks: 1) meeting equal opportunity law requirements and 2) if the new employee has to be terminated, the original employee may become disgruntled.