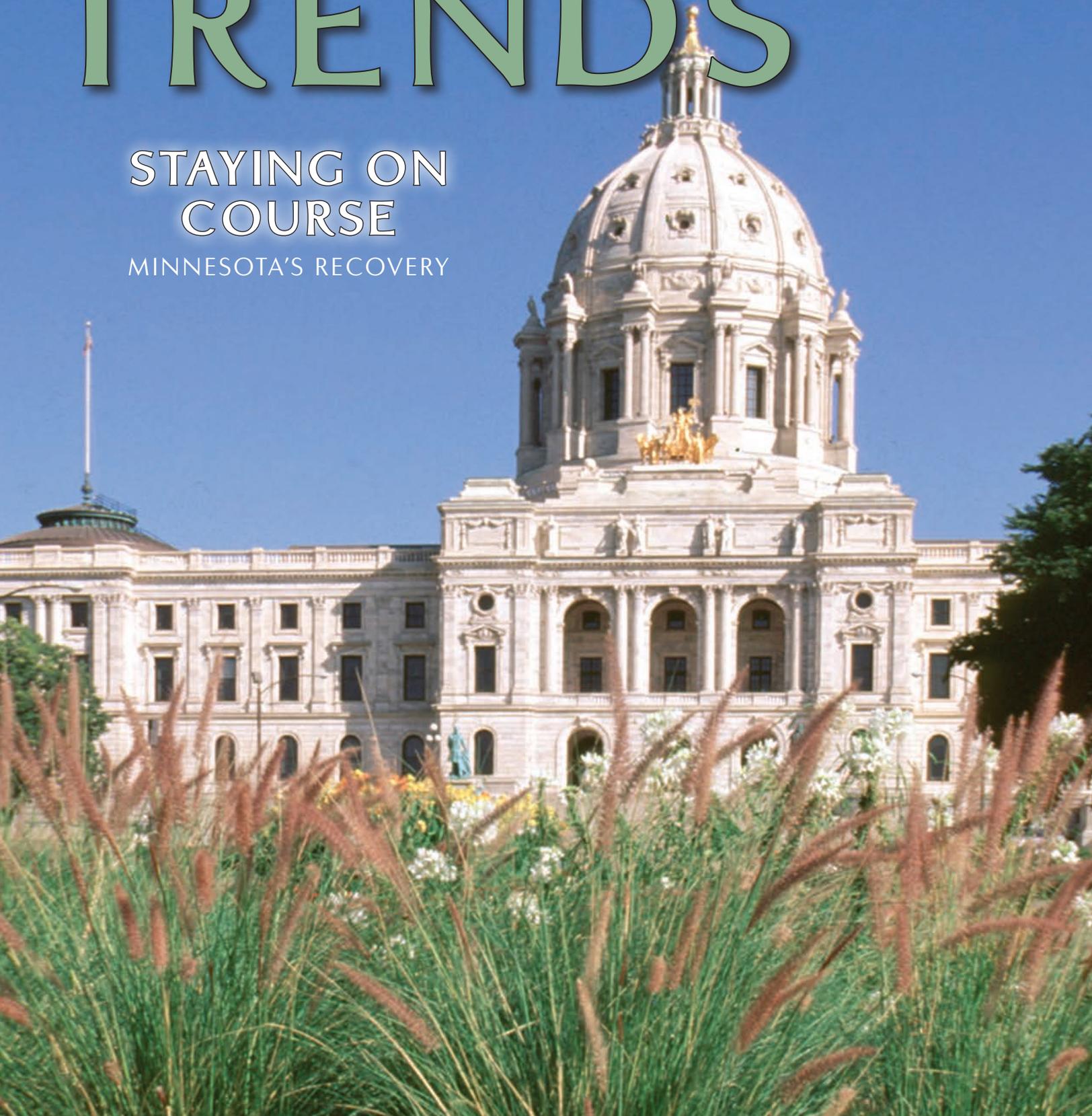


MINNESOTA ECONOMIC

TRENDS

STAYING ON
COURSE

MINNESOTA'S RECOVERY



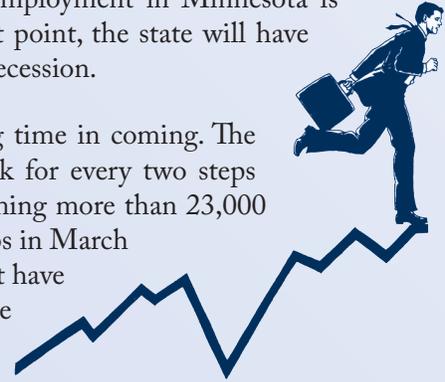
JUNE 2013

POSITIVELY
Minnesota
Department of Employment and Economic Development

Minnesota and the Economy

In the very near future — perhaps early this fall — employment in Minnesota is expected to return to its pre-recessionary peak. At that point, the state will have recovered all 160,000 jobs that were lost in the Great Recession.

As our annual state-of-the-state story shows, it was a long time in coming. The recovery has been uneven, sometimes taking one step back for every two steps forward. Consider what happened early this year. After gaining more than 23,000 jobs in January and February, the state lost nearly 15,000 jobs in March and April. Sequestration and the unusually late spring might have been factors for the setback, but the numbers underscore how Minnesota has followed a zigzag path rather than a straight line on the march to recovery.



The good news, though, is we're making steady progress. Minnesota's unemployment rate remains well below the U.S. rate, job vacancies are climbing, the construction industry is showing signs of life again, and the housing market is starting to pick up. Even long-term unemployment and under-employment are finally tapering off after a long struggle.

What lies ahead? Probably the same pattern in the foreseeable future, with moderate job growth and increasing job vacancies expected through the remainder of 2013.

Other stories in this issue focus on the six major planning regions of the state, including an examination of what happened to metro workers who lost their jobs when the Ford assembly plant closed in St. Paul. Our writers looked at the impact of high commodity prices on farmland values in southwestern Minnesota, analyzed how the \$5 billion Mayo project will affect job growth in southeastern Minnesota, reviewed how central Minnesota has fared since the recession, examined the resurgence of manufacturing in northwestern Minnesota, and looked at the leisure and hospitality sector in northeastern Minnesota. The second round of the agency's Hiring Difficulties Survey is also covered.

Thank you to the staff members who worked on this issue of Trends. They produced a comprehensive package of stories that offer a timely look at the Minnesota economy.

A handwritten signature in black ink that reads "Monte Hanson".

Monte Hanson
Editor

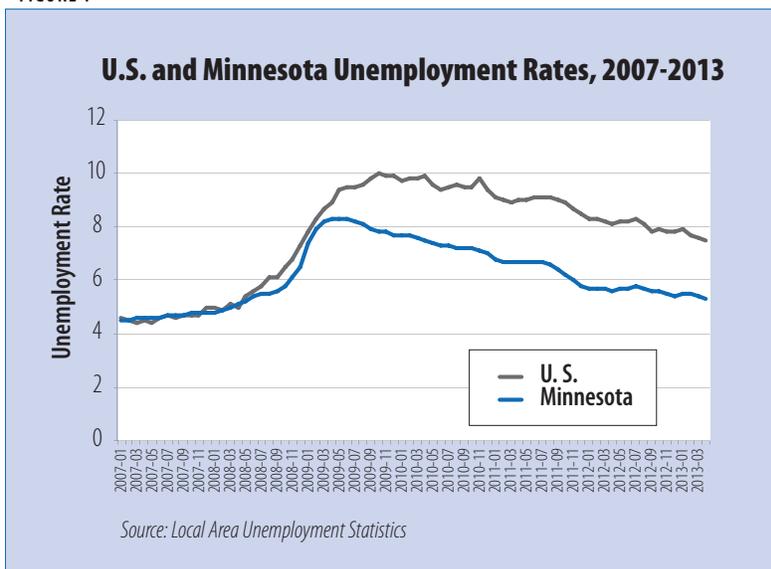
Minnesota Jobs Outlook: Continued Progress

Minnesota's recovery from the recession has been slow but steady, with that trend expected to continue through the remainder of the year.



Minnesota's job market has rebounded faster than the country as a whole since the Great Recession, but the pace of job growth in the state has been moderate and uneven by historical standards. Unemployment has also dropped faster here than nationally, but under-employment has only recently started to decline. Despite headwinds from a cut in federal spending, many positive indicators remain, including an improving housing market, rising wages, low unemployment insurance claims and rising job vacancies. They indicate state job growth in 2013 will follow recent patterns, staying slightly ahead of the national pace.

FIGURE 1



The Unemployment Picture

Minnesota unemployment rates outperformed the U.S. during and after the recession, peaking earlier and ticking reliably downward for the past three years (see Figure 1). Despite this optimistic picture, other measures of labor force health until very recently have indicated a hidden but continuing struggle. For example, the share of the unemployed who had been out of work for a year or more continued

to rise until late 2011 and didn't begin to taper off until mid-2012 (see Figure 2).

This suggests two trends: First, fewer people were becoming unemployed. Second, people who had been unemployed for a shorter time were more desirable to employers, who had their pick of the labor force. Although the long-term unemployed are not back to their pre-recessionary levels, their rapidly decreasing numbers might indicate that employers are more willing to tap talent despite employment gaps. A tightening market for labor will undoubtedly benefit these workers.

Not all of the no-longer-unemployed find jobs. Some leave the labor force. While Minnesota and the country as a whole are seeing declines in

labor force participation, the small sample sizes in Minnesota make it difficult to determine how many departing workers are retiring and how many simply became discouraged and quit looking for work.

Demographics suggest the trend is largely driven by retirements. It's uncertain, however, how many workers are retiring from jobs and how many are retiring from job searches as they become eligible for Medicare or Social Security. Regardless, the tightening labor market benefits workers. Even those who leave the labor force reluctantly might have better luck re-entering it in the near future.

Another point of optimism is in the measures of under-employment. While unemployment is fairly narrowly

defined as people who are available and actively seeking work, not everyone who is looking for work falls neatly into this category. They are tracked in separate measures. Discouraged workers have given up active job searches because they believe nothing is available to them. Like discouraged workers, marginally attached workers want a job and have looked for work in the past year, but for a variety of reasons were not actively looking during the four weeks prior to being surveyed. Part-time under-employed workers want full-time work but cannot find it.

During the recession, these groups grew more rapidly than the traditionally defined unemployed. As the number of unemployed declined, under-employment levels remained

FIGURE 2

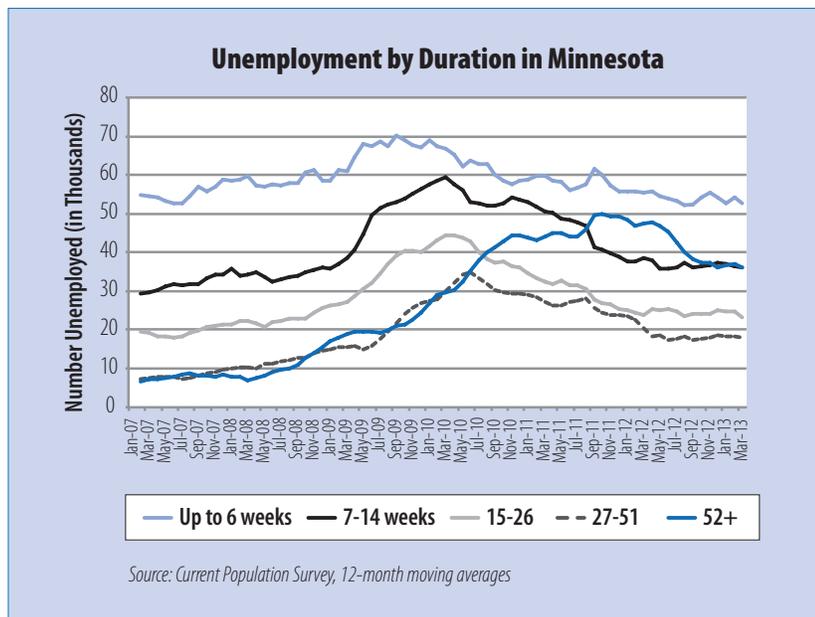


FIGURE 3

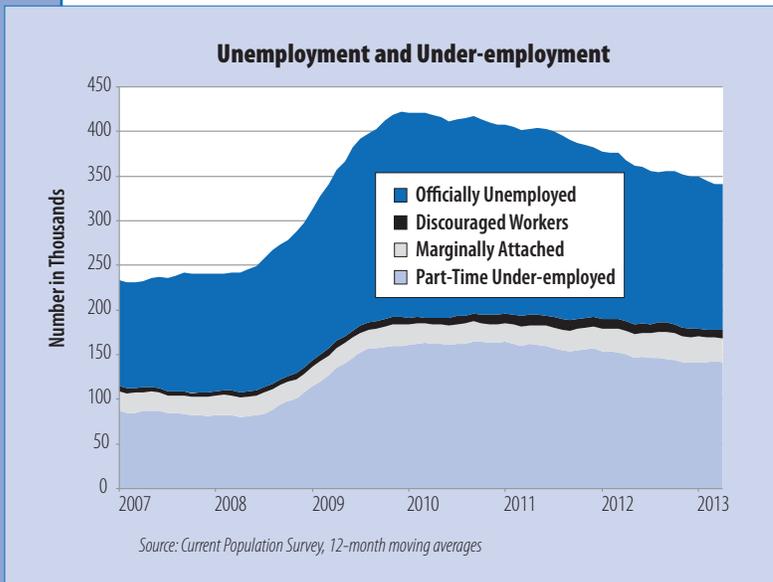
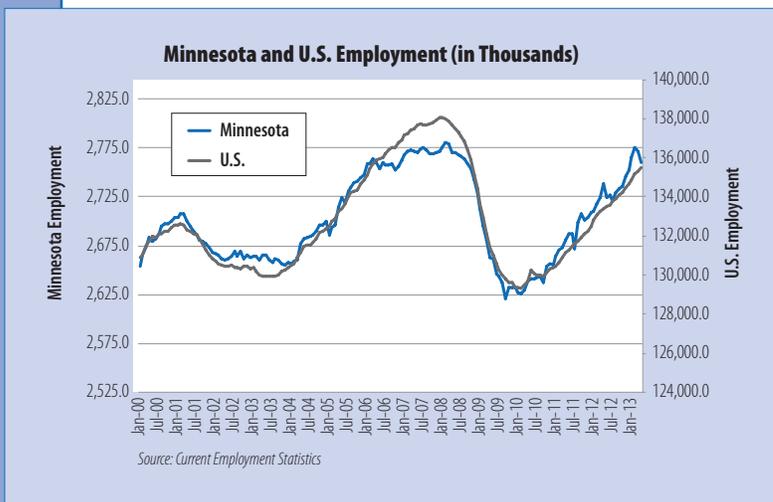


FIGURE 4



elevated (see Figure 3). In recent months, the number of workers in all of these groups has finally started declining — another indication that the labor market is tightening and workers have more options.

While the unemployment rate has been declining for some time, the underlying data indicate a much slower recovery in the labor market. We're not yet back to pre-recessionary levels, but other measures are finally beginning to support a broad-based recovery in the labor market.

Employment Growth

Employment growth had shown gradual improvement over the past several years. Figure 4 shows this upward trend in employment for both Minnesota and the U.S. While not as smooth, the upward trend in Minnesota has been slightly stronger than the rest of the country. As of February, employment was only 5,600 jobs short of the pre-recession peak employment of 2,789,900 in February 2008.

Two soft months in March and April have caused a bit of a reversal, however, with employment now 20,300 jobs short of the pre-recession peak.

After those two weak months, Minnesota's employment growth rate for the year fell to 1 percent, compared with a 1.6 percent growth rate for the U.S. The majority of the state's 22 major employment sectors were growing slower than the same sectors nationally as of April (see Table 1).

Timing is important when comparing the Minnesota and U.S. growth rates. February's annual job growth was 2.2 percent in Minnesota compared with 1.6 percent in the U.S., with no industries showing year-over-year declines in the state.

Minnesota typically trends closely with the U.S. as a whole but with more variance (see Figure 4). It is likely, therefore, that the sharp downturn of the past two months is only a short reversal. Some of the job losses in April were likely related to the late spring, with cold temperatures and heavy snowfall affecting several industries, most notably construction, leisure and hospitality, and retail businesses such as building materials and gardening equipment.

The current recovery has eclipsed the 2001 recession in terms of taking the longest time to regain peak employment, now at 38 months and counting. While federal spending cuts could slow

job growth, other factors point to the modest growth that has been underway since February 2010. The Minnesota Business Conditions Index was well above growth neutral in April at 55.7, marking a fifth month in positive territory after a soft period last fall. This indicates conditions for positive growth in both manufacturing and the broader state economy in the coming months.

Another positive sign is the improving construction industry, thanks to the recovering housing market. One measure of this improvement is declining short sales and foreclosures in the Twin Cities. In April they represented 31.6 percent of all sales, down from 42.7 percent in April last year.

Meanwhile, home prices continue to rise. Zillow data showed a year-over-year price increase of 9.2 percent statewide in March 2013 and an increase of 10.6 percent for the Twin Cities metro area. Additionally, census estimates of permitting for new housing units statewide were up about 15 percent in the first quarter, compared with a year earlier. Much of this improvement was in single-family dwellings, where permits were up more than 30 percent. Continued strength in manufacturing and the recovery in home construction will hopefully mitigate the impact of federal sequestration and the end

of a temporary Social Security tax cut last January.

Health services continued to be the strongest area of job growth in Minnesota, adding 10,600 jobs year over year in April, a 2.2 percent growth rate. Most of the job gains in health care came in ambulatory health care (up 4.7 percent) and nursing and residential care facilities (up 2.7 percent). There is no reason to believe this industry will weaken in the coming year.

Professional and business services added 8,600 jobs, with all three major components showing annual employment increases in April, but with the most growth in professional, scientific and technical services. Employment services, a bellwether industry for future job growth, improved somewhat in recent months, gaining 6.4 percent in April.

Other indicators are also positive. Initial claims for unemployment insurance benefits, while increasing a bit during the last two months, are still comfortably in a range that indicates modest job growth is likely. Weekly work

hours were down a bit in April compared with a year earlier (from 33.9 to 33.3 hours). Average hourly wages, however, were up substantially over the year from \$24.89 to \$25.62.

With the state shaking off the effects of an unusually late spring, combined with a number of positive economic indicators, Minnesota likely will return to modest levels of job growth after a soft patch in March and April. Assuming that happens, the state should regain its pre-recessionary employment peak around September 2013.

TABLE 1

**Annual Employment Growth, April 2013,
not seasonally adjusted data**

| | Minnesota Percent | U.S. Percent |
|-------------------------------------|----------------------|-----------------|
| Total Nonfarm | 1.0 | 1.6 |
| Total Private | 1.2 | 2.0 |
| Mining and Logging | 2.7 | 1.5 |
| Construction | -1.7 | 2.9 |
| Manufacturing | -0.1 | 0.7 |
| Trade, Transportation and Utilities | 1.4 | 1.7 |
| Information | 4.1 | 0.4 |
| Financial Activities | 0.3 | 1.3 |
| Professional and Business Services | 2.6 | 3.4 |
| Educational and Health Services | 2.2 | 1.8 |
| Leisure and Hospitality | 0.3 | 2.7 |
| Other Services | 0.5 | 0.9 |
| Government | -0.5 | -0.4 |

Source: Current Employment Statistics

Job Vacancies

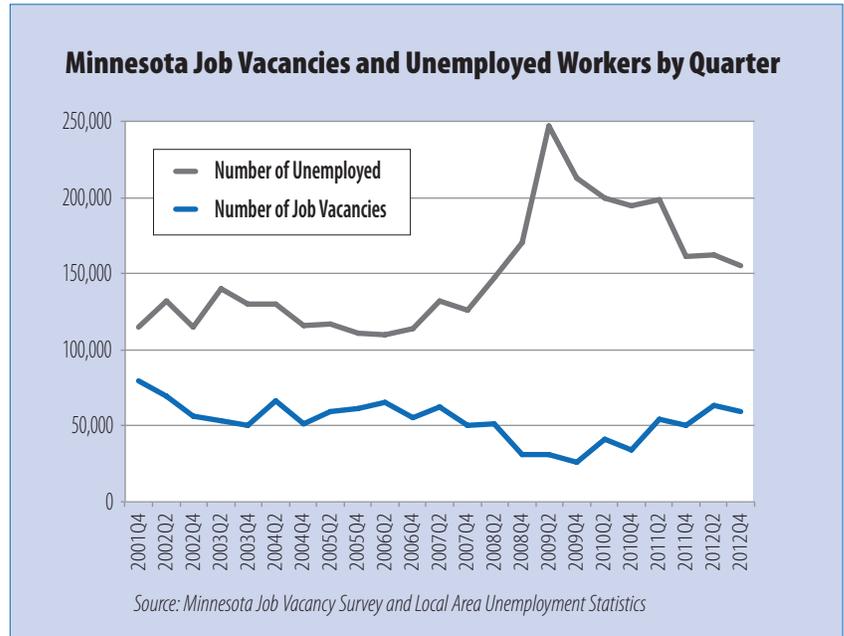
In another sign of an improving labor market, job vacancies increased to pre-recessionary levels during both the second and fourth quarters of 2012. Vacancies in the second quarter rose to 62,950, up 15.1 percent from the previous year. There were 58,860 vacancies in the fourth quarter, up 18 percent from the previous year.

There were 2.6 unemployed people for each vacancy in both the second and fourth quarters. This is the best ratio since the second and fourth quarters of 2007, overlapping the official start of the recession in December 2007. The ratio was as high as 8.2 job seekers per vacancy during fourth quarter 2009. The drop in this ratio since the peak of the recession was driven both by a decrease in the number of unemployed people and a strong increase in the number of job vacancies (see Figure 5). The 2012 ratio of 2.6 suggests that although the labor market remains challenging for job seekers, it continues to come back into alignment after the recession.

2013 Forecast

Minnesota's labor market recovery from the Great Recession has been slow and uneven, but progress is expected to continue through

FIGURE 5

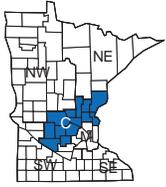


the rest of 2013. Moderate job growth and increasing job vacancies will continue to aid in the healing of the state's labor market. Improving labor market conditions have drawn discouraged and marginally attached workers back into the labor force, provided more hours for part-time workers and helped boost wages as demand for workers has gradually climbed. Rising wages, in turn, will boost Minnesota's economy as larger paychecks stimulate consumer spending, feeding the self-reinforcing cycle of expanding economic activity.

Another year of 2 percent growth in gross domestic product for the U.S. will keep Minnesota's payroll employment growth hovering around 1.5

percent. The state's payroll employment will pass its pre-recessionary high sometime during the second half of 2013. This continued job growth will give the state its best three-year run since 1999 to 2001, adding to the steady but painfully slow improvement in Minnesota's labor market over the last four years. It will also help accelerate the recent headway made in Minnesota's unemployment picture, continuing to push both unemployment and underemployment down. **T**

Contributors to this article were Jerry Brown, Oriane Casale, Amanda Robrer and Dave Senf.



Regional Spotlight:
CENTRAL Planning Region

Back on Firmer Ground

After a difficult recession, jobs are coming back in central Minnesota, especially in the retail trade and the accommodation and food services sectors.

After a couple years of bad news, central Minnesota's economy is finally experiencing some good news. The region's annual unemployment rate shrank to 6.3 percent in 2012, finishing within 0.7 percent of the state jobless rate. That was an improvement from the peak of the recession in 2009, when the region's unemployment rate was nearly 1.5 percent higher than the state jobless rate.

Unemployment rates dropped in all 13 counties in the region in the last year and actually fell faster in nine of those counties than in the state overall. Eleven of the 13 counties, however, still had higher rates than the state, including three of the six-highest annual unemployment rates in the state.

Employment, meanwhile, went up in 11 of the 13 counties over the last year, with more than half of the counties adding jobs faster than the state. Central Minnesota gained nearly 3,600 jobs in the last year, a 1.4 percent increase that was slightly faster than the state as a whole. Total employment is not back to 2007 levels yet, but another year of solid job growth should get it close.

No Vacancy

Job vacancies reported by businesses in the region have returned to pre-recessionary levels in the last two years. After averaging more than 6,000 job vacancies from 2002 to 2006, central Minnesota employers pulled back on hiring activity from 2007 through 2010. At the height of the recession in 2009, job vacancies fell to their lowest levels on

record, forcing job seekers to struggle through a stagnant job market.

Then central Minnesota employers reported a major year-over-year increase in job vacancies from 2010 to 2011, with openings climbing back to nearly 6,000 in the second quarter of 2011. The 6,657 job vacancies reported in the second quarter of 2012 was the first time the region surpassed 6,000 vacancies since 2007 (see Figure 1).

Healthy Recovery

Several of the industries hit hardest by the recession saw the strongest return in job vacancies in the last two years. As consumers cut back on spending, the retail trade and the accommodation and food

FIGURE 1



TABLE 1

Central Minnesota Job Vacancy Survey Statistics, 2007-2012

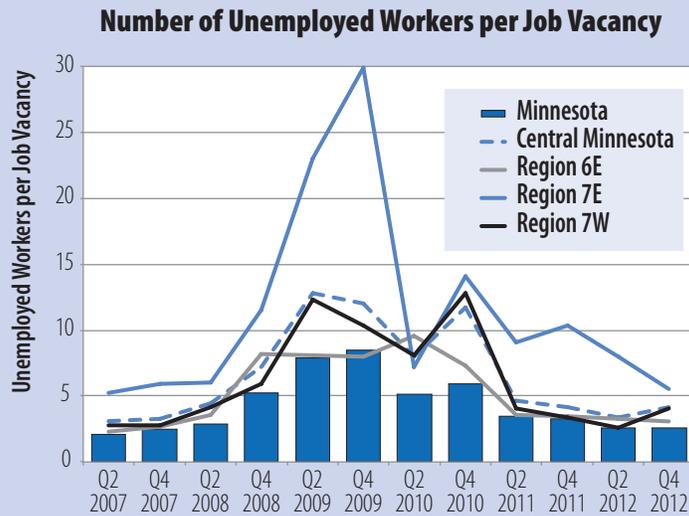
| | Q4 2007 | Q4 2008 | Q4 2009 | Q4 2010 | Q4 2011 | Q4 2012 |
|-----------------------------------|---------|---------|---------|---------|---------|---------|
| Manufacturing | 477 | 310 | 187 | 334 | 467 | 442 |
| Retail Trade | 807 | 261 | 398 | 256 | 1,059 | 702 |
| Health Care and Social Assistance | 1,411 | 690 | 501 | 536 | 1,045 | 880 |
| Accommodation and Food Services | 512 | 636 | 314 | 277 | 938 | 907 |
| Total, All Industries | 5,534 | 3,343 | 2,580 | 2,394 | 5,526 | 5,220 |

Source: DEED Job Vacancy Survey

Checking Out the Competition

With just under 22,000 unemployed workers in the fourth quarter of 2012, central Minnesota averaged 4.2 job seekers for every vacancy. While that number is still high, it was a significant improvement from 2009, when the region averaged about 12 job seekers per vacancy (see Figure 2).

FIGURE 2



Source: DEED Job Vacancy Survey, LAUS program

services sectors cut back on hiring, reporting 60 percent fewer vacancies in the fourth quarter of 2010 than in the fourth quarter of 2007. Then the number of job vacancies in retail trade and accommodation and food services tripled from 2010 to 2012. Sixty percent of manufacturing job vacancies also disappeared during the recession, before returning in force in 2011 and 2012 (see Table 1).

Although health care and social assistance didn't see job declines like manufacturing or retail trade experienced, hiring activity did slow during the recession. Job vacancies actually fell faster in health care and social assistance than any other industry from 2007 to 2009, though health care also bounced back in the last two years.

At the peak, there were almost 30 unemployed workers for every job vacancy in Region 7E (Chisago, Isanti, Kanabec, Mille Lacs and Pine counties). The four counties in Region 7W (Benton, Sherburne, Stearns and Wright counties) also tended to have a much higher number of job seekers than vacancies. Meanwhile, Region 6E (Kandiyohi, McLeod, Meeker and Renville counties) tracked the state rate more closely, with 2.6 unemployed workers for each vacancy in the fourth quarter of 2012.

For unemployed workers in the region, the competition for available jobs can be fierce. But for employers in central Minnesota that are actively hiring again, large numbers of job seekers have allowed them to get back up to speed quickly. ■



**Regional Spotlight:
METRO Planning Region**

Life After Ford

A DEED analysis examined what happened to hundreds of workers who lost their jobs when the Ford assembly plant closed in St. Paul's Highland neighborhood.

The Twin Cities Ford Plant (TCFP) provided relatively well paid work for both high- and low-skilled workers in the region for more than 80 years. In April 2006, however, about 2,000 workers learned that the plant would close. Buyouts were finalized for 1,600 of the 1,750 line workers at the plant in November 2006, although it took several more years before the plant's doors finally closed in December 2011.¹

only a small dip in employment in motor vehicle manufacturing in Minnesota between 2006 and 2007. This is mostly due to a leveling effect of hiring increases at other companies in this industry over the same period. Moreover, manufacturing employment as well as subsectors like transportation equipment manufacturing fell so dramatically during the Great Recession that it overshadows

the 1,600 or so workers who were let go before the final plant closing.

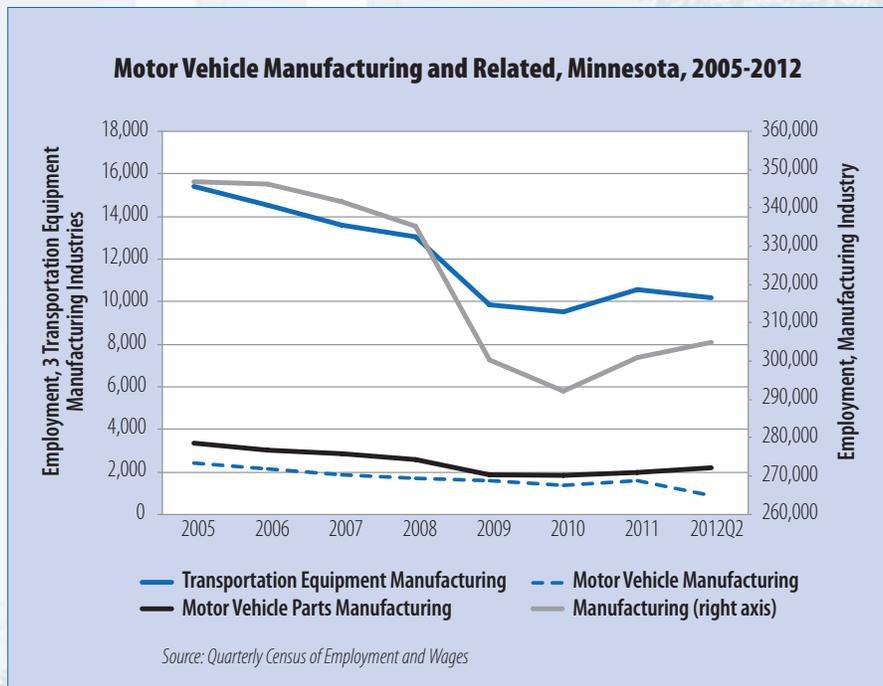
The TCFP shutdown coinciding with the Great Recession was terrible timing for the workers who lost their jobs. After layoff, they faced a declining labor market, particularly in manufacturing, followed by the worst labor market in 70 years. Although the recession did not

To find out what happened to those workers, we tracked the employment and wage outcomes of people who were employed at the Ford plant during the second quarter of 2005, examining data through the second quarter of 2012, almost one year after the final closing of the plant.

Transportation Equipment Manufacturing

Looking at the aggregate industry data belies the magnitude of the TCFP layoff for those directly impacted. Figure 1 shows, for example,

FIGURE 1



Data and Methodology

We used all available data sources for this article, including unemployment insurance (UI) wage records, which cover about 97 percent of employed Minnesotans. We also used Dislocated Worker (DW) Program records, with most Ford plant workers qualifying for the program and about half enrolling. We used the newly constructed Workforce Data Quality Initiative (WDQI) database to identify workers who enrolled in post-secondary education and training. Finally, we obtained data from the United Auto Workers (UAW) pension fund to find out how many workers have accessed pensions since November 2006.

Unfortunately, complete data to track the outcomes of laid off workers are not available. For example, we do not know how many non-UAW-covered workers retired once their employment ended. We also do not know how many workers took jobs in another state. Finally, wage records data are unedited, which impacts the calculation of wage outcomes. We were forced to drop wage data that were clearly incorrect, but we were unable to identify with certainty all the wages that should have been dropped.

Company- and individual-specific data are challenging to use for this type of research. While a variety of information is collected, it can be released only in aggregate form to protect the privacy of both the firm and person. To that end, we can't release total employment at the TCFP for any time period. This limits some of the ways we would normally display data. Tables, direct percentages, or numbers of workers may be difficult to compare — and that's by design.

Our methodology was as follows: We selected all people employed at TCFP in second quarter of 2005 (the study group) and followed their employment in the UI wage records (employer, hours worked, wages earned by quarter) by Social Security number during the second quarters of 2007, 2009, 2011 and 2012. We also used that same pool of people, as identified by Social Security numbers, to determine participation in the Dislocated Worker Program, which gave us age and work or education status for a subset of the workers. Enrollment in post-secondary college including school and major came from the WDQI database. Because we were following a specific set of individuals, this article does not look at the temporary workers who may have been hired after 2006 or at total employment at the firm.



officially start until December 2007, manufacturing began losing jobs over the year in December 2005. Meanwhile, total nonfarm jobs were almost flat throughout 2007, showing only 0.5 percent growth over that year, before starting to slide backward in May 2008. Moreover, the economy did not improve quickly like in most previous recessions. Manufacturing began adding jobs the same month as the economy as a whole began to recover, but that was not until August 2010.

Tracking Workers

The timeline on the next page depicts employment outcomes for the study group through the closing of the plant over a six-year period.² As the timeline shows, the second shift was eliminated at the end of 2006 and buyout applications were accepted. The initial shutdown date, however, was extended

from 2008 to 2009, and finally to the end of 2011 due to continued demand for Ford Ranger trucks, which were manufactured at the plant.

Although re-employment was likely the goal for the majority of TCFP workers, most were eligible for a number of negotiated and public benefits to support them through the transition. Ford offered a selection of buyout options. About 1,600 of the 1,750 production workers employed at that time applied for these buyouts.³ Most TCFP workers were also eligible for DEED's

Dislocated Worker Program, which provides intensive career counseling and, when appropriate, training and education benefits. In addition, some TCFP workers were also eligible for the Trade Adjustment Assistance (TAA) Program, which offers extended unemployment insurance benefits on top of training and education benefits. The Dislocated Worker Program served about 1,300 TCFP participants over the course of the shutdown, including more than 900 from our study group.⁴

As the timeline shows, many workers were able to extend

their employment at TCFP well past the initial closing date of November 2006. Between 2007 and 2012, 55 percent of the workers employed at the plant during second quarter 2005 were employed there again for at least one quarter sometime after November 2006. In second quarter 2007, TCFP was still the primary job (meaning the largest share of their wage record earnings were from Ford) for almost half of the workers who were employed there in second quarter 2005. The numbers dwindled to about 25 percent in second quarter 2009 and to 20 percent by second quarter 2011.

A LONG DECLINE

After 80 years in operation, manufacturing at St. Paul's Ford plant was gradually dismantled over a six-year period.





Many other workers moved to other companies both in and outside of manufacturing. By second quarter 2007, 22 percent of the 2005 workers had primary jobs other than at TCFP. That number increased to 35 percent by second quarter 2009 and 36 percent by second quarter 2011, remaining at that level in second quarter 2012. As the timeline shows, less than half of this group was employed in the manufacturing sector. By second quarter 2012, only about 28 percent of those employed in Minnesota were working in manufacturing. We will explore this shift later in the article.

The remainder of our study group does not appear in Minnesota wage records at all after the initial 2007 shutdown was announced, including 29 percent in second quarter 2007, 41 percent in second quarter

2009, 42 percent in second quarter 2011 and 62 percent by second quarter 2012. The majority of these workers likely have retired. In fact, we know that 650 workers from TCFP activated UAW pensions between November 2006 and April 2013.⁵

Ten percent of the study group was still reported as drawing pay at TCFP in second quarter 2012. Although they are considered unemployed in our analysis because they were reported to have worked zero hours and have wages from no other firm, the terms under which they ended their employment with TCFP may have enabled them to be more selective about employment opportunities. Assuming no overlap between those drawing pay from the TCFP and those who have retired, this leaves about 19

percent of the former TCFP workers as yet unaccounted for in second quarter 2012.

Some of these remaining 19 percent may have been eligible to retire through managerial or other non-UAW plans. Others may have left Minnesota in hope of securing a job at a Ford plant in another state, although news reports and program statistics from the time of the layoff suggest that few had that option.⁶ Some workers left Minnesota for jobs, but it is impossible to know how many.

Including both Dislocated Worker and education records, about 15 percent of our missing workers pursued some kind of formal education after Ford. In total, almost 12 percent enrolled in a college certificate or degree program; the others received occupational skills

training. Some of these workers are likely pursuing education full time rather than seeking work. However, this still leaves a substantial number of workers who might have been unemployed as of second quarter 2012.

In summary, although it is impossible to know exactly how many people in our study group were officially unemployed (actively seeking work) in 2012, a conservative estimate would put the number at about 19 percent. Of these, many likely would have joined the ranks of the long-term unemployed by 2012.

The Education and Training Option

Reportedly, one of the more lucrative buyout options offered at least 50 percent of salary, health insurance and \$15,000 per year for qualified educational programs for up to four years.⁷ Moreover, the Dislocated Worker Program provides excellent education and training benefits. Of the more than 900 TCFP workers enrolled in the Dislocated Worker Program, 48 percent had a high school diploma or less, 45 percent had some college or an associate degree, and only 6.7 percent had a bachelor's degree or higher. Although many of the workers at TCFP had long tenure, the workers who enrolled in the Dislocated Worker Program

were relatively young. At time of entry to the program, the median age of workers was 48; today, the median for those workers is 51. With many more years of work in front of them, many workers came to the same conclusion: Going to school to receive training in a different field was their best option.

In this section we focus only on the 12 percent of our study group who enrolled in post-secondary institutions, including technical and academic degree programs, regardless of whether it was with the help of the Dislocated Worker Program, a buyout, or just on their own. About 40 percent of this group enrolled for at least one semester in one of six programs. Liberal arts (an associate degree program that is generally meant to precede

enrollment in a B.A. program), business, nursing, HVAC, and truck or bus driving were the top five programs by enrollment. Another 269 enrolled in post-secondary education or training but did not declare a major at that time. Educational outcome data available in the future will shed more light on the programs that these workers pursued.

Employment outcomes for workers with recent post-secondary enrollment were better than for those without (see Table 1). Overall, 54.1 percent of those with post-secondary enrollment at some point during the six years were employed in second quarter 2012, compared with only 33.7 percent of those who had not attended a post-secondary educational institution.

TABLE 1

Employment and Wage Outcomes by Education for Former Ford Plant Workers

| | Enrolled | Not Enrolled |
|-----------------------------------|----------|--------------|
| Employed in Minnesota in 2012 | 32.5% | 67.5% |
| Median Wage Change | -22.7% | -31.9% |
| Not Employed in Minnesota in 2012 | 17.2% | 82.8% |
| Percent Employed | 54.1% | 33.7% |

*Wages were dropped from the calculation if the hourly wage was over \$100 or under \$7.25 because they were likely incorrect.

Source: DEED analysis using the Workforce Data Quality Initiative database

There is, however, a major source of bias in this analysis. Since we are not able to isolate those 650 workers who enrolled in the pension program after November 2006, and since this group was unlikely to enroll in post-secondary education, they are included in this analysis and thus bring down the rate of employment for the not-enrolled group. For this reason, wage change may be a more accurate measure of the effects of post-secondary education. We examine this in the next section.

Industry and Wage Outcomes

By second quarter 2012, 8.4 percent of former TCFP workers were employed in manufacturing (not including those still at TCFP) and another 27.8 percent were employed in another industry as their primary job.

Table 2 tracks wage changes for workers in the study group who were employed somewhere other than TCFP during second quarter 2012.

Overall, workers at the low end of the wage scale saw a decrease in their wages as shown by lower median wages in both manufacturing and other industries. Workers at the higher end of the wage scale retained much of their earning power if they were able to find a job in manufacturing.⁸

Moreover, across all industries, workers who enrolled in post-secondary education programs saw less decrease in their median wage (down 22.7 percent) compared with workers who did not enroll (down 31.9 percent).

Overall, wage outcomes were worse for workers who found re-

employment in an industry other than manufacturing, although a few industries had better wage outcomes for workers. Workers who found jobs in utilities and mining; management of companies and enterprises; construction; professional, scientific and technical services; or wholesale trade fared well. In all other industries, workers saw substantial decreases in average wages after leaving TCFP (see Figure 2).

Figure 2 also shows the total percent of workers in each industry as well as the percent enrolled in post-secondary education.⁹ The wages of workers who did enroll in post-secondary education may not yet reflect the entire benefit of that education. In many professions, education will get an applicant's foot in the door but wage gains will be realized only with experience.

Conclusion

Outcome measures for former TCFP workers show a decline in employment and earnings. Overall, about 19 percent of workers are likely still looking for work. For those who have found work, most have experienced wage decreases. It is important, however, to set this in context. When these workers finally lost their jobs at the plant — most between 2007 and 2009 — they found themselves facing the

TABLE 2

Wage Changes by Industry, 2005 to 2012

| Industry of Primary Job | Percent Change 2005 to 2012 | |
|-------------------------|-----------------------------|-------------|
| | Average Wage | Median Wage |
| Manufacturing | -9.2 | -14.9 |
| Other | -25.4 | -34.4 |

*Wages were dropped from the calculation if the hourly wage was over \$100 or under \$7.25 because they were likely incorrect. In all, wages for 16 workers were dropped in the "other" category and wages for 12 workers were dropped in the "manufacturing" category in 2012.

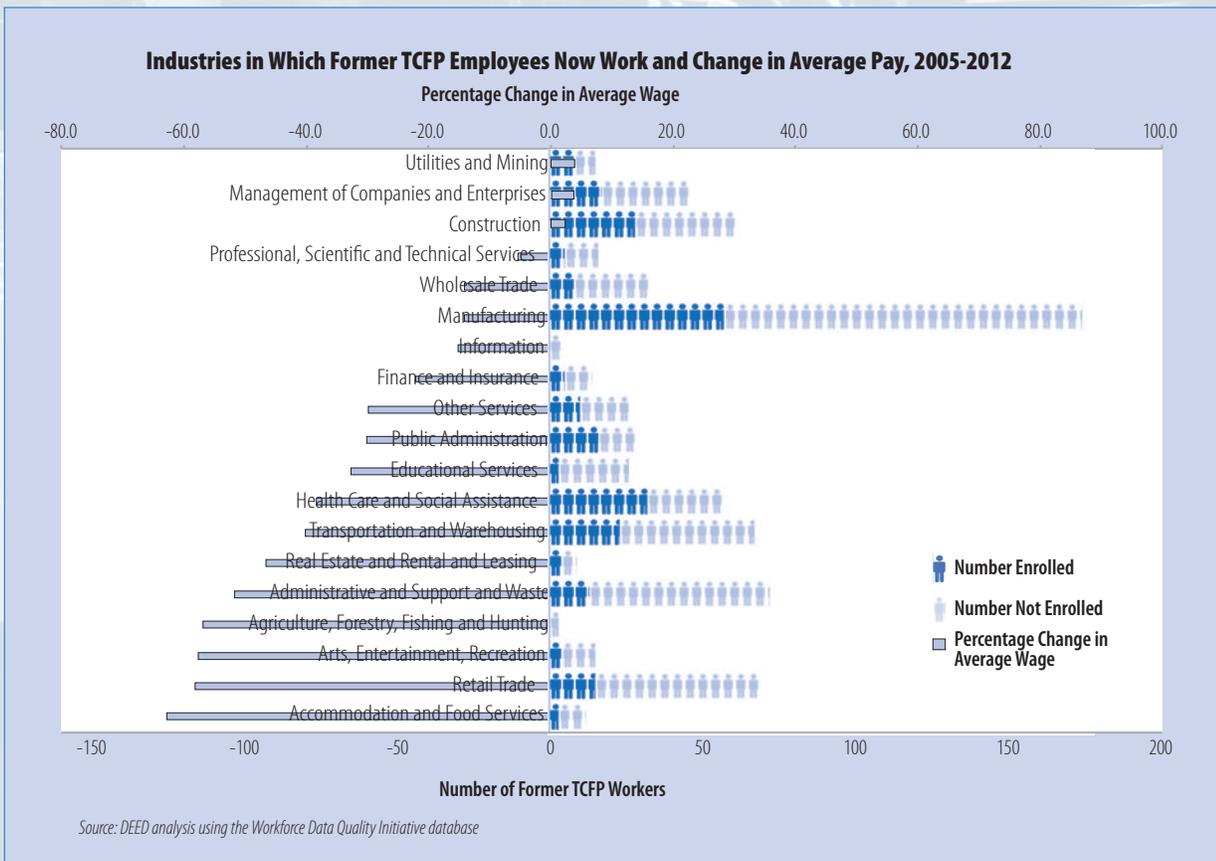
Source: DEED analysis using Unemployment Insurance wage records

most difficult labor market since the Great Depression. Moreover, many returned to school and likely have not yet realized the full value of their educations. For those reasons, it will be

important to continue to track this group of dislocated workers to see if wage outcomes improve over time. ¹⁴

Thanks to the staff of the Minnesota Dislocated Worker Program for help and support with this article.

FIGURE 2



¹⁴Welbes, John. "Ford's Final Night Shift Nears — Some May Come Back as Temps," St. Paul Pioneer Press, Dec. 13, 2006.

¹⁵All events described in the graphic come from the news reports cited below:

Welbes, John. "Ford's Final Night Shift Nears — Some May Come Back as Temps," St. Paul Pioneer Press, Dec. 13, 2006.

Welbes, John. "Ford Plant Closing Delayed 1 Year — Car Maker, UAW Tentatively Agree to Keep St. Paul Operation Going into '09," St. Paul Pioneer Press, Nov. 6, 2007.

Welbes, John and Nicole Garrison-Sprenger. "2 More Years — St. Paul's Ford Plant and its 968 Employees Stay at Work until 2011," St. Paul Pioneer Press, July 25, 2008.

Sitaramiah, Gita. "Ford to Idle Ranger Plant for December — Automaker Lost Fleet Orders for the Small Pickups because of Credit Squeeze, Union Rep Says," St. Paul Pioneer Press, Oct. 17, 2008.

Sitaramiah, Gita. "Ford Plant to Boost Ranger Production — Union: St Paul Factory to Begin OT Shifts in September," St. Paul Pioneer Press, Aug. 14, 2009.

¹⁶Welbes, John. "End of the Line for Many St. Paul Ford Workers," St Paul Pioneer Press, Dec. 13, 2006.

¹⁷When the Dislocated Worker Program declares a mass layoff event, eligible workers who lose jobs or earnings include recent hires or workers at other impacted firms such as suppliers or transportation companies. As a result, many of the workers who claimed benefits in the Dislocated Worker Program and two TAA-certified events declared during TCFP's six year decline were not necessarily TCFP employees and were therefore not in our study group.

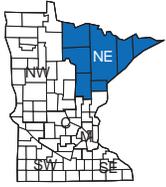
¹⁸Reports state that half of Ford workers nationwide were eligible for retirement at the time the closure was announced. Data from the Dislocated Worker Program and the union pension system, however, indicate a younger workforce at the Twin Cities plant.

¹⁹Welbes, John. "Ford Workers Seek New Opportunities — One Veteran Workers is Pulling up Roots and Heading to Kansas City Assembly Plant," St. Paul Pioneer Press, June 3, 2007.

²⁰McCartney, Jim. "Ford Presents Buyout Offers — St. Paul Plant's Workers get 8 Plans to Choose From," St. Paul Pioneer Press, Oct. 18, 2006.

²¹Note wage changes are not adjusted for inflation.

²²Based on WDQI records.



**Regional Spotlight:
NORTHEAST Planning Region**

Leisure and Hospitality in the Arrowhead

Leisure and hospitality is an important source of employment in northeastern Minnesota, accounting for one in seven jobs in the region.

The leisure and hospitality sector has shown steady growth in the Northeast Planning Region over the past decade. Based on third quarter data, employment in the sector was down only 1.7 percent between 2007 — prior to the recession — and 2012. Looking back further, however, the sector has seen steady growth, with 2007 being an anomaly in terms of having an unusually high employment level (see Figure 1). In fact, leisure and hospitality employment has grown faster than employment across all sectors combined in the region.

This article looks at leisure and hospitality’s contribution to northeastern Minnesota’s labor market and economy, including changes in

employment, total wages and sales, composition of the workforce, and jobs and wages. The focus is on data from the third quarter, which is the time of year when employment in the sector is generally at its highest.

Contribution to the Region’s Economy

Leisure and hospitality is more heavily concentrated in northeastern Minnesota than elsewhere in the state and country. With 17,668 jobs, the sector represented 14.2 percent of all jobs in the region during third quarter 2012. Statewide, the sector represents 11.2 percent of all jobs while nationally it represents 12.6 percent.¹

The sector includes three major industries. Food service and drinking places is the largest, with 11,100 jobs during third quarter 2012. Accommodations, the bellwether of sectors in the region, had 4,300 jobs. Arts, entertainment and recreation, with only 2,200 jobs, has shown the strongest growth in the sector over the past several years.

Leisure and hospitality had \$711.4 million in sales and contributed \$47.7 million in sales taxes in 2011 in the Northeast Planning Region. Unemployment insurance-covered wages totaled \$76.6 million during third quarter 2012 alone and \$246.3 million over the year from fourth quarter 2011 through third quarter 2012. This represents about 5.6 percent of total wages in the region.

FIGURE 1

Third Quarter Private Employment, Leisure and Hospitality and Total, All Industries, Northeast Planning Region



Source: Quarterly Census of Employment and Wages

TABLE 1

Median Wages of Typical Leisure and Hospitality Occupations, Northeast Planning Region

| Occupation | Median Wage | Employment |
|--|----------------|----------------|
| Total, All Occupations | \$15.91 | 138,350 |
| Food Service Managers | \$20.44 | 230 |
| Lodging Managers | \$19.56 | 80 |
| Musicians and Singers | \$26.38 | 110 |
| Chefs and Head Cooks | \$16.97 | 100 |
| First-Line Supervisors of Food Preparation and Serving Workers | \$11.35 | 1,140 |
| Cooks, Fast Food | \$8.68 | 460 |
| Cooks, Restaurant | \$9.37 | 1,410 |
| Cooks, Short Order | \$10.08 | 100 |
| Food Preparation Workers | \$11.03 | 720 |
| Bartenders | \$8.82 | 1,310 |
| Combined Food Prep. and Serving Workers, Incl. Fast Food | \$8.78 | 3,030 |
| Counter Attendants, Cafeteria, Food Concession and Coffee Shop | \$8.67 | 420 |
| Waiters and Waitresses | \$8.55 | 3,060 |
| Dishwashers | \$8.62 | 790 |
| Hosts and Hostesses, Restaurant, Lounge and Coffee Shop | \$8.57 | 400 |
| First-Line Supervisors of Housekeeping and Janitors | \$19.34 | 230 |
| Maids and Housekeeping Cleaners | \$9.41 | 2,040 |

Source: Occupational Employment Statistics. Employment data from 2011, wage data updated to third quarter 2012.

The Sector's Workforce

As in the rest of the state, the leisure and hospitality workforce in northeastern Minnesota is young, with about 43 percent of workers under the age of 25 during third quarter 2011. But leisure and hospitality workers in northeastern Minnesota tend to be older than workers in that sector statewide, with 22.2 percent of the region's workers in that sector ages 45 to 64, compared with only 17.7 percent statewide.

Median wages for leisure and hospitality workers vary, depending on their occupations. Some occupations, including singers and musicians, food service and lodging managers, chefs and head cooks, and supervisors of housekeepers and janitors pay median wages above the region-wide median of \$15.91 for all jobs. Most other occupations common in the sector, including food service and cleaning, pay median wages below the region-wide median (see Table 1). These also tend to be the larger occupations and encompass the majority of the leisure and hospitality workforce.

Employment projections for leisure and hospitality in the region are fairly conservative, with employment projected to grow 7 percent compared with 13.1 percent in all industries combined between 2010 and 2020. The sector, however, showed strong hiring over the

last five years, up 10 percent between second quarter 2007 and 2012 based on Minnesota Job Vacancy Survey results.

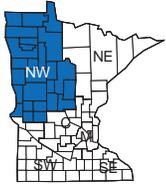
planned your vacation, consider a "statecation" in northeastern Minnesota. [i](#)

Come Check It Out

Although northeastern Minnesota has a diverse economy and labor market, the leisure and hospitality sector is still an important part of the regional economy, contributing jobs, wages, sales taxes and services. If you still haven't



¹Third quarter 2012 data are not yet available for the nation, so this number is for third quarter 2011.



Regional Spotlight:
NORTHWEST Planning Region

Manufacturing's Resurgence

The manufacturing sector in northwestern Minnesota has made impressive gains since the end of the Great Recession.

The Great Recession had a significant impact on manufacturing in Minnesota. Between the third quarters of 2006 and 2009, Minnesota manufacturing employment plummeted by 15 percent, losing 52,437 jobs statewide. That compares with a 4.6 percent employment decline across all industries in the state during the same period.

The 26 counties of northwestern Minnesota were especially hard hit by the recession, with manufacturing employment

falling 16.5 percent during the three-year period. Similar to Minnesota as a whole, this decline was much steeper than all industries in the region, which saw a 2.9 percent decline.

With the end of the recession, however, manufacturing has seen a significant recovery in Minnesota and especially in the northwestern region. Between the third quarters of 2009 and 2012, statewide manufacturing employment grew by 3.9 percent. Northwestern Minnesota, however, saw an increase of 8.5

percent, leading all regions of the state (see Figure 1).

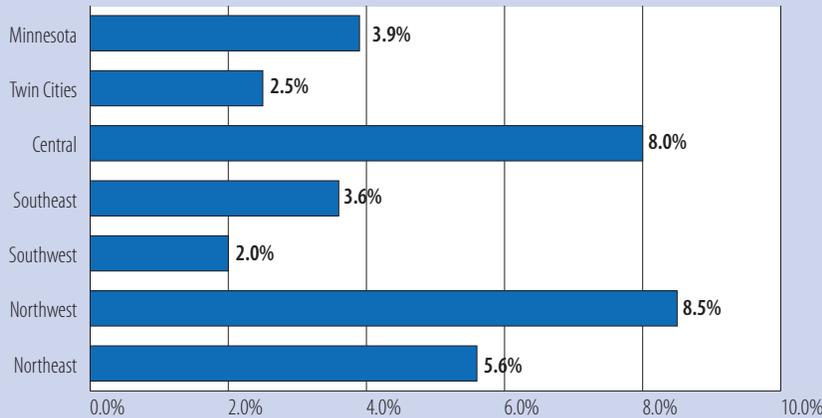
The Importance of Manufacturing

In the third quarter of 2012, northwestern Minnesota had 871 manufacturing establishments supplying 27,808 jobs. In terms of total jobs, the manufacturing sector is behind only health care and social assistance and retail trade in northwestern Minnesota, accounting for about 13 percent of the region's total employment. Manufacturing makes up about 11.7 percent of Minnesota's total employment, so the importance of the industry is more pronounced in the northwest.

Another way to gauge the importance of manufacturing within the state and region is to analyze location quotients (LQ). An LQ is simply a measure of how concentrated a particular industry is within a local economy compared with the national economy. For example, an LQ of 1.0 indicates that a local economy has the same

FIGURE 1

**Growth in Manufacturing Employment
3 Qtr. 2009 - 3 Qtr. 2012**



Source: DEED Quarterly Census of Employment and Wages

TABLE 1

Northwest Minnesota Manufacturing Employment

| NAICS Code | NAICS Industry Title | 3Q 2012 Data | | | | 3Q 2009 – 3Q 2012 Employment | |
|------------|---|-----------------|----------------|-----------------|---------------------|------------------------------|----------------|
| | | Number of Firms | Number of Jobs | Percent of Jobs | Average Annual Wage | Numeric Change | Percent Change |
| 0 | Total, All Industries | 17,366 | 214,471 | 100.0% | \$33,124 | 3,702 | 1.8% |
| 31 | Manufacturing | 871 | 27,808 | 13.0% | \$42,016 | 2,187 | 8.5% |
| 311 | Food | 98 | 5,879 | 21.1% | \$41,236 | 692 | 13.3% |
| 312 | Beverage and Tobacco Product | 10 | 72 | 0.3% | \$21,268 | -2 | -2.7% |
| 314 | Textile Product Mills | 18 | 378 | 1.4% | \$24,960 | 75 | 24.8% |
| 315 | Apparel | 6 | 43 | 0.2% | \$15,600 | -4 | -8.5% |
| 321 | Wood Product | 80 | 3,345 | 12.0% | \$40,612 | -597 | -15.1% |
| 323 | Printing and Related Support Activities | 60 | 1,404 | 5.0% | \$37,024 | 32 | 2.3% |
| 325 | Chemical | 16 | 206 | 0.7% | \$47,060 | -17 | -7.6% |
| 326 | Plastics and Rubber Products | 38 | 805 | 2.9% | \$35,984 | 140 | 21.1% |
| 327 | Nonmetallic Mineral Product | 53 | 944 | 3.4% | \$53,144 | 149 | 18.7% |
| 331 | Primary Metal | 13 | 624 | 2.2% | \$45,240 | 123 | 24.6% |
| 332 | Fabricated Metal Product | 160 | 4,018 | 14.4% | \$42,952 | 799 | 24.8% |
| 333 | Machinery | 85 | 3,289 | 11.8% | \$48,204 | 561 | 20.6% |
| 334 | Computer and Electronic Product | 20 | 811 | 2.9% | \$48,828 | 126 | 18.4% |
| 335 | Electrical Equipment, Appliance and Component | 4 | 45 | 0.2% | \$39,260 | 6 | 15.4% |
| 336 | Transportation Equipment | 36 | 4,455 | 16.0% | \$41,704 | 538 | 13.7% |
| 337 | Furniture and Related Product | 73 | 571 | 2.1% | \$30,264 | -358 | -38.5% |
| 339 | Miscellaneous | 90 | 553 | 2.0% | \$28,600 | -50 | -8.3% |

Source: DEED Quarterly Census of Employment and Wages

percentage of employment for a particular industry as the nation. An LQ of 2.0 indicates that a local economy has twice the percentage of employment for a particular industry as the nation.

In northwestern Minnesota, the LQ of 1.5 for manufacturing indicates a high concentration of jobs in that sector. Focusing on particular subsectors reveals even higher concentrations.

For example, wood product manufacturing has an LQ of 6.2, food manufacturing has an LQ of 2.5, and both transportation equipment manufacturing and machinery manufacturing have LQs of 1.9. With such high concentrations of employment, the growth of manufacturing within northwestern Minnesota will greatly benefit the region's economy and population.

A Focus on Growth

Of the 17 manufacturing subsectors in the northwestern region, the largest is food manufacturing, with 98 firms supplying 5,879 jobs. The next four largest subsectors are transportation equipment manufacturing (36 firms, 4,455 jobs), fabricated metal product manufacturing (160 firms, 4,018 jobs), wood product manufacturing (80 firms,



3,345 jobs), and machinery manufacturing (85 firms, 3,289 jobs). More than three-fourths of the region's manufacturing employment is concentrated in these five sectors (see Table 1).

Except for wood product manufacturing, the top five subsectors in the region witnessed significant growth between 2009 and 2012. Other subsectors showing strong growth include textile product mills (24.8 percent growth), primary metal manufacturing (24.6 percent growth), and plastics and rubber products manufacturing (21.1 percent growth).

Sustaining Growth

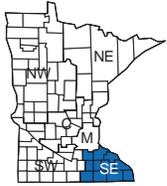
In a year-end survey conducted by DEED, 85 percent of Minnesota manufacturers said they expect production levels to increase or stay the same in 2013.¹ Long-term industry projections support these findings, with the sector projected to grow 5 percent or 14,198 jobs in Minnesota by 2020. In northwestern Minnesota, the outlook is even stronger. Between 2010 and 2020, industry projections show the manufacturing sector adding 4,238 jobs for a 17 percent increase.

With the resurgence of manufacturing in northwestern Minnesota and optimism for continued growth, demand for workers will only increase. To meet this demand, a number of steps can be implemented, including exposing high school students to careers in manufacturing, increasing collaboration between employers and educational institutions, and expanding on-the-job training.² These efforts will help students and job seekers find opportunities in manufacturing in northwestern Minnesota and ensure continued regional growth in the sector. 

PHOTO: COREY HENSLEY

¹"Minnesota Manufacturing Business Conditions Survey," Minnesota Department of Employment and Economic Development, 2012.

²Leibert, Alessia. "Hiring Difficulties in Minnesota's Manufacturing Sector: Are There Skills Gaps in Manufacturing?" Minnesota Department of Employment and Economic Development, February 2013.



Regional Spotlight:
SOUTHEAST Planning Region

The Mayo Clinic and Jobs

The Mayo Clinic has a major effect on the economy of southeastern Minnesota, with a proposed \$5 billion expansion of the world-renowned medical center likely to stimulate further growth.

Destination Medical Center (DMC) is a \$5 billion plan to expand the Mayo Clinic's Rochester campus and further enhance the region's position as a global destination for health care services. Mayo officials estimate the expansion will create between 25,000 and 30,000 direct jobs, another 10,000 to 15,000 indirect jobs, and 1,800 to 2,200 construction jobs over the next 20 years. In all, Mayo officials estimate 35,000 to 45,000 jobs will be added in the region, plus significant new tax revenue.

How do these employment projections compare with DEED's earlier employment projections for the region?

DEED estimates, which did not factor in the Mayo proposal, also project steady job growth in the region, based partly on the expectation that the medical complex would

continue growing. Beyond that, though, it's difficult to compare DEED and DMC projections because they measured different time periods and possibly different areas.

DEED's employment projections are for the 10-year period from 2010 to 2020 (see Table 1), while the DMC projections are for a 20-year period.¹ DEED's projections are for 11 counties in southeastern Minnesota (Dodge, Fillmore, Freeborn, Goodhue,

Houston, Mower, Olmsted, Rice, Steele, Wabasha and Winona counties), while the DMC projections are for the "Rochester area."

Comparing the Projections

The DMC projections (see page 23) show significant growth in health care and commercial/professional occupations, along with lower growth in the service sector (restaurants, retail, hotels, hospitality). The wages for these jobs range from health care professionals, which DMC projected will earn \$70,000 annually, to lower-wage service-sector employment, including hotel, hospitality, restaurant and retail jobs, projected to pay \$21,500 annually. With construction, infrastructure and transportation, education, and office and business-support occupations



TABLE 1 **Southeast Minnesota Employment Projections**

| Occupation | Percent Change | Total Change 2010-2020 | Replacement Hires 2010-2020 | Total Hires 2010-2020 |
|--|----------------|------------------------|-----------------------------|-----------------------|
| Total, All Occupations | 14.3 | 36,384 | 59,620 | 97,350 |
| Health Care Practitioners and Technical Occupations | | | | |
| Health Diagnosing and Treating Practitioners | 25.8 | 3,450 | 2,540 | 5,990 |
| Registered Nurses | 24.5 | 2,097 | 1,550 | 3,650 |
| Physicians and Surgeons, All Other | 28.8 | 299 | 200 | 500 |
| Pharmacists | 23.9 | 133 | 140 | 270 |
| Health Technologists and Technicians | 24.9 | 2,111 | 1,750 | 3,860 |
| Licensed Practical and Licensed Vocational Nurses | 20.9 | 472 | 600 | 1,070 |
| Medical and Clinical Laboratory Technologists | 20.7 | 301 | 280 | 580 |
| Emergency Medical Technicians and Paramedics | 27.2 | 197 | 140 | 340 |
| Pharmacy Technicians | 27.5 | 189 | 120 | 310 |
| Radiologic Technologists and Technicians | 26.8 | 168 | 100 | 270 |
| Other Health Care Practitioners and Technical | 23.4 | 67 | 100 | 170 |
| Health Care Support Occupations | | | | |
| Nursing, Psychiatric and Home Health Aides | 37.8 | 3,099 | 1,060 | 4,140 |
| Home Health Aides | 61.8 | 2,454 | 510 | 2,960 |
| Nursing Aides, Orderlies and Attendants | 15.3 | 645 | 540 | 1,180 |
| Occupational Therapy and Physical Therapist Assist | 38.7 | 82 | 30 | 110 |
| Other Health Care Support Occupations | 25.1 | 1,075 | 690 | 1,770 |
| Commercial and Professional Occupations | | | | |
| Supervisors of Office and Administrative Support Workers | 12.4 | 251 | 540 | 790 |
| Information and Record Clerks | 13.3 | 966 | 2,170 | 3,150 |
| Material Recording, Scheduling, Dispatching and Delivery | 0.9 | 52 | 1,540 | 1,830 |
| Secretaries and Administrative Assistants | 19.0 | 1,063 | 750 | 1,820 |
| Other Office and Administrative Support Workers | 13.0 | 945 | 1,320 | 2,300 |
| Restaurant and Retail | | | | |
| Supervisors of Food Preparation and Serving Workers | 4.7 | 70 | 310 | 380 |
| Cooks and Food Preparation Workers | 6.3 | 256 | 980 | 1,240 |
| Food and Beverage Serving Workers | 7.4 | 832 | 4,500 | 5,330 |
| Other Food Preparation and Serving Related Workers | 1.9 | 32 | 860 | 910 |
| Retail Sales Workers | 12.8 | 1,964 | 5,490 | 7,470 |
| Hotel and Hospitality | | | | |
| Hotel, Motel and Resort Desk Clerks | 11.3 | 87 | 310 | 400 |
| Construction Related | | | | |
| Supervisors of Construction and Extraction Workers | 25.0 | 153 | 140 | 290 |
| Construction Trades Workers | 28.0 | 1,955 | 1,520 | 3,480 |
| Helpers, Construction Trades | 48.0 | 73 | 40 | 110 |
| Other Construction and Related Workers | 6.6 | 50 | 200 | 250 |

Source: DEED Employment Outlook Projections

added to the mix, DMC estimates the 26,800 to 32,200 permanent jobs created by the expansion of Mayo Clinic will pay \$53,000 annually on average.

DEED projects similar overall growth over a shorter period but possibly for a larger area. Moreover, the pattern of occupational growth is also similar. Overall, DEED's projections show southeastern Minnesota adding 36,384 new jobs (14.3 percent growth) over the 10-year period. An additional 59,620 jobs are projected to open as a result of workers who leave the region or retire.

Similar to DMC projections, DEED projects health care practitioners and technical occupations, led by registered nurses, to have some of the highest growth rates. Health diagnosing and treating practitioners are expected to add 3,450 new jobs, while technologists and technicians are expected to add 2,111 jobs. Significant growth is also expected in health care support occupations, with more than 6,000 new jobs. Health care practitioners and technical occupations pay \$83,637 on average annually, while health care support occupations pay \$30,249.

DEED's projections also show growth in commercial and professional, restaurant and retail, hotel and hospitality, and construction-related occupations in southeastern Minnesota. Among these, medical secretaries are projected to add 710 new jobs, while retail sales worker jobs are expected to grow by about 1,960. Construction occupations are projected to add more than 2,200 jobs in the region.

Overall, DEED and DMC projections show similar growth patterns, even though DEED did not factor in growth resulting from the DMC proposal. Mayo plays a huge role in the economy of southeastern Minnesota, both through direct and indirect job creation. An expansion of Mayo Clinic in the region can only bolster this growth.

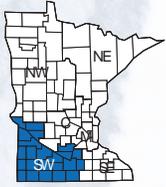
More details about the project are available at www.dmc.mn. 

TABLE 2 Destination Medical Center Job Breakdown

| Estimated Mayo Clinic and DMC Related Jobs | Range of Job Growth | | Salary Range | | Estimated Average Mid-Point |
|--|---------------------|--------|--------------|-----------|-----------------------------|
| | | | | | |
| Mayo Clinic Jobs | | | | | |
| Physicians and Scientists | 911 | 1,041 | | | |
| Allied Health Professionals | 12,226 | 13,973 | | | |
| Other | 863 | 986 | | | |
| Subtotal - Mayo Clinic | 14,000 | 16,000 | | | \$70,000 |
| Commercial/Professional | 5,000 | 5,500 | \$35,000 | \$116,000 | \$45,000 |
| Restaurant/Retail | 1,500 | 2,500 | \$18,000 | \$25,000 | \$21,500 |
| Hotel/Hospitality | 1,000 | 1,500 | \$18,000 | \$25,000 | \$21,500 |
| Construction Related | 1,800 | 2,200 | \$34,500 | \$62,000 | \$39,700 |
| Other | | | | | |
| Trade, Transportation and Utilities | 1,063 | 1,367 | \$20,000 | \$46,500 | \$33,200 |
| Education and Non-Mayo Health Services | 1,496 | 1,924 | \$27,500 | \$78,500 | \$37,100 |
| Other Services | 941 | 1,210 | \$19,000 | \$38,000 | \$28,500 |
| Subtotal - Other | 3,500 | 4,500 | | | \$33,600 |
| Permanent Jobs and Salary Range | 26,800 | 32,200 | | | \$53,000 |

Source: Destination Medical Center "Job Growth Breakdown"

¹DEED updates employment projections every two years using national models and local employment statistics in collaboration with the Bureau of Labor Statistics.



Regional Spotlight:
SOUTHWEST Planning Region

Landowners Reap Gains from High Commodity Prices

Rental rates for land have risen steadily in southern Minnesota's farm country in recent years, driven by high prices for corn, soybeans and other crops.



Last year was another record year for farm incomes, including big gains in cash receipts for both crop and livestock production, according to data from the U.S. Department of Agriculture (USDA). Those results followed record-setting farm incomes in 2011, along with huge gains in 2009 and 2010.

Ranked fifth in the U.S. in net farm income, Minnesota farmers have reaped the benefits of historically high prices for corn, soybeans and other crops. Despite drought and recession, the state's agriculture economy has remained strong in the last five years, with Minnesota's net farm income nearly doubling from 2007 to 2011.

Farm expenses, however, also rose rapidly in the last five years, with prices for seed, fertilizer and chemicals, fuel, machinery and equipment, repair and maintenance, labor, marketing,

storage and transportation jumping more than 25 percent from 2007 to 2011.

Another increasing expense for farmers is cash rent for farmland, where landowners have responded to rising incomes and increased demand by raising their rates. According to the USDA, about 40 percent of U.S. farmland is rented, making it a significant part of the profit equation for farmers.

Leasing the Heartland

Data indicate that many landlords in southwestern Minnesota have asked for — and received — substantial price increases for their available acres. Farmland rental data taken from FINBIN — a database that includes records of more than 2,400 Minnesota farms — and a joint study conducted by the University of Minnesota Extension and the Center for Farm Financial Management

TABLE 1

Cropland Rental Rates Per Acre

| Region 6W | Average Rental Rates Per Acre | | | | | Percent Change 2007-2011 |
|-------------------|-------------------------------|-------|-------|-------|-------|--------------------------|
| | 2007 | 2008 | 2009 | 2010 | 2011 | |
| Big Stone Co. | \$78 | \$81 | \$87 | \$98 | \$102 | +30.8% |
| Chippewa Co. | \$108 | \$125 | \$140 | \$149 | \$159 | +47.2% |
| Lac qui Parle Co. | \$92 | \$97 | \$110 | \$112 | \$127 | +38.0% |
| Swift Co. | \$84 | \$98 | \$106 | \$105 | \$118 | +40.5% |
| Yellow Medicine | n/a | n/a | n/a | n/a | n/a | n/a |
| Region 8 | 2007 | 2008 | 2009 | 2010 | 2011 | 2007-2011 |
| Cottonwood Co. | \$108 | \$143 | \$139 | \$148 | \$164 | +51.9% |
| Jackson Co. | \$119 | \$146 | \$145 | \$157 | \$167 | +40.3% |
| Lincoln Co. | \$107 | \$120 | \$152 | n/a | n/a | n/a |
| Lyon Co. | \$100 | \$119 | \$137 | \$140 | \$168 | +68.0% |
| Murray Co. | \$100 | \$120 | \$143 | \$154 | \$168 | +68.0% |
| Nobles Co. | \$117 | \$132 | \$140 | \$146 | \$168 | +43.6% |
| Pipestone Co. | n/a | n/a | n/a | n/a | n/a | n/a |
| Redwood Co. | \$104 | \$122 | \$140 | \$158 | \$173 | +66.3% |
| Rock Co. | n/a | n/a | n/a | n/a | n/a | n/a |
| Region 9 | 2007 | 2008 | 2009 | 2010 | 2011 | 2007-2011 |
| Blue Earth Co. | \$136 | \$163 | \$171 | \$174 | \$194 | +42.6% |
| Brown Co. | \$119 | \$133 | \$148 | \$154 | \$173 | +45.4% |
| Faribault Co. | \$134 | \$152 | \$168 | \$173 | \$194 | +44.8% |
| Le Sueur Co. | \$121 | \$149 | \$153 | \$169 | \$179 | +47.9% |
| Martin Co. | \$133 | \$158 | \$177 | \$181 | \$210 | +57.9% |
| Nicollet Co. | \$127 | \$150 | \$161 | \$169 | \$197 | +55.1% |
| Sibley Co. | \$130 | \$149 | \$172 | \$192 | \$203 | +56.2% |
| Waseca Co. | \$126 | \$136 | \$145 | \$160 | \$175 | +38.9% |
| Watonwan Co. | \$122 | \$148 | \$146 | \$165 | \$177 | +45.1% |

Sources: University of Minnesota Extension and the Center for Farm Financial Management, "Cropland Rental Rates for Minnesota Counties"

show that average annual cropland rental rates have risen in each of the 19 counties in southwestern Minnesota with available data. In fact, with the exception of Swift County in 2010 and Cottonwood and Watonwan counties in 2009, cropland rental rates increased incrementally in each successive year in every county from 2007 to 2011 (see Table 1).

A basic premise of economics holds that supply and demand are driving forces in regional economies. For example, if there were more acreage available for lease than family or commercial producers to farm the land, prices would naturally decrease as lessors looked to attract leases for their land. Instead, farmland rental rates have increased due to revenue gains from higher commodity prices and increased competition from larger producers who are moving into new areas and often offering higher land rental rates than current contracts.

Some analysts and farm operators, however, are worried that if cropland rental rates keep rising in 2013 and beyond, and if total crop production also continues to rise or if grain prices drop, profits will be squeezed on both the revenue and expense sides, making farming a more difficult economic activity.

Location, Location, Location

Even though many counties in the region saw population declines, the demand for

farmland led to a steady expansion in real estate employment. It may seem strange that the region saw an increase in real estate jobs over the last five years, especially

since total employment in southwestern Minnesota fell during the recession and recovery. But with farmland leases on the rise, the real estate industry welcomed job gains.

Through the first three quarters of 2012, there were 316 business establishments providing 1,276 covered jobs in the real estate, rental and leasing industry in southwestern Minnesota. In addition, the region had nearly twice as many jobs at self-employed real estate establishments, with 2,488 non-employers in 2010, according to data from the U.S. Census Bureau and the IRS (see Table 2).

Despite the recession, real estate jobs grew 1 percent in the region from 2008 to 2012, while self-employment in real estate jumped 14.4 percent from 2006 to 2010. Offices of real estate agents and brokers, which is the sector most often associated with the real estate industry, actually suffered a 20 percent decline both in covered employment and self-employment in the region in the last five years.

In contrast, the region saw huge increases in lessors of real estate, which includes farmland rental and leasing as described above, as well as lessors of residential buildings, nonresidential buildings, mini-warehouses and

self-storage units. Self-employed lessors of real estate jumped 41 percent. Southwestern Minnesota also welcomed a 15 percent gain in covered jobs in activities related to real estate, such as property managers, real estate appraisers, and listing services and escrow agencies.

These job gains, and the demand for farmland real estate activities that is driving them, are a positive sign for the regional economy. Southwestern Minnesota is rich in farming and agriculture, and if crop prices stay high, the land will continue producing riches for farmers and landowners. ■

TABLE 2

Southwest Minnesota Real Estate Industry Employment

| NAICS Code | Covered Employment | 2008 Jobs | 2009 Jobs | 2010 Jobs | 2011 Jobs | 2012 Jobs | Change 2008-2012 |
|------------|---|------------|------------|------------|------------|------------|------------------|
| 53 | Real Estate, Rental and Leasing | 1,263 | 1,221 | 1,227 | 1,227 | 1,276 | +1.0% |
| 5311 | Lessors of Real Estate | 402 | 389 | 392 | 401 | 435 | +8.2% |
| 5312 | Offices of Real Estate Agents and Brokers | 129 | 118 | 101 | 100 | 103 | -20.2% |
| 5313 | Activities Related to Real Estate | 472 | 492 | 525 | 525 | 543 | +15.0% |
| NAICS Code | Self-Employment | 2006 Firms | 2007 Firms | 2008 Firms | 2009 Firms | 2010 Firms | Change 2006-2010 |
| 53 | Real Estate, Rental and Leasing | 2,174 | 1,964 | 1,742 | 2,510 | 2,488 | +14.4% |
| 5311 | Lessors of Real Estate | 1,088 | 965 | 825 | 1,535 | 1,537 | +41.3% |
| 5312 | Offices of Real Estate Agents and Brokers | 506 | 478 | 421 | 411 | 405 | -20.0% |
| 5313 | Activities Related to Real Estate | 434 | 409 | 389 | 457 | 443 | +2.1% |

Source: DEED Quarterly Census of Employment and Wages and U.S. Census Bureau

Hiring Difficulties Study: Information Technology

DEED's Hiring Difficulties Study looks at select occupations to determine why employers may or may not be having difficulty filling open positions. The first round of the study last fall looked at six occupations.

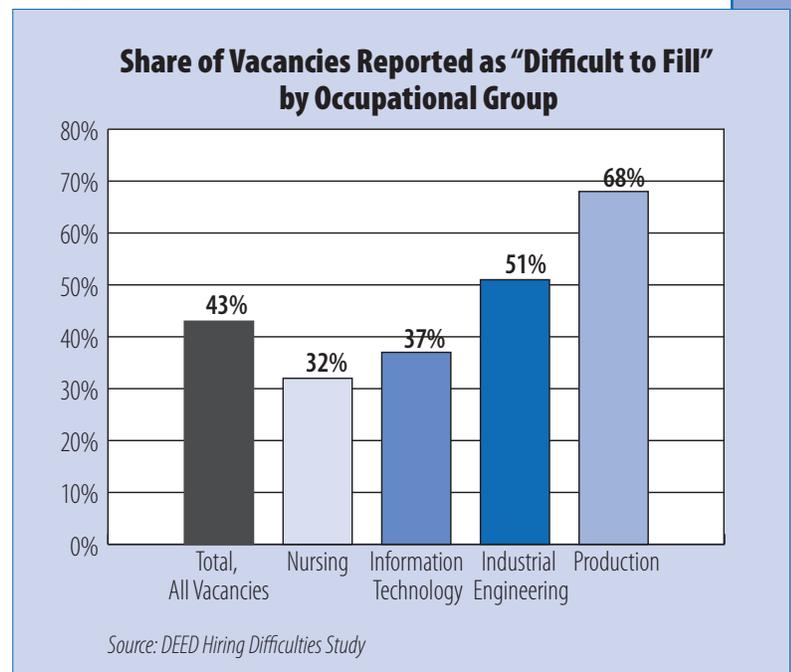
In the latest round, employers were asked about their experiences filling jobs in information technology (IT). Previously, results were obtained for certain engineering, nursing and production occupations. Figure 1 shows the percentage of positions in those fields that were considered difficult to fill by employers.

Hiring difficulties impacted 37 percent of vacancies in IT occupations. The reasons for the difficulties were fairly equally split between those due exclusively to skills deficiencies (37 percent), exclusively to unattractive demand such as uncompetitive wages or other factors (32 percent), or a mix of skills deficiencies and unattractive demand (31 percent).

IT employers said the main supply-side problem was work experience and, importantly, the skills obtained through that experience. The following quotes from employers illustrate that point:

- “It is hard to find people with mainframe skills [older skills like COBOL that are no longer taught]. Also, many people with skills aren't interested in working with older technologies.”
 - “Low unemployment in the IT field creates a lot of competition, therefore — despite the huge response to the ads — we are not getting the right type of candidate. We are either getting candidates with too much experience [overqualified] or zero experience.”
 - “We're looking for someone with specific technical skills and experience in Window Installer, Install, Shield, Visual Studio, and familiarity with image editing. We haven't been able to find anyone who has all of those.”
- “The applicant pool ... is often very small because people tend to have more of a general skill set compared to the specialized skill set that we need.”

FIGURE 1



The tendency to set stringent qualification requirements in the IT field is mainly the result of rapid technological changes and the proliferation of technological platforms that, once adopted by a firm, must be maintained by professionals with hyper-specialized knowledge or experience (Java versus .NET, for example).

As new IT graduates learn the most advanced technologies and seasoned employees trained in “niche” systems — or even in technologies that are becoming obsolete — start to retire, employers face the problem of maintaining legacy systems that new graduates might not have learned or might not be interested in working

While formal education is often preferred, it is not generally considered absolutely necessary in IT. Fourteen percent of IT vacancies included in the survey required no formal education. Often, specific skill sets and previous work experience were more important to the employer than the degree of formal credentials. The most common degrees employers preferred were computer science or management information systems.

Where other issues besides skills mismatches were indicated, the primary challenges were non-competitive wages, low mobility of the workforce and lack of interest in the nature of the work. Strategies such as making IT workplaces more attractive to women, creating incentives for seasoned employees to stay with the firm, and producing career information that advises candidates on in-demand skill sets could be effective ways of addressing some of these problems.

More details about the study and its findings are at www.tinyurl.com/HiringDifficultiesStudy. 

Survey Quick Facts for IT Occupations

- Period: Based on vacancies open during fall of 2012
- Response rate: 70 percent (122 establishments with 559 estimated vacancies responded to the phone survey).
- Occupations surveyed: software developers (systems software), software developers (applications), computer user support specialists, computer network support specialists.



with compared to newer technological platforms. Sometimes, however, employers can deliberately set stringent qualification requirements because the candidate pool is large enough that they can be particular.

Meet

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MINNESOTA ECONOMIC TRENDS

MINNESOTA ECONOMIC TRENDS is published by the Labor Market Information (LMI) Office of the Minnesota Department of Employment and Economic Development (DEED).

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COVER PHOTO **Paul Stafford, Explore Minnesota Tourism**

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