IOWA'S WORKFORCE AND THE ECONOMY

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2007

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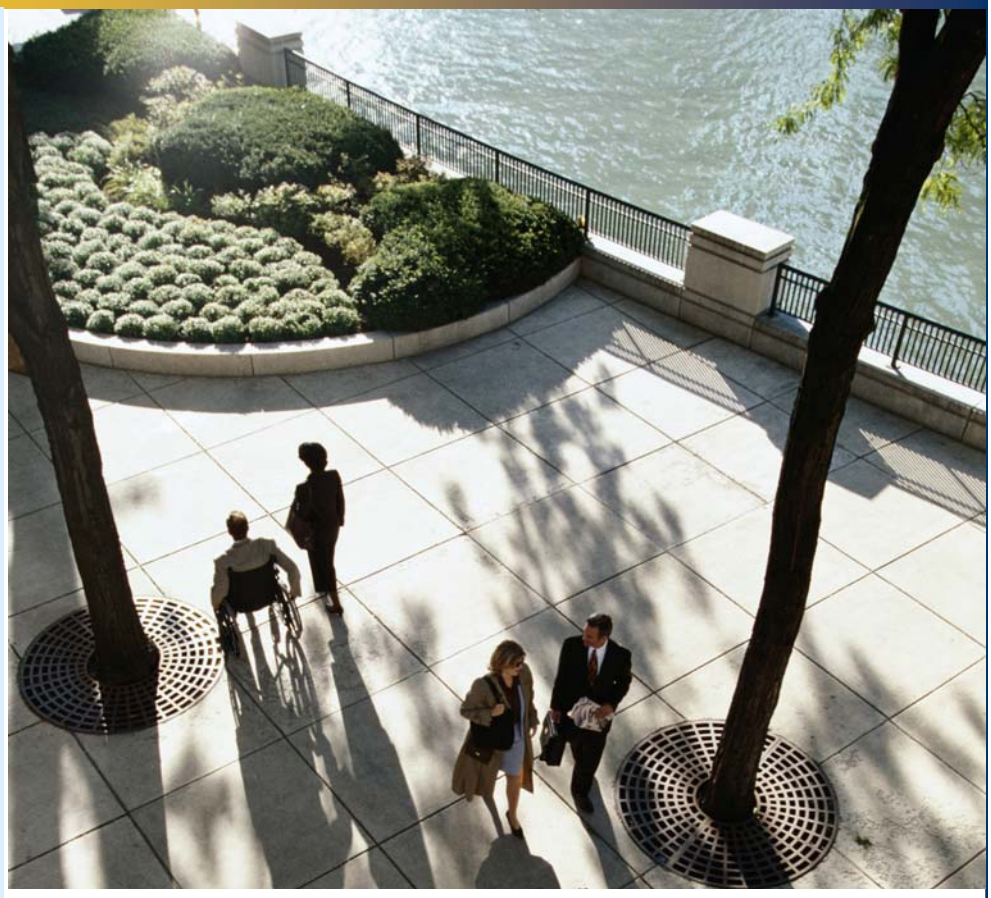

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Executive Summary

- The state's labor force, total employment, and nonfarm employment reached record levels in 2006. Iowa's 2006 unemployment rate of 3.7 percent was substantially lower than U.S. unemployment rate of 4.6 percent, and ranked as the 15th lowest rate in the nation. Iowa's exports increased to $8.4 billion in 2006, and the preliminary personal income figure for the year rose to $99.1 billion. The Grow Iowa Values Fund continued to provide financial incentives to businesses for projects that will create new jobs and/or retain jobs that would otherwise be lost. For FY 2006, 108 business projects received funding, which will create or retain a total of 8,265 jobs when completed. The major downside risk to the statewide economy in 2007 continues to be the slowdown in housing.

- Unemployment conditions varied widely across the state, with jobless rates of less than 3.5 percent reported for Regions 3-4, 8, 10 and 11. Region 16 had the highest unemployment rate in the state at 5.2 percent. Average weekly wages were generally higher in regions where the larger metropolitan statistical areas are located. The average weekly wage for 2006 ranged from a high of $771 for Region 11 to a low of $509 for Region 14.

- Nonfarm employment climbed to a new record of 1,502,500 in 2006, as growth occurred across most sectors. The largest single gain occurred in education and health services, which gained 3,900 jobs. The recovery following the 2001 recession was slow in moving forward, and did not show any momentum until mid-2003. Nonfarm employment began to decline a full eight months before the official start of the recession in March 2001, and continued to fall for another two years or more after the recession. Faster job growth was finally reflected in nonfarm employment for 2005 and 2006.

- Iowa is a state that is primarily comprised of small businesses. Firms with less than 50 workers represent 94.3 percent of all establishments. The state's top industry in 2006 was manufacturing with an employment level of 231,168. Manufacturing is very important to the state's economy since it represents 15.8 percent of all jobs, the 5th highest proportion in the nation. According to the Industry Employment Projections for 2004-2014, Administrative and Support Services, which is a subsector of Professional and Business Services, will add the largest number of jobs (17,355) over the ten-year projection period.

- Economic developers use industry clustering analyses to better understand the needs of their areas. An industry cluster is widely recognized as a group of interrelated businesses in a relatively small area. An understanding of industry clusters is critical to successful economic development. If developers are aware of the clusters existing in their areas, they know what types of training to emphasize. They are also aware of the type of infrastructure that needs to be included in the area, and the kinds of businesses to recruit. In an effort to grow Iowa's economy, the Iowa Department of Economic Development commissioned the Battelle Technology Partnership Practice to help them identify key industry clusters in the state. The three clusters identified were bioscience, information technology and advanced manufacturing.

- Iowa is the number one producer of ethanol in the United States, accounting for 32 percent of U.S. ethanol production. At the end of 2006, there were 26 operating ethanol plants, having the capacity to produce 1.7 billion gallons. Five of the state's plants are expanding, and 15 new plants are under construction. With the completion of these projects, Iowa's ethanol production will nearly double to approximately 3.3 billion gallons annually. In the production process, $2.8 billion is spent on raw materials, other inputs, and goods and services. Iowa is also the leading producer of biodiesel in the United States. At the end of 2006, Iowa had eight operating biodiesel refineries capable of producing nearly 115 million gallons annually.

- The Iowa economy is projected to add more than 216,000 new jobs over the 2004—2014 period, which represents a growth rate of 13.6 percent for the ten-year projection period. The state's two largest major occupational groups—professional and related occupations and service occupations—will increase the fastest, and add the most jobs. Despite ongoing advances in technology and job losses caused by foreign competition, Iowans will continue to have plenty of work. However, workers will need to acquire the education and skills that are necessary to perform the jobs of the future. Currently, about 54 percent of all occupations in the state require post-secondary education or higher.

- For the fourth consecutive year, kindergarten through 12th grade teachers from the Quad City Area will be provided with an opportunity to participate in the Excellence in Teaching Institute. The Institute is a partnership between business and education that includes Iowa Workforce Development's Labor Market Information (LMI) Project teamed up with the Business Education Partnership of the Bettendorf and LeClaire Chambers of Commerce, St. Ambrose University, Eastern Iowa Community College District and The Quad Cities Graduate Study Center. As part of the class, area employers demonstrate the skills necessary for today's job market, and how those skills are used on the job. The LMI Project provides participants with an overview of current workforce trends. Teachers will receive three graduate credits from St. Ambrose University for completing the class.

- The results of the ***2005/2006 Iowa Fringe Benefit Profile*** showed that 80.4 percent of Iowa's businesses offer a fringe benefit package in addition to wage compensation. In Iowa, 71.1 percent of employers offer medical insurance; 75.1 percent of employers offer paid vacation; and 63.7 percent of employers offer a retirement/pension plan. Also, full-time employees are more likely to be offered benefits than part-time employees, and large employers are more likely to offer a greater selection of fringe benefits than smaller employers.

- Iowa's Laborshed Studies are nationally recognized as a useful tool for economic development purposes since they can be used to document the size and skills of an area's labor pool. The availability of this information is critical for businesses planning an expansion, or deciding on a new site location. The Laborshed Studies provide detailed information on an area's residents, such as their willingness to accept new or different employment opportunities, their current and desired wage levels and benefits; and their education, skills, and work experience.

- The Local Employment Dynamics (LED) data provide a snapshot of Iowa's workforce by age, gender, industry and county. The data can be used to answer a wide range of questions that can assist developers and policy makers in building on an area's strengths, or addressing challenges in the labor market. See the ***Did You Know*** section on page 41 for interesting facts on the state's workforce.

- Iowa is experiencing rapid growth in its Latino population. Currently, Latinos are the state's largest minority group, and account for 2.3 percent of the state's labor force. Latino growth was responsible for 66 percent of the state's population growth between 2000 and 2005. Latinos come to Iowa primarily for jobs, but are also drawn to the state because it provides good schools for their children, quality health care, and readily available and affordable housing. Latinos not only provide much-needed labor and population to Iowa, but they also generate wealth as entrepreneurs.

Overview of the Iowa Economy

Looking Back on 2006

The Iowa economy ended its fifth year of expansion in relatively good shape. Job growth closely mirrored the progress that was achieved in 2005, while the state's labor force, total employment, and nonfarm employment climbed to record levels in 2006. Despite the slowdown in housing and large increases in energy prices, hiring occurred in most industries. Businesses were in a favorable position to hire in 2006 since revenues and profits were strong for a third consecutive year. In fact, Moody's Economy.com reported that net margins across industries averaged 7.7 percent during the first three quarters of 2006—the highest rate in more than 50 years.

At the beginning of 2006, economists saw the slumping housing market as the biggest risk for the economy. The slowdown in housing was viewed as especially ominous since the wealth effect from appreciating home values had done much to support consumer spending in recent years. As it turned out, 2006 was among the top five years for homebuilding in Iowa despite a 15 percent drop in activity last year. In addition, the state's construction industry reported a peak level of 74,800 workers in 2006, with the specialty trades segment of the industry growing the fastest. To date, the state has weathered the weakness in housing much better than expected, and there has been little spillover to other industries.

As a new tool to detect turning points in the business cycle, the Iowa Department of Revenue developed an Iowa Leading Indicators Index (ILII) in the summer of 2006. The eight series included in the ILII were chosen based on their economic significance in capturing the direction of the Iowa economy, and the fact that they represent some of the key sectors of the state's economy:

- Agricultural Futures Price Index (AFPI)
  - Average daily futures prices for
    - Corn
    - Soybeans
    - Lean hogs
    - Live cattle
- Iowa Stock Market Index
- Yield Spread (national series)
- Building Permits
- Initial Unemployment Claims (inverted)
- Average Weekly Manufacturing Hours
- New Orders Index (Iowa purchasing managers – Creighton University)
- Diesel Fuel Consumption

Businesses were in a favorable position to hire in 2006 since revenues and profits were strong for a third consecutive year.

To get a sense of where the economy is headed, it is necessary to consider the direction of the index over several consecutive months. During the six-month span through March, the ILII increased 0.6 percent, fending off any fears of a recession in the near future. A contraction is viewed as a two percent decline over six months with a majority of indicators falling. (See Table 1)

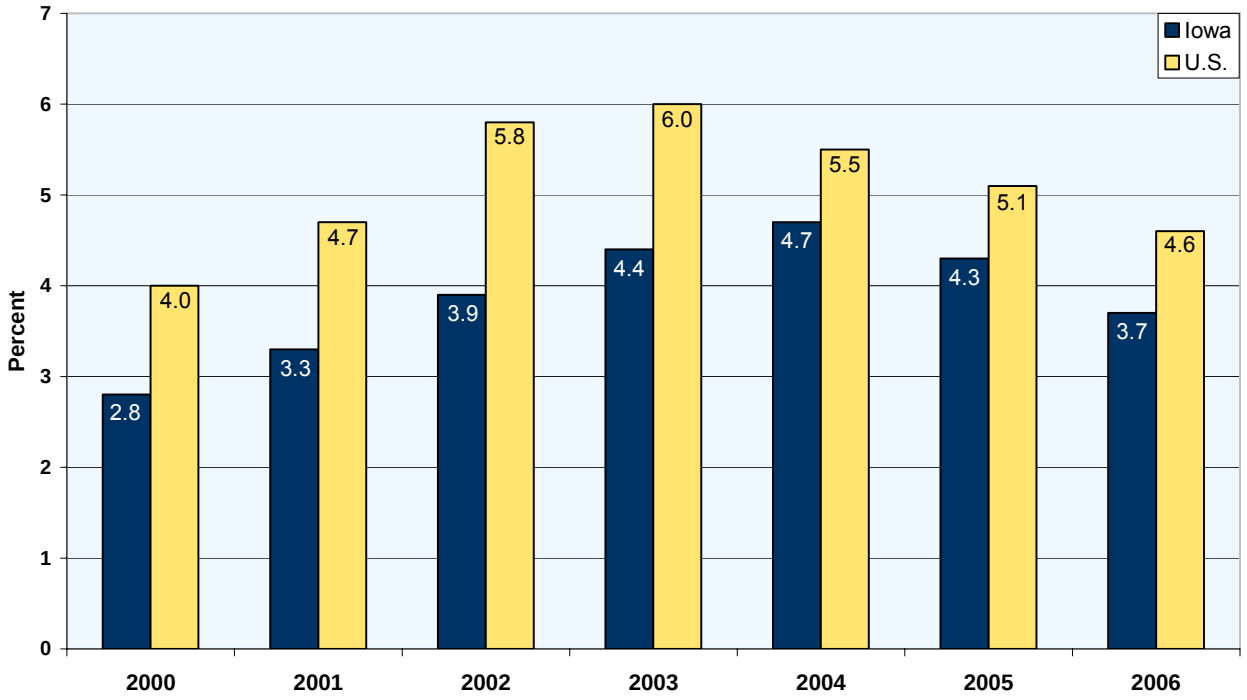
Table 1: Iowa Leading Indicators Index Components: Six-Month Overview

	2006			2007		
Component Series Monthly Values	**October**	**November**	**December**	**January**	**February**	**March**
AFPI						
Hog Profits (cents per pound)	14.2	14.0	13.1	13.3	14.0	14.6
Corn (cents per bushel)	246.3	259.9	272.4	287.1	302.9	317.8
Soybeans (cents per bushel)	595.2	600.8	608.0	618.3	633.2	648.2
Cattle Profits (cents per pound)	2.2	1.5	0.2	-0.6	-1.5	-1.1
Iowa Stock Market Index (10=1984-86)	53.76	54.51	55.23	56.13	57.09	57.83
Yield Spread (10-year less 3-month)	-0.32	-0.47	-0.41	-0.35	-0.44	-0.52
Building Permits	1,102	1,059	1,070	1,044	1,009	1,009
Average Weekly Unemployment Claims	3,241	3,283	3,298	3,415	3,458	3,449
Average Weekly Manufacturing Hours	41.9	41.9	41.9	41.9	42.0	42.1
New Orders Index (percent)	58.9	57.8	56.0	55.3	54.8	55.1
Diesel Fuel Consumption (mil gallons)	55.03	55.48	55.70	55.38	55.68	55.68

Source: Tax Research and Program Analysis Section, Iowa Department of Revenue

The statewide unemployment rate, which has always been viewed as an important economic indicator, fell to its lowest point in 2006 since 2001. Iowa's 2006 unemployment rate of 3.7 percent was down from the previous year's rate of 4.3 percent, and was ranked as the 15th lowest rate in the nation. Last year's statewide unemployment rate translated into 61,500 unemployed persons, close to 10,000 fewer than the prior year. The U.S. unemployment rate for 2006 was reported at 4.6 percent. (See Figure 1)

Figure 1: Iowa and U.S. Unemployment Rates: 2000—2006



Source: Workforce Data and Business Development Bureau, Iowa Workforce Development

As manufacturing turned in its strongest performance since the late 1990's, the industry's rebuilding efforts were dealt a major setback by Whirlpool's announcement that it would be closing the 113-year-old Maytag plant in

Newton. The news came in the wake of Whirlpool's $1.8 billion acquisition of Maytag on March 31, 2006. In addition to the washer/dryer factory that would result in the loss of 1,000 jobs, another 800 jobs would be affected by the closing of the Maytag headquarters and research and development center in Newton. Whirlpool planned to phase out these facilities by late 2007. However, a 2,500-employee refrigerator factory in Amana and a 100-employee distribution center in North Liberty were spared.

In spite of several major layoffs that occurred in manufacturing over the year, the industry played an instrumental role in the state's growing export market. Iowa's exports totaled $8.4 billion for the year, which was 14.5 percent higher than the previous year's total, and approximately 80 percent higher than the 2001 figure. Some of the increase can be attributed to the fact that more value is being added to the state's products. As a leading agricultural processing state, Iowa transforms millions of bushels of corn into value-added products such as corn oil starches, sweeteners and animal feed ingredients. Iowa poultry, pork and beef are also exported around the globe. Based on dollar volume, the state's primary destinations for exports in 2006 were Canada, Mexico, Japan and Germany. Included among the state's top export products were machinery, vehicles (not railway), electrical machinery, meat, and food waste/animal feed.

The current strength of the economy is further reflected in Iowa's revenue growth for the current fiscal year. General Fund receipts for the first nine months of FY 2007 totaled $4.3 billion, 5.3 percent higher than the amount collected for FY 2006. Revenue obtained through the Personal Income Tax and the Corporate Income Tax led the current year's growth. The General Fund consists of revenues that are not specifically required to be deposited in other funds. The Personal Income Tax and the Sales/Use Tax make up the largest components of the General Fund, which is used to pay for three main functions—education, health care, and the prison system.

Personal income is another important economic indicator because a state's economic vitality is strongly tied to the income and earnings of its residents. Personal income includes more than just wages and salaries. It also includes non-earned income such as dividends, interest, rent, and transfer payments. Iowa's preliminary personal income figure for 2006 was reported at $99.1 billion, which represented an increase of 5.5 percent from the 2005 total. This was less than the 6.3 percent annual increase in personal income experienced at the national level, but one of the faster growth rates reported for the Plains States. (See Table 2)

Table 2: State Personal Income 2006

Geography	Per Capita Personal Income 2006[p]	U.S. Rank[p]	Percent Change 2005-2006	(Millions of Dollars) Personal Income 2006[p]	Percent Change 2005-2006
United States	**$36,276**	**---**	**5.2**	**$10,860,917**	**6.3**
Plains States:					
Iowa	33,236	30	4.9	99,112	5.5
Kansas	34,743	21	5.7	96,031	6.3
Minnesota	38,712	12	3.8	200,031	4.6
Missouri	32,705	31	4.7	191,086	5.5
Nebraska	34,397	23	4.5	60,826	5.1
North Dakota	32,552	32	3.8	20,699	4.0
South Dakota	33,929	26	4.3	26,530	5.3

p = preliminary

Source: Bureau of Economic Analysis, U.S. Department of Commerce

Iowa's per capita personal income was $33,236[p] for the year, which ranked 30th in the nation. Connecticut led the nation last year with a per capita income of $49,852, which was 37 percent higher than the national average. In a recent study published by the Federal Reserve Bank of Cleveland, three key factors—patents, educational attainment, and industry structure—account for differences in states' per capita income. The study has proven over time that high levels of knowledge stocks promote the most income growth.

During the past few years, the state has intensified its efforts to bolster the Iowa economy by providing financial incentives to businesses for projects that will create new jobs, and/or retain jobs that would otherwise be lost. The Iowa Department of Economic Development is responsible for several programs that grew substantially with the advent of the Grow Iowa Values Fund, which was originally created in FY 2004, and revised in FY 2006. The Values Fund now provides over $30 million per year, funding a high percentage of the grant and loan awards that are funneled through several different business incentive programs. For FY 2006, 108 business projects received funding, which will create or retain a total of 8,265 jobs when completed. On average, these jobs will pay over $47,000 per year, and the projects will result in a total of $1.84 billion in capital investment in Iowa.

Outlook for 2007

The results of the most recent Iowa Business Council (IBC) ***Economic Outlook Survey***, which was conducted during the third week of February, indicated that the members remained upbeat regarding the six-month outlook for sales, capital spending, and hiring levels. The responses were generally higher for each of the three indicators than the survey results from the previous quarter, and were consistent with the responses from one year ago. The most notable change occurred in sales, with 95 percent of the chief executive officers expecting an increase over the next six months. The Council's members include the top executives of the 20 largest businesses in the state, the three Regent university presidents, and the state's largest banking association.

Any substantial changes in the 2007 farm bill could affect Iowa's farmers. According to information released by the Federal Deposit Insurance Corporation, Iowa is one of seven states in its Kansas City Region that is very dependent on federal farm payments. Any reductions in federal aid would constrain the debt-repayment ability of farm borrowers, and potentially deflate prices for farmland. Some members in Congress support continuation of the 2002 bill, which is favorable to farmers. Others would like to see payments reduced and replaced with funds for rural development, and another group would like to expand farm programs to include specialty crops. The current farm bill also faces some opposition from other countries who claim that price supports distort world agricultural prices.

The major downside risk to the statewide economy in 2007 continues to be the slowdown in housing.

The major downside risk to the statewide economy in 2007 continues to be the slowdown in housing. So far, layoffs resulting from the decline in residential construction have been minimal across the state. Real estate experts expect the market for residential real estate to turn around in the second half of the year. However, price appreciation will remain absent. The National Association of Realtors expects its measure of home prices to fall in 2007 for the first time in nearly 40 years.

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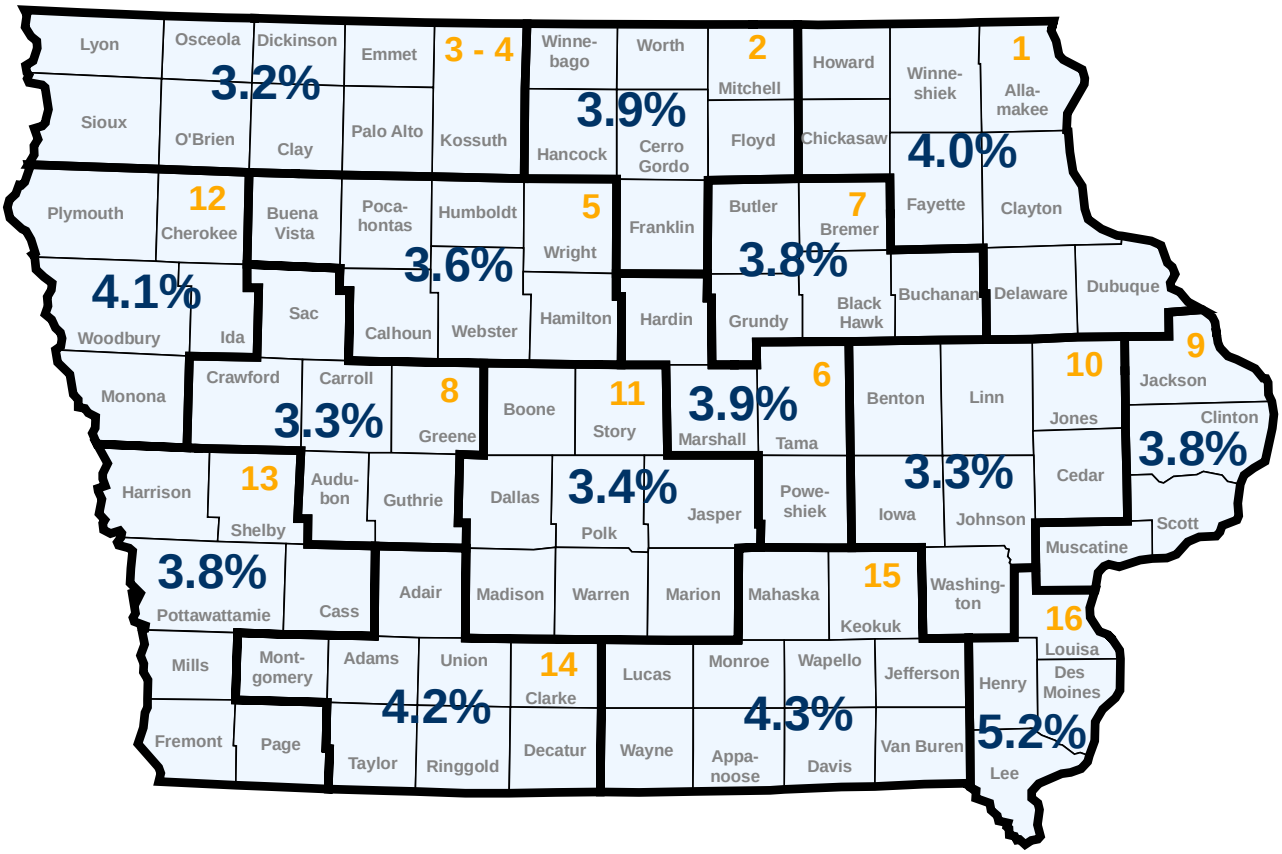
Regional Economic Indicators

Annual average unemployment rates declined between 2005 and 2006 in all fifteen IWD regions. Region 6, which encompasses Hardin, Marshall, Poweshiek and Tama counties; experienced the largest drop in unemployment over the year. The 2006 jobless rate for the region was down one full percentage point from 2005, while the number of unemployed persons was down slightly over 20 percent. Four regions reported jobless rates that were well below the statewide average of 3.7 percent—Region 3-4 (3.2 percent), Region 8 (3.3 percent), Region 10 (3.3 percent), and Region 11 (3.4 percent). Region 16 had the highest unemployment rate in the state at 5.2 percent. The region's economic problems stem from a steady stream of business closings that have occurred over the past few years.

The labor force data for the regions show a strong correlation between low unemployment and faster-than-average employment growth. Most of the regions that reported low jobless rates for 2006 also experienced fast employment growth. Regions 1, 3-4, 6, 10 and 11 reported employment growth of 2.7-2.9 percent for the year. Region 1, which is a bit of an anomaly, experienced higher-than-average unemployment along with fast employment growth. While the region's job growth has been strong over the past two years, a series of business closings and seasonal layoffs have adversely affected the unemployment rate.

2006 Annual Average Unemployment Rates by Iowa Workforce Development Region



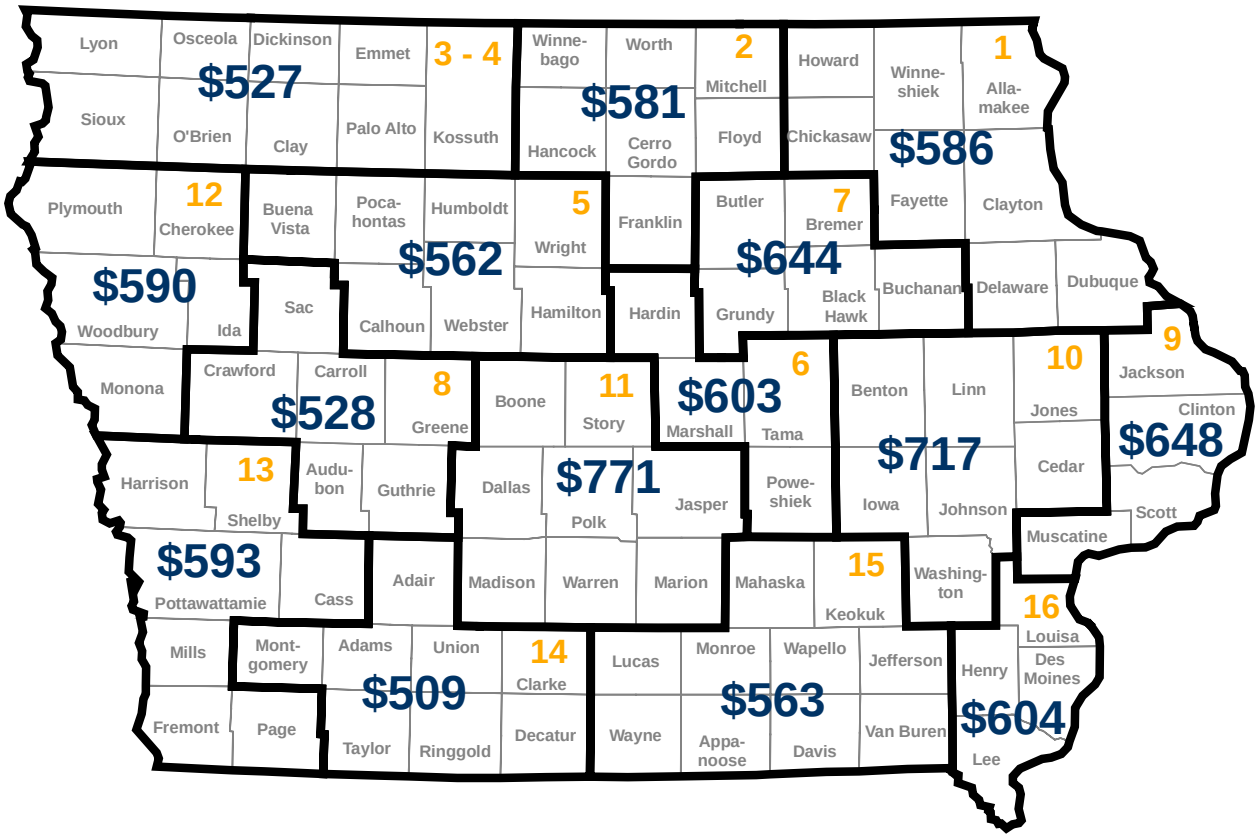
Source: Workforce Data and Business Development Bureau, Iowa Workforce Development

Table 1: Labor Force Data by IWD Region
Annual Averages 2005-2006

Region	Labor Force		Employed		Unemployed		Unemployment Rate	
	2005	2006	2005	2006	2005	2006	2005	2006
1	114,400	116,700	108,900	112,000	5,400	4,700	4.8	4.0
2	63,300	63,300	60,400	60,800	2,900	2,500	4.6	3.9
3-4	76,400	78,000	73,500	75,600	2,900	2,500	3.7	3.2
5	60,400	61,100	57,900	58,900	2,500	2,200	4.1	3.6
6	49,000	49,800	46,600	47,900	2,400	1,900	4.9	3.9
7	112,100	113,000	107,200	108,800	4,900	4,300	4.3	3.8
8	42,000	42,400	40,400	41,000	1,600	1,400	3.9	3.3
9	150,500	151,600	143,600	145,900	6,800	5,800	4.5	3.8
10	245,400	250,000	235,200	241,700	9,800	8,400	4.0	3.3
11	391,100	399,300	375,600	385,900	15,500	13,400	4.0	3.4
12	83,100	84,100	79,200	80,700	3,900	3,500	4.7	4.1
13	92,200	93,700	88,000	89,900	4,300	3,800	4.6	3.8
14	33,400	33,800	31,900	32,400	1,600	1,400	4.7	4.2
15	71,600	71,800	68,000	68,700	3,600	3,100	5.1	4.3
16	55,400	55,800	52,200	52,900	3,100	2,900	5.7	5.2

Source: Workforce Data and Business Development Bureau, Iowa Workforce Development

Figure 2: 2006 Average Weekly Wages
by Iowa Workforce Development Region



Source: Workforce Data and Business Development Bureau, Iowa Workforce Development

Table 2: 2006 Annual Wage Data by Iowa Workforce Development Region

Region	Average Weekly Wage All Industries	Average Annual Wage All Industries	Rank	Average Weekly Wage for Manufacturing	Average Annual Wage for Manufacturing	Rank
1	$586	$30,481	9	$779	$40,509	7
2	581	30,186	10	740	38,458	10
3-4	527	27,395	14	672	34,966	13
5	562	29,205	12	705	36,684	12
6	603	31,330	6	760	39,507	8
7	644	33,510	4	953	49,539	2
8	528	27,480	13	669	34,770	14
9	648	33,686	3	937	48,727	3
10	717	37,287	2	1,081	56,195	1
11	771	40,073	1	902	46,900	4
12	590	30,692	8	788	40,990	6
13	593	30,810	7	719	37,392	11
14	509	26,459	15	664	34,533	15
15	563	29,252	11	758	39,420	9
16	604	31,429	5	806	41,897	5

Source: Workforce Data and Business Development Bureau, Iowa Workforce Development

The preliminary 2006 wage data displayed by IWD Region show that there is a large disparity between metropolitan and rural wages in the state. In 2006, the highest-paying region in the state was Region 11, which has the Des Moines metropolitan statistical area as its core. On the other hand, the lowest average weekly wage was paid in Region 14, an area that encompasses eight rural counties in southwest Iowa. The average weekly wage ranged from a high of $771 for Region 11 to a low of $509 for Region 14. Surprisingly, the wages for Region 16 ranked in fifth place despite its long-term problems with chronically high unemployment. The reason for this is twofold— the region's historically high proportion of manufacturing jobs, and the location of a state prison at Ft. Madison.

The wage data also underscore how a region's industrial structure affects its wages. For example, Region 11 has a long tradition of being the state's finance and insurance center. Due to this unique industry concentration, finance is the region's highest-paying industry. In Region 10, manufacturing is the highest-paying industry due to its heavy specialization in manufacturing. The region is home to some of the state's larger manufacturers, such as Quaker Oats and Rockwell Collins in Cedar Rapids and Amana Refrigeration/Whirlpool in Middle Amana.

The wage data reveal some commonalities across the regions. In all but three regions, federal or state government accounted for the highest average weekly wage overall. Manufacturing was the highest-paying private industry in eight of the regions, with Region 10 ranking in first place. The average weekly wage for manufacturing in Region 10 was $1,081; and the average annual wage was $56,195.

Nonfarm Employment in Iowa—2006

The Year at a Glance

For the fourth straight year, Iowa's nonfarm economy continued its upward climb after bottoming out in mid-2003. Nonfarm employment in Iowa grew by 22,000 over the past year, averaging 1,502,500 in 2006 compared to 1,480,500 in 2005. Jobs were added during most months of 2006, with significant growth occurring in February, May, September, November, and December. Declines were recorded only in July, August and October.

Throughout the year, Iowa's nonfarm employment stayed well above the pre-recession, all-time high of 1,484,500 set in March 2000. This figure was surpassed in mid-September 2005, and new all-time highs were experienced almost monthly following that milestone. The most recent all-time high was reached in December 2006 with a nonfarm total of 1,508,800 jobs.

Most of the growth this year occurred in the Service-Providing sector, as has been the case in most recent years. The largest single gain was in education and health services, which was up 3,900 over the year. Professional and business services was second with 3,800 new jobs, followed by construction with an employment gain of 3,400. Several sectors reported growth in the 2,000 to 2,500 range; including leisure and hospitality, financial activities, trade and transportation, and government. Nondurable goods manufacturing, information, and retail trade incurred small losses of 200 each.

Nonfarm Employment in Iowa by Major Industry

Industry	2002	2003	2004	2005	2006	Change 2002-2006 Number	Change 2002-2006 Percent
Natural Resources and Mining	2,000	1,900	2,100	2,100	2,200	100	4.8
Construction	64,400	65,100	68,600	71,400	74,800	3,400	4.8
Manufacturing	227,300	220,000	223,300	229,100	230,900	1,800	0.8
Durable Goods	136,400	131,400	136,200	140,900	142,900	2,000	1.4
Nondurable Goods	91,000	88,500	87,100	88,200	88,000	-200	-0.2
Trade and Transportation	306,000	303,200	304,700	306,400	308,600	2,200	0.7
Wholesale Trade	66,800	65,300	66,100	67,400	67,800	400	0.6
Retail Trade	182,200	180,400	180,400	180,000	179,800	-200	-0.1
Transportation	57,000	57,500	58,200	59,000	61,100	2,100	3.6
Information	35,100	33,600	33,700	33,000	32,800	-200	-0.6
Finance	93,900	95,200	96,900	98,300	100,600	2,300	2.3
Professional and Business Services	105,600	105,600	108,400	113,200	117,000	3,800	3.4
Education and Health	187,900	189,600	191,500	195,100	199,000	3,900	2.0
Educational Services	31,900	32,500	32,700	33,100	34,000	900	2.7
Health Services	156,100	157,100	158,800	162,000	165,000	3,000	1.9
Leisure and Hospitality	124,600	125,300	127,200	130,500	132,700	2,200	1.7
Other Services	56,600	56,200	56,400	56,300	56,600	300	0.5
Government	244,000	244,800	244,600	245,200	247,300	2,100	0.9
Federal	19,300	19,000	18,200	18,100	18,100	0	0.0
State	63,100	64,000	64,000	63,700	64,300	600	0.9
Local	161,600	161,800	162,300	163,400	164,900	1,500	0.9
Total Nonfarm Employment	**1,447,300**	**1,440,400**	**1,457,300**	**1,480,500**	**1,502,500**	**22,000**	**1.5**

Source: Workforce Data and Business Development Bureau, Iowa Workforce Development

Continued Expansion During the Post-Recession Period

This most recent year, however, is only part of the story of Iowa's continuing economic recovery following the recession of 2001. Officially, the recession began in March 2001 and ended the following November. However, for the State of Iowa, the downturn began somewhat earlier—in July of 2000—and nonfarm employment continued to plummet until June 2003. Interestingly enough, just a few months before the July 2000 turning point—at which Iowa's nonfarm employment totaled 1,481,400—orders for big-ticket durable goods manufacturing items had begun to decline across the U.S. A decrease of 6.4 percent was registered in April 2000—the largest since 1991—followed by an even steeper drop of 12.4 percent in July. By the time a third significant decrease of 5.5 percent nationally in durable goods orders occurred in October, Iowa's employment was well on its way toward a downward slide that would only accelerate during the next two and a half years.

Throughout the year, Iowa's Nonfarm employment stayed well above the pre-recession all-time high of 1,484,500 set in March 2000.

Most economists realize that in spite of our increasingly service-oriented society, the fortunes of the economy as a whole are still tied to a great extent to what happens in the manufacturing sector. An important article on this very subject appeared some years ago in Business Week online, entitled "Keep Your Eye on the Factory Floor." The article, written by Business Week's Kathleen Madigan, made the case for viewing manufacturing as a bellwether for the entire economy. This is certainly true for the State of Iowa, at least as it played out during the recession of 2001 and its aftermath.

Manufacturing lost 11,300 jobs between 2000 and 2001—almost ninety percent of the total nonfarm decline that year. But in 2002, that percentage had shrunk to seventy percent, even though the manufacturing drop was *numerically* greater than in 2001. In other words, as the manufacturing decline continued into its second full year, other sectors not so seriously affected in 2001 began to feel the pinch as well during 2002—exactly as outlined in the Business Week online article. By June 2003, the state had lost a total of 47,000 nonfarm jobs, of which more than 34,000 were in manufacturing.

The other Iowa sectors most affected by the recession were trade and transportation, information, and professional and business services. From July 2000 through June 2003, the three sectors lost a combined total of 22,900 jobs; this was partially offset, however, by gains in education and health services and financial activities—showing that at least a few industries in the state managed to prosper during a difficult time.

Economists generally view the recession of 2001 as mild compared to some recessions of the past. This is certainly true of Iowa's recent experience, especially as compared to the downturns affecting the state in the 1980's. Still, the fact that Iowa's nonfarm employment began to decline a full eight months before the official start of the recession in March 2001, and continued in free fall for

another two years after the recession ended, should be kept in mind when judging the long-term effects the slowdown had on the state.

Granted, the rate of job decline in Iowa was greatest during the *official* recessionary period of March through November 2001. Nearly 22,000 nonfarm jobs in Iowa disappeared during that eight-month period, an average monthly decline of more than 2,700. But the state had already lost 8,900 jobs between July 2000 and March 2001, and would go on to shed another 17,300 between November 2001 and June 2003. Thus, more than half of the total number of jobs lost in Iowa disappeared either before the recession had officially begun or after the current expansion was under way in the nation as a whole.

Will it Happen Again?

Since the turnaround of June 2003, Iowa's nonfarm sector has added 74,000 new jobs, mainly in professional and business services, manufacturing, education and health services, and construction. Manufacturing, our bellwether sector, has grown by 12,000 during this period—although it is still far below its pre-recession level of 253,000, set in July 2000. Other industries have done equally well or even better—for example, professional and business services, with a gain of 13,400. Yet there are clouds on the national economic horizon that definitely bear watching, because they could have a direct effect upon Iowa's economy. Once again, it is the manufacturing sector that is providing the concern nationwide. In particular, new orders for big-ticket durable goods items have begun to decline, much as they did during the summer and fall of 2000—the run-up to the recession of six years ago.

July and August saw back-to-back declines in new orders for durable goods items, excluding spending for defense hardware, for the first time in more than two years. September's promising increase of more than seven percent in this category was all but offset in October with a decline of more than six percent. A small gain of less than one percent in November was followed by an increase of 4.0 percent in December—raising hopes of a turnaround—but the year as a whole was only seven percent higher than 2005, which had seen a gain of 8.6 percent.

Most economists realize that in spite of our increasingly service-oriented society, the fortunes of the economy as a whole are still tied to a great extent to what happens in the Manufacturing sector.

On a related note, 2006 ended with mixed news on another economic front: estimated gross domestic product (GDP) for fourth quarter increased at an annual rate of just 2.2 percent, after an initial reading of a 3.5 percent gain based upon advanced reports. Second and third quarters had shown unremarkable growth at best, with gains of 2.6 percent and 2.0 percent, respectively, after a stellar increase of 5.6 in first quarter. Consequently, fourth quarter's news, initially welcomed by many economists as pointing to a turnaround, continued instead as just one more indication of a slowdown in the making.

As for Iowa, it is interesting to note that in July—at the very time when durable goods orders were down nationwide, and GDP growth was leveling off—Iowa saw its first decline in nonfarm employment in more than fourteen months—a drop of 3,900 jobs. Clearly, what was occurring nationwide was having an effect locally. August brought another, smaller decrease of 300; and then in September the jobs picture brightened with a gain of 3,100. October's one-month drop of 1,700—possibly a one-month statistical glitch—was immediately followed by gains of 2,800 and 3,100 in November and December, respectively. Thus the state's economy was actively mirroring, at least approximately, what was going on in the nation as a whole.

At this point it is difficult to predict whether the lackluster performance of the second, third and fourth quarters of 2006 is going to prevail in the new year, or whether the upturn evidenced in first quarter will be the direction in which the 2007 economy will follow. Much depends upon a number of unknowns: how will interest rates fare in the new year? What about consumer confidence and consumer spending? Will inflation heat up, or stay under control? These and other similar questions await answers in 2007.

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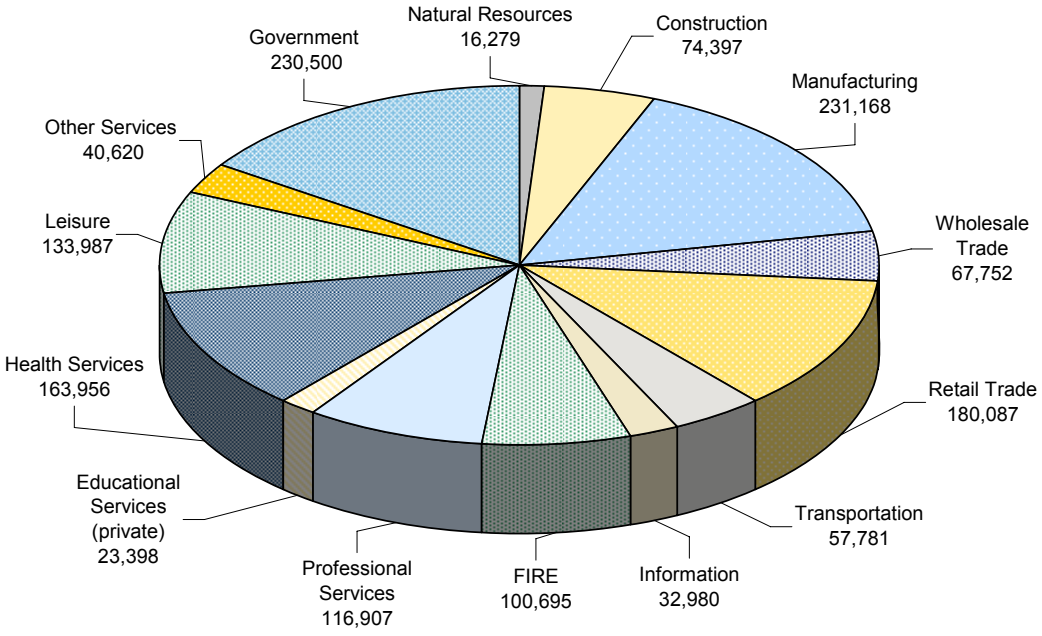
Profile of Iowa's Industries—A Decade of Changes

Iowa's Industry Distribution

Iowa has a very diverse industrial base and a dynamic economy that exceeds national statistics, offers abundant resources and a superior quality of life for it's' residents. Although manufacturing has been our prominent industry for decades, the landscape of our state's commerce is changing. Across the spectrum, more is being demanded of businesses and workers as the combined forces of technology, management innovations and global competition escalate the knowledge, skills and abilities required for job performance. An understanding of the dynamics of our economy is fundamental to making effective public policy developing sound economic investment strategies.

The distribution of Iowa's industries in 2006 includes jobs in all NAICS (North American Industry Classification System) codes. This chart displays the variety of our economy, with manufacturing as the top industry by employment, followed by government and retail trade. Government employment includes public education and health care services. In 2005, Iowa ranked 30th in the nation based on total covered employment (1,466,622), and placed 39th in average annual wage ($33,070).

Distribution of Iowa's Industries—2006



Source: Quarterly Census of Employment and Wages (QCEW), Workforce Data and Business Development Bureau, Iowa Workforce Development

Industries in Transition

Manufacturing has played a significant role in Iowa's economy for decades. In 1939, manufacturing jobs accounted for 30.4 percent of the employment in Iowa and paid the highest wages. By 1990, manufacturing

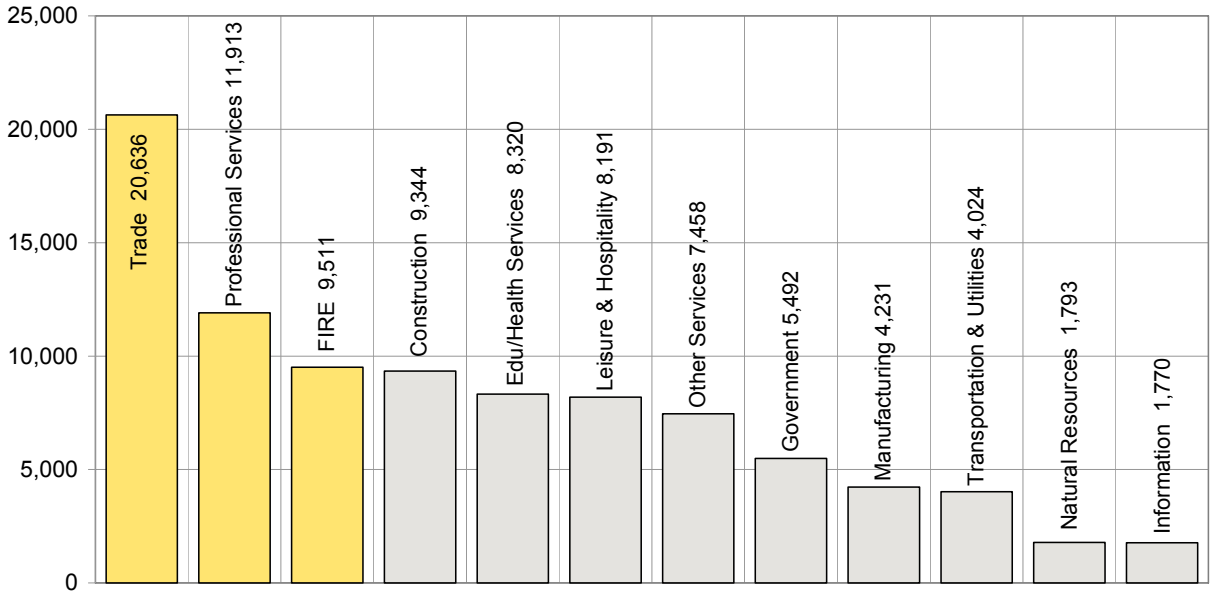
firms employed 19.9 percent of employment, although manufacturers continued to employ large numbers of Iowa's workers. Employment in this sector had been on a steady decline since 1998, due in part to advances in technology and movement of work domestically and internationally, however, in 2004 and 2005 the sector experienced an employment surge that has resulted in an increase of 4.1 percent. By comparison, since 2001, national manufacturing employment fell by 13.4 percent. Iowa ranked 5th in the nation by percentage of manufacturing employment (15.8%) to all jobs in 2005, yet placed 32nd by sector wage ($43,072). Preliminary figures for 2006 show that the industry, statewide, is holding its' own, even in the face of pending closures of manufacturing facilities around the state.

Manufacturing is Iowa's top industry, based on employment.

There are 21 different categories of manufacturing, according to the NAICS coding system. The largest sub sector in Iowa, by far, is food manufacturing (NAICS 311) accounting for 21.6 percent (49,853) of all manufacturing employment in 2006. This sector is followed by machinery manufacturing (NAICS 333), fabricated metal product manufacturing (NAICS 332), and transportation equipment manufacturing (NAICS 336) at 15.9, 9.2 and 8.5 percent respectively.

Although the manufacturing industry claims the most employees, the sector ranks near the bottom of total firms in the state. The following chart displays the number of establishments by industry for 2006. Due to the nature of manufacturing, firms in this sector are often described as plants, factories or mills, and tend to employ a large number of workers at a single location; whereas, industries like trade can operate their businesses with a range of employees from one or two to several hundred.

Establishments by Industry—2006



Note: FIRE represents Finance, Insurance, and Real Estate

Source: Firms by Industry, QCEW Program, Workforce Data and Business Development Bureau, Iowa Workforce Development

Manufacturing wages continued to be the highest in the state until 1998, when the finance sector wages began climbing higher. Average wage for all industries have increased annually, but the finance sector still reports the highest average annual wage at $50,454 for 2006, compared to $44,357 for manufacturing. The average increase in weekly wage for all industries since 1997 was 38.4 percent. The finance sector wages have increased by 55.0 percent since 1997.

All industry sectors, except retail trade and information, reported an increase in jobs for the year and the two sectors that declined each dropped by less than 1.0 percent. Total covered employment in Iowa in 2006

Finance is the state's highest-paying industry.

increased by 1.7 percent from 2005 to a total of 1,470,507. The largest percentage increase by sector for 2006 was reported in the construction industry. This sector had reported a 4.2 percent gain in jobs from 2005 to 2006 and a 23.2 percent increase since 1997. The construction industry has been on a steady rise since 1997, except for a small dip in 2001. During this period, there was a surge in home-building, new businesses (e.g., new malls) and new highway construction around the state, which accounted for the increase in employment. Wages in the construction industries jumped by 39.6 percent during the same time period.

During 2006, employment in the finance, insurance and real estate (FIRE) sector rose slightly (2.4%) to a total of 100,695. However, these industries have grown by 23.0 percent since 1997. Des Moines is widely recognized around the nation as one of the top hubs for the insurance industry. In 2006, Forbes.com ranked Des Moines as the 11th "Best Places for Business and Careers."

Over 52 percent of Iowa's firms employ less than five employees, yet account for only 5.8 percent of all workers.

The trade sector remained essentially unchanged during the period since 1997. Although the industry posted a 0.3 percent increase from 2005, this sector dropped by 1.1 percent during this time. The retail trade industry is the third largest private sector in Iowa for 2006 with 180,087 employees. However, this industry also reports one of the lowest average annual wages of $20,837. This is due to the fact that a large majority of these jobs are held by young workers (age 14-21), and are part-time. This reasoning also applies to the leisure and hospitality industries, which reports an average annual wage of $11,908 for 2006. Many of these workers are paid at or close to the minimum wage. Employment in the leisure and hospitality industries has remained fairly constant over the nine-year span, with employment increasing by 8.0 percent since 1997.

Firms by Employment Size

Over 52 percent of Iowa's firms employ less than five employees, yet account for only 5.8 percent of all workers. Firms with less than 50 workers represent 94.2 percent of all establishments in 2006. A common definition of a "large" firm is one with 500 or more employees. According to this definition, Iowa has 219 firms that provide employment for over 500 employees, which accounts for 17.2 percent of the workforce. The graph below demonstrates the distribution of employees and wages paid by the size of their firm for 2006.

Distribution of Employees and Wages by Size of Firm—2006

Number of Employees	Number of Establishments	Employment	Total Wages	Average Quarterly Wage
0 to 4	47,834	84,076	$ 657,625,285	$ 7,822
5 to 9	18,182	120,819	$ 793,280,913	$ 6,638
10 to 19	12,437	166,529	$ 1,181,996,319	$ 7,204
20 to 49	8,008	243,199	$ 1,819,163,619	$ 7,560
50 to 99	3,100	212,962	$ 1,625,578,711	$ 7,705
100 to 249	1,554	231,897	$ 1,925,444,449	$ 8,403
250 to 499	403	137,975	$ 1,348,977,771	$ 9,924
500 to 999	145	96,757	$ 1,069,926,995	$ 11,129
Over 1,000	74	152,070	$ 1,938,688,756	$ 12,818
Total	91,737	1,446,284	$ 12,360,682,818	$ 8,609

Size of firm based on employment as of March 2006

Source: Size of Firm, QCEW Program, Workforce Data and Business Development Bureau, Iowa Workforce Development

The distribution of firms and workers has changed slightly since March 2005. Firms with less than five employees accounted for 52.6 percent of establishments last year, while representing 52.1 percent in 2006. Total firms with less than 50 employees remained essentially the same from last year. There were 271 large firms in 2005, accounting for 22.6 percent of all workers. In 2006, the 219 firms shown account for 17.2 percent. The decrease is due to large firms reducing their staff slightly, which drops them into the next smaller size class. The 50 to 499 worker classes have increased by 100 firms since 2005.

Industry Employment Projections, 2004-2014

Understanding and analyzing the historical statistics of Iowa's workforce by industry will assist us in preparing for the future. Iowa Workforce Development produces Industry Projections for the state and regions every two years using a formula based on inputs from the Bureau of Labor Statistics' national long term projections and indicator data, employment information going back to 1980 and over 30 other leading economic indicators. The most current industry projections, from 2004 – 2014, are shown in the table below, which is sorted by total projected growth in 25 3-digit NAICS industry codes. Each percentage of growth is different, based on the current and projected employment by industry. This type of information is valuable to developers, city/region/ state planners, educators and others that are involved and interested in economic and succession planning. Projections are also available for occupational data.

Iowa Industry Projections, 2004-2014

Industry Description	NAICS Code	2004 Estimated Employment	2014 Projected Employment	Total Growth	Percent Change
Administrative and Support Services	561	58,020	75,375	17,355	29.9%
Educational Services	616	156,935	173,300	16,365	10.4%
Food Services and Drinking Places	722	91,710	106,650	14,940	16.3%
Ambulatory Health Care Services	621	43,765	56,625	12,860	29.4%
Nursing and Residential Care Facilities	623	50,640	62,730	12,090	23.9%
Self Employed and Unpaid Family Workers	671	137,275	148,970	11,695	8.5%
Professional, Scientific, and Technical Services	541	38,015	47,890	9,875	26.0%
Specialty Trade Contractors	238	42,480	50,765	8,285	19.5%
Insurance Carriers and Related Activities	524	39,950	47,965	8,015	20.1%
Hospitals	626	60,905	68,485	7,580	12.4%
Social Assistance	624	22,260	29,375	7,115	32.0%
Truck Transportation	484	28,305	34,920	6,615	23.4%
Amusement, Gambling, and Recreation Industries	713	16,785	22,870	6,085	36.3%
Credit Intermediation and Related Activities	522	38,585	44,360	5,775	15.0%
Local Government, Excluding Education and Hospitals	930	58,775	63,495	4,720	8.0%
Machinery Manufacturing	333	32,875	37,565	4,690	14.3%
General Merchandise Stores	452	34,640	38,730	4,090	11.8%
Motor Vehicle and Parts Dealers	441	22,090	26,145	4,055	18.4%
Wood Product Manufacturing	321	12,010	15,895	3,885	32.3%
Religious, Grantmaking, Civic, Professional Organizations	813	31,195	34,510	3,315	10.6%
Accommodation	721	14,935	18,085	3,150	21.1%
Food Manufacturing	311	49,040	52,175	3,135	6.4%
Building Material and Garden Equipment	444	16,645	19,715	3,070	18.4%
Food and Beverage Stores	445	34,845	37,880	3,035	8.7%
Internet Service Providers, Web Search	518	7,885	10,845	2,960	37.5%

All statistics in this table, except percentages, have been rounded to the nearest five.

Source: Industry Projections, Workforce Data and Business Development Bureau, Iowa Workforce Development

Iowa Workforce Development has long been committed to provide our customers with the most timely Labor Market Information possible for economic, demographic analyses by industry and geography for decision making purposes. Over the years, we have made changes in our products, services, and distribution methods to accommodate the changing needs of our consumers and the evolving methods of delivering the data. Please visit our Web site at **http://iwin.iowaworkforce.org**

Industry Clusters and Location Quotients 101

Concept of Industry Clusters

Industry clustering is an old idea that has become a major tool used to evaluate the "new economy." Simply stated, an industry cluster is a group of interrelated businesses in a relatively small area. Typically, these businesses would be in the same industry, purchase equipment and supplies from the same sellers, require similar services and infrastructure, share related technology, and/or be affected by the same changes in the global economy.

While the concept of a cluster is easily definable, the makeup of clusters is not. Two areas may have clusters with the same name such as: Pharmaceuticals, Food processing, Tourism or Business Services, but the industrial components of the cluster may vary greatly based on available resources, unique demands, infrastructure, regional bias, government regulations, and numerous other factors. For example, a food processing cluster in California may have fruits and vegetables as a main supply, ship on an ocean-going vessel and be required to meet the standard of another country. In comparison, a food producing cluster in Iowa might require supplies of grain and meat, and be shipped by river barge and meet USDA standards.

Simply stated, an industry cluster is a group of interrelated businesses in a relatively small area.

The flexibility of components creates confusion when attempting to compare clusters in different regions and states. These clusters are not directly comparable because a cluster definition in one state is almost always somewhat different from a cluster of the same name in another state. While any group of industries meeting the definition is a cluster, some of the most commonly identified clusters are:

Most Common Industry Clusters	
Aerospace Vehicles and Defense	Jewelry, Precious Metals and Collectibles
Agricultural Products	Lighting and Electrical Equipment
Apparel	Medical Devices
Automotive	Metal Manufacturing
Biotechnology	Motor Driven Products
Building Fixture Equipment and Services	Pharmaceuticals
Business Services	Plastics Chemical Production
Construction Materials	Power Generation
Education and Knowledge	Power Transmission
Financial Services	Prefabricated Enclosures
Furniture Production	Printing and Publishing
Heavy Machinery	Processed Foods
Hospitality and Tourism	Textiles
Information Technology	Transportation and Logistics

Source: Regional Industry Cluster Report 2005, Northwest Iowa Developers Coalition

Advantages of Identifying Industry Clusters

Understanding industry clustering provides economic advantages to both businesses and policy makers. Business concentrations ensure the employers maximum access to supplies and markets, trained and skilled workers, and the newest approaches and technologies. Within the area, educators will know the skills that will need to be taught, planners will know what infrastructure is critical, and developers will know where to focus their efforts. It is critical to successful economic development to know which industries can thrive in an area, and what an area can do to make itself more attractive to these businesses. An understanding of the clusters existing in their areas will make them aware of the types of training to emphasize, what infrastructure an area needs to include, and which businesses to recruit.

Understanding industry clustering provides economic advantages to both businesses and policy makers.

Efforts should normally be centered on businesses in industries that are part of a local cluster. Businesses in industries not included in a local cluster tend to be more difficult to attract and keep because they are isolated and have difficulty competing with businesses located in more favorable environments. An additional advantage that a knowledge of clusters provides is the ability to identify "holes" in the local cluster. A cluster can exist in an area without the presence of an intricate part. If the businesses in a cluster are dependent on suppliers located outside the area, pointing out the area's existing demand may make the area a more attractive business location.

Location Quotients

Once the value of understanding industry clusters is realized, the next step is to identify the clusters existing in your area. Location quotients are a tool widely used to identify the existence of industry clusters. Location quotients are a ratio of the employment in an industry within a smaller area compared to the ratio in a larger area, such as the whole state or the entire nation. The higher the location quotient, the more likely the industry is part of a cluster. For example if an industry contained 10 percent of an area's employment and nationally only 5 percent of the employment was in the industry, the location quotient for the industry in the area would be 2.0 (10/5). This would be an "exporter" industry because it is producing more than will be consumed locally. Conversely, if employment in an industry is 5 percent in the area, but is 10 percent nationally, the location quotient is .5 indicating the area is an "importer" consuming more than it produces. The final possibility is that the industry's employment percentage is equal to the nation percentage, making the location quotient equal to one. An industry with a location quotient of one is neither an exporter nor an importer; all production is consumed in the area with no surplus.

Determining the cluster existing in an area is done by first calculating the location quotient for every industry existing in the area, and arranging them in descending order. The next step involves analyzing the industries at the top of the list to see what clusters would contain many of them. Referring to the list of commonly defined clusters may help group the industries. Once a cluster is identified, the industries composing it are analyzed to see if all the components are present and in sufficient quantity. When the analysis is completed, an informed

plan for economic development can be implemented. One of the best examples of this is Iowa's biofuel industry. Almost anywhere in Iowa the agricultural cluster will have a location quotient much larger than 1.0, but fuel production will have a very small location quotient. Every cluster requires fuel, and this component is not produced locally in sufficient quantity to meet the demand. By converting the surplus grain into fuel, Iowa has been able to change its fuel production industry from an importer to an exporter. This change means Iowa's clusters will no longer be dependent on outside areas for this component.

Iowa's Key Clusters

Industry cluster areas can be as large as an entire state. By using all of the state as the area, policy makers can analyze the state economy and initiate statewide programs. In 2005, Former Governor Vilsack and the Legislature began new initiatives to grow Iowa's economy. The Iowa Department of Economic Development (IDED), was charged with implementing many of these initiatives. IDED engaged Battelle Technology Partnership Practice to help them gain a better understanding of what was needed to grow Iowa's existing employers, and bring new businesses to Iowa. Battelle conducted a detailed assessment of Iowa's entrepreneurial support and infrastructure. Battelle's report, published in June 2006, provided an in-depth view of Iowa's economy. Included in the report were Battelle's recommendations on the clusters that should be the focus of Iowa's economic development resources. These key clusters had been experiencing little or no growth. The three clusters identified were bioscience, information technology and advanced manufacturing. Developing these three clusters is now at the forefront of the state's plans to grow Iowa. Battelle's definition of these clusters in terms of North American Industrial Classifications codes and titles can be found at: **http://www.iowaworkforce.org/trends/industrycluster/index.html**

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Renewable Fuels

Ethanol. Biodiesel. We all hear these terms on a daily basis. But what do they mean when it comes to Iowa's economy? Many people think of the agricultural sector when they hear about ethanol or biodiesel production. The facilities that produce these two products are actually in the manufacturing sector. However, they do add substantial value to agricultural commodities produced in the state. Let's take a look at the impact they have on Iowa's economy.

Ethanol

Iowa is the number one producer of ethanol in the United States, accounting for 32 percent of U.S. ethanol production capacity. In addition to being the leader in ethanol production, Iowa has the most ethanol plants. At the end of 2006, there were 26 operating ethanol plants, with the capacity to produce 1.7 billion gallons. This is enough capacity to replace the entire 1.6 billion gallons of gasoline sold in Iowa each year. Five of these plants are expanding, and 15 new ethanol plants are under construction. Over the next 18 months, the expansion and new construction will nearly double Iowa's ethanol production capacity to approximately 3.3 billion gallons annually. Based on an average employment of 40 workers per plant, over 1,000 jobs have been created in Iowa in the production of ethanol.

The Iowa Renewable Fuels Association (IRFA) announced that Iowa ethanol refineries produced a record 1.5 billion gallons in 2006. This represented a 36% increase over the 1.1 billion gallons of ethanol produced in Iowa in 2005. Over 550 million bushels of corn, or about 25% of Iowa's 2.16 billion bushel 2005 corn harvest, were used to produce the 2006 record output.

Over the next 18 months, expansion and new construction will nearly double Iowa's ethanol production capacity to approximately 3.3 billion gallons annually.

According to Monte Shaw, IRFA Executive Director, "Iowa's leading role in ethanol is not likely to end either. IRFA estimates that a dozen new projects could begin in 2007 adding yet another 1.4 billion gallons of capacity. The growth rate is truly phenomenal. But what's most important is the tremendous boost ethanol production is giving to Iowa's economy."

In February 2007, economist John Urbanchuk, a director with LECG LLC, presented to the Iowa Renewable Fuels Summit the results of a report entitled "The Contribution of the Biofuels Industry to the Economy of Iowa." According to the report, "the ethanol industry provides a significant contribution to the Iowa economy, spending $2.8 billion on raw materials, other inputs, goods and services to produce 1.7 billion gallons of ethanol. An additional $140 million was spent to transport ethanol from the plant to the terminal where it is blended with gasoline. The largest share of this spending is for corn and other grains used as the raw material to make ethanol. The Iowa ethanol industry currently uses about 640 million bushels of corn. At current prices this amounts to nearly $2 billion of revenue to Iowa corn farmers." The calculations were based on 1.7 billion gallons of ethanol production capacity.

Nearly half of Iowa's ethanol plants are farmer-owned Limited Liability Corporations (LLC's). Locally owned LLC's return 40 percent more to the local economy than corporate owned plants. This is another way for Iowa's farmers to receive more of the value being added to their commodity.

In addition, the ethanol industry must purchase outputs from other industries, mostly in Iowa. These outputs include utilities (electricity, natural gas, and water), labor, industrial chemicals, and services such as insurance and maintenance. Additionally, ethanol plant construction results in spending for a wide range of goods and services.

According to the LECG LLC report, the ethanol industry adds $7.3 billion to Iowa's Gross Domestic Product (GDP). They also estimate that the gross output generated by this industry has supported the creation of 47,000 jobs across all sectors of the Iowa economy. The report further states the ethanol industry is annually adding $1.7 billion in earnings to the Iowa economy, and is generating an additional $350 million in tax revenue for the state.

Table 1: Contribution of the Ethanol Industry to Iowa

Industry	Annualized Spending (Mil $)	Iowa Output (Mil $)	Iowa GDP Contribution (Mil $)	Earnings (Mil $)	Employment (Jobs)
Construction	**$970.2**	**$3,104.4**	**$1,707.4**	**$657.8**	**19,733**
Ongoing Operations					
Farm Products/Agriculture	$1,909.6	$3,628.7	$1,995.8	$582.6	18,398
Industrial chemicals	$104.3	$194.6	$107.0	$33.0	803
Petroleum refineries	$84.4	$117.3	$64.5	$15.5	351
Electric, nat gas, water	$452.4	$677.7	$372.7	$121.0	2,591
Maintenance and repair	$44.3	$79.3	$43.6	$29.3	905
Business Services	$76.7	$143.7	$79.1	$52.6	1,523
Rail, truck, barge transp.	$139.8	$250.9	$138.0	$59.7	1,442
Earnings paid to households	$93.8	$119.2	$65.6	$32.7	1,192
Subtotal	**$2,905.4**	**$5,211.5**	**$2,866.3**	**$926.4**	**27,205**
Plus Value of Industry Output					
Ethanol		$4,566.0	$2,511.3	$93.8	
DDG		$289.8	$159.4		
Carbon dioxide		$3.5	$1.9		

Source: "The Contribution of the Biofuels Industry to the Economy of Iowa", LECG LLC, February 2007

As Table 1 shows, in addition to ethanol Iowa's plants also produce valuable co-products. The dry mill process produces dried distiller grains and CO_2. Co-products of the wet mill plants are corn oil, corn gluten feed, corn gluten meal, and CO_2. In ongoing operations, over 8,800 nonfarm jobs are estimated to have been created due to the ethanol industry in Iowa. In addition, it is estimated that more than 19,700 jobs were created in the construction industry.

The LECG LLC report estimates that the gross output generated by the biodiesel industry has supported nearly 6,100 jobs being created across all sectors of the Iowa economy.

Biodiesel

While the biodiesel industry in the state is not as developed as the ethanol industry, Iowa is also the leading producer of biodiesel in the United States. The state accounts for 25 to 30 percent of U.S.

biodiesel production. By the end of 2006, Iowa was home to eight operating biodiesel refineries capable of producing nearly 115 million gallons annually. One of the current refineries is expanding, and six new biodiesel refineries are under construction. This new production will increase annual capacity by over 200 million gallons. Based on average employment of 30 workers per plant, about 250 jobs have been created in Iowa in the production of biodiesel.

The Iowa Renewable Fuels Association (IRFA) announced that Iowa biodiesel refineries produced a record 60 million gallons in 2006. This represented a 140% increase over the 25 million gallons of biodiesel produced in Iowa in 2005. Over 40 million bushels of soybeans were used to produce the 2006 record output.

According to the LECG LLC report, "The biodiesel industry spends $291 million on raw materials, other inputs, goods and services to produce 118 million gallons of biodiesel. An additional $10 million is spent to transport biodiesel from the plant to the terminal where it is blended with diesel fuel, bringing total industry spending to $302 million."

As with the ethanol industry, biodiesel plant construction results in spending for a wide range of goods and services. Practically all of the raw material for biodiesel production is obtained locally. Utilities (electricity, natural gas, and water), labor, industrial chemicals, and services such as insurance and maintenance account for the remainder of the spending by the biodiesel industry. These goods and services are also the output of other industries.

According to the LECG LLC report, the biodiesel industry adds over $850 million to Iowa's Gross Domestic Product (GDP). They also estimate that the gross output generated by this industry has supported nearly 6,100 jobs being created across all sectors of the Iowa economy. The report further states the biodiesel industry is annually adding $104 million in earnings to Iowa consumers and is generating an additional $36.5 million in tax revenue for the state. The table below details these impacts.

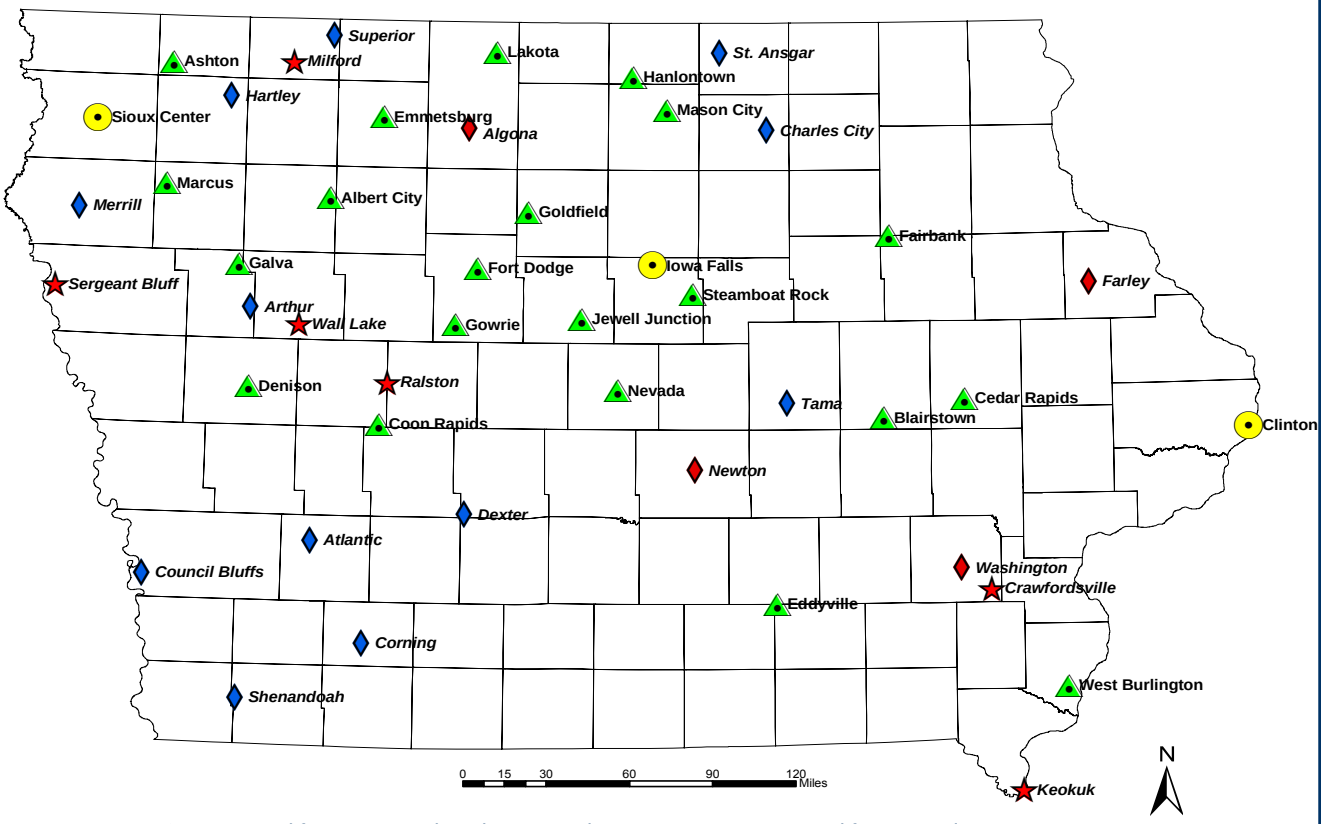
Table 2: Contribution of the Biodiesel Industry to Iowa

Industry	Annualized Spending (Mil $)	Gross Output (Mil $)	Iowa GDP Contribution (Mil $)	Earnings (Mil $)	Employment (Jobs)
Construction	**$131.2**	**$419.7**	**$230.9**	**$88.9**	**2,668.0**
Ongoing Production					
Soybean processing	$242.0	$696.8	$383.2	$1.3	2,918.0
Industrial chemicals	$7.1	$13.2	$7.3	$0.6	54.6
Petroleum refineries	$26.4	$36.7	$20.2	$0.3	109.8
Electric, nat gas, water	$7.6	$11.4	$6.3	$1.7	44.4
Maintenance	$3.0	$5.3	$2.9	$1.2	60.2
Business Services	$5.3	$9.9	$5.5	$1.3	105.4
Rail, truck, barge transp.	$9.4	$16.9	$9.3	$2.4	97.2
Subtotal	**$300.8**	**$790.3**	**$434.6**	**$8.7**	**3,390.0**
Value of Industry Output					
Biodiesel		$337.6	$185.7	$6.0	
Glycerin		$2.3	$1.2		

Source: "The Contribution of the Biofuels Industry to the Economy of Iowa", LECG LLC, February 2007

As Table 2 shows, the co-product produced by Iowa's biodiesel plants is glycerin. Over 3,300 ongoing jobs are estimated to have been created due to the biodiesel industry in Iowa. In addition, it is estimated that almost 2,700 jobs were created in the construction industry.

Biofuel Plants in Iowa



Source: Workforce Data and Business Development Bureau, Iowa Workforce Development

The map above shows the locations of the ethanol and biodiesel plants in the state of Iowa that were either currently in production or under construction as of April 5, 2007. In addition to what is shown on the map, a biodiesel facility is currently being constructed in Mason City.

BIOFUEL PLANTS IN IOWA

- Operating Ethanol Plants
- Operating Biodiesel Plants
- Operating Both Ethanol & Biodiesel Plants
- Ethanol Plants Under Construction
- Biodiesel Plants Under Construction

Summary

According to the LECG LLC study, and based on annual output of 1.7 billion gallons of ethanol and 115 million gallons of biodiesel, the biofuels industry "adds $8.2 billion, or about 6.8 percent, to Iowa's GDP; generates $1.8 billion of household income for Iowa households; supports the creation of more than 53,000 jobs through the entire Iowa economy; and generates nearly $390 million in state tax revenue."

Sources:

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The Iowa Job Outlook, 2004-2014

Labor Market Trends

Occupations gain or lose jobs because of different, often conflicting forces. A single innovation, a change in business practices, or shift in consumer preferences can create demand in some occupations, while slowing it in others. Over the past two decades, a number of factors have converged to dramatically transform the labor market. The most significant of these has been increased globalization, the shift in dominance from the goods-producing sector to the service-producing sector, higher skill requirements for many jobs, and demographic changes. Let's take a look at these trends from an Iowa perspective:

- Iowa has followed the lead of other states, and is offshoring a number of white-collar jobs to countries where costs and wages are lower. While service jobs of all kinds are moving overseas, the majority of job losses continue to be in back office support, customer service and business support such as accounting, finance and information technology.

- Although some employment has shifted away from the state's goods-producing sector since 1980, the state's construction and manufacturing industries remain relatively strong. The service-providing industries account for close to 80 percent of Iowa's nonfarm employment today compared to 73.2 percent in 1980. Foreign competition, coupled with substantial increases in productivity due to advances in technology, have been responsible for most of the job losses in manufacturing.

- Post-secondary education and training has become an essential requirement for an increasing percentage of jobs. In Iowa, 54 percent of all occupations require post-secondary education or higher. Most of the jobs included on the list of "fast-growing" jobs in the state require some sort of education beyond high school, and many of these jobs require a strong foundation in mathematics and science.

Employment Projections by Major Occupational Group

Occupational Group	2004 Estimated Employment	2014 Projected Employment	Change Number	Change Percent	Total Annual Openings
Total, All Occupations	1,693,400	1,901,900	208,500	12.3	61,500
Management, Business and Financial	229,000	244,500	15,500	6.8	5,400
Professional and Related	290,100	334,200	44,100	15.2	10,200
Service	300,800	355,000	54,200	18.0	14,300
Sales and Related	165,300	185,400	20,100	12.1	7,400
Office and Administrative Support	247,100	270,700	23,600	9.6	8,500
Farming, Fishing, and Forestry	12,100	12,200	100	0.7	400
Construction and Extraction	82,900	94,000	11,100	13.4	2,700
Installation, Maintenance, and Repair	62,400	70,300	7,900	12.6	2,200
Production	172,800	186,500	13,600	7.9	5,800

Source: Workforce Data and Business Development Bureau, Iowa Workforce Development

- The percentage of the state's older residents has been increasing, with the greatest jump occurring between 1980 and 1990. The median age of Iowa's residents increased from 30.0 in 1980 to 36.6 in 2000. In addition, the state's population has become more diverse. The 2000 census showed that the state experienced a large influx of Hispanics during the 1990's which amounted to an increase of 49,826 or 152.6 percent from the 1990 count. Their proportion of the population increased from 1.2 percent in 1990 to 2.8 percent in 2000.

These dramatic changes in the economy make careful career planning more essential than ever before. That's where the 2004-2014 occupational employment projections can help. The projections can point job seekers and students in the right direction by showing them which occupations offer the best prospects for employment. Educators also benefit from the information since it can be used as a basis for curriculum development.

Methodology

The industry and occupational employment projections are generated for Iowa and 15 regions within the state every two years for a ten-year period. For the current set of projections, the forecast cycle begins with the base year of 2004, and ends with the target year of 2014. Unfortunately, the prolonged "jobless recovery" that occurred in the state after the 2001 recession affected the base year employment for certain industries. This was true for manufacturing, an industry that is particularly sensitive to the business cycle.

The process of developing occupational employment projections begins with a reliable set of industry projections. The industry projections are prepared using software developed by the Projections Managing Partnership, a consortium of state agencies. The software enables projections staff to apply generally accepted techniques such as shift-share, time-series analysis, and regression models that incorporate national and state-specific variables. The variables generally include measures such as the unemployment rate, gross state product (GSP), labor force, personal income, and population.

The occupational projections estimate the changes in occupational employment over time resulting from industry growth, technological change, and other factors. Occupational employment estimates are based on survey data collected through the Occupational Employment Statistics (OES) program. Employers responding to the OES Survey report how many individuals they employ in each occupation, which is then used to generate an occupational staffing pattern for each industry. The occupational staffing patterns are then applied to industry totals. At the statewide level, the job outlook for the 2004-2014 period is published for 531 occupations.

Fast-Growing Occupations, 2004-2014

Occupation	Annual Growth Rate (%)
Computer Software Engineers, Applications	4.8
Computer Software Engineers, Systems Software	4.7
Home Health Aides	4.6
Gaming Change Persons and Booth Cashiers	4.3
Network Systems and Data Communications Analysts	4.0
Gaming Dealers	3.7
Gaming Cage Workers	3.6
Slot Key Persons	3.4
Physicians Assistants	3.4
Amusement and Recreation Attendants	3.4

Source: Workforce Data and Business Development Bureau, Iowa Workforce Development

Declining Occupations, 2004-2014

Occupation	Annual Growth Rate (%)
Meter Readers, Utilities	-4.6
Mail Clerks and Mail Machine Operators, Except Postal	-2.9
Order Clerks	-2.4
Computer Operators	-2.0
Weighers, Measurers, Checkers, and Samplers, Recordkeeping	-1.9
Office Machine Operators, Except Computer	-1.7
Extruding and Drawing Machine Setters, Operators, Tenders, Metal and Plastic	-1.5
Tire Builders	-1.4
Sewing Machine Operators	-1.3

Source: Workforce Data and Business Development Bureau, Iowa Workforce Development

Industry Outlook

The Iowa economy is projected to add more than 216,000 new jobs by 2014, which translates into a growth rate of 13.6 percent for the period. Of the total new jobs, 181,800 or close to 84 percent will be in the service-providing industries. Educational and health services will add the most jobs of any industry at 56,000; followed by professional and business services at 30,200. Professional and business services will also be the fastest-growing industry, increasing by 28 percent over the period.

While manufacturing employment is on a downward trend in many states, the industry is expected to continue growing in Iowa, but at a slower rate than most industries. Manufacturing has been projected to increase by 14,000 by 2014. Compared to other states, Iowa ranks high in terms of manufacturing output and the proportion the industry comprises out of total nonfarm employment. The outlook for construction is also favorable, with the projection showing growth of 9,000 for the period. In 2006, the state's construction industry reached record employment of 74,700.

Occupational Outlook

Total openings provided for each occupation represent openings due to growth and openings due to replacement needs. Openings due to growth result from new businesses or business expansions, while replacement needs occur when workers leave the labor force to retire or for some other reason. Job openings resulting from replacement needs are very important since, in most occupations, they exceed job openings resulting from employment growth. In Iowa, replacement needs account for roughly two-thirds of total job openings, although the percentage varies by occupation.

The state's two largest major occupational groups—professional and related occupations and service occupations—will increase the fastest and add the most jobs in Iowa from 2004 to 2014. The two categories combined will add close to 100,000 jobs over the period. Within the professional category, the largest number of annual openings will occur in the business and financial occupations, computer and mathematical occupations, education occupations, and healthcare practitioner and technical occupations. Within the service-related category, food preparation and serving occupations will account for about one-half of the projected total annual openings.

Several computer-related occupations appear on the list of fastest-growing occupations despite the threat of offshore outsourcing. However, the statewide outlook for these occupations remains favorable with projected annual openings reported at 1,190. Although some jobs will continue to move overseas by 2014, the state is expected to have a sizable number of information technology (IT) professionals. Iowa companies will keep IT work here that requires close contact with the business; such as strategy development, business process improvement and the actual application of information technology to the business. The list of fastest-growing occupations also includes several occupations used by the state's gaming industry; such as change persons and booth cashiers, gaming dealers, gaming cage workers, and slot key persons.

The 2004-2014 occupational employment projections show which occupations offer the best prospects for employment.

Retail salespersons and cashiers top the list of occupations adding the most jobs over the projections period. Each of these occupations is expected to have

over 2,000 job openings annually. Also included in the top ten are waiters/ waitresses, food preparation and serving workers, heavy and tractor-trailer truck drivers, team assemblers, registered nurses, freight and stock laborers and material movers, and janitors and cleaners. The occupations that appear on this list are typical of the types of occupations that exist in large numbers in any state, and that generate large numbers of annual openings.

While some occupations are growing by leaps and bounds, others are shrinking just as quickly. Many of the jobs included on the list of declining occupations have become obsolete, or exist in smaller numbers, because of new technologies. For example, the occupation of meter reader for utilities heads the list of declining occupations. This occupation has gone by the wayside because of automatic meter reading technology. Another example is the occupation of computer operator. Due to advanced technology, each operator can monitor more computers and a greater range of computer processes. Therefore, fewer operators are needed.

Occupations with the Most Jobs, 2004-2014

Occupation	Total Annual Openings
Retail Salespersons	2,555
Cashiers	2,155
Waiters/Waitresses	1,830
Combined Food Preparation and Serving Workers,	
Including Fast Food	1,555
Truck Drivers, Heavy and Tractor-Trailer	1,430
Team Assemblers	1,325
Registered Nurses	1,185
Office Clerks, General	1,120
Laborers and Freight, Stock, and Material Movers, Hand	1,115
Janitors and Cleaners, Except Maids and Housekeeping	
Cleaners	1,035
Customer Service Representatives	920
Food Preparation Workers	865
Child Care Workers	750
Stock Clerks and Order Fillers	745
Bookkeeping, Accounting, and Auditing Clerks	705
Nursing Aides, Orderlies, and Attendants	700
First-Line Supervisors/Managers of Retail Sales Workers	595
Sales Representatives, Wholesale and Manufacturing,	
Except Technical and Scientific Products	590
Elementary School Teachers, Except Special Education	580
Teacher Assistants	580

Source: Workforce Data and Business Development Bureau, Iowa Workforce Development

Implications

Despite continuing advances in technology and job losses caused by foreign competition, Iowans will have plenty of work in the future. However, preparing for the workplace of 2014 and beyond will require more than simply knowing what to expect. Individuals will have to act on that knowledge by obtaining the education and skills that are necessary to perform the jobs of the future. Most of the jobs that are currently part of Iowa's economy will still exist, but they will have new aspects and require expanded skills.

Most of Iowa's jobs will continue to exist, but they will have new aspects and require expanded skills.

Excellence in Teaching…

A Partnership Between Business and Education

The Excellence in Teaching Institute is providing another opportunity for kindergarten through 12th grade teachers from the Bettendorf and Pleasant Valley School Districts to make connections with local businesses. This is the fourth consecutive year for the event. The class has become so popular that this year's class, running from June 18 through the 22, filled up before the end of March, and a waiting list had to be started. School administrators also requested that a shorter version be developed for them. Workshops on the planning and development of the class have been given at state and national conferences such as the Careers Conference in Madison, Wisconsin, and the Heartland Conference in St. Louis, Missouri.

Iowa Workforce Development's Labor Market Information (LMI) Project teamed up with the Business Education Partnership of the Bettendorf and LeClaire Chambers of Commerce, St. Ambrose University, Eastern Iowa Community College District and the Quad Cities Graduate Study Center to develop and provide the class. Participants receive three graduate credits from St. Ambrose University. It is more than a series of company tours. Many of the area's largest employers serve on discussion panels and provide activities on-site to demonstrate the skills necessary for today's job market and how those skills are used on the job.

During the class teachers are treated to an overview of current workforce trends and what those trends will mean to their students by Iowa Workforce Development's LMI Project. The Project also provides resources and sample activities to take back and use in the classroom.

An employer panel with representatives from manufacturing, Alcoa; government, the Rock Island Arsenal**;** retail trade, Hy-Vee; protective services, the Bettendorf Police Department**;** and healthcare, the Mississippi Valley Regional Blood Center**,** helps to expand awareness of hiring practices and employer expectations. They explore workplace competencies and how skills being taught impact job success. The teachers also develop a network of business contacts and identify ways to promote student/business interaction.

At the Quad City Times, communication skills and creativity are featured. The teachers are given an editorial test. They are also broken into groups and asked to identify a target audience and brainstorm for ideas for news stories and sources to use.

After watching a live news program at KWQC-TV**,** the teachers use communication and team work skills to write and perform a public service announcement about education and business that is subsequently aired for several weeks on the television station.

At John Deere, the teachers are able to see how manufacturing has changed and is now using advanced technologies. They also see how important team work skills are in manufacturing, and they are given the Work Keys Team Work test. Then they are asked to participate in a variety of activities which can be taken back and used in the classroom to build team work skills. The Iowa State Extension Services provides the activities.

Area employers provide on-site activities to demonstrate the skills necessary for today's job market, and how those skills are used on the job.

One day is devoted to growth in the healthcare industry. Participants go to Genesis and Trinity Hospitals as well as the Mississippi Valley Regional Blood Center to learn about the many and varied opportunities in the field of healthcare. One exercise that has been very enlightening is about managed care and negotiating for services. Activities to build health and wellness awareness are also popular.

Another day is spent looking to the future. The teachers are treated to a tour where they learn about the past, present and future of the community. They go to the Rock Island Arsenal where they see how the jobs have changed from a majority of manufacturing jobs to mostly white collar jobs. They also go to Linguisystems to learn about entrepreneurship and the ups and the downs of starting and sustaining a business.

Overall, the class provides a positive experience to everyone involved from the teachers to the businesses. Ann Gaspelin of Pleasant Valley took part in last year's class. She said, "It made me think about how we are not only helping our students gain knowledge but also life skills to make them successful in life. If I could take the class again and visit other QCA businesses, I definitely would."

Iowa Fringe Benefit Profile

Iowa Workforce Development, its Board of Directors, and the Employers' Council of Iowa worked in partnership with utility organizations, local economic development groups, and business organizations to obtain information on fringe benefit packages offered by Iowa businesses. A random sample was selected for the survey that included employers across all industry sectors and employment ranges. The information gathered from the survey provides a detailed analysis of employer-provided benefits. Consequently, this information will assist businesses, community leaders, and workers to make better informed decisions on expansion and retention initiatives, community development projects, and job offerings.

The information is disseminated in aggregate form so as to not identify any particular employer, and is provided in a format that can be easily understood by businesses, government entities, and various organizations.

The findings from the 2005/2006 Iowa Fringe Benefit Profile are shown for three different employer characteristics--employment status, employment size, and industry. Regional analysis is available upon request from regions that are self-defined by their own criteria. For the purposes of this survey, a region must be no smaller than three contiguous counties.

Percentages shown represent the percentage of employers offering the benefit, not the percentage of employees offered or enrolled, unless otherwise noted (See Table 1).

Interpretation of Survey Results

- Most employers offer some type of fringe benefit package in addition to wage compensation.
- Full-time employees are more likely to be offered benefits than part-time employees.
- Larger employers are more likely to offer a greater selection of fringe benefits than smaller employers.
- Concierge service appears to be an up-and-coming benefit offering (it can include, but is not limited to, dry cleaning, movie rental, grocery shopping service, etc.) This benefit can be considered low cost or no cost to the employer, which lends to its attractiveness and provides the "I care" feeling to employees from employers.
- Benefits offered vary based on industry. A greater percentage of employers that fall in the financial services industry tend to offer a wider variety of fringe benefits to employees.
- Benefits offered vary based on employment size.

This is the first extensive survey for Iowa in many years; the last known collection of fringe benefit data was in 1996. Because of the survey instruments, methodology and length of time between surveys, it is not possible to provide any comparisons.

Over two-fifths (41.5 percent) of the employers located in the State of Iowa who were randomly selected to participate in the survey provided input on fringe benefits being offered. Survey results show that 80.4 percent of businesses offer a fringe benefit package in addition to wage compensation. Of those, a small percent (9.2 percent) of the benefit packages are union negotiated. Results are provided for four benefit category offerings—medical insurance, paid leave, retirement, and additional benefit offerings.

Survey information will assist businesses, community leaders, and workers to make better informed decisions on expansion and retention initiatives, community development projects, and job offerings.

Medical Insurance

The 2005/2006 Iowa Fringe Benefit survey asked companies if medical insurance was offered to employees. As the tables point out, there is a difference between business size and industry. Some of the difference is a result of the number of part-time and temporary/seasonal employees businesses employ. Overall, 71.1% offer health/medical insurance in their total compensation packages.

Employers in Iowa are more likely to offer medical insurance to full-time versus part-time employees. The following tables show the percentage of employers that offer medical insurance based on employment status, business size and industry sector.

Table 1: Medical Insurance by Business Size

Employment Range	% Offering Medical Insurance
1 to 24	59.1
25 to 49	83.7
50 to 99	88.5
100 to 249	98.2
250 to 499	99.0
500 +	100.0

Source, Iowa Fringe Benefit Profile, Statewide 2005/2006

Table 2: Medical Insurance by Industry

Industry	% Offering Medical Insurance
Administrative Services	56.3
Agriculture	60.2
Construction	70.2
Education	91.5
Finance/Insurance	92.1
Food Service/Entertainment	22.7
Government	88.3
Healthcare	66.4
Information Technology	85.0
Management/Professional Services	74.1
Manufacturing	87.4
Personal Services	57.0
Real Estate	70.2
Utilities	97.4
Warehouse/Transportation	72.7
Wholesale/Retail Trade	73.2

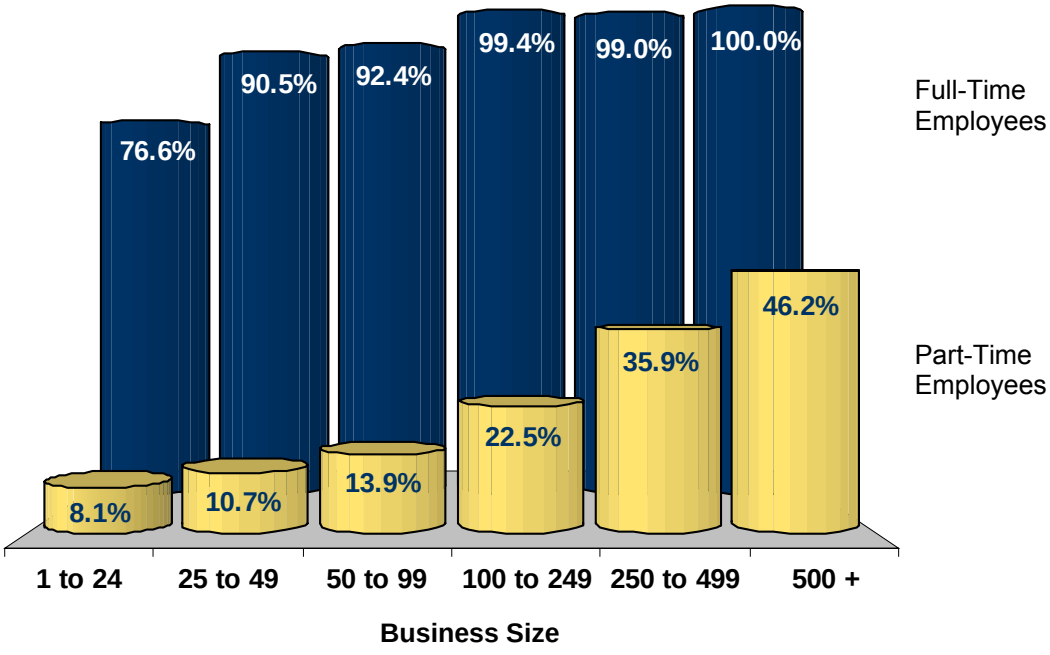
Source, Iowa Fringe Benefit Profile, Statewide 2005/2006

Table 3: Medical Insurance by Employment Status

Industry	% Full-Time	% Part-Time
Health Care/Social Assistance	73.8	24.3
Manufacturing	92.8	6.4
Wholesale/Retail Trade	87.0	6.2
Education	95.2	35.2
Finance/Insurance	94.4	29.1
Information Technology	91.3	11.9
Management/Professional Services	77.7	11.6
Administrative Services/Waste Mgmt.	73.3	4.5
Government	94.9	13.9
Agriculture	80.0	11.5
Warehouse/Transportation	85.9	4.0
Construction	83.9	5.0
Personal Services	75.9	13.0
Food Service/Entertainment	50.4	5.2
Utilities	98.6	18.8
Real Estate	81.6	6.1

Source, Iowa Fringe Benefit Profile, Statewide 2005/2006

Figure 1: Medical Insurance by Employment Status and Business Size



Source, Iowa Fringe Benefit Profile, Statewide 2005/2006

In Iowa, 75.1 percent of employers offer paid vacation leave in their compensation packages.

- 90.8 percent employed full-time receive paid vacation leave.
- 22.7 percent employed part-time receive paid vacation leave.

Number of days earned varies by length of service and employment status:

Table 4: Average Number of Vacation Days Earned

Years of Employment	Average FT # Days Provided	Average PT # Days Provided
1 Year	7	6
5 Years	12	9
10 Years	15	11

Source, Iowa Fringe Benefit Profile, Statewide 2005/2006

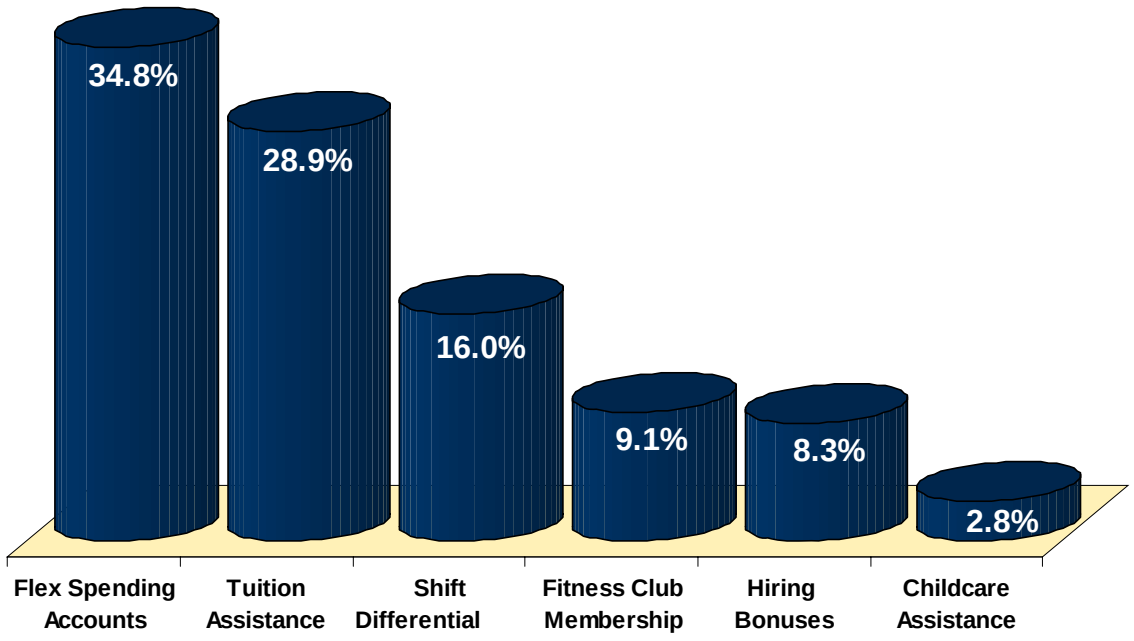
Retirement Offerings

In Iowa, 63.7 percent of employers offer a retirement/pension plan in their compensation packages. On average employees must wait 4 years to be 100 percent vested in the program.

Additional Benefit Offerings

The following chart shows the percentage of Iowa businesses offering "non-traditional" benefits:

Figure 2: Iowa Businesses Offering "Non-traditional" Benefits



Source, Iowa Fringe Benefit Profile, Statewide 2005/2006

Laborshed Studies

Laborshed studies have proven to be a unique and effective tool for Iowa communities working to expand their existing businesses, attract prospective employers into the state, and maintain/recruit a high-quality workforce.

In early 1998, the Institute for Decision Making (IDM) at the University of Northern Iowa completed the first pilot Laborshed study in Iowa. The Laborshed approach and methodology was developed to meet the specific needs of economic development groups trying to understand and detail the unique characteristics of their area's labor force. The Laborshed process soon gained national attention for its innovative approach and studies began to be conducted across the state. In July 2001, Iowa Workforce Development (IWD) assumed all responsibility for conducting Laborshed studies in Iowa and has since worked with IDM to continually improve the Laborshed methodology and survey instrument. IWD strives to provide Iowa communities with innovative and informative labor data.

The availability of labor is among the most critical location factors for a business. Communities with the ability to document and illustrate that area residents are willing to accept new or different employment opportunities, as well as identifying their current and desired wage levels, benefits, work experience, and level of education have a distinct competitive advantage over those relying on anecdotal information, unemployment rates or outdated data/information.

The availability of labor is among the most critical location factors for a business.

When a prospective company is looking for a suitable location, the Laborshed Study is one of the most powerful tools available. It answers questions such as the estimated number of people that have experience in occupations specifically related to the industry, the number of miles that people are willing to travel for employment opportunities, advertising mediums which people in the industry use to find employment, and the percentage of unemployed in the industry which will differ from the "unemployment rate" published.

When a prospective company is looking for a suitable location, the Laborshed Study is one of the most powerful tools available.

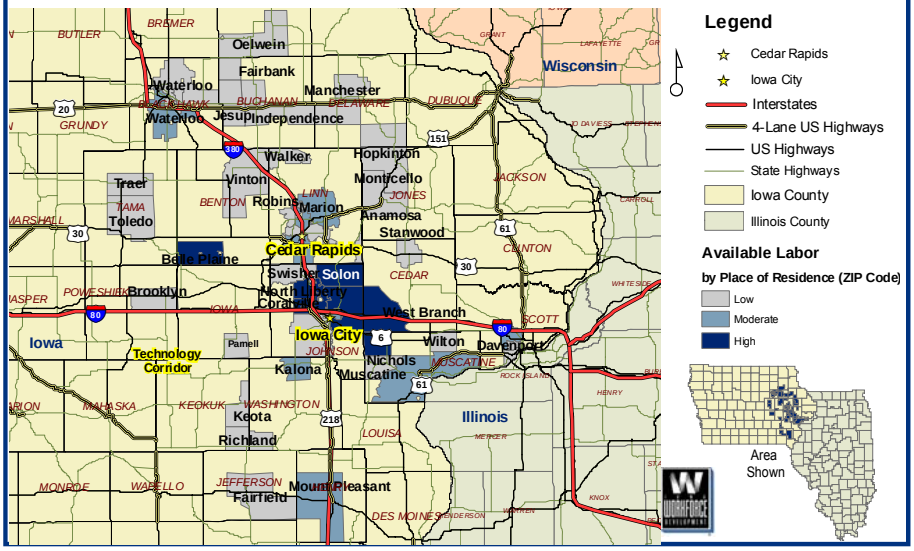
For example, the Iowa City/Cedar Rapids Technology Corridor and Lee County Economic Development used Laborshed data to retain existing businesses, aid with local workforce issues, and recruit new businesses.

GEICO, an existing business in Coralville, was considering relocating their current operations outside the Iowa City area. The Laborshed information helped them make the decision to remain in the area. Coles Quality Foods in North Liberty was having difficulty getting applicants for their open positions. At the time, they were advertising their positions in the Cedar Rapids Gazette. They were given the Laborshed data, which showed an available workforce to the south and east of Iowa City. This helped the company determine where to advertise their positions.

Sample of an Iowa Laborshed Study

Labor Characteristics
Advanced Manufacturing
Cedar Rapids/Iowa City Technology Corridor

Concentration of those with transferable experience/skills in the Cedar Rapids/Iowa City Technology Corridor by place of residence



Workers who have transferable experience/skills in the Laborshed area are currently commuting an average of 13 miles one way for work. Those who are willing to change/accept employment are willing to commute an average of 24 miles one way for the right employment opportunity.

Flexibility in the Workplace:

- Cross-training - 85.2%
- Varied shifts (2nd, 3rd, & split) - 27.8%
- Job sharing - 50.0%
- Job teams - 83.3%
- Seasonal work - 44.4%
- Temporary work - 33.3%

Other Facts:

- 63.7% paid hourly wage
- 10.7% hold two or more jobs
- 89.1% are/were employed full-time
- Currently working an average of 44 hrs/week

Desired Benefits:
(by percent of interest)

- Health/medical insurance - 84.8%
- Pension/retirement/401K - 45.7%
- Paid vacation - 45.7%
- Paid holiday leave - 28.3%
- Dental insurance - 28.3%
- Paid sick leave - 26.1%

Top Advertising Mediums:
(for those seeking employment opportunities)

- The Internet
- Local/Regional Newspapers
- Local Iowa Workforce Development Centers
- Networking/Word of Mouth
- Private Employment services

Underemployment:
(in advanced manufacturing industry)

Total Underemployment - 3.1%

- Low hours - 0.5% in Laborshed area
- Mismatch of skills - 3.1% in Laborshed area
- Low income - 0.0% in Laborshed area

IWD only counts individuals once when figuring the Total Underemployment.

The 2005 Cedar Rapids/Iowa City Technology Corridor Analysis area aggregated wage data was also extracted from the Iowa Wage Survey and is provided in the table on page 2.

Labor availability is based on commuting patterns into individual employment centers. Therefore, an aggregate potential labor force of the entire region is not available due to the overlapping Laborshed areas.

Employment Status within the Laborshed Area with experience/skills in Advanced Manufacturing:

77.6% Employed

- 22.8% of the employed are willing to change employment

7.8% Unemployed

- 46.7% willing to re-enter employment

Potential Available Labor Per Occupational Category - Iowa City Area Laborshed:

Management - 1,218
Computers (Programming/Software) - 1,218
Engineering - 7,055
Research Analysts - 2,944
Clerical/Admin Support - 6,497
Maintenance & Repair - 5,938
Production:

- Supervisory - 4,111
- Machine Operations (Metal/Plastic) - 1,827
- Machinists - 4,111
- Tool & Die Makers - 609
- General Production - 8,882
- Inspectors/Testers - 1,776
- Liquid Treatment Plant Operators - 609

Transportation/Material Moving - 2,944
Industrial Truck/Tractor Operator - 609

An estimated total of 50,348 people

Potential Available Labor Per Occupational Category - Cedar Rapids Area Laborshed:

Management - 543
Business Operations - 543
Computers (Programming/Software) - 1,630
Engineering - 6,971
Research Analysts - 1,584
Clerical/Admin Support - 4,798
Maintenance & Repair - 3,757
Production:

- Supervisory - 4,798
- Machine Operations (Metal/Plastic) - 1,630
- Machinists - 3,712
- Tool & Die Makers - 543
- Welders/Solderers - 543
- General Production - 7,469
- Inspectors/Testers - 2,128
- Liquid Treatment Plant Operators - 543

Transportation/Material Moving - 4,255

An estimated total of 45,447 people

Education Levels:

57.1% Education beyond high school
9.4% Associate Degree
4.7% Trade Certified
26.7% Undergraduate Degree
6.3% Postgraduate Degree

Source: Workforce Data and Business Development Bureau, Iowa Workforce Development

Based on this information, their number of applicants has improved by targeting the proper advertising source for the positions they need to fill.

Acciona Energia is an example of a company that is considering locating their first North American wind turbine plant in West Branch. They were concerned that the area lacked the available skilled labor they needed. After reviewing the executive summary containing specific information on the respondents with experience in occupations related to the advanced manufacturing industry (see summary on previous page), they were convinced the skilled labor pool they needed was available. Should they locate in West Branch, Acciona Energia would be hiring 110 individuals; engineers, plant management staff, and production workers with electrical and hydraulic skill sets.

Laborshed Studies can be customized to enhance labor availability and characteristic information, whether the approach is an aggressive marketing campaign or an existing industry program.

Siemens Power Generation recently located in the Fort Madison area. They, too, were concerned about the skilled labor availability in southeast Iowa. Data were extracted from the Southeast Iowa Regional Laborshed dataset, and the development group was able to supply Siemens with an estimated number of individuals with experience in the occupations needed to fill positions within their company; specifically, mold makers/operators, material operators, fabricators, finishers, maintenance mechanics, and electricians.

The Laborshed information given to Siemens also illustrated how far people are willing to commute for an employment opportunity, which was also viable information that was utilized when advertising for applicants. Over 2,600 applications were taken at the Iowa Workforce Development offices, which advertised for higher-paying employment opportunities that would be available at Siemens when they located in the Fort Madison area.

There are multiple audiences for Laborshed information, including community development groups, employers, site selectors, utility companies, educational institutions, state and local government agencies, policy makers, media, and employees. While the Laborshed study cannot answer every question, it can be customized to enhance labor availability and characteristic information, whether the approach is an aggressive marketing campaign or an existing industry program.

Iowa's Laborshed Studies are nationally recognized as a detailed tool used for economic development purposes, which has given Iowa communities an edge over other states when a business is looking to locate, expand, or remain in Iowa.

DID YOU KNOW...

A Snapshot of Iowa's Workforce by Age, Gender, Industry and County

Labor market analysis is used to measure and assess the economic forces that impact the workforce in a particular area. There are many variables that affect the labor market: population growth and characteristics, industrial structure and development, new technologies, changes in consumer demand, recruitment practices, wage levels, conditions of employment and training opportunities. Analyzing labor market statistics can address a number of questions, such as:

- What are the local employment conditions?
- What parts of the economy have been growing?
- What industries have been declining?
- How does our local economy compare to similar communities, the state and the nation?
- How do we identify new opportunities for economic growth?
- What industries have the largest percentage of older/younger workers?

The answers to these questions can assist developers and policy makers identify industries to support or grow, help job seekers target growing occupations and industries and, ultimately, create a picture of future strengths and challenges in the labor market. The basic data needed to answer these questions are demographic information and employment statistics by industry and geography, both current and historic.

Included here are a few tidbits of demographic statistics on Iowa's 2005 workforce by age, gender, industry and county which can be utilized for economic analysis.

239,424

The number of jobs filled by employees age 55 and older in Iowa. The age group accounted for 16.8 percent of total covered employment for the year. Between 2000 and 2005, the number of jobs held by this age group increased by 3.4 percent.

155,245

The number of jobs held by women in the health services sector. Women workers accounted for 83.0 percent of all workers in this industry.

$6,107.25

The average monthly income for men in the finance and insurance sector in Iowa for 2005. Women in this category received an average monthly wage of $3,117.50.

62,893

The number of workers, age 35 to 44, in Polk County. This group represents 23.9 of the workforce in the county for the year.

83,054

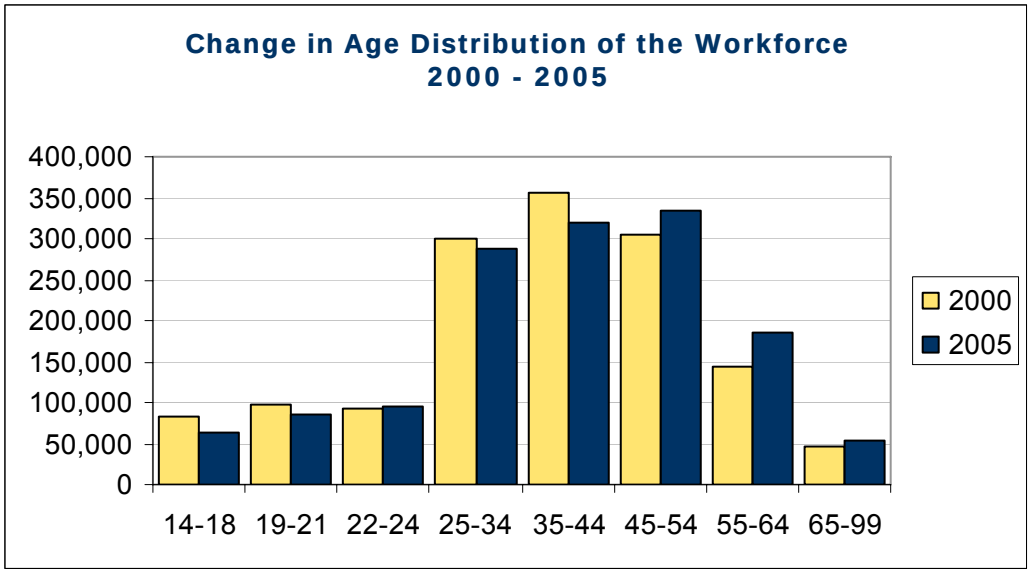
The number of workers, statewide, in the finance and insurance industries for 2005. The percentage of workers by age has increased in every age group, except the 14 to 21 group, since 2000.

22,132

The number of jobs held by workers, age 14 to 18, in the accommodations and food services industries in Iowa. This sector reports the largest number of workers in this age group.

48,217

The number of workers, age 25 to 34, in the manufacturing industry in Iowa. This age group accounts for 20.9 percent of all workers in this sector during 2005. Employment in this age group has dropped 17.5 percent since 2000, which has outpaced the decrease in all age groups in manufacturing (10.2%).



Source: http://lehd.dsd.census.gov/led/datatools/qwiapp.html , 2000-2005 Annual Data by Age Group

Iowa's workforce is getting older. Since 2000, the percentage of workers in the youngest age groups, 14 to 18 and 19 to 21, has decreased by 1.3 and 0.8 percent respectively. The 35 to 44 age group demonstrated the largest percent drop at 2.6 percent, while each of the older worker categories increased by 2.0, 2.9 and 0.5 percent respectively. One theory for this change is that many jobs that were held by younger workers as part-time jobs are now being actively sought out by older workers who need additional income to supplement wages or pensions.

25.0%

The number of workers in the educational services sector that are age 55 and older. The number of workers in this category has increased by 6.0 percent since 2000.

14,736

The number of workers age 45 to 54 in the construction industry in 2005. Workers in this age group increased by 22.7 percent since 2000.

58,257

The number of jobs held by men in Linn County. This number represents 48.6 percent of the county's workforce for 2005.

$2,474.00

The average monthly earnings for 35 to 44 year old workers in Chickasaw County. This age group accounts for 22.1 percent of the county's workforce.

110

The number of 22 to 24 year old workers during 2005 in Decatur County. The workers in this group represent 5.2 percent of the county's workforce for 2005, and have decreased by 17.3 percent since 2000. The average monthly wage for this age group is $1,295.75.

$4,330.00

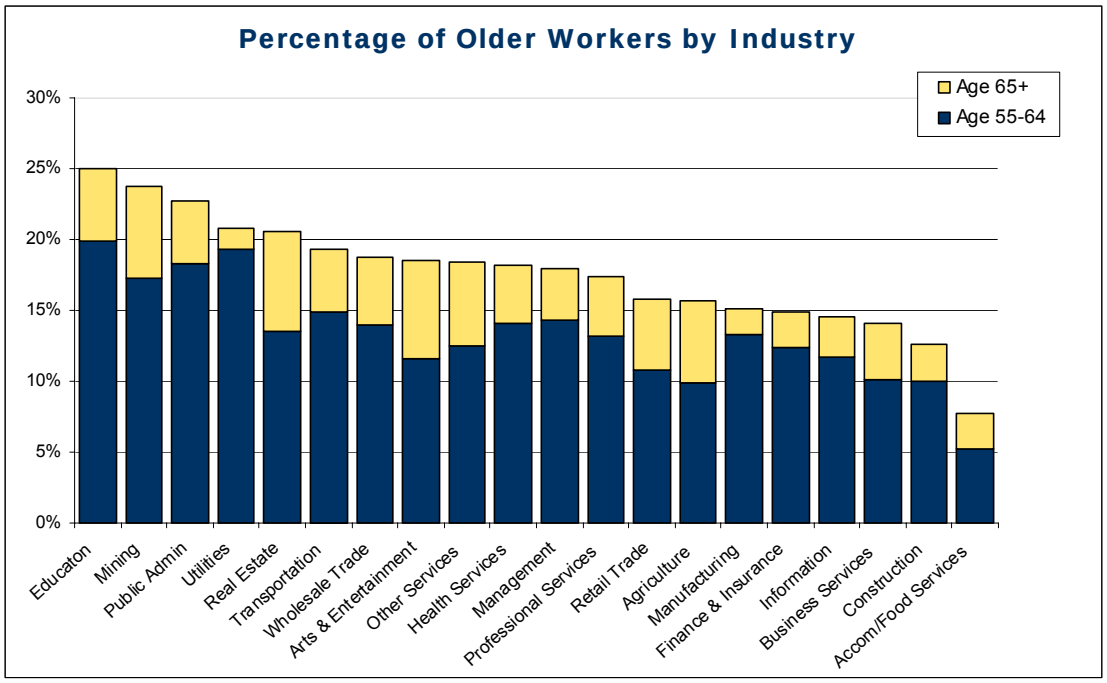
The average monthly earnings of workers, age 35 to 44, in Iowa's professional, scientific and technical services sector for 2005.

$419.50

The average monthly earnings of workers, age 14 to 18, in the retail trade industry in Scott County. This wage exceeds the average statewide monthly earnings for this sector and age group by $22.50 ($397.00 statewide average).

333,753

The number of workers in Iowa in the 45 to 54 age group. This sector represents 23.4 percent of all covered employment in 2005, which is the largest group by age.



Source: http://lehd.dsd.census.gov/led/datatools/qwiapp.html , 2005 Annual Data by Age Group

A large wave of workers born during the Baby Boom of 1946 to 1964 will be leaving the workforce over the next couple of decades. A larger share than in past generations may "retire" to collect the pensions they earned over their work life and then continue working part-time, or utilize more flexible working arrangements.

What the workforce of the future looks like will depend on many factors. Decision makers are looking at the economic and policy implications for a wide range of programs and institutions, including Social Security and Medicare; financial markets; the housing market; and recreation, transportation and healthcare systems. Planners in Iowa will be able to keep an eye on the impact of such factors and emerging trends by using these Local Employment Dynamics (LED) statistics.

We do not yet know whether Iowa will undergo rapid and massive changes, or gradual changes in the workforce due to the retirement of experienced workers of the Baby Boom generation along with movement of workers in and out of Iowa.

However, we do know that both scenarios have the potential to affect the age distribution of the workforce significantly. LED statistics will help us keep an eye on the impact of these factors.

Planners in Iowa will be able to keep an eye on the impact of various programs, institutions, and emerging trends by using Local Employment Dynamics (LED).

Sources:

All statistics presented in this document can be found in the Local Employment Dynamics Program, which is a partnership between Iowa Workforce Development and the U.S. Census Bureau at:
http://lehd.dsd.census.gov/led/datatools/qwiapp.html

The Economic Contributions of Latinos to Iowa

Rapid Latino Population Growth in Iowa

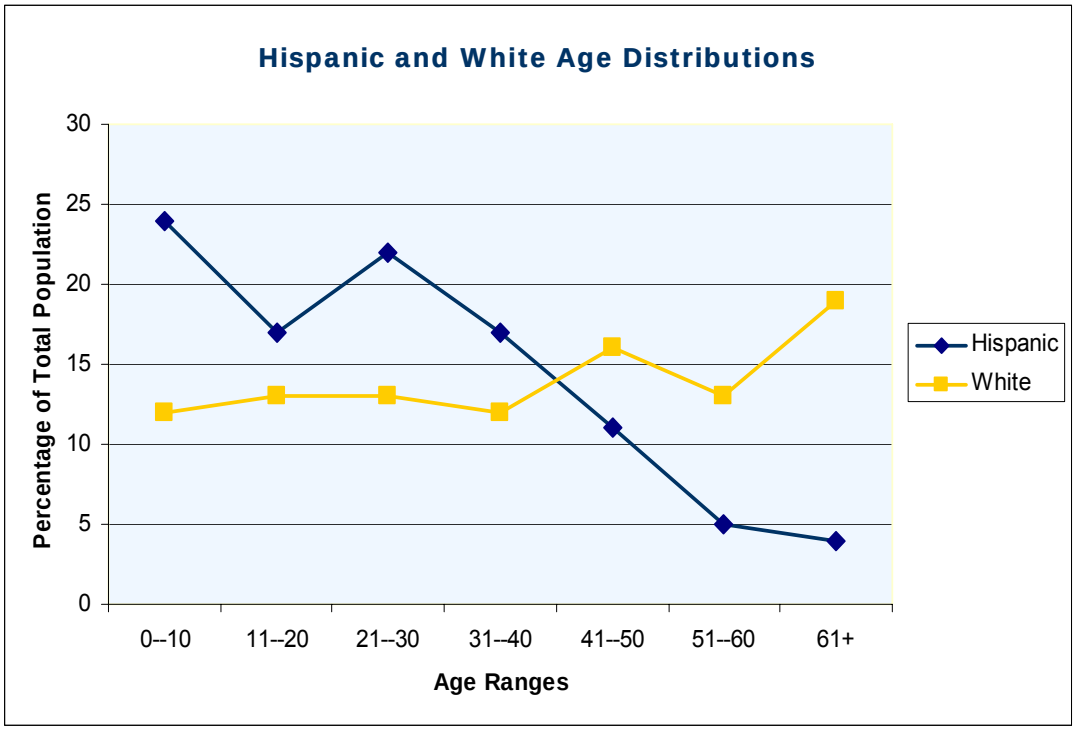
Iowa is experiencing rapid growth in its Latino population. Between 1990 and 2000, the state's non-white Hispanic population grew by 153% to 82,473. Iowa ranked 11th in the United States in terms of the percentage growth of its Hispanic population. This rapid growth has continued. Between 2000 and 2005, the Census Bureau estimated the Hispanic/Latino population grew by more than 26,000 to about 109,000 total. However, this estimate is probably low, and as many as 125,000 Latinos may now call Iowa home (Grey, 2006a).

Latino growth accounted for 66 percent of the state's total population growth between 2000 and 2005.

This rapid growth has been experienced in several Iowa communities. In the 1990s alone, some communities—like Storm Lake, Marshalltown, and Postville—experienced Latino growth rates in excess of 1,000 percent with most of this growth taking place in a five to six-year period. The term "rapid ethnic diversification" describes the transformation of these communities from being predominately white and English-speaking to multi-ethnic and multi-lingual in a few short years (Grey, 2000).

This rapid growth in the Latino population has numerous implications. First, Latinos are now by far the state's largest minority population. For every African American living in Iowa, there are at least two and perhaps three Latinos. Secondly, Latinos are accounting for a large portion of Iowa's total population growth. Indeed, using Census estimates alone, Latino growth accounted for 66 percent of the state's total population growth between 2000 and 2005.

Iowa's Latino population is significantly younger than the state's aging white population. The Census estimated that the median age among the state's white population in 2005 was 39 years of age, while the median age among Latinos was 25. In the 2000 Census, only four percent of white Iowans were aged nine years or less, while 25 percent of the Latino population is aged nine years or less.



Source: U.S. Census Bureau, 2005 Estimates

In many respects, Latinos are re-populating Iowa and bringing a much needed, young workforce, particularly in light of the state's rapidly aging white population, loss of young people to other states, and declining birth rates. One population projection indicates that by 2030, Latinos will provide at least 10 percent of Iowa's total population, while 25 percent of the state's population will consist of white people over the age of 65.

Hispanic vs. Latino: What's in a Name?

The terms "Hispanic" and "Latino" are often confused. In general, "Latino" is used to describe someone from Latin America, in the Western Hemisphere. "Hispanic" usually refers to people of Spanish-speaking heritage, and generally is used to describe people of Spanish-speaking descent who were born in the United States. "Latino" is generally used as the more inclusive term, and therefore is used more often. The Census Bureau reports data for the non-white Hispanic population that includes people from other nations. In this report, both terms are used interchangeably. However, it is important to note that neither of these terms are generally used by the Latinos/ Hispanics themselves, and they are rarely used outside the United States (Yehieli & Grey, 2005; Grey, 2006a).

Where Do the Latinos Come From?

In the 2000 Census, 74 percent of Iowa's Latino population came from Mexico. However, the percentage from Mexico may be even higher with a more accurate count of the state's Latino population. Other research has shown the Latinos in Iowa come from every nation in the Western Hemisphere. Mexicans come from all 31 states in Mexico

and Mexico City. However, the majority of Mexicans in Iowa seem to come from the primary-sending states of Michoacan, Jalisco, and Guanajuato in west-central Mexico. Most Latinos maintain close ties with their home communities in Mexico and elsewhere. The relationship between the receiving communities in Iowa and the sending communities in Mexico creates social and economic ties that are important to both communities. These "unofficial sister cities" are found throughout Iowa (Grey & Woodrick, 2002).

The vast majority of Iowa's Latinos speak Spanish. However, there are small but growing populations of Latinos from Mexico and elsewhere who don't speak Spanish as their primary language. These newcomers often speak indignous languages like Mixteco or Maya.

When the large movement of Latinos to Iowa began in the early 1990s, most of these newcomers came to Iowa from other states. These "secondary migrants" were working and living in such states as California and Texas, and then moved to Iowa. However, Iowa became a "new destination" or "new gateway" state for Latino migrants when Iowa became their primary destination after entering the United States (Grey, 2006b; Grey & Woodrick, 2005).

Why Do Latinos Come to Iowa?

The primary reason Latinos come to Iowa is for work. In the 1990s, the majority came to Iowa for jobs in meatpacking and other agricultural industries. They qualify for these jobs because they do not need formal education, literacy, previous job experience, or the ability to speak English. Latinos and other immigrants and refugees now make up the majority of workers in meatpacking. However, as time goes by, many of these newcomers filter out into other sectors of the economy, and they are now important to the construction, hospitality, landscaping, and other industries in Iowa.

Jobs are the primary draw to Iowa, but Latinos come to Iowa for additional reasons. These newcomers enjoy Iowa for many of the same reasons Iowans like Iowa. There are good schools for their children, housing is widely available and relatively inexpensive, and there is quality health care (Grey, 2006a).

There are other reasons that Latinos leave their homelands to migrate to Iowa. Most Mexicans in Iowa come from rural farming communities that struggle to remain competitive in response to the flood of corn and other commodities from the United States under the North American Free Trade Agreement. There are relatively few jobs in rural Mexico and the quality of schooling is often low. Research in Mexican communities with significant percentages of their populations in Iowa indicates that the pull of jobs and other opportunities in Iowa is matched with the push from rural Mexico associated with a lack of jobs and decline of the farming sector. Over time, the pull of the United States and Iowa will present numerous advantages over staying in rural Mexico. This means Iowa should continue to see growth in its Latino population for many years to come.

How Many Latino Workers?

Iowa Workforce Development (IWD) has estimated the size of the Hispanic workforce in Iowa. Of the 108,968 Latinos in the 2005 Census estimates, IWD estimates that 38,560 are in the Iowa labor force, or 2.3 percent of all Iowa workers. Ninety percent, or 34,700, are employed. However, these figures are in all likelihood low

because Census estimates tend to undercount Latino and other minority and mobile populations. If the larger estimate of 125,000 total Hispanics in Iowa is used, the state's total Latino labor force may be as large as 43,750 (Iowa Workforce Development, 2007).

Latinos as Entrepreneurs

Latinos not only provide much-needed labor and population to Iowa, but they also generate wealth as entrepreneurs. In 2002, the Census Bureau estimated a total of 1,536 Hispanic-owned businesses in Iowa, generating more than $288 million in sales and $54 million in payroll. However, a detailed survey among Hispanic business owners was limited to Polk, Johnson, and Scott Counties. A more detailed survey of Hispanic-owned businesses was carried out in 17 northeast Iowa counties, which included the cities of Marshalltown and Waterloo. A total of 68 Hispanic-owned businesses were found in seven of these northeast Iowa counties, generating estimated annual sales of nearly $7.8 million and an annual combined payroll of $2.35 million (Grey, 2006c).

Latinos as Tax Payers

All Latinos pay taxes, regardless of their immigration status. Any employee who receives a paycheck pays income/payroll taxes, and social security and Medicare taxes. If they own a house, they pay property taxes. If they rent a house or apartment, they are also paying property taxes indirectly through their landlords. Also, whenever Latinos buy cars, consumer goods, food, etc., they pay sales taxes.

The Iowa Department of Revenue provides a tool to estimate the average state income taxes and state and local sales taxes depending on income level. Using this tool, one study from the Iowa Legislative Service Bureau estimated that undocumented immigrants contributed between $45.5 and $70.9 million in state taxes in FY 2004. Each undocumented person contributed between $1,045 and $1,528 in taxes in FY 2004. These contributions were from average earnings of $19,293 per year. Documented immigrants earn even higher salaries, and therefore their tax contributions will be even higher (Benson, 2007).

What's Ahead for Iowa's Latino Population?

As long as jobs are available in Iowa, Latinos will continue to live in Iowa and their numbers are likely to grow. Over time, the gravity for migrants from Mexico and elsewhere is in Iowa and the United States, especially in light of diminishing job opportunities and the declining farm sector in rural Mexico. In addition, immigration reform that includes opportunities for undocumented immigrants to "regularize" their immigration status and stay in the U.S. legally will dramatically grow the number of Hispanics living in Iowa. These numbers will grow even faster if comprehensive immigration reform allows for people already living and working in Iowa to bring their families from other countries.

Regardless of how many new Latinos call Iowa home, they have become and will continue to be critical to Iowa's long-term social and economic health.

- Mark A. Grey, Ph.D., Director, Iowa Center for Immigrant Leadership and Integration, University of Northern Iowa, (319) 273-3029

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Additional Resources

Iowa Center for Immigrant Leadership and Integration, University of Northern Iowa:
http://www.newiowans.com

New Iowan Centers

The New Iowan Centers (NIC) were established in 2000 with the first two centers located in Muscatine and Sioux City. These centers began providing One-Stop services to new Iowans to assist them in finding employment, and help them in overcoming any language or cultural barriers. In the area of employment, new Iowans are provided with job search assistance, resume writing and interviewing assistance, and guidelines for the American workplace culture. The New Iowan Centers have fueled economic growth and expansion in Iowa, working across the state in eight communities: Council Bluffs, Marshalltown, Des Moines, Iowa City, Mt. Pleasant, Muscatine, and Ottumwa. These communities have been provided with economic development assistance in collaboration with the Iowa State University Extension offices to provide education for immigrant business owners. Three new centers will be opening this summer in Denison, Mason City, and Orange City. For further information regarding the New Iowan Centers, contact Barbara Bobb, Bureau Chief of Targeted Services at (515) 242-6240 or visit our Web site at:

http://www.iowaworkforce.org/centers/newiowan/index.html

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