



Minnesota Economic

TRENDS

December 2007



SPECIAL REPORT:

Are Minnesota's Lake Wobegon Days of Job Growth Gone?

IN THIS ISSUE:

Commentary

State of Minnesota's Regions:

- Twin Cities
- Central
- Southeast
- Southwest
- Northeast
- Northwest

Minnesota Economic
TRENDS

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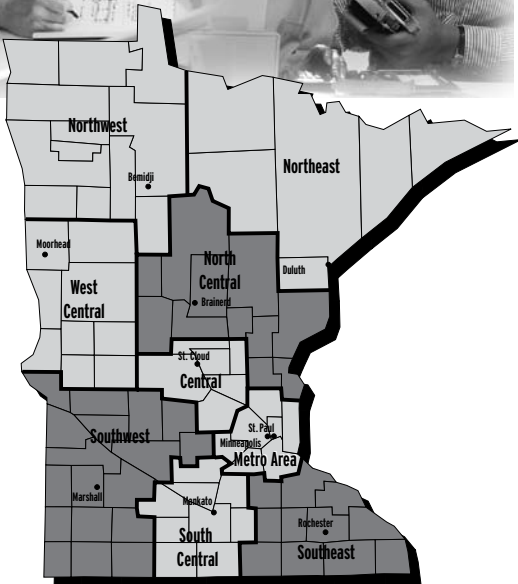
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DEPARTMENT ACRONYMS

- BEA: Bureau of Economic Analysis
- BLS: Bureau of Labor Statistics
- CES: Current Employment Statistics
- DEED: Department of Employment and Economic Development
- JVS: Job Vacancy Survey
- LAUS: Local Area Unemployment Statistics
- LMI: Labor Market Information
- OES: Occupational Employment Statistics
- QCEW: Quarterly Census of Employment and Wages

ORIANE CASALE
Letter to Our Readers

During the past year we received a new directive from our funders at the U.S. Department of Labor to publish a “State of the State’s Economy” report for the Governor’s Office and other policy makers. With the unemployment rate topping that of the nation for the first time on record while employment trended upward, albeit relatively slowly, it has been an interesting year to think about writing such a report.

We quickly decided that this report should take the form of a *Trends* issue and that it should look at both the regional economies within the state and the statewide economy.

In this issue Dave Senf summarizes our ongoing analysis of where the state economy is heading and what small shifts in our state rankings on key indicators might mean in the longer run. Our team of Regional Analysts have put together concise descriptions of the labor market and economy in each of our six Planning Regions along with some key issues to think about in the upcoming year. Steve Hine, the Director of the Labor Market Information Office, summarizes the state’s economic trends in his commentary.

Since completion of the research presented in this issue, the collapse of the I-35W bridge over the Mississippi River and damaging floods in southern Minnesota have hit the state. Furthermore, employment conditions have weakened as we have seen four consecutive months of job declines this autumn. Look for articles and information on the effects of these disasters on Minnesota’s economy and further analysis of recent economic trends in future issues of *Trends* and on our LMI website: <http://www.deed.state.mn.us/lmi/publications.htm>

We hope that you enjoy this first “State of the State’s Economy” report.

Sincerely,

Oriane Casale
Editor

Meet THE

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DAVE SENF

Dave Senf has been a labor market analyst with DEED for 11 years. His main responsibilities are short-term and long-term industry and occupational employment projections. He is also a regular contributor to the *Minnesota Employment Review*

and *TRENDS*. He co-authored the agency's contribution to the *2002 Economic Report to the Governor*. Dave has a bachelor's degree in economics from the University of Montana and a master's degree in regional economics from Colorado State University in Fort Collins. He has been involved with research in regional economics since 1978 and worked for a consulting firm and at the University of Minnesota during the 1980s.



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Steve Hine is the Labor Market Information Director at the Minnesota Department of Employment and Economic Development (DEED). Before coming to DEED in 1999, Steve taught economics at colleges in Washington, New York, and Arkansas. In addition

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STEVE HINE

Labor Market Information Director
at the Minnesota Department
of Employment and Economic
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SYNOPSIS OF THE STATE OF THE STATE

Note: Each year many of the products and services that the Department of Employment and Economic Development's Labor Market Information Office provides are a result of a Workforce Information Core Products and Services grant provided to each state's LMI entity by the Employment and Training Administration at the U.S. Department of Labor. For the first time this grant comes with the expectation that each state will publish a comprehensive report on the condition of its state's economy. Steve's Commentary hits some key points made by other authors in this issue and offers an overall analysis of Minnesota's economy.

This first "State of the State's Economy" issue of *TRENDS* contains articles that describe our past and current performance. As a read through of these articles shows, a "state of the state" report at many points in time over the past couple of decades would have found the Minnesota economy to be one that led the nation in most respects. Our job growth rate and wage growth have persistently exceeded the nation's; our unemployment rate was well below the nation's for over 30 years; and the share of our population that was in the labor force was at or very near the top throughout most of this same time span.

While Minnesota remains at or near the top of state rankings based on many crucial economic indicators, an assessment of the current state of the Minnesota economy is much less sanguine than one that might have been written in previous years. As Dave Senf points out in his article, by many often-used measures of performance Minnesota has lost much of its edge over the rest of the nation and in some areas has begun to lag the rest of the country. As of July 2007, for example, our annual rate of job growth stands at about half the nation's rate, and, since the official end of the last recession in November 2001, we lag the U.S. in job growth 4.1 percent to 5.5 percent.

Unemployment Rates
MN vs. US: 1976-2006

Figure 1

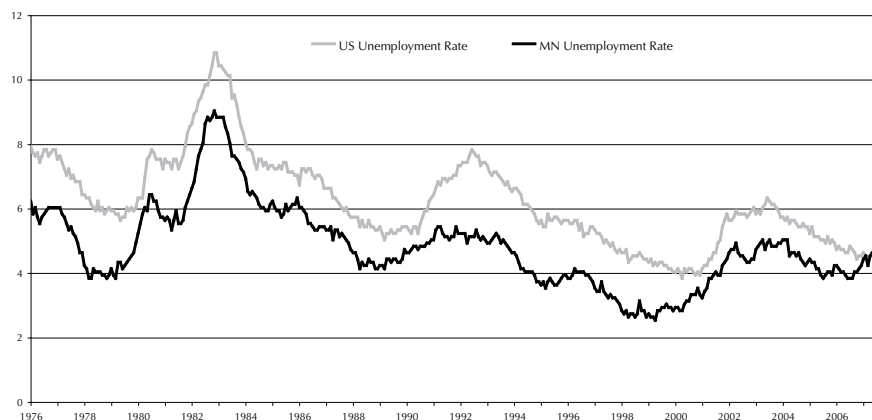


Table 1 Top Ten State Labor Force Participation Rates (2006 Annual Average Percent)

1. Minnesota.....	73.5
2. Colorado.....	73.0
3. North Dakota.....	72.6
3. South Dakota.....	72.6
3. Nebraska.....	72.6
4. Utah.....	72.2
5. Iowa.....	72.1
6. Vermont.....	71.8
7. Alaska.....	71.6
8. Wyoming.....	71.4
United States Average.....	66.1

On the unemployment side of our labor market, conditions also have raised some justifiable concerns. As Figure 1 illustrates, 2007 and specifically May was the first time on record, dating back to 1976, that our unemployment rate exceeded the U.S. rate, although it was only by one-tenth of a percent. But even this was in contrast to the considerable advantage, frequently as much as 2.5 percentage points, which we are used to having on the nation in this regard. In July 24 states had unemployment rates lower than Minnesota's, while 20 states had higher rates. In July 2000, by contrast, only four states had lower unemployment rates than Minnesota. Between July 2006 and July 2007 only one state, Oklahoma, had a larger increase in their unemployment rate than Minnesota's 0.8 percentage point gain.

Minnesota has long prided itself in being one of the "hardest working" states in the nation and for good reason. The share of our working-age population that is working, what's

referred to as the employment-to-population (EP) ratio, has been at or near the top for some time. The annual average EP ratio in 2006 stood at 70.6 percent in Minnesota, ranked first place in the nation again and just ahead of our hard-working neighbors in Nebraska (70.4 percent) and North and South Dakota (both at 70.3 percent). However, Minnesota was one of only five states in the nation to experience a decline in this rate between 2005 and 2006¹, and our rate is now down from its annual average peak of 73.3 percent in 1998.

A related measure, the labor force participation rate (LFPR) or the share of our working-age population either working or looking for work, shows similar trends. Our average LFPR during 2006 stood at 73.5 percent, also tops in the nation as seen in Table 1, but that too is despite some persistent and disconcerting trends in the past few years². Seventeen other states in

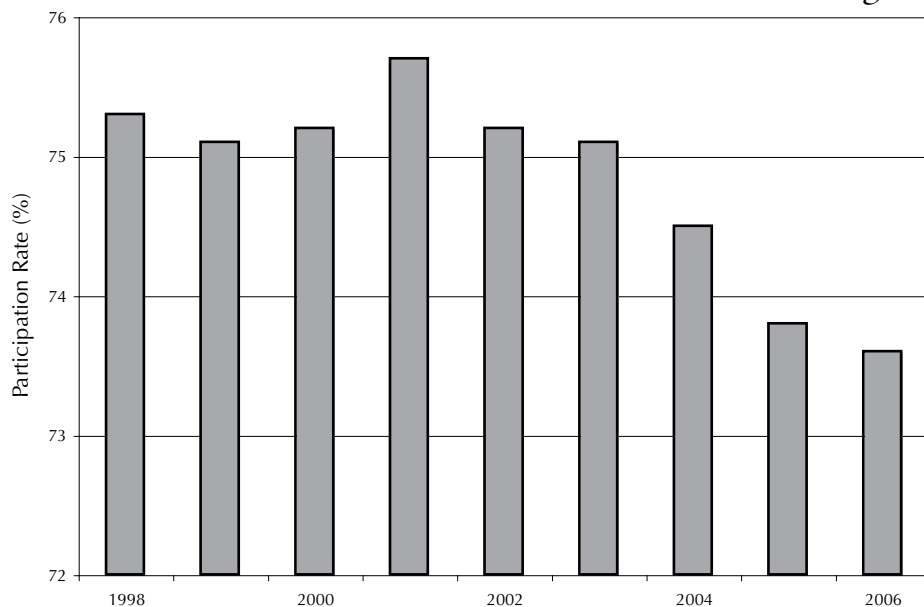
addition to ours experienced declining LFPRs between 2005 and 2006, so in that respect we aren't alone. But our decline has been more pronounced than most – only Nebraska and Kansas, which were not impacted by Hurricane Katrina as were Louisiana and Mississippi, had larger declines over the past year. Only Wisconsin, Oregon, and Washington had larger declines than Minnesota since 1998. At that time our edge over the nation as a whole was 8.4 percentage points, but by last year it had dropped to 6.7 percent.

A relatively high standing but a slowing rate of improvement is also evident in the wages earned by Minnesotans. Although our average annual wage of \$42,185 is sufficient to rank us 15th amongst the states, our 15.3 percent rate of growth in annual pay between 2001 and 2006 was slower than in all but seven other states. Considering that the cost of living as measured by the Consumer Price Index increased by

Minnesota's Labor Force Participation Rates

1998-2006

Figure 2



¹ See <http://stats.bls.gov/news.release/srgune.t02.htm>. The EP and LFPR ratios for the U.S. and Minnesota are also available at <http://www.deed.state.mn.us/lmi/tools/laus/>.

² The EP and LFPR ratios described here are derived as annual averages from each states' Local Area Unemployment Statistics (LAUS) program. Alternative measures are available from the Geographic Profiles of each state derived from the Current Population Survey (see <http://stats.bls.gov/lau/ptable14full2006.pdf>). By that measure Minnesota ranked second in LFPR at 72.9% behind North Dakota's 73.2%.

Poverty Rates of Individuals Minnesota and US

Table 2

	Minnesota Poverty Rate	Minnesota Rank	U.S. Poverty Rate
2006	9.8	8th lowest	13.3
2005	9.2	5th	13.3
2004	8.3	4th	13.1
2003	7.8	2nd	12.7
2002	8.5	8th	12.4

13.8 percent during that span and that the U.S. overall annual wage increased by 17.4 percent, Minnesotans are justified in feeling somewhat pinched in their pocketbooks.

These trends have also translated into higher poverty rates in Minnesota although ours remain well below the nation as a whole. According to the American Community Survey, Minnesota's share of population living below the poverty threshold and our relative rank have deteriorated over the past few years as Table 2 illustrates. In 2003 only New Hampshire had a poverty rate lower than ours. By 2006, as our rate increased by two percentage points or 25 percent while the national rate rose by six-tenths of a point or 5 percent, we surpassed six other states by this poverty measure.

You may be asking, "So, is our glass half full or half empty?" As the former Commissioner of the Bureau of Labor Statistics (BLS) once said to a group of state researchers about the BLS standpoint, "It's a 16-ounce glass with 8 ounces of water." Certainly for every bright spot in our state's labor market condition, there seems to be an offsetting cause for some concern. Our current unemployment rate of 4.4 percent (November 2007) now stands below that of the national rate, below the state 30-year average of 4.8 percent, and at a level consistent with a fully employed workforce. Yes, our employment-population ratio and labor

force participation rates have been declining, but they still rank us at the head of the class. The same applies to our poverty rate – it has risen recently but is still low enough to put us in a fairly elite group of low-poverty states.

Without question Minnesota remains at or near the top of state rankings based on many crucial economic indicators. But the recent trends in many of these indicators remind us that this high ranking should neither be assumed to be permanent nor be taken for granted. Another area where we rank well is in the educational attainment of our population – we consistently are in the top three states in terms of the share of our population with a high school diploma and around tenth, plus or minus a couple spots, in our share with a bachelor's degree. We therefore have that key ingredient, a well-educated and skilled work force, which best translates into high growth of well-paying jobs, high labor force participation, and low rates of unemployment and poverty. But it takes the right mix of many ingredients and the proper environment to make an economy perform to its maximum potential. **TR_Z**

Are Minnesota's LAKE WOBEGON DAYS OF JOB GROWTH GONE?



In 2007 Minnesota's job market peaked in June as the number of seasonally adjusted wage and salary jobs in Minnesota reached an all-time high of 2,791,400. The gradual upward trend in wage and salary employment (also known as CES nonfarm payroll or establishment employment) over the last few years has been a welcome development after the 2001 recession and the jobless recovery years of 2002 and 2003.

As Figure 1 shows, seasonally adjusted employment in Minnesota peaked in February 2001 before sliding for over a year. Job loss appeared to have bottomed out in April 2002 but, after a brief rally, cutbacks resumed before finally bottoming out for good in November of 2003. The drop-off in employment between 2001 and 2003 was modest when compared with the employment decline of the double-dip recession of the early 1980s but much deeper than the mild job slump experienced during the 1990-91 recession. Whoever said that no two recessions are alike could have been talking about Minnesota's varying labor market responses to recent recessions.

The state lost just over 100,000 jobs during the extended downturn of the early 1980s or roughly 5.7 percent of

pre-recession employment peak. Minnesota's economy needed 51 months to push payroll employment back above its pre-recession level after the early 1980s slump. The 1990-91 recession by contrast was just a small blip for Minnesota's job market as the state lost only 9,000 jobs from peak to trough. Job growth rebounded quickly in Minnesota with the 0.4 percent job drop erased within 11 months of the pre-recession peak. Other regions of the country experienced deeper and longer lasting job declines during the early 1990s. The pace of job growth at the national level was so slow that the 1992-1993 period was branded as the first jobless recovery.

Minnesota's economy unfortunately didn't bypass the second jobless recovery, as the 2002-03 period has

been labeled. The 2001 recession plus the economic fallout from the terrorist attacks of September 11 cost Minnesota 55,000 jobs from pre-recession peak to trough, a loss of roughly 2.2 percent of the job base. State job totals didn't climb above the pre-recession peak of February 2001 until 50 months later in April 2005.

That's why recent job growth in Minnesota can be viewed optimistically. Minnesota added only 19,000 seasonally adjusted payroll jobs between January 2002 and January 2005 but added 93,000 between January 2005 and April 2007. That averages out to 3,300 new jobs per month over the 28 months which is slightly higher than the 3,000 average monthly gain reported since payroll numbers first began to be collected back in 1950.

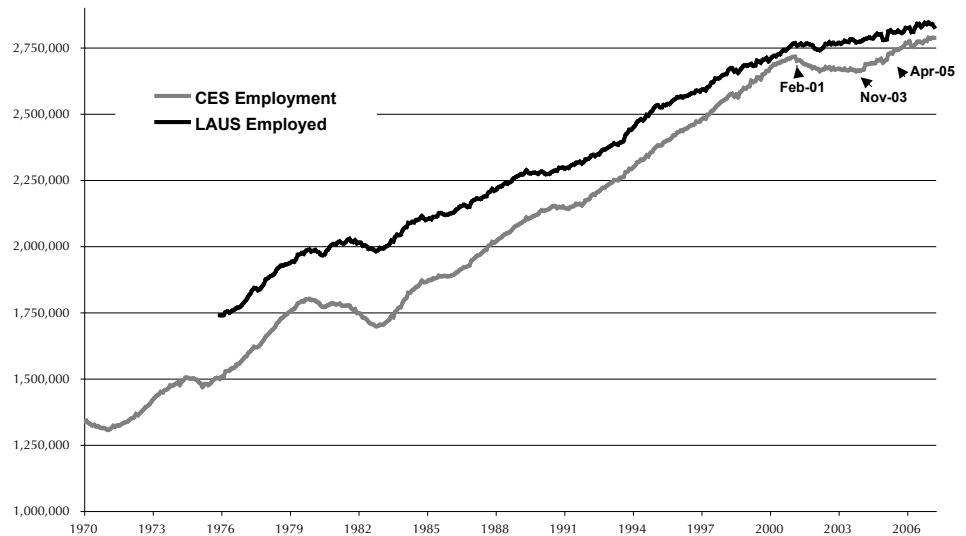
An even more positive view on Minnesota's labor market conditions can be made if employment trends during 2002 and 2003 are examined using the Local Area Unemployment Statistics (LAUS) data. LAUS data are based in part on survey responses from households about employment status. LAUS employment estimates, unlike CES employment which is estimated by surveying employers, include jobs held by self-employed workers¹. Self-employment accounts for roughly 7 percent of employment in Minnesota and tends to increase when the economy tanks and wage and salary jobs become tougher to find. LAUS employment totals have historically been higher than CES employment in Minnesota and nationally because of the inclusion of self-employed jobs and agriculture-related jobs.

Minnesota's job picture during and immediately after the 2001 recession looks noticeably more upbeat when evaluated using LAUS employment figures (Figure 1). Employment flattens out during 2001 then dips slightly in 2002 but is growing again by 2003. The jobless recovery during 2002 - 2003 is a lot less jobless when self-employment is included in the equation. LAUS employment growth, however, has not kept pace with CES job growth over the last two years. The 93,000 wage and salary jobs added since January 2005 as measured by CES shrink to 48,900 more workers employed in Minnesota when the job barometer is LAUS employment numbers.

A gloomier and perhaps more valid picture of Minnesota's current labor market conditions appears when Minnesota's labor market trends, measured by either CES or LAUS data, are compared with national trends. The gloomier view, however, may not hold if Minnesota's slow payroll growth relative to the nation's over the last 18 months is revised upwards when the

Minnesota Wage and Salary Employment (CES) (Seasonally Adjusted)

Figure 1



Source: DEED: CES and LAUS

annual revision, based on a benchmark to more comprehensive administration data, is completed in early 2008. If the revised or benchmarked numbers don't change much after benchmarking, then a red flag is justified.

As Figures 2 and 3 show, Minnesota's Lake Wobegon days of job growth, when the state's job growth was above the national average for an extended time period, lasted about five years from 1989 to 1994. Wage and salary employment in Minnesota increased at twice the national rate during that period, climbing on average by 2 percent per year while the national rate averaged 1 percent. Job growth was even stronger in Minnesota over the second half of the 1990s but so was job growth nationwide. Payroll growth rambled along at an annual average rate of 2.5 percent in Minnesota, matching the national rate from 1994 to 2000.

Minnesota's job growth parity with national job growth essentially continued through the 2001 recession and right on through 2005. Job growth in Minnesota was either slightly

ahead or slightly below the nation's job expansion pace over the 2001 to 2005 period. Minnesota's wage and salary employment base was 1.9 percent higher than its pre-recession peak in January 2006, the same percent jump as national wage and salary employment. National payroll numbers, however, jumped another 1.9 percent between January 2006 and April 2007 while Minnesota's job growth waned, increasing only 0.1 percent over the same period.

The last bout of sustained sub-national job growth for Minnesota was 20 years ago. Between 1985 and 1987 the state's mainframe computer industry underwent major restructuring, leading to a surge in layoffs.

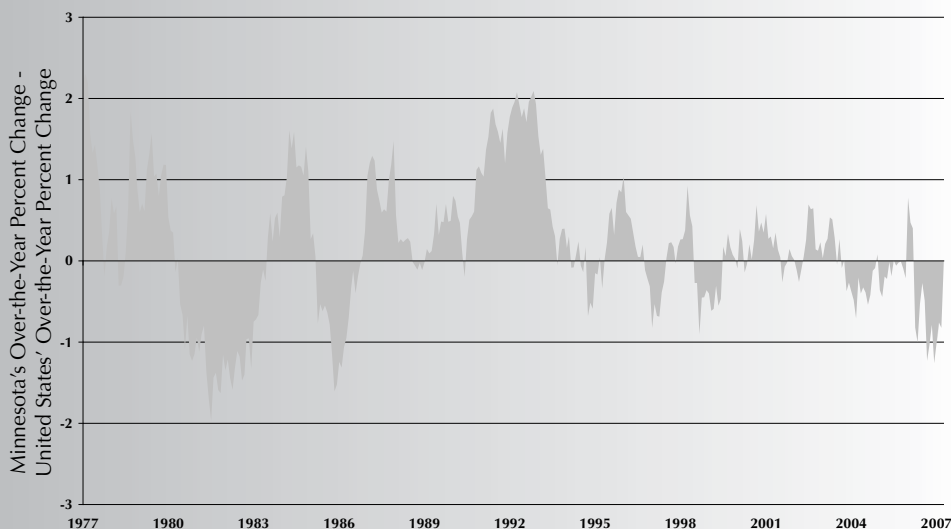
Minnesota's recent sub-national performance also holds up when LAUS employment numbers for Minnesota and the United States are compared as in Figure 3. Minnesota's LAUS employment has been in the red compared to the United States for nearly three years now. While the degree to which the state is trailing

¹ Additional information on the differing measures of Minnesota employment is available at www.deed.state.mn.us/lmi/tools/glossary.htm

Minnesota's CES Job Growth Relative to United States

(Unadjusted Employment)

Figure 2

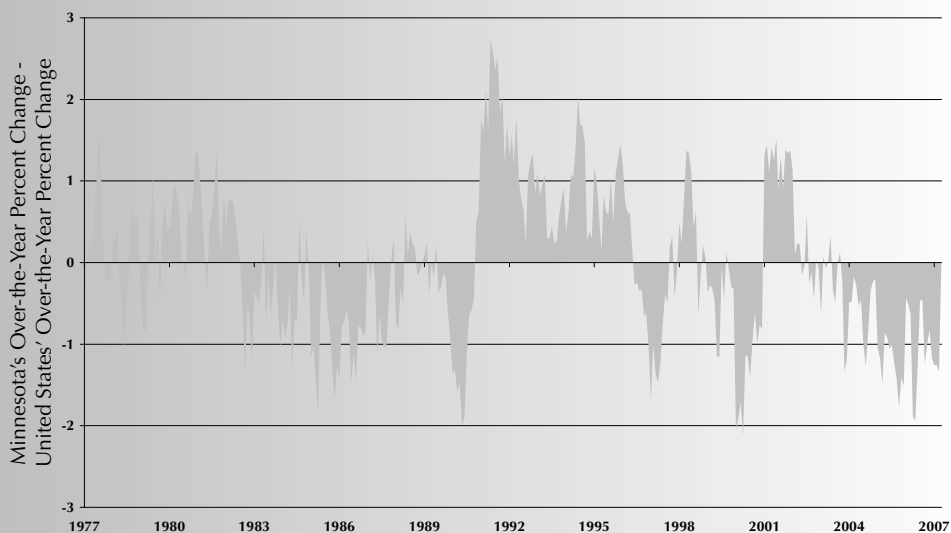


Source: DEED: CES

Minnesota's LAUS Employed Growth Relative to United States

(Unadjusted Employment)

Figure 3



Source: DEED: LAUS

national growth in LAUS employment may also be revised downward when population estimates are revised, there is enough disparity to suggest that Minnesota's job engine has slipped behind the nation's for more than just a

quarter or two for the first time in two decades.

Minnesota's slight job growth slide relative to the United States shows up in other key economic measures such

as labor force growth, personal income, and wage and salary disbursements as displayed in Figure 4. Minnesota's share of each measure is shown from 1990 to 2007 for CES jobs, labor force, LAUS employed, and LAUS unemployed and for 1990 to 2006 for personal income and wage and salary disbursements.

In fact, Minnesota's labor force is still growing, jobs are being added, and personal income is increasing but not as fast as the nation's. All measures show Minnesota's economy losing ground to the rest of the nation over the last few years after having gained ground during most of the 1990s.

Minnesota's job market was much more robust compared to many parts of the nation back in the early 1990s leading to an in-migration of job seekers and a labor force that grew faster than the nation's. As job growth remained strong throughout the 1990s, hiring outpaced labor force growth pushing the unemployment rate down to 2.7 percent in 1998. Labor shortage cries were heard from Two Harbors to Worthington between 1998 and 2001.

Wage growth accelerated in Minnesota in response to the tight labor market, and Minnesota's share of the nation's wage and salary pot climbed. The gains in wage and salary disbursements boosted Minnesota's share of personal income right through 2004.

Minnesota's per capita income ranking jumped all the way up to seventh in the nation after starting the 1990s ranked 15th.

Minnesota's share of national wage and salary payments and personal income has slipped over the last few years as a result of the state's job market cooling relative to the national job picture. Wyoming, Colorado, Virginia, Delaware, and California have inched ahead of Minnesota on the per capita income scale pushing Minnesota down to 12th in 2006. Some of Minnesota's

decline in 2006 may, however, vanish once employment numbers are revised since preliminary estimates of personal income are based on CES employment and wage data that will be benchmarked in early 2008.

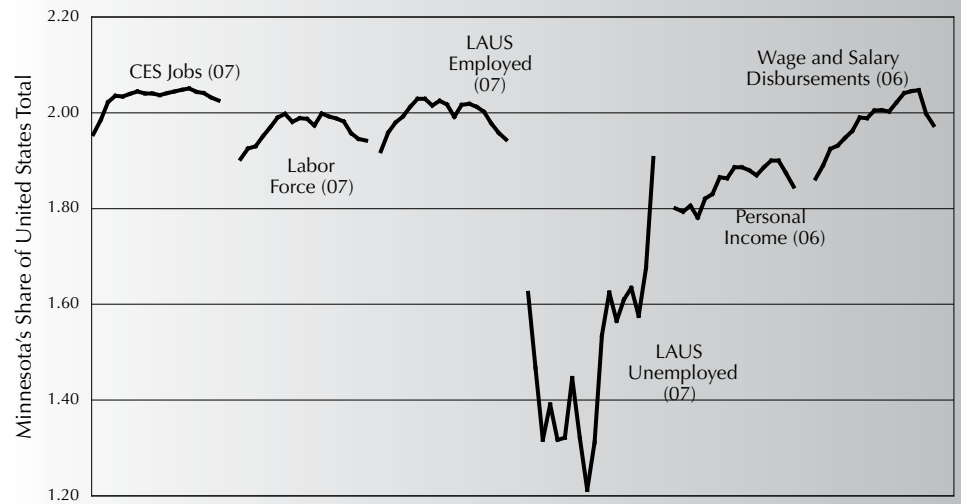
The most troubling labor market development over the last year or so for Minnesota, if it holds up after revisions, is the nearly complete fading of the favorable unemployment gap Minnesota has enjoyed over the rest of the nation over the last four decades. When Minnesota's unemployment rate hit 2.7 percent in 1998, the national rate was 4.5 percent. Minnesota's share of national unemployed workers plunged to 1.2 percent in 1998. Over the first four months of 2007, the U.S. rate of seasonally adjusted unemployment averaged 4.5 percent. Minnesota's unemployment rate for the same period was only a tad better, averaging 4.4 percent. Minnesota's share of the nation's unemployed pool has shot up to 1.9 percent for the first four months of 2007. Minnesota employers would appear to be on equal footing with employers across the United States in terms of the available pool of unemployed workers.

All of Minnesota's industrial sectors except for the natural resources and mining sector added expanded payrolls during the 1990's expansion (Figure 5). The big job gainers between 1991 and 2001 were the professional and business services, trade, transportation, and utilities, educational and health services, and government sectors. The only sector to add jobs anywhere near as fast since 2001 has been the educational and health services sector.

Only five of the 11 sectors have more employment in the first quarter of 2007 than in the first quarter of 2001. The first quarter 2007 workforce totals for three sectors - manufacturing, trade, transportation, and utilities, and information - are significantly below first quarter levels in 2001. Employment in two sectors, other

Minnesota's Share of Key Economic Measures 1990-2007

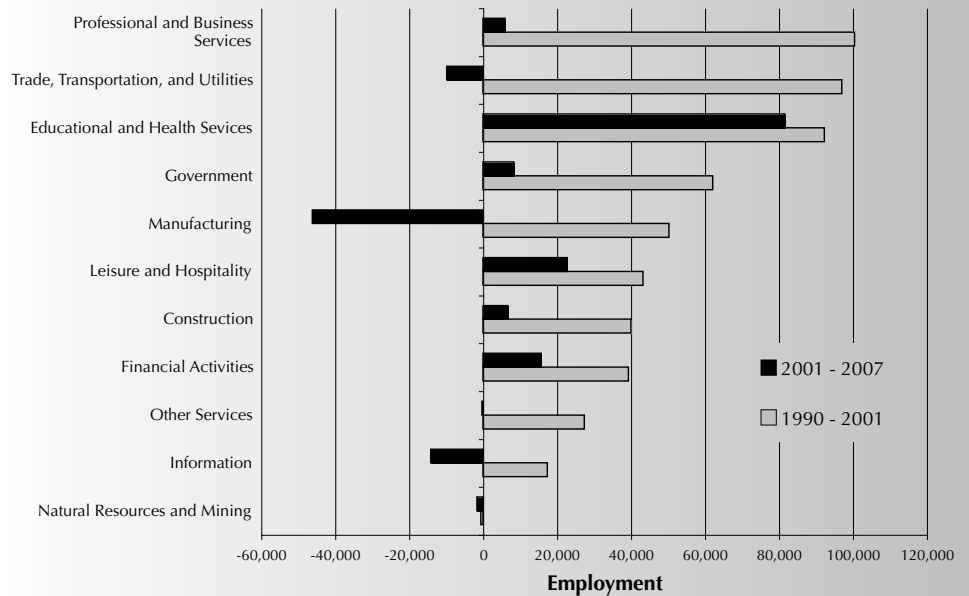
Figure 4



Source: U.S., BLS, BEA, DEED data sources are shown.

Minnesota Employment Growth by Major Sector 1990-2001 and 2001-2007 (CES Employment)

Figure 5



Source: DEED: CES

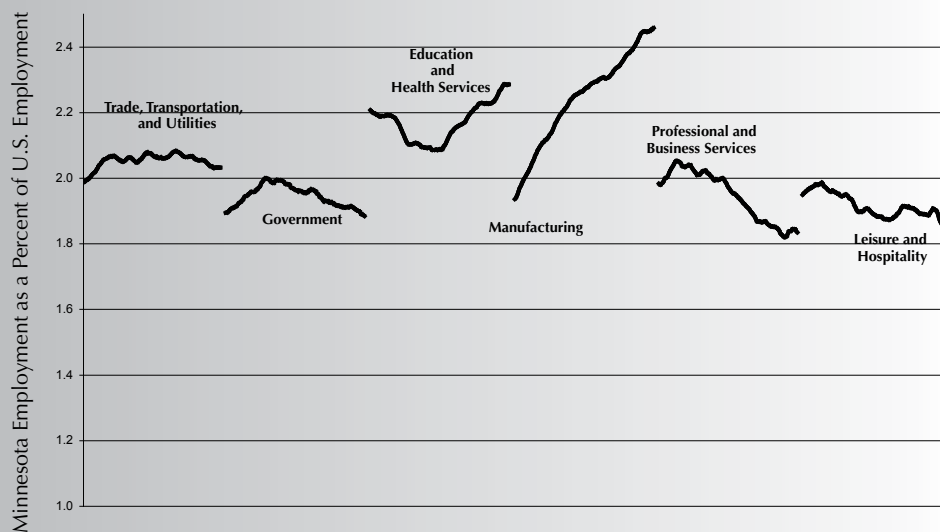
services and natural resources and mining, has been flat over the last six years. The number of workers hired by the professional and business services, government, and construction sectors during the six-year period since the first

quarter of 2001 pale in comparison to the new positions added by these sectors during the boom years of the 1990s.

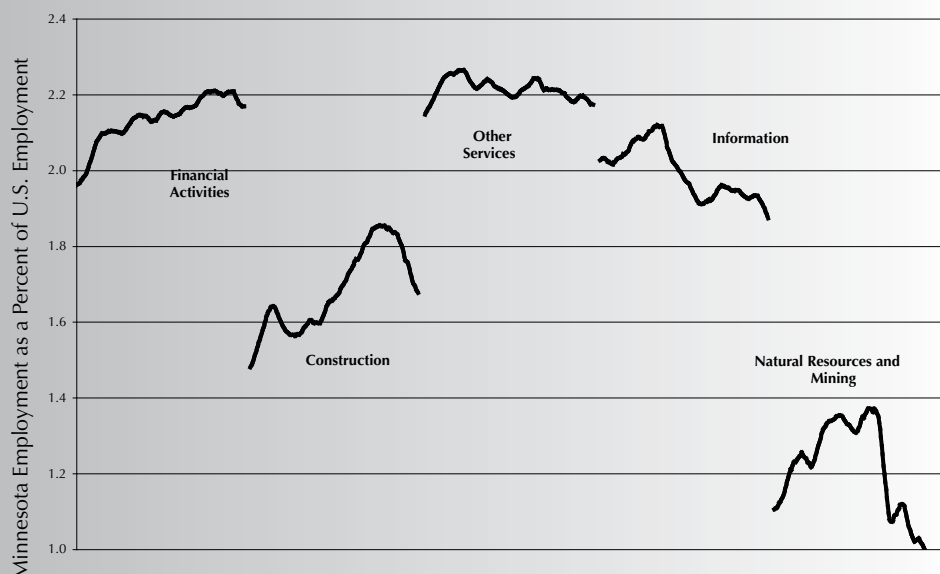
Minnesota's Employment Share by Major Sector

Figure 6
(Part 1)

1990-2007
(Unadjusted CES Employment)



(Part 2)



Source: DEED: CES

Minnesota's job growth is looked at in more detail in Figure 6 where Minnesota's share of national employment in each major sector is tracked from January 1990 through April 2007. The sectors are displayed in order of workforce size with trade, transportation, and utilities having the largest workforce (531,000 in 2006) and natural resources and mining having the smallest number of employees (6,000 in 2006).

Five sectors in Minnesota have added jobs at a slower rate than nationally over the last year or so: Minnesota's share of government, leisure and hospitality, construction, information, and natural resources and mining employment have all steadily tailed off over the last 18 months.

The only sector in Minnesota recording a steadily increasing share of national employment over the last few years is the manufacturing sector. Minnesota's manufacturers aren't ramping up employment but have managed to add a minimal number of jobs in 2005 and 2006 while national manufacturing employment numbers continue to shrink gradually. Minnesota's manufacturers employed roughly 12 percent fewer workers in 2006 than in 2000. The manufacturing workforce nationally is down 18 percent over the same period.

Minnesota's payroll numbers in natural resources and mining has been flat over the last two years, but higher energy prices have spurred increased oil, gas, and coal mining activity leading to expanding mining employment nationwide. Minnesota's home-building slump has been deeper than the U.S. resulting in construction employment in the state dropping almost 3 percent between the first quarters of 2006 and 2007. Construction employment nationally has flattened out over the same period but has not slipped as much as in Minnesota.

Table 1

Relative Wage and Salary Growth Across States

1990 - 2001 and 2001 - 2006

Winners and Winners		
	90 - 01 Relative Growth	01 - 06 Relative Growth
Nevada	63	25
Arizona	50	18
Florida	14	14
Montana	3	14
New Mexico	7	11
Utah	41	10
Idaho	32	10
Virginia	7	6
Delaware	2	6
South Dakota	19	4
Texas	30	4
Arkansas	4	3
Tennessee	3	2
North Carolina	12	1
Washington	24	1
Oregon	19	1
Nebraska	2	0

Losers and Winners		
	90 - 01 Relative Growth	01 - 06 Relative Growth
Wyoming	-9	24
Hawaii	-43	14
North Dakota	-2	9
Alaska	-35	6
Maryland	-8	5
Oklahoma	-12	4
Alabama	-14	4
Iowa	-4	2
Rhode Island	-24	1
South Carolina	-10	1
California	-5	0
Vermont	-7	0
Louisiana	-12	0
Mississippi	-3	0

Winners and Losers		
	90 - 01 Relative Growth	01 - 06 Relative Growth
Massachusetts	4	-8
Colorado	58	-4
Wisconsin	2	-3
Minnesota	15	-3
Kansas	2	-3
Georgia	26	-1
Kentucky	0	-1
New Hampshire	11	0

Losers and Losers		
	90 - 01 Relative Growth	01 - 06 Relative Growth
Michigan	-12	-14
Ohio	-18	-7
Illinois	-7	-6
Indiana	-10	-5
New York	-15	-5
Connecticut	-15	-4
Missouri	-8	-4
New Jersey	-12	-3
Pennsylvania	-17	-2
Maine	-22	-2
West Virginia	-29	-1

Source: DEED calculations using BEA data

Employment growth in Minnesota's leisure and hospitality sector has lagged behind the national pace even with the number of new coffee shops, fast food joints, and restaurants that have appeared across Minnesota in recent years.

Minnesota's job growth in the three components of the leisure and hospitality sector – arts, entertainment, and recreation, accommodations, and food services and drinking places – reported job growth of -6.1, -3.4 and 1.7 percent respectively between the first quarters of 2006 and 2007. Nationally these industries expanded employment by 3.2, 2.1, and 3.9 percent over the same time period. The sector as a whole added no jobs in Minnesota over the time span while nationally payroll numbers climbed 3.5 percent.

The declining shares for Minnesota in professional and business services, financial activities, construction, and information sectors should raise the most concern as these sectors are home to many higher-paying occupations. Minnesota's average wage per job climbed from 2.2 percent below the national average in 1995 to 1.9 percent above in 2004 because Minnesota's job growth over that time had a better mix of higher-paying jobs than the job growth nationwide.² Minnesota's average wage per job for 2005, the most recent year available, was reported as \$39,957 in 2005 dollars. That average wage was 0.5 percent short of the 2005 national average. The industry and occupational mix of job growth in Minnesota over the last few years has not been as favorable relative to the national job growth mixes as it was during the previous ten years.

Minnesota is not alone in having an economy that outperformed the national economy during the boom years of the 1990s but has been

underperforming over the last few years. Table 1 uses relative growth in wage and salary disbursements over two time periods, 1990 to 2001 and 2001 to 2006 – pre and post the 2001 recession – to group states into four categories. The relative growth measure is a state's percentage increase in wage and salary disbursements (total wages and salary payments) minus the corresponding U.S. increase.

The increase in total wages and salaries in Nevada was 63 percentage points larger than the national increase in wages and salary payments between 1990 and 2001. Nevada wages and salary payments increased 143 percent during the 1990s while the nationwide increase was 80 percent. Nevada is one of 17 states where increases in wage and salary payments either outpaced or kept up with the national increases in both time periods. Illinois's wage and salary growth on the other hand lagged behind the nation in both periods. Between 2001 and 2006, wages and salary disbursements increased 22 percent nationally but only 15 percent in Illinois. Illinois's rate of wage and salary growth between 2001 and 2006 was 6 percentage points behind the national rate.

Minnesota's wage and salary growth, which is only partially a function of job growth and the wage levels of the jobs being created, exceeded the national increase by 15 percentage points in the 1990s. Minnesota's wage and salary growth record relative to the nation between 2001 and 2006 trailed the U.S. rate by 3 percentage points.

Colorado, Georgia, New Hampshire, and Massachusetts are four other states among eight states in the same boat as Minnesota. They were all winners relative to the nation during the 1990s in terms of wage and salary growth but losers between 2001 and 2006. These four states are often listed, along

with Minnesota and California, Texas, and Washington, as states out ahead of the pack in transforming from old industrial-based to knowledge-based economies.

Minnesota, like other high-tech states, has discovered over the last six years that the road to a knowledge-based economy is not a smooth straight shot but is instead a road with temporary detours every now and then.

Minnesota's economy seems to have taken every detour over the last few years including the dot.com industry crash detour, the major airline bankruptcies and mass layoffs detour, the acceleration of offshoring manufacturing detour, the rising oil prices detour, and most recently the housing market collapse detour.

With all the detours that the state's economy has faced over the last few years one would think that Minnesota's economy and job growth would have fallen way behind the national pace. The more accurate picture though is that the state's job growth has lagged behind U.S. job growth over the last year or so but the slide has been small. The slide, the first extended period of sub-national job growth in Minnesota since the mid 1980s, is worth keeping an eye on. **TR_Z**

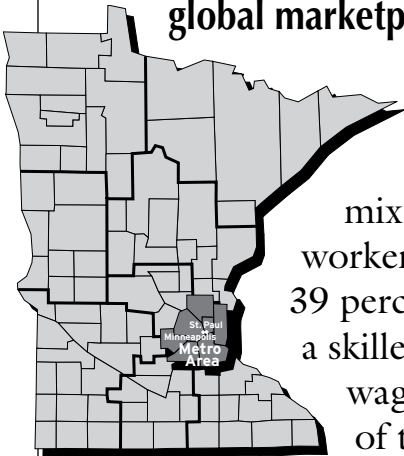


² Historical wage per job data is available from the Bureau of Economic Analysis, U.S. Department of Commerce at www.bea.gov/regional/reis/default.cfm?catable=CA34§ion=2

STATE OF THE TWIN CITIES REGION



The Twin Cities regional economy is a strong competitor nationally and in the global marketplace.



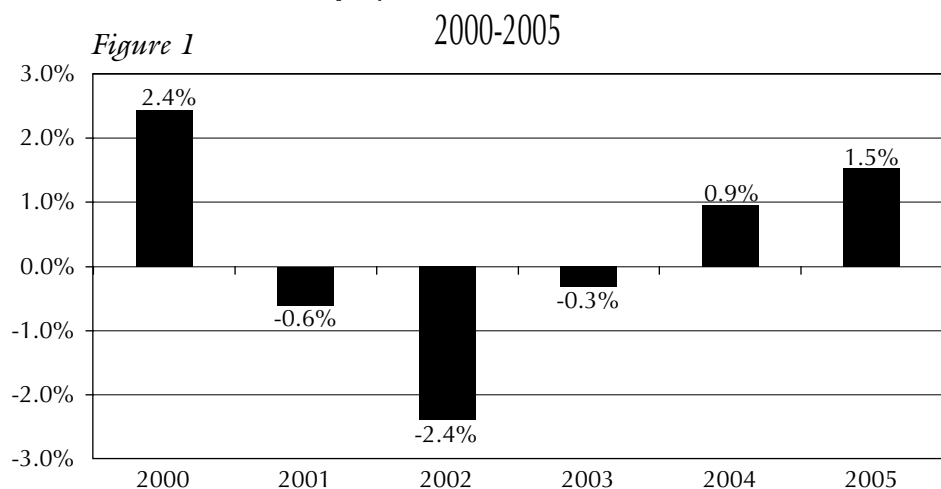
The region held 54 percent of the state's population, 62 percent of private sector employment, and 53 percent of Minnesota's firms in 2005. The region's diverse industry mix requires a large pool of skilled workers; 92 percent of adult workers in the region have a high school diploma or equivalent, and 39 percent have a bachelor's degree or higher. Diverse industries and a skilled workforce mean workers in the Twin Cities command higher wages in most occupational sectors than workers in other areas of the state. Regional unemployment rates are also lower than statewide averages. With statistics like these the Twin Cities region

consistently ranks among the top metropolitan areas nationally on measures as diverse as health, cultural vitality, education, and business climate.

Twin Cities Labor Force Trends

Annual employment in the region has been rising since 2003. Private sector employment expanded in 2005 by 21,120 jobs, a 1.5 percent growth rate (see Figure 1). Employment topped 1.4 million private sector jobs during the second quarter 2006, 20,400 more jobs than one year prior. Despite employment gains, statewide and regional job growth has lagged behind the United States in recent years.

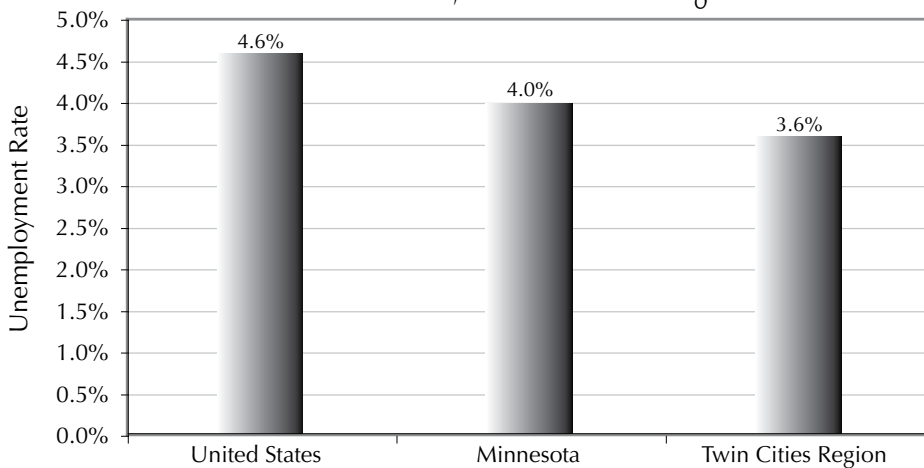
Annual Employment Growth in the Twin Cities



Source: DEED: QCEW

Unemployment Rates in the Twin Cities Region Minnesota and U.S., 2006 Annual Average

Figure 2



Source: DEED: LAUS

Another measure of economic strength, labor force participation, shows positive growth in the region as well. About 18,360 more Twin Cities' residents were engaged in the labor force at the end of 2006 than at the end of 2005. Of course, the labor force contains not only individuals who are working, but those who are actively seeking employment as well. The region's 2006 annual unemployment rate was 3.6 percent, equivalent to 58,290 unemployed persons (see Figure 2). This was a full percentage point below the national rate (4.6 percent) and below the state unemployment rate (4.0 percent) in 2006. So far in 2007 the regional unemployment rate continues to remain below that of the state and nation.

Change in Industry Employment

Second Quarter 2004 - Second Quarter 2006

Table 1

Industry	Covered Employment, 2Q 2004	Covered Employment, 2Q 2006	Percent Change 2Q 2004 to 2Q 2006
Total, All Industries	1,585,111	1,622,972	2.4%
Total, All Industries, Private Sector	1,384,243	1,422,834	2.8%
Agriculture, Forestry, Fishing, and Hunting	4,351	4,399	1.1%
Mining	471	396	-15.9%
Construction	74,147	73,459	-0.9%
Manufacturing	184,602	186,179	0.9%
Utilities	5,563	5,215	-6.3%
Wholesale Trade	82,060	83,927	2.3%
Retail Trade	167,422	168,084	0.4%
Transportation and Warehousing	53,331	51,979	-2.5%
Information	42,999	40,565	-5.7%
Finance and Insurance	105,610	107,268	1.6%
Real Estate and Rental and Leasing	29,973	29,755	-0.7%
Professional and Technical Services	92,875	99,745	7.4%
Management of Companies and Ent.	57,700	58,701	1.7%
Administrative and Support Services	89,048	94,444	6.1%
Educational Services	23,915	27,509	15.0%
Health Care and Social Assistance	170,356	185,533	8.9%
Arts, Entertainment, and Recreation	26,619	27,726	4.2%
Accommodation and Food Services	118,326	122,252	3.3%
Other Services, Ex. Public Admin	54,868	55,345	0.9%

Source: DEED: QCEW.

Distinguishing Industries in the Twin Cities in 2005 and Recent Employment Growth

Table 2

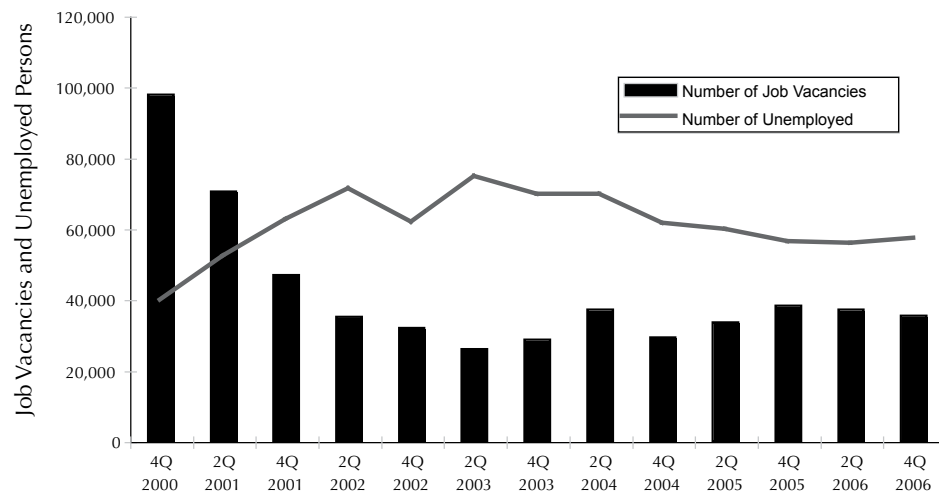
Industry Sector	Share of Statewide Employment	Private Sector Employment, 2Q 2006	2Q 2004 to 2Q 2006 Employment Change
Management of Companies	90%	58,702	2%
Performing Arts and Spectator Sports	86%	7,017	5%
Warehousing and Storage	83%	5,265	-2%
Insurance Carriers and Related Activities	81%	45,150	0%
Support Activities for Transportation	80%	4,709	NA
Real Estate	79%	21,717	NA
Professional, Scientific, and Technical Services	79%	99,745	7%
Miscellaneous Manufacturing	78%	17,870	14%
Museums, Parks, and Historical Sites	77%	1,954	12%
Chemical Manufacturing	76%	7,190	-5%
Couriers and Messengers	76%	7,861	1%
Publishing Industries	76%	18,839	1%
Administrative and Support Services	75%	91,177	6%
Total, All Industries	62%	1,422,834	3%

Source: DEED: QCEW
NA=Data not available

Job Vacancies and Unemployment in the Twin Cities Region

2000 to 2006

Figure 3



Source: DEED: JVS

Industry Performance

The Twin Cities is home to a number of nationally known employers in the areas of manufacturing, health care, and insurance. The region's major employers are distributed across the seven metro counties. Some of the largest manufacturing firms are in Anoka and Ramsey counties, while health care and education have a large presence in the central cities of Minneapolis and St. Paul.

In second quarter of 2006 the region's top-employing industries were manufacturing, health care and social assistance, retail trade, and accommodation and food services (see Table 1). These industries exert a powerful influence on the region's workforce characteristics and business environment.

Employment in some industry sectors was severely affected by the 2001 recession; recent employment growth, however, has largely been positive. Overall, private sector employment grew 2.8 percent between the second quarters of 2004 and 2006, an addition of 37,800 jobs to the regional economy. The single largest job creator has been health care and social assistance with the addition of 15,200 private sector jobs over two years. The professional and technical services (6,870) and administrative and support services (5,400) sectors also gained a significant number of jobs over the same time period.

Some industry sectors employ a greater share of the state's private sector employment. Table 2 lists the distinguishing industries in the Twin Cities that have a 75 percent or greater share of statewide employment. Between the second quarters of 2004 and 2006 employment gains occurred in professional, scientific, and technical services (up 6,820 jobs), administrative and support services (up 5,980 jobs), and miscellaneous manufacturing (up 2,180 jobs) which includes medical equipment and supply manufacturing.

Job Vacancies in the Twin Cities Region

Fourth Quarter 2006

Table 3

Occupational Group	Twin Cities			Minnesota		
	Job Vacancies	Job Vacancy Rate (%)	Change in Job Vacancies from 4Q 2005	Job Vacancies	Job Vacancy Rate (%)	Change in Job Vacancies from 4Q 2005
Sales and Related	6,161	3.7%	1.3%	9,192	3.3%	10.3%
Office and Administrative Support	5,586	2.1%	33.0%	7,386	1.7%	20.9%
Food Preparation and Serving Related	3,092	2.5%	-8.4%	5,385	2.5%	-18.6%
Health Care Practitioners and Technical	3,052	4.1%	-7.3%	4,844	3.5%	-3.4%
Business and Financial Operations	2,655	2.6%	-0.4%	2,975	2.1%	-12.9%
Computer and Mathematical	2,143	3.6%	30.6%	2,525	3.6%	33.0%
Management	1,816	2.0%	-27.9%	2,176	1.7%	-25.9%
Health Care Support	1,770	5.3%	-17.3%	3,480	4.8%	-17.8%
Production	1,649	1.4%	-22.2%	3,359	1.5%	-26.4%
Transportation and Material Moving	1,458	1.5%	-31.6%	3,365	1.9%	-11.4%
Total Job Vacancies	35,575	2.3%	-7.3%	55,248	2.1%	-9.4%

Source: DEED: JVS

Of the top distinguishing industries listed only chemical manufacturing (down 410 jobs) and warehousing and storage (down 116 jobs) experienced job declines over the last two years.

Regional Job Opportunities

Recent survey results estimated about 35,580 job vacancies in the Twin Cities region during fourth quarter 2006, a 7.3 percent decline over the year (see Figure 3). Unemployed persons outnumber job opportunities in the region with 6.2 openings for every 10 unemployed people. The health care and social assistance industry with 6,120 job vacancies continues to dominate hiring activity in the Twin Cities. Of course, these openings include more than just direct patient care jobs like registered nurses or medical assistants. Administrative support, food and environmental services, and information technology workers are needed in health care facilities too. Large numbers of job openings were also evident

in retail trade (with 5,300 job vacancies), manufacturing (3,800), accommodation (3,670), and finance and insurance (3,450) during fourth quarter 2006.

Sales (with 6,160 job vacancies) and office and administrative support (5,590) occupations have the highest numerical demand for workers (see Table 3). These occupational groups employ a substantial number of individuals in the Twin Cities region. On the other hand, health care support (5.3 percent), health care practitioners and technical workers (4.1 percent), and computer and mathematical occupations (3.6 percent) have the highest job vacancy rates, or the number of openings expressed as a percent of the total number of jobs that exist in the region. Demand for workers as measured by job vacancy rates is strong for many individual occupations within these groups as well. Across the region there were 2.3 openings for every 100 existing jobs during fourth quarter 2006.

The number of job vacancies has fallen in some occupational sectors over the last year, most notably for health care-related occupations. In contrast, openings for office and administrative support and computer workers increased by more than 30 percent in the Twin Cities. These occupations are not concentrated in one industrial sector. Rather, office workers and computer specialists are needed in virtually all industries across the economy.

Tracking Occupational Employment and Wages

Twin Cities businesses employ a broad range of occupations. While only about 58 percent of the state's jobs are in the Twin Cities, 90 percent of jobs in legal occupations and 85 percent of computer and mathematical jobs are located in the Twin Cities. In terms of sheer numbers, office and administrative support, food preparation and serving, and sales and related occupations

Wages by Occupational Group in the Twin Cities Region

Fourth Quarter 2006

Table 4

Occupational Group	Twin Cities Median Wage (\$)	Twin Cities Employment	Minnesota Median Wage (\$)
Total, All Occupations	\$18.15	1,528,220	\$16.48
Office and Administrative Support	\$15.88	272,490	\$14.78
Sales and Related	\$13.84	164,700	\$11.90
Food Preparation and Serving Related	\$8.86	122,410	\$8.49
Production	\$16.18	121,070	\$14.88
Business and Financial Operations	\$26.30	100,830	\$25.11
Transportation and Material Moving	\$15.30	99,700	\$14.19
Management	\$45.70	88,920	\$42.14
Education, Training, and Library	\$20.05	82,500	\$20.02
Health Care Practitioners and Technical	\$28.69	74,030	\$26.73
Computer and Mathematical	\$33.70	59,090	\$32.88
Construction and Extraction	\$25.91	52,420	\$22.75
Installation, Maintenance, and Repair	\$20.89	49,220	\$19.42
Building and Grounds Cleaning and Maintenance	\$11.19	39,030	\$10.73
Personal Care and Service	\$10.80	37,370	\$10.40
Health Care Support	\$13.56	33,650	\$12.35
Architecture and Engineering	\$29.99	32,120	\$28.67
Arts, Design, Entertainment, Sports, and Media	\$21.20	22,180	\$19.51
Community and Social Services	\$18.24	22,020	\$17.53
Protective Service	\$15.15	20,750	\$15.69
Life, Physical, and Social Science	\$28.43	16,640	\$26.86
Legal	\$35.97	16,400	\$33.58
Farming, Fishing, and Forestry	\$12.40	680	\$11.68

Source: DEED: OES

employ more than 559,000 individuals or one-third of the total occupational employment in the Twin Cities region.

Partly because of the concentration of jobs in the skilled professional field as well as the relatively tight labor market in the region, wages by occupation are generally higher in the Twin Cities than in other regions of the state. The median wage for all jobs is \$18.15 per hour. The highest wages are found in management occupations, where the median wage is \$45.70 per hour, and the lowest wages in the region are found in food preparation and serving and in personal care and service which

pay a median of \$8.86 and \$10.80 respectively (see Table 4).

Employment Forecasts

Employment in the Twin Cities is expected to increase 13 percent between 2004 and 2014 resulting in the addition of 224,900 new jobs in the regional economy. Business and financial operations will create the most new job opportunities, followed by food preparation and serving and by health care practitioners and technical occupations. Production occupations will continue to see little growth as productivity gains and global

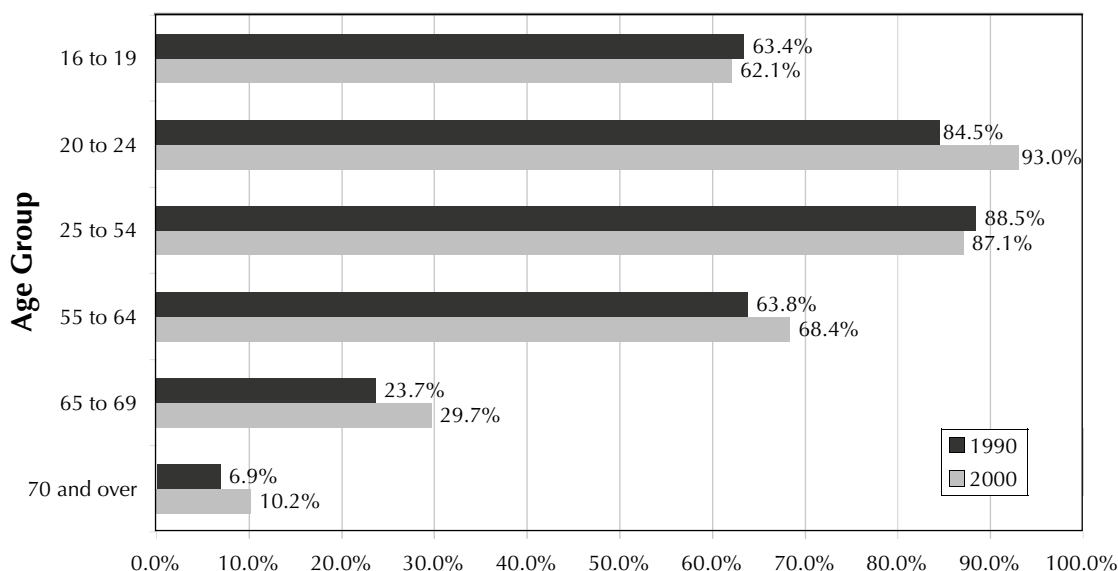
competition force restructuring of the economy and specifically demand for higher skills.

Job openings arising from the need to replace workers will exist in all occupations. Net replacement openings are an estimate of the need for new workforce entrants to replace workers who leave an occupation. More than 400,000 net replacement openings are projected in the Twin Cities between 2004 and 2014. For some sectors like office and administrative support and sales and related occupations, net replacement openings will outweigh openings from new job growth.

Labor Force Participation Rates in the Twin Cities Region

Figure 5

1990 and 2000



Source: U.S. Census Bureau: Census 2000, SF-3 and 1990 Census, STF-3

The opportunities and wages available to tomorrow's workforce will depend greatly upon skills and the ability to acquire new skills. An increasing number of the new jobs created are expected to require some level of post-secondary training. As technology and competition continue to displace workers, workforce readiness for all segments of the population becomes increasingly important. Virtually all of the occupations projected to have the most openings and above average wages will require some form of post-secondary training.

The Twin Cities region is well positioned to meet employers' need for skilled workers. The regional workforce already boasts a high level of educational attainment. Over 90 percent of the population aged 25 years and over in the region has at least a high school diploma. Almost 39 percent of the adult population had a bachelor's degree or higher in 2005 (see Figure 4). The strong employer demand for a well-prepared workforce has helped to retain and grow the educated workforce in the region.

Future Demographics: Aging Population, Fewer Workers

As the region continues to age, the question of whether there will be enough skilled workers to take the newly created jobs and replace the retiring Baby Boomer population remains a critical concern. Between 2004 and 2014 over 626,000 new entrants to the Twin Cities' job market will be needed to satisfy the region's industry growth and net replacement demand. But an aging population and fewer new workers could hamper the region's growth.

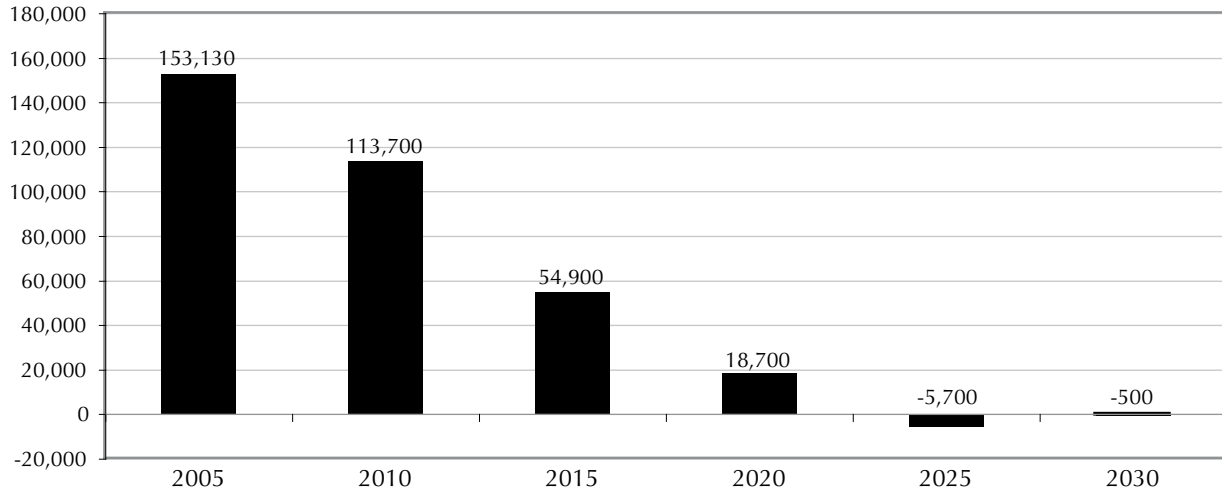
Working age (15-64) population growth in the Twin Cities averaged 1.5 percent per year during the 1990s. Largely as a reflection of the region's strong economy and job market prior to the onset of the 2001 recession, regional labor force participation rates increased across most age groups between 1990 and 2000. Labor force participation is generally highest among those ages 20 to 54 (see Figure 5). So far in this decade labor force

participation rates across the state continue to be above the national average.

Future population and labor force projections are largely driven by the aging Baby Boomer generation, currently the largest share of the workforce. Minnesota's State Demographer projects continued population growth for the working-age population at about the same pace until 2010. By 2015 workforce growth will have slowed dramatically as Baby Boomers retire (see Figure 6). By 2025 the number of retirement-age workers is expected to exceed the number of replacement workers entering the workforce. Lower growth rates for new workforce entrants may have significant ramifications for the region's labor markets. While economic conditions, lack of retirement planning, and longer life expectancy may compel older workers to remain in or reenter the labor market in larger numbers, the labor market will continue to tighten.

Projected Growth in Working Age Population in the Twin Cities Region 2000 and 2030

Figure 6



Source: Minnesota State Demographer: Population Projections, 2000-2030

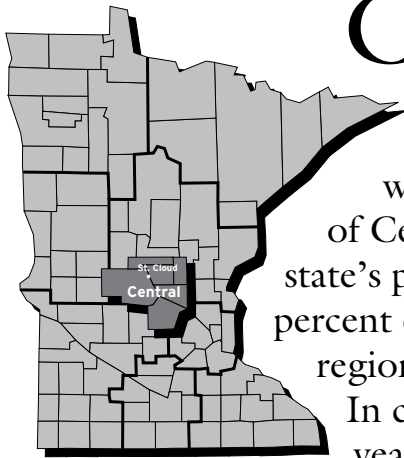
Conclusion

The Twin Cities has a powerful and diverse industry base that is distinguished by industry leaders in manufacturing, finance and insurance, and business services. While employment losses from the 2001 recession were widespread, recent employment trends are positive, and the region is expected to add many new jobs in coming years. Some industries, particularly in the health services sector, are expected to expand rapidly. In terms of labor supply the Twin Cities may experience tightening conditions in coming years. With Baby Boom generation retirements, labor force growth will continue to slow and may even decline in coming years. New labor-saving technologies and economic growth that attracts in-migration may lessen the impact of the aging of the region's workforce to some extent. Understanding industry shifts and recognizing occupational needs may be the most effective way to prevent workforce pipeline gaps. Of course, needs within the economy will change, sometimes in unpredictable ways. Understanding and acting on workforce demand will enable the

Twin Cities region to remain ahead of the talent curve and simultaneously improve the region's competitiveness and attractiveness as a place to do business. **TR_z**



STATE OF THE CENTRAL REGION

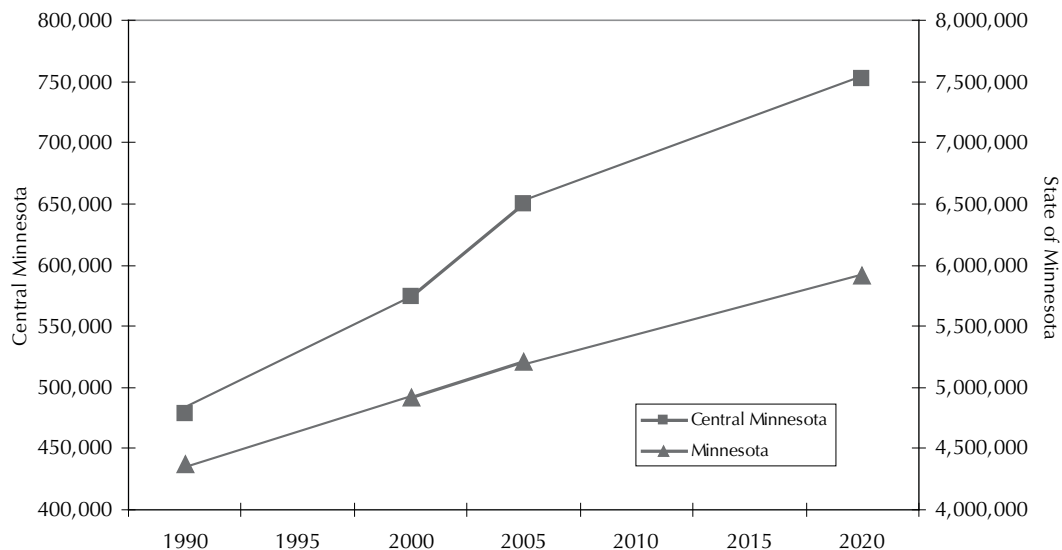


Central Minnesota has remained the fastest growing region of the state, in part benefiting from growth in northern and western Twin Cities suburbs and in part benefiting from growth in the St. Cloud MSA. There were just under 650,000 people living in the 13 counties of Central Minnesota in 2005, which was 12.5 percent of the state's population. In 1990 Central Minnesota comprised just 10.9 percent of the state's population. Over that same time frame the region added nearly 175,000 people, a 35.8 percent growth rate. In comparison Minnesota expanded 19 percent over the last 15 years (see Figure 1).

The region had five of the 10 fastest growing counties in the state from 1990 to 2005, including Sherburne County, which was second after nearly doubling (96.1 percent), and Chisago and Wright counties at fourth and fifth respectively. Renville was the only county in the region that lost population over the last 15 years.

Figure 1

Population Change in Central Minnesota 1990 to 2020



Source: Minnesota State Demographic Center

Table 1

Central Minnesota Projected Population Change

By Age Group, 2000 to 2020			2000-2020	
Age Group	2000	2020	Numeric Change	Percent Change
0 to 4 years	40,259	49,932	9,673	24.0%
5 to 14 years	91,303	104,753	13,450	14.7%
15 to 24 years	87,694	100,629	12,935	14.8%
25 to 34 years	75,819	102,942	27,123	35.8%
35 to 44 years	95,041	99,864	4,823	5.1%
45 to 54 years	72,167	86,569	14,402	20.0%
55 to 64 years	45,494	94,299	48,805	107.3%
65 to 74 years	33,528	66,353	32,825	97.9%
75 to 84 years	23,247	32,410	9,163	39.4%
85 years and over	9,386	14,296	4,910	52.3%
Total	573,938	752,047	178,109	31.0%

Source: Minnesota State Demographic Center

Population projections from the state demographer show continued growth over the next 15 years as well. Central Minnesota is expected to see a 15.7 percent increase from 2005 to 2020, which would add another 102,000 people. This strong projected growth actually represents a slowdown. If growth occurred at the same pace as the last 15 years, the region would have over 880,000 people by 2020.

The number of people aged 55 to 74 years is expected to more than double from 2000 to 2020. This growth is powered by an increase in life expectancies and a presumption that even as residents begin to reach retirement age, they will remain in the region rather than moving away. Several counties in the region have access to lakes and other recreational amenities, making them popular destinations for retirees – including those from outside the region (see Table 1).

Despite a large Baby Boomer population, Central Minnesota's workforce is projected to continue strong growth for a number of reasons.

Just since the turn of the century the Central Minnesota counties have gained over 75,000 people. Nearly three-fourths of the recent population growth was from net in-migration as about 54,000 more people moved into the region from 2000 to 2005 than moved out. Many of those moving in are young families, many of whom are still having children. This has led to rising school enrollments in some parts of the region, an enviable trend for other areas of the state that are seeing declining enrollments and funding.

Table 2

Central Minnesota Labor Force Projections

Labor Force Type	2000	2020	2000 - 2020 % Change
Total labor force	312,045	417,620	33.8%
Male labor force	166,384	221,830	33.3%
Female labor force	145,661	195,790	34.4%
Age 16-24	58,278	71,430	22.6%
Age 25-44	151,374	180,530	19.3%
Age 45-64	92,876	143,000	54.0%
Age 65 plus	9,517	22,730	138.8%

Source: Minnesota State Demographic Center

The Central region is also seeing positive changes in all race and origin categories, including rapid growth among residents of Hispanic origin, African American residents, and Asian or Pacific Islander residents. The greatest concentrations are found in Stearns County, which had the seventh-largest Asian population in the state, and Kandiyohi County, which had the sixth-largest Hispanic population.

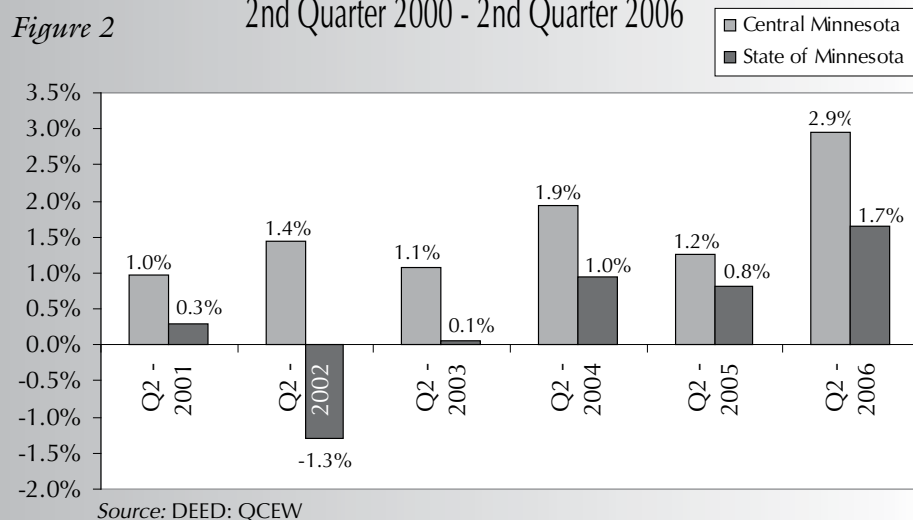
This growth helps Central Minnesota continue to provide a diverse group of consumers to local businesses as well as an available labor force to local employers. Growing diversity, both in cultures and in age groups, is valuable to employers in terms of meeting changing customer demands and creating innovative ideas.

The region is also still seeing increases in the emerging and entry-level workforce with the number of people aged five to 24 years projected to expand by almost 25,000 people from 2000 to 2020. The 16- to 24-year-old workforce is expected to jump 22.6 percent, while the senior citizen workforce is projected to more than double. This assumes that, even after reaching retirement age, older workers will remain active in the labor force. Workers in the 25- to 44-year-old age group, considered the prime working years, are seeing the slowest growth rate, but still comprise the largest segment of the workforce (see Table 2).

Year-Over-Year Employment Change: Central Minnesota

Figure 2

2nd Quarter 2000 - 2nd Quarter 2006



Commute times vary by county and are growing in some counties. In the St. Cloud metropolitan statistical area and the Willmar and Hutchinson micropolitan¹ statistical areas commute times remain relatively short for residents and their surrounding labor sheds. But in the metro fringe counties – including Chisago, Isanti, Sherburne, and Wright – average commute times have sped past a half hour one way and are rapidly increasing as nearly two-thirds of the workforce drives outside their county of residence for work, primarily into the Twin Cities metro area.

¹ Micropolitan is a new U.S. Office of Management and Budget classification representing counties with a population of at least 10,000 but fewer than 50,000 people.

Change in Industry Employment

Table 3

Second Quarter 2004 - Second Quarter 2006

Industry	2Q 2004 Covered Employment	2Q 2006 Covered Employment	Percent Change 2Q 2004-2Q 2006
Total, All Ownerships	250,032	260,145	4.0%
Total, Private Sector	206,803	215,669	4.3%
Agriculture, Forestry, Fishing, and Hunting	3,573	3,730	4.4%
Mining	389	426	9.5%
Utilities	1,878	2,185	16.3%
Construction	16,997	16,949	-0.3%
Manufacturing	41,587	43,324	4.2%
Wholesale Trade	9,524	9,550	0.3%
Retail Trade	34,632	35,381	2.2%
Transportation and Warehousing	6,101	6,382	4.6%
Information	3,451	3,251	-5.8%
Finance and Insurance	6,922	7,511	8.5%
Real Estate and Rental and Leasing	2,112	2,230	5.6%
Professional and Technical Services	5,234	5,412	3.4%
Management of Companies and Ent.	977	1,081	10.6%
Administrative and Support Services	8,204	9,308	13.5%
Educational Services	1,996	2,250	12.7%
Health Care and Social Assistance	31,862	34,165	7.2%
Arts, Entertainment, and Recreation	3,274	3,374	3.1%
Accommodation and Food Services	19,935	21,040	5.5%
Other Services, Ex. Public Admin	8,149	8,057	-1.1%

Source: DEED: QCEW Program

Aggressive population and workforce growth has helped Central Minnesota's economy avoid the statewide and national recession in early 2001. Although the region has only about 10 percent of total statewide covered employment, it accounted for nearly 37 percent of the net jobs created in the state between 2001 and 2006 (see Figure 2).

While those figures may look impressive, they are actually only a small glimpse of a much larger economic growth picture. If employment data for 2006 follows mid-year trends, the Central Minnesota planning region will cap 25 straight years of job growth. The last year-over-year job decline in Central Minnesota occurred from 1981 to 1982, followed by a *quarter century* of unbroken employment expansion.

Central Minnesota now has 18,000 employers providing 260,000 covered jobs through the second quarter of 2006. The largest employing industries are manufacturing, retail trade, and healthcare and social assistance. Combined, those three sectors comprise

nearly 50 percent of the region's total employment. One in every four jobs in the region is in the goods-producing domain, as compared to 18.9 percent statewide (see Table 3).

Demographic trends have set much of the context for the region's economic growth, with private and public sector employers both expanding and starting in the area to meet the needs of new residents. The largest growing industry over the last two years has been health care and social assistance, which gained 2,303 jobs, followed by manufacturing, which built up payrolls by 1,737 jobs from the second quarter of 2004 to the second quarter of 2006. Accommodation and food services also welcomed 1,105 jobs to the region.

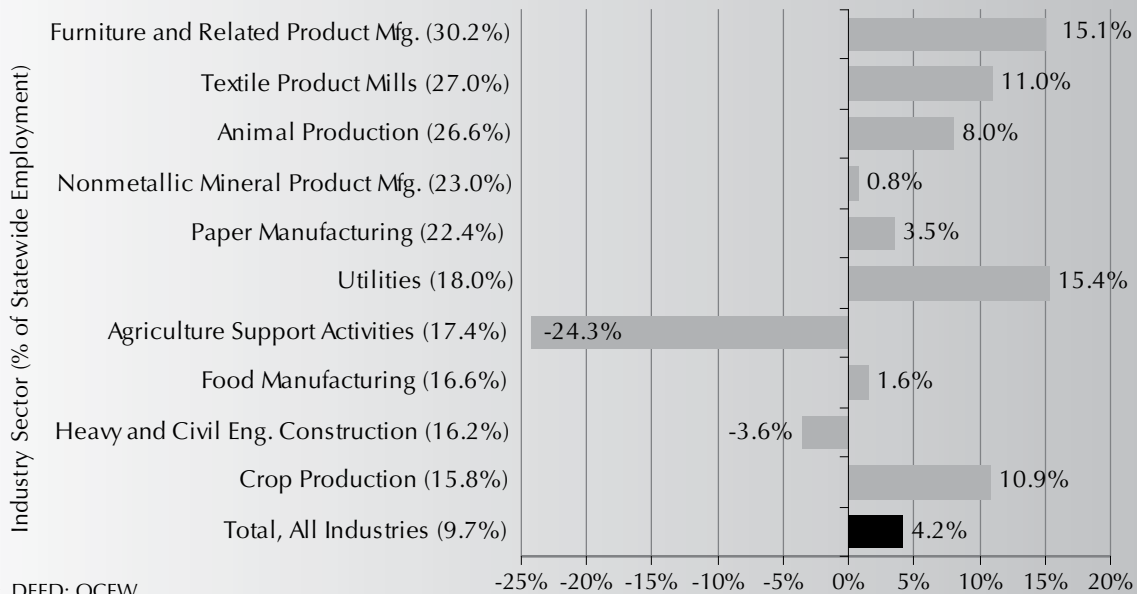
Other large employing industries include public administration and administrative and support services, all of which are adding jobs to meet consumer demands. Most geographic areas also have high numbers of jobs in these service sectors, so they do not define or set the region apart.

Central Minnesota's distinguishing industries – those that have a higher than average concentration of industry employment – are unique to the region and strengthen its identity. For example, the region has nearly one-third of the state's employment in furniture and related product manufacturing and more than one-fourth of the state's jobs in textile product mills. Both industries have been adding jobs in the region in the last two years, most notably in furniture and related product manufacturing which includes wood cabinets.

Many of the region's other distinguishing industries are related to agriculture, including animal production, food manufacturing, and crop production. Other than a drop in agriculture support activities, these industries have been expanding employment in the region. Central Minnesota also had competitive advantages based on the region's natural resources, most notably nonmetallic mineral product manufacturing, paper manufacturing, and utilities (see Figure 3).

Distinguishing Industries: Central Minnesota Regional Employment Change in Industries with an Above-Average Employment Concentration

Figure 3



Source: DEED: QCEW

Table 4

Industry Projections: Central Minnesota, 2004-2014

NAICS Code	Industry	Estimated Employment 2004	Projected Employment 2014	Percent Change 2004-2014
0	Total, All Industries	287,435	340,830	19%
11	Agriculture Support Activities	5,039	5,103	1%
21-22	Mining and Utilities	2,248	2,497	11%
23	Construction	16,721	19,600	17%
31	Manufacturing	41,912	45,105	8%
42	Wholesale Trade	9,866	11,058	12%
44	Retail Trade	34,793	41,146	18%
48	Transportation and Warehousing	6,553	7,604	16%
51	Information	3,470	3,745	8%
52	Finance and Insurance	6,853	9,021	32%
53	Real Estate and Rental and Leasing	2,069	2,465	19%
54	Professional and Technical Services	5,285	7,232	37%
55	Mgmt. of Companies	995	1,600	61%
56	Administrative and Support Services	8,365	12,415	48%
61	Educational Services	23,240	28,008	21%
62	Health Care and Social Assistance	35,374	48,172	36%
71	Arts, Entertainment, and Recreation	2,969	3,923	32%
72	Accommodation and Food Services	19,604	25,114	28%
81	Other Services, Ex. Public Admin	11,997	13,305	11%

Source: DEED: Employment Projections, 2004-2014

Led by the distinguishing industries, Central Minnesota is expected to remain the fastest growing region into the future according to employment projections from DEED. As they did in the last decade, health care and social assistance, retail trade, accommodation and food services, and educational services are expected to be the largest and fastest growing industries through 2014. But manufacturing employment is also expected to jump more than 7 percent in the region, adding over 3,000 jobs (see Table 4).

Wages have also increased in the region but still lag the Twin Cities metro area. The influx of so-called “big-box” retailers and food service establishments in the region has fueled the perception that most or all of the growth in the

area has been in lower-paying services industries at the expense of higher-paying manufacturing jobs. But slightly more than 67 percent of the jobs that have been added throughout the 13-county region are in industries with higher-than-average weekly wages.

Meanwhile high demand has persisted for some occupations in Central Minnesota according to the fourth quarter 2006 Minnesota Job Vacancy Survey. The most job openings were available for transportation and material moving workers, sales and related occupations, office and administrative support positions, and healthcare practitioners. Overall, vacancies were down slightly from one year ago, but transportation and architecture and engineering saw the fastest increases

in openings. High demand conditions helped raise wages in some occupations.

According to the fourth quarter 2006 Minnesota Salary Survey, the median hourly wage in Central Minnesota was \$14.19 which was 78.2 percent of the comparable Twin Cities wage. The highest paying jobs are typically found in management, professional, technical, and healthcare occupations which require higher levels of education and experience. The lowest-paying jobs are concentrated in food preparation and serving, personal care and services, and sales. The occupational group with the largest employment in Central Minnesota is office and administrative support followed by production, sales, and food service jobs (see Table 5).

Wages by Occupational Group: Central Minnesota

4th Quarter 2006

Table 5

Occupation Group	Regional Median Wage	Statewide Median Wage	Estimated Regional Employment
Management	\$33.60	\$42.14	9,380
Legal	\$27.86	\$33.58	1,080
Computer and Mathematical	\$25.46	\$32.88	2,870
Health care Practitioners and Technical	\$24.95	\$26.73	12,800
Life, Physical, and Social Science	\$24.77	\$26.86	1,430
Architecture and Engineering	\$24.07	\$28.67	3,130
Business and Financial Operations	\$21.94	\$25.11	9,020
Construction and Extraction	\$19.98	\$22.75	12,320
Education, Training, and Library	\$19.81	\$20.02	16,590
Community and Social Services	\$17.73	\$17.53	4,970
Installation, Maintenance, and Repair	\$17.49	\$19.42	8,910
Protective Service	\$17.11	\$15.69	3,890
Arts, Design, Entertainment, Sports, and Media	\$15.25	\$19.51	1,930
Production	\$14.37	\$14.88	27,430
Transportation and Material Moving	\$13.12	\$14.19	18,970
Office and Administrative Support	\$12.99	\$14.78	34,220
Health care Support	\$11.66	\$12.35	8,580
Farming, Fishing, and Forestry	\$10.72	\$11.68	530
Building and Grounds Cleaning and Maintenance	\$10.47	\$10.73	7,160
Sales and Related	\$10.37	\$11.90	25,360
Personal Care and Service	\$9.86	\$10.40	6,210
Food Preparation and Serving Related	\$8.24	\$8.49	23,540
ALL OCCUPATIONS	\$14.19	\$16.48	240,320

Source: DEED: 2006 MN Salary Survey

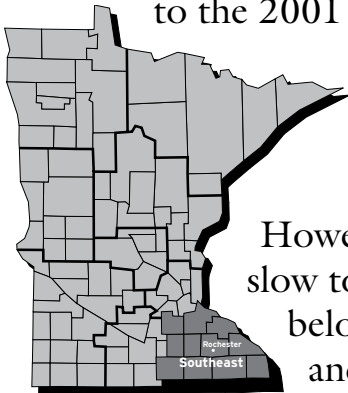
Conclusion

Almost every major industry in Central Minnesota is expected to outpace the state in job growth through 2014, including health care and social assistance, manufacturing, and retail trade. As the region's population and economy continue to expand, leaders in workforce development, economic development, and education will need to collaborate to ensure that businesses have access to the qualified workers they need. **TR₂**

STATE OF THE SOUTHEAST REGION



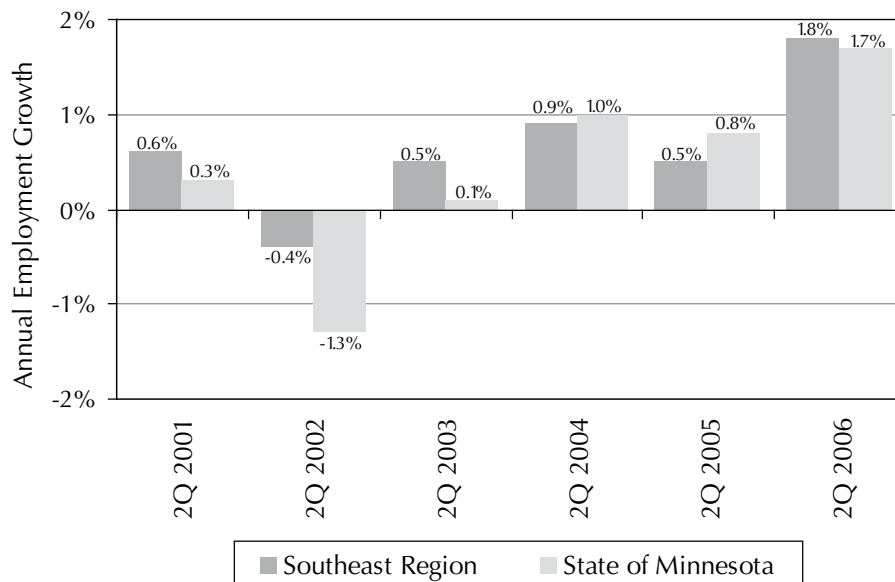
The Southeast Minnesota regional economy has built on its strengths during expansion years and used its talents to weather challenging times. Leading up to the 2001 recession, the region enjoyed five years of solid employment growth that rivaled or outpaced statewide growth. And while employment levels stalled out in 2001, the region did not suffer the same degree of losses seen at the state level.



However, as with the state, post-recessionary job growth has been slow to return. From 2001 to 2003 job growth mostly remained below the one percent threshold, started to pick up steam in 2006, and reached a 1.8 percent high in the most recent 2006 quarterly data (see Figure 1).

Annual Employment Growth: Southeast Region and State of Minnesota
Second Quarter 2000 - Second Quarter 2006

Figure 1

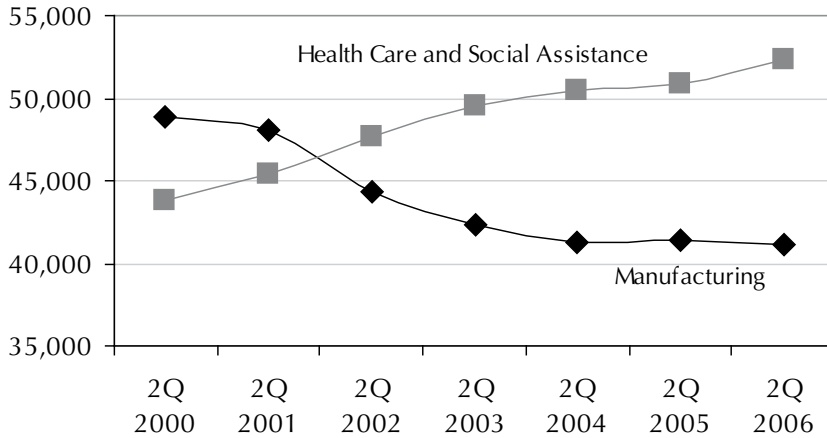


Source: DEED: QCEW

Employment in Manufacturing and in Health Care and Social Assistance

Southeast Minnesota

Figure 2



Source: DEED: QCEW

Manufacturing employment, which was buoyed by growth in high-tech sectors during the late 1990s, was the hardest hit from 2000 to 2003. Balancing out that job loss was growth in health care and social assistance—nearly 6,000 jobs added between 2000 and 2003 alone (see Figure 2). Together health care and manufacturing continue to anchor employment, accounting for 40 percent of jobs and contributing 51 percent of all payroll wages.

Health care and social assistance still leads job growth but almost every sector, including manufacturing, has added jobs since 2004 (see Table 1). Some of the largest gains have been

Change in Industry Employment

Second Quarter 2004 - Second Quarter 2006

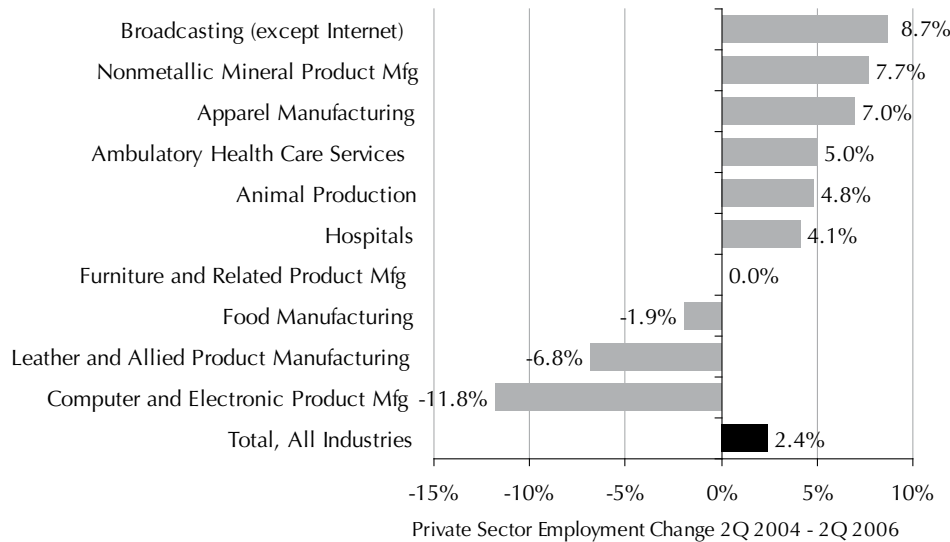
Table 1

Industry	2Q 2004 Covered Employment	2Q 2006 Covered Employment	Percent Change 2Q 2004-2Q 2006
Total, All Ownerships	229,645	234,448	2.1%
Total, Private Sector	199,218	203,835	2.3%
Agriculture, Forestry, Fishing, and Hunting	2,074	2,190	5.6%
Mining	153	142	-7.2%
Utilities	1,176	1,080	-8.2%
Construction	10,442	9,967	-4.5%
Manufacturing	41,582	41,493	-0.27%
Wholesale Trade	6,163	7,012	13.8%
Retail Trade	28,271	28,463	0.7%
Transportation and Warehousing	5,250	5,315	1.2%
Information	3,561	3,848	8.1%
Finance and Insurance	6,565	6,637	1.1%
Real Estate and Rental and Leasing	1,605	1,736	8.2%
Professional and Technical Services	4,288	3,726	-13.1%
Management of Companies and Ent.	1,473	2,538	72.3%
Administrative and Support Services	6,709	7,463	11.2%
Educational Services	3,958	3,952	-0.2%
Health Care and Social Assistance	48,860	51,105	4.6%
Arts, Entertainment, and Recreation	2,772	2,845	2.6%
Accommodation and Food Services	17,414	17,495	0.5%
Other Services, Ex. Public Admin	6,896	6,781	-1.7%

Source: DEED: QCEW

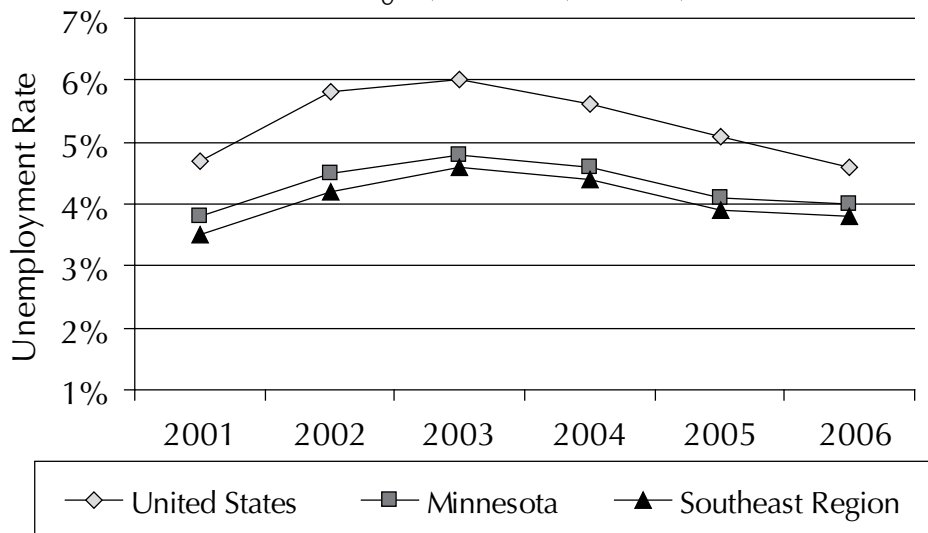
Distinguishing Industries: Southeast Region Employment Change in Industries with Above-Average Employment Share

Figure 3



Source: DEED: QCEW

Figure 4
Unemployment Rates
Southeast Region, Minnesota, and U.S., 2001-2006



Source: DEED: LAUS

in wholesale and retail trade and in administrative and support services. Job growth in the latter can be attributed in part to increasing temporary service employment in the region as employers are faced with changes in the market and remain cautious about permanently increasing employment levels. Growth in management of companies and enterprises reflects non-economic code changes for regional employers.

Within those broad industry sectors are dozens of industries that have higher than average concentrations of employment. Six of the region's top 10 distinguishing industries (those with a higher than average share of statewide industry employment) increased employment between second quarter 2004 and second quarter 2006. Numeric gains were biggest in health care industries followed by nonmetallic mineral product manufacturing, including ready-mix concrete and glass product manufacturing. Most other manufacturing industries shed jobs, with declines largest in computer and electronic product manufacturing (see Figure 3).

THE JOB SEEKER PERSPECTIVE

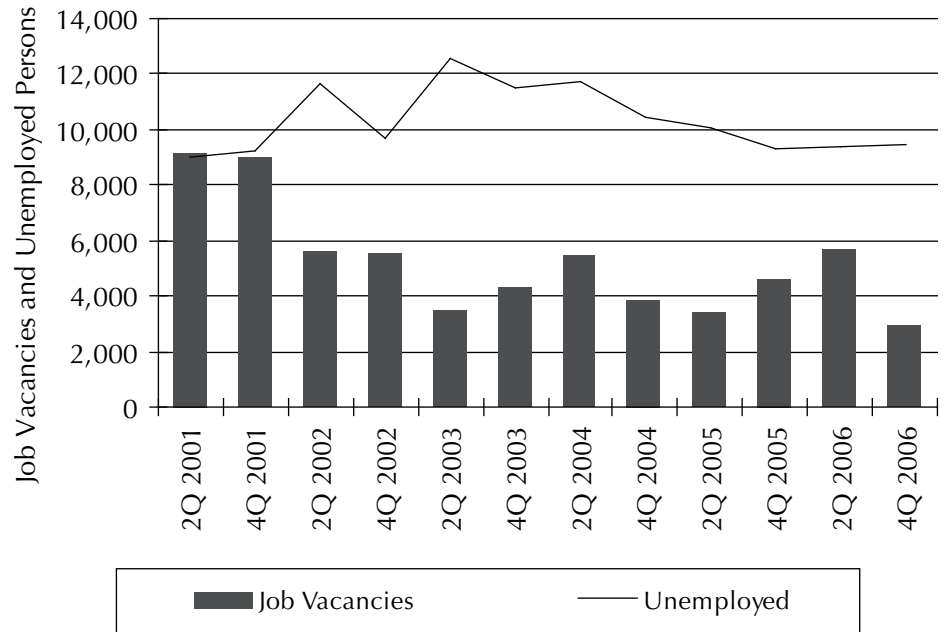
The unemployment rate in the Southeast region increased during the jobless recovery, finally falling back again starting in 2004 (see Figure 4). Falling unemployment rates should indicate an improved situation for job seekers, but findings from the DEED Job Vacancy Survey show mixed results when numbers of unemployed workers are compared to the number of job vacancies, a quick way to estimate competition for jobs (see Figure 5). The number of job vacancies was up year-over-year for fourth quarter 2005 and second quarter 2006, but they fell again in fourth quarter 2006. Regional unemployment also ticked up during fourth quarter, making the ratio of job openings to unemployed workers dip to one of its lowest points since 2000.

During fourth quarter 2006 industry hiring demand was greatest in health care even though the number of vacancies was down from the previous year. Manufacturing vacancies fell the most after having increased in every survey round since 2003. The large 623-job drop in production vacancies is based on a change from an unusually high number of production vacancies the previous year (see Table 2).

Employment projections for 2004-2014 paint a similar picture for future job opportunities. The greatest number of openings is expected to be in some of the largest occupational groups, including office and administrative support occupations and sales and related occupations. Those jobs have large replacement needs because of people leaving the occupation. The rate of net new job growth is greatest in health care occupations. Growth in production occupations is projected to be below the regional average for all jobs (13.7 percent), but replacement needs will mean more than 6,000 total openings over the period (see Table 3).

Job Vacancies and Unemployment Southeast Minnesota

Figure 5



Source: DEED: JVS

Top 10 Occupational Groups by Number of Job Vacancies Southeast Minnesota, 4th Quarter 2006

Table 2

Occupation Group	Regional Job Vacancies	Change in Vacancies 4Q 2005 - 4Q 2006	Regional Vacancy Rate (%)	Statewide Job Vacancies	MN Vacancy Rate (%)
Sales and Related	544	-85	2.7%	9,192	3.3%
Food Preparation and Serving Related	408	17	2.1%	5,385	2.5%
Health Care Practitioners and Technical	359	7	1.9%	4,844	3.5%
Transportation and Material Moving	314	-69	2.0%	3,365	1.9%
Health Care Support	287	2	3.3%	3,480	4.8%
Production	249	-623	1.0%	3,359	1.5%
Office and Administrative Support	219	-109	0.7%	7,386	1.7%
Computer and Mathematical	113	19	1.9%	2,525	3.6%
Building and Grounds Cleaning and Maintenance	89	-6	1.3%	1,059	1.4%
Management	59	0	0.7%	2,176	1.7%
All Job Vacancies	2,984	-1,639	1.3%	55,248	2.1%

Source: DEED: JVS

Occupational Projections

Southeast Minnesota, 2004-2014

Table 3

Occupation	Regional Employment 2004	Percent Change 2004-2014	Net Job Growth 2004-2014	Net Replacements 2004-2014	Total Openings 2004-2014
Office and Administrative Support	36,305	7%	2,596	8,440	11,036
Sales and Related	23,506	11%	2,486	7,830	10,316
Food Preparation and Serving Related	19,291	14%	2,633	7,680	10,313
Health Care Practitioners and Technical	19,515	26%	5,063	3,730	8,793
Production	26,496	4%	1,003	6,290	7,293
Transportation and Material Moving	16,634	9%	1,422	3,640	5,062
Education, Training, and Library	14,432	10%	1,443	3,150	4,593
Health Care Support	8,839	30%	2,659	1,380	4,039
Business and Financial Operations	9,801	21%	2,089	1,730	3,819
Construction and Extraction	12,230	7%	878	2,460	3,338
Installation, Maintenance, and Repair	9,571	11%	1,073	2,240	3,313
Building and Grounds Cleaning and Maintenance	8,304	19%	1,575	1,670	3,245
Management	17,276	4%	758	2,290	3,048
Personal Care and Service	7,840	14%	1,117	1,870	2,987
Computer and Mathematical	6,257	19%	1,173	800	1,973
Community and Social Services	4,605	19%	855	830	1,685
Protective Service	3,752	11%	424	1,240	1,664
Arts, Design, Entertainment, Sports, and Media	4,144	11%	459	780	1,239
Architecture and Engineering	4,935	-1%	-60	1,090	1,090
Life, Physical, and Social Science	2,403	20%	491	550	1,041
Farming, Fishing, and Forestry	2,382	-1%	-30	660	660
Legal	1,333	11%	140	150	290

Source: DEED: Employment Projections, 2004-2014

Wages are generally lower than in the state overall, but they surpass many Greater Minnesota regions. Regional workers are paid competitive wages in some occupational groups including healthcare practitioner and technical occupations and computer and mathematical occupations. The largest number of workers is employed in office and administrative support and production occupations which pay between \$13 and \$14 an hour.

WORKFORCE CHARACTERISTICS

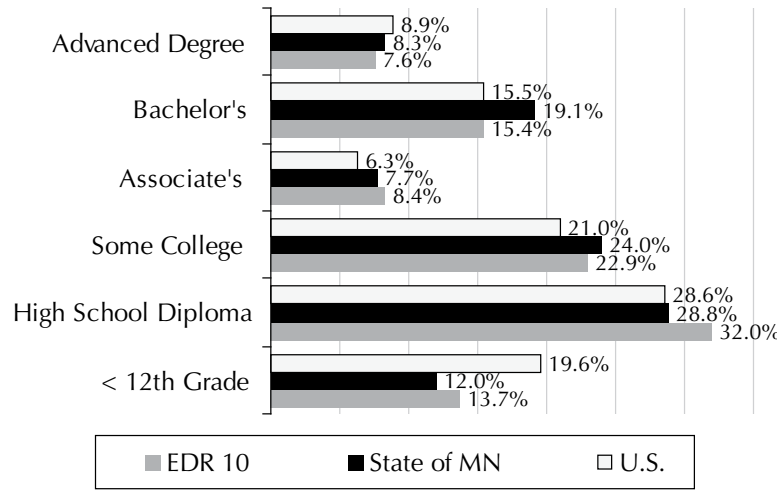
The region's higher than average concentration of workers in health care practitioners and technical occupations increases the need for highly-educated workers. To meet demand for workers in a variety of occupations—from health care to business, engineering, and manufacturing production—the area has experienced expansion of educational institutions and is now home to more than 15 private and public institutions offering everything from a certificate or diploma to professional degrees.

The result is that Southeast Minnesota has a high level of educational attainment. Over 86 percent of adults have a high school diploma, and 54 percent have at least some college (see Figure 6). The region has the highest share of college-educated residents and residents with a bachelor's degree or higher of any region outside the Twin Cities metropolitan area. The region's residents also have one of the highest rates of associate degrees in the state.

Attracting and retaining workers will become increasingly important as the region grapples with an aging workforce and a projected slowdown in

Educational Attainment of Adult Residents, 25 Years and Older: 2000

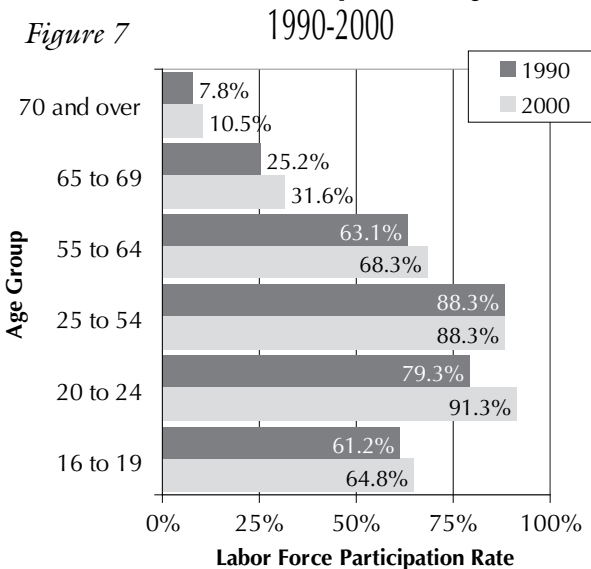
Figure 6



Source: Minnesota State Demographic Office: Census 2000

Labor Force Participation: Region 10

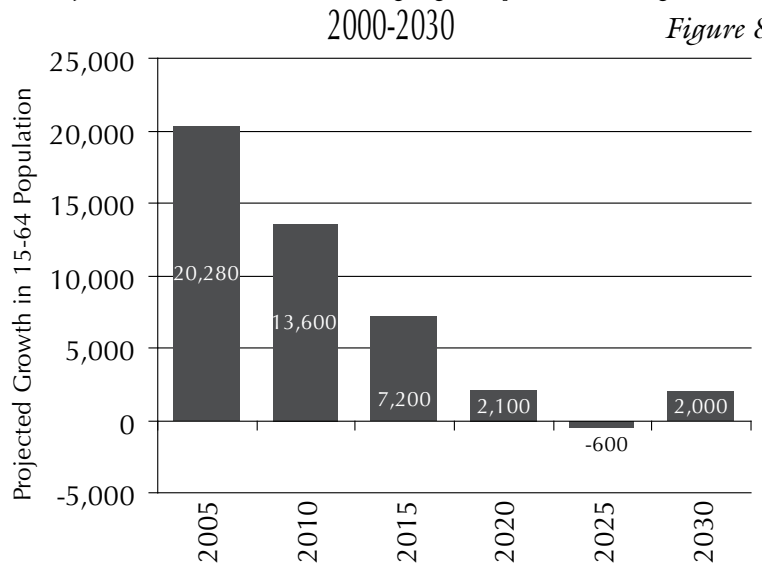
Figure 7



Source: U.S. Census Bureau: Census 2000

Projected Growth in Working Age Population: Region 10

Figure 8



Source: Minnesota State Demographic Office: Population Projections

labor force growth (see Figure 7). Job growth during the 1990s contributed to increases in labor force participation, especially among younger workers, but increased labor force participation in the future will not be enough to counteract demographic trends. Specifically, growth in the working age population is projected to slow considerably as Baby Boomers reach retirement age (see Figure 8).

CONCLUSION

Post-recessionary job recovery has been slow, but the labor market has clearly started to pick up steam. Service sectors like healthcare continue to lead job growth, but all sectors, including manufacturing, are holding their own.

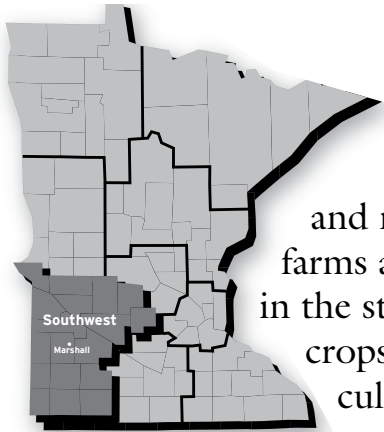
The market for job seekers is somewhat mixed. The best opportunities, for example in health care, may require additional training. And while

manufacturing hiring has been growing by leaps and bounds in recent years, vacancies started to cool off in late 2006, a factor that could also reflect increases in productivity or increased use of temporary staffing strategies.

Given demographic projections of slowing labor force growth, regional stakeholders will need to ensure a steady supply of workers with the skills needed by high-growth industries.



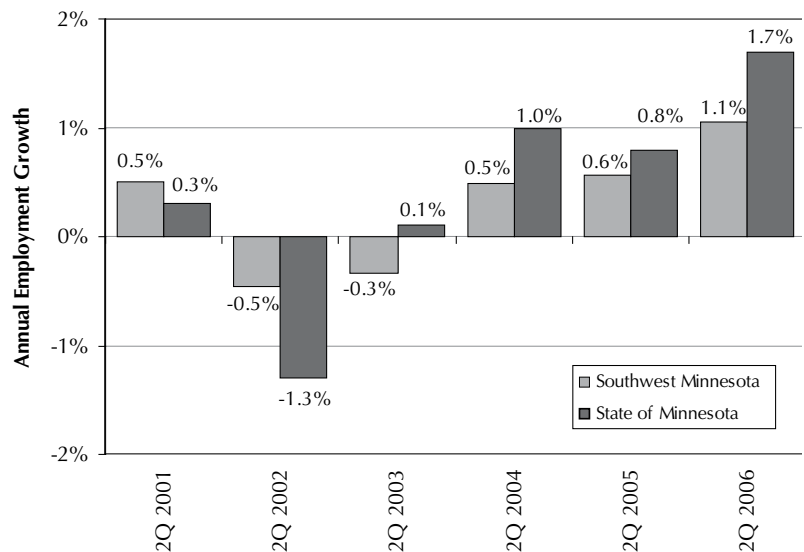
STATE OF THE Southwest Region



The Southwest Minnesota Planning Region is a mostly rural, 23-county area with a changing population and a changing economy but with a steady dependence on traditional industries like agriculture and manufacturing. In fact, the region has more than 20,000 farms and the largest share of covered employment in agriculture in the state. But the region is no longer focused just on growing crops and livestock; it is also intent on growing the population and cultivating new jobs in emerging industries.

The region has worked hard to establish its position as a leader in renewable energy, and it is currently home to over two-thirds of the state's operating ethanol and biodiesel plants¹ and commercial wind power farms². While those figures don't account for all of the job growth, renewable energy is certainly helping to fuel the economic recovery in Southwest Minnesota which suffered job losses following the 2001 recession. Since then the region has seen three years of modest year-over-year job growth, and total employment has far surpassed pre-recession levels (see Figure 1).

Figure 1
Year-Over-Year Employment Change:
Southwest Minnesota, 2nd Qtr. 2000 - 2nd Qtr. 2006



Source: DEED: QCEW

¹ www.mda.state.mn.us/renewable/ethanol/capacities.html

² www.awea.org/projects/minnesota.html

Manufacturing is the largest employing industry in the region with nearly 35,000 jobs through the second quarter of 2006, after a 6.2 percent increase from the second quarter of 2004. Manufacturing now comprises 19.3 percent of total employment in the region, 6.4 percentage points above the state manufacturing employment concentration. Moreover, just over 40 percent of the net new manufacturing jobs reported in the state over the two-year period were located in Southwest Minnesota.

Health care and social assistance is the second largest industry sector and also continued to expand in the region, adding 845 jobs from the second

quarter of 2004 to the second quarter of 2006. Most of the employment is centered at nursing and residential care facilities, hospitals, and ambulatory health care services which include clinics and offices of physicians, dentists, and chiropractors.

Other important industry sectors in the region include retail trade, educational services, accommodation and food services, which rebounded after a significant downturn in 2001, and public administration. The fastest growing sectors were management of companies and enterprises and professional and technical services, reflecting an ongoing shift in the regional economy from a heavy

dependence on the goods-producing domain to the services-providing domain (see Table 1).

Even while the region is changing, agriculture is still the foundation for its economy. The planning region has 20,015 farms, a 2.5 percent increase from 1997 to 2002. Acreage in farms expanded 3.1 percent as well, as technology and productivity advances allowed most farm operations to get larger while simultaneously reducing the need for additional workers. Most farms are still family or individual owned, but many farmers now rent land from other farms in the area. In 2002 one in five principal operators did not reside on the farm they operated.

Change in Industry Employment, Second Quarter 2004 - Second Quarter 2006

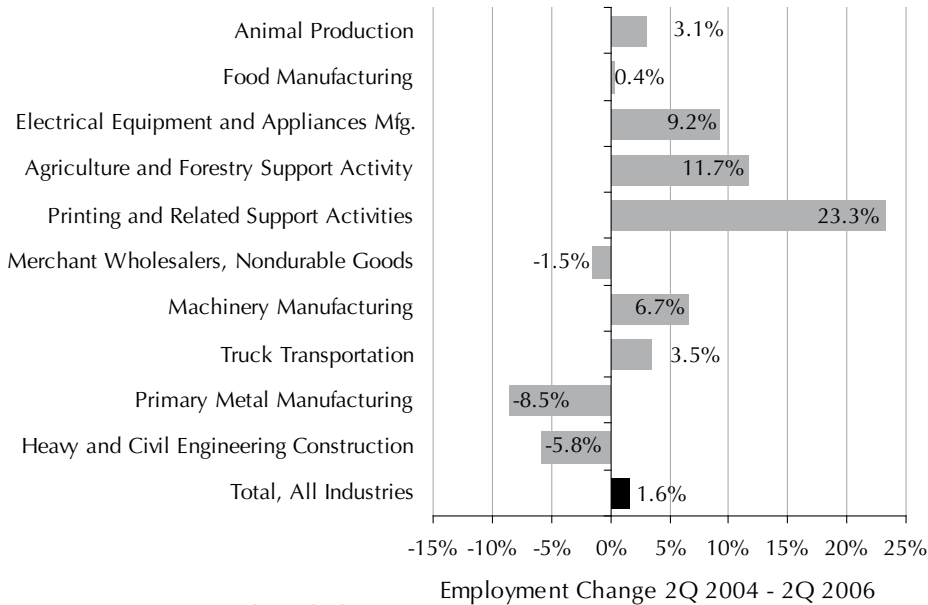
Table 1

Industry	2Q 2004 Covered Employment	2Q 2006 Covered Employment	Percent Change 2Q 2004-2Q 2006
Total, All Ownerships	176,854	179,747	1.6%
Total, Private Sector	143,691	146,414	1.9%
Agriculture, Forestry, Fishing, and Hunting	3,713	3,818	2.8%
Mining	388	386	-0.5%
Utilities	611	661	8.2%
Construction	8,164	8,142	-0.3%
Manufacturing	32,674	34,702	6.2%
Wholesale Trade	8,728	8,679	-0.6%
Retail Trade	20,603	20,237	-1.8%
Transportation and Warehousing	4,533	4,558	0.6%
Information	4,311	3,339	-22.5%
Finance and Insurance	5,947	5,950	0.1%
Real Estate and Rental and Leasing	1,437	1,368	-4.8%
Professional and Technical Services	3,624	3,913	8.0%
Management of Companies and Ent.	1,816	2,082	14.6%
Administrative and Support Services	4,410	4,373	-0.8%
Educational Services	1,508	1,611	6.8%
Health Care and Social Assistance	22,391	23,236	3.8%
Arts, Entertainment, and Recreation	1,538	1,648	7.2%
Accommodation and Food Services	11,979	12,379	3.3%
Other Services, Ex. Public Admin	5,311	5,266	-0.8%

Source: DEED: QCEW

Distinguishing Industries in Southwest Minnesota: Employment Change in Industries with an Above-Average Statewide Employment Share

Figure 2



Source: DEED; QCEW, analyst calculation

Not surprisingly, many of the region's distinguishing industries are related to agriculture and manufacturing and to the trade or transportation systems designed to get the region's products to larger consumer markets. Food manufacturing is easily the largest specialty in the region with 9,700 jobs, followed by printing and related support activities (5,500 jobs), and machinery manufacturing (4,100 jobs). Over 90 percent of the region's printing jobs are located in South Central Minnesota, and although much of the employment gain over the last two years is the result of a non-economic code change in Quarterly Census of Employment and Wage (QCEW) data, the industry has remained strong.

The region has also gained hundreds of new jobs in machinery manufacturing which includes farm machinery and equipment manufacturing and wind turbine manufacturing. The largest concentrations are in Blue Earth, Brown, Jackson, and Swift counties with Pipestone County emerging through the recruitment and start-up

of an international wind turbine rotor blades manufacturer (see Figure 2).

Although not a distinguishing industry yet, the second fastest growing industry specialty in the region is chemical manufacturing which includes ethanol production. Ethanol plants are found in Blue Earth, Cottonwood, Faribault, Lyon, Martin, Rock, Sibley, Swift, and Yellow Medicine counties, with new plants either planned or under construction in Big Stone, Blue Earth, Jackson, and Martin counties. Two of the state's four biodiesel plants are also located in the region with one in Redwood and the other in Nobles County.

Notable occupations in the region also tend to follow the area's defining industries. The region has a much higher concentration of farmers and farm managers than the state and the nation, as well as production, installation, maintenance, and repair, and transportation and material moving occupations. However, the region has a lower concentration of management,

business and financial operations, computer and mathematical, architecture and engineering, and office and administrative occupations.

When surveyed recently, workers in Southwest Minnesota said that the most important factor they consider when choosing a job is the pay. Unfortunately wages in the region are among the lowest in the state. The highest paying occupations are legal, management, computer and mathematical, architecture and engineering, life, physical, and social sciences, business and financial, health care practitioners and technical, and education, training, and library occupations. Ironically, these are also the occupations with the largest pay gaps between Southwest Minnesota and other regions of the state, most notably the Twin Cities Metro Area.

The lowest paying occupations are food preparation and serving related, personal care and service, sales and related, and health care support occupations. Pay gaps between Southwest Minnesota and the Twin Cities are much smaller in these occupations, and they typically require less training or work-related experience. Demand has been growing for workers in food preparation and serving, retail sales, construction, production, and health care (see Table 2).

Demographic changes are prompting much of the growth in the health care and social assistance sector. The region's population is aging, and in many cases the younger age groups are migrating out of the area rather than in. Mankato, North Mankato, and Marshall – the largest employment centers in the region and also home to four-year post-secondary institutions – are the notable exceptions.

In most parts of Southwest Minnesota, however, 20 percent of the population is aged 65 years or older, and population is declining. Eighteen of the 23 counties in the region peaked

Table 2 **Wages by Occupational Group: Southwest Minnesota**

Occupation Group	Regional Median Wage	Statewide Median Wage	Regional Employment
Legal	\$33.76	\$33.58	690
Management	\$32.28	\$42.14	6,610
Computer and Mathematical	\$24.55	\$32.88	2,040
Architecture and Engineering	\$23.91	\$28.67	2,130
Life, Physical, and Social Science	\$22.40	\$26.86	1,090
Business and Financial Operations	\$21.68	\$25.11	7,000
Health Care Practitioners and Technical	\$20.85	\$26.73	9,070
Education, Training, and Library	\$20.22	\$20.02	11,900
Construction and Extraction	\$18.23	\$22.75	7,220
Community and Social Services	\$16.46	\$17.53	3,090
Installation, Maintenance, and Repair	\$16.20	\$19.42	6,390
Arts, Design, Entertainment, Sports, and Media	\$13.73	\$19.51	1,300
Protective Service	\$13.05	\$15.69	3,220
Production	\$13.04	\$14.88	21,860
Transportation and Material Moving	\$12.93	\$14.19	13,810
Office and Administrative Support	\$12.28	\$14.78	24,790
Farming, Fishing, and Forestry	\$11.53	\$11.68	820
Health Care Support	\$10.75	\$12.35	6,360
Personal Care and Service	\$10.13	\$10.40	4,250
Building and Grounds Cleaning and Maint.	\$10.09	\$10.73	5,160
Sales and Related	\$9.39	\$11.90	15,560
Food Preparation and Serving Related	\$8.23	\$8.49	15,490
ALL OCCUPATIONS	\$13.36	\$16.48	169,860

Source: DEED: OES

in population somewhere between 1940 and 1970 and have seen declining population since. As a result, immigrants or “New Minnesotans” have become an increasingly important source of growth for the region, providing new customers and new employees for businesses and new students for local school districts. In many areas the total population would have declined even more if not for the influx of residents from different countries.

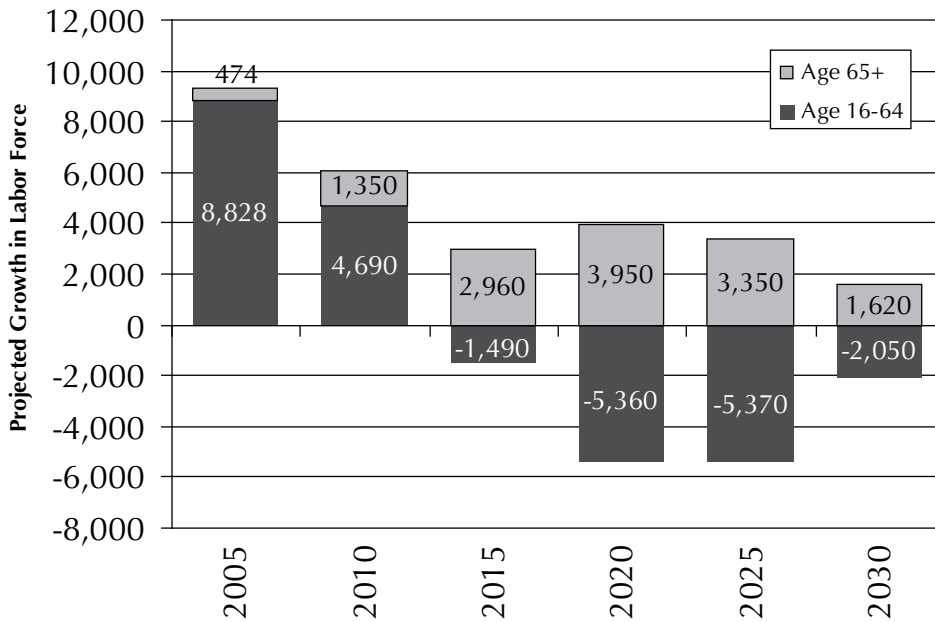
But even with this modest immigration a short-term tightening of the labor force has occurred in Southwest Minnesota. If the demographic trends continue, the labor force will only get tighter in the future. The state demographer is predicting that between 2000 and 2030 there will be fewer workers aged 16 to 64 in the region, with the major declines occurring after 2011 when the front end of the Baby Boom generation reaches the age of 65. However, the demographer is expecting those workers to stay in the labor force longer, and the fastest growing portion of the workforce in the region will be

those aged 65 years and over (see Figure 3).

Further demonstrating the labor force changes in the region, the unemployment rate hovered between 3.2 and 3.8 percent from 1997 to 2001. It finally crept above 4 percent following the 2001 recession but did not stay there for long. Since then the region has consistently had among the lowest unemployment rates in the state and dropped back below 4 percent in 2005 and 2006 (see Figure 4).

Projected Change in Labor Force Southwest Region, 2000-2030

Figure 3

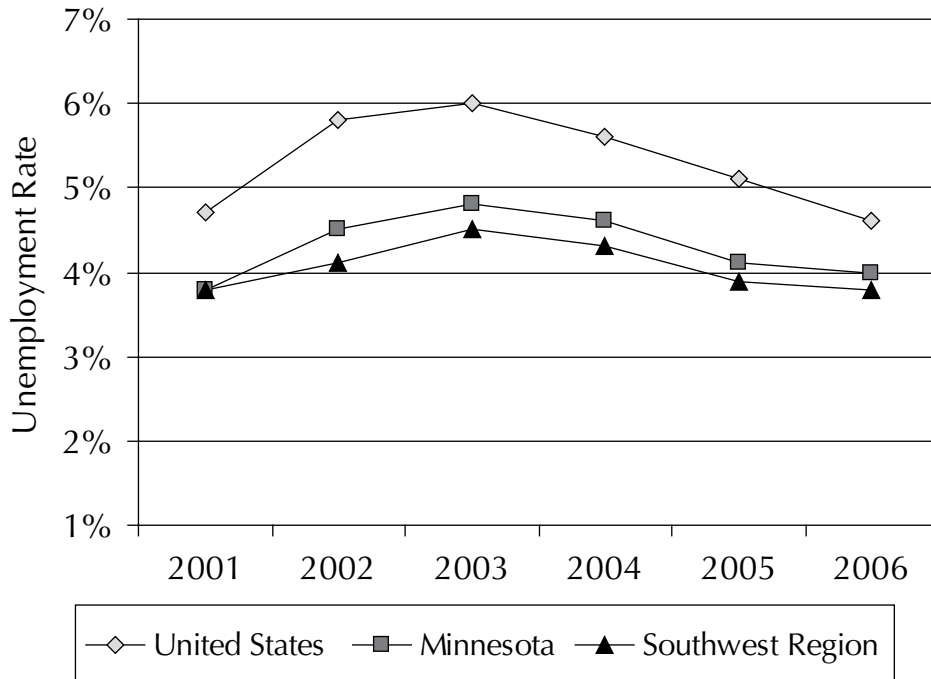


Source: Minnesota State Demographic Center

Without much new growth or projected future growth in the labor force, retraining the current workforce becomes much more important. While there is no exact measure, educational attainment can be used as a proxy for employee skill levels and trainability. In the Southwest region more adults have a high school diploma or no more than a high school diploma than Minnesota residents overall. Much smaller shares of adults in the region have bachelor's or advanced degrees than in the state as a whole. On the other hand, similar shares of adults have associate degrees or some college, which may include people with certificates or diplomas. These figures reflect the needs of the traditional industry mix in the region, but they may also indicate the need for increased training as industries adapt to the global economy (see Figure 5).

Unemployment Rates

Figure 4 Southwest Region, Minnesota, and U.S., 2001-2006



Source: DEED: LAUS

The region expects to see a 7 percent increase in jobs over the next decade. Food preparation, sales, and office and administrative support occupations are projected to create the most new job opportunities, while computer and mathematical and health care occupations—some of which offer higher salaries—are expected to grow at the fastest rate. Health care and social assistance is projected to be the largest growing industry from 2004 to 2014.

Showing the strength of the region's manufacturing industries, production jobs ranging from team assemblers, welders, and printing machine operators to first-line supervisors are also expected to be plentiful in the next decade, including more than 5,600 replacement openings as the industry's workforce continues to age. Printing and food manufacturing are projected to have the greatest number of new job opportunities (see Table 3).

Table 3

Occupational Projections: Southwest Minnesota, 2004-2014

Occupation	Regional Employment 2004	Projected Employment 2014	Percent Change 2004-2014	Replacement Openings 2004-2014	Total Openings 2004-2014
Total, All Occupations	209,742	225,258	7.40%	48,660	64,176
Management	20,152	20,109	-0.20%	2,260	2,260
Business and Financial Operations	7,602	8,916	17.30%	1,380	2,694
Computer and Mathematical	1,843	2,350	27.50%	240	747
Architecture and Engineering	2,136	2,334	9.30%	500	698
Life, Physical, and Social Science	1,248	1,427	14.30%	290	469
Community and Social Services	3,380	3,794	12.20%	630	1,044
Legal	1,055	1,118	6.00%	130	193
Education, Training, and Library	12,458	12,863	3.30%	2,790	3,195
Arts, Design, Entertainment, and Media	2,610	2,573	-1.40%	490	490
Health Care Practitioners and Technical	8,994	10,623	18.10%	1,700	3,329
Health Care Support	7,215	8,904	23.40%	1,040	2,729
Protective Service	3,612	3,801	5.20%	1,230	1,419
Food Preparation and Serving Related	15,649	17,104	9.30%	6,210	7,665
Building and Grounds Cleaning and Maintenance	7,298	8,143	11.60%	1,450	2,295
Personal Care and Service	8,984	10,571	17.70%	1,920	3,507
Sales and Related	19,206	19,951	3.90%	6,530	7,275
Office and Administrative Support	26,391	27,042	2.50%	6,330	6,981
Farming, Fishing, and Forestry	3,783	3,944	4.30%	1,050	1,211
Construction and Extraction	8,868	9,656	8.90%	1,680	2,468
Installation, Maintenance, and Repair	8,846	9,749	10.20%	2,060	2,963
Production	23,156	24,122	4.20%	5,610	6,576
Transportation and Material Moving	15,256	16,164	6.00%	3,170	4,078

Source: DEED: Employment Projections 2004-2014

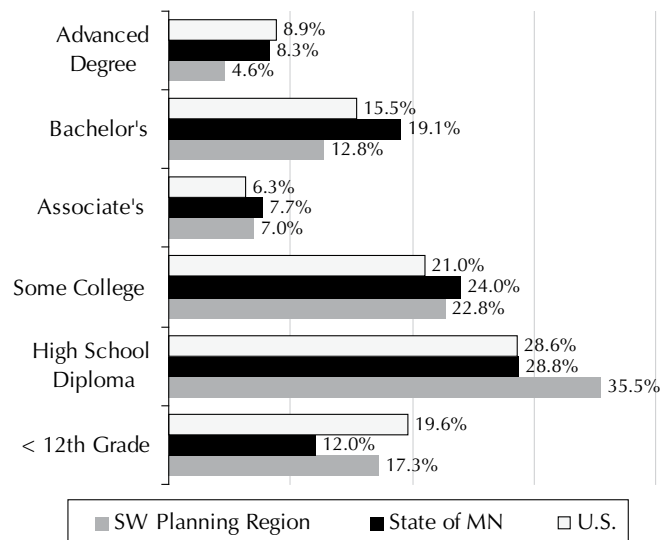
CONCLUSION

The region will need to continue adapting to the changing economy and population, prompting local employees and employers to keep their focus on important service industries like health care and social assistance, educational services, and professional and technical services. Likewise, agriculture and manufacturing will continue to be vital to the region's success, with emerging technologies in industries from renewable energy and biosciences to machinery manufacturing and printing presenting the opportunity to transform the landscape in many ways. **TR_Z**

Educational Attainment of Adult Residents

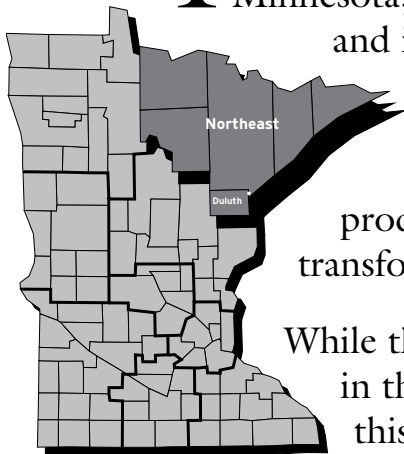
25 Years and Older: 2000

Figure 5



Source: U.S. Census Bureau: 2000 Census

State of the NORTHEAST REGION



The historical competitive advantages in Northeast Minnesota, while based predominantly on the land and its abundant natural resources, are vastly different from any other region of the state. This distinctiveness includes a unique and innovative network of industries traditionally centered on iron mining, logging, paper mills, and wood product manufacturing that have continued to dominate and transform the economic landscape for more than a century.

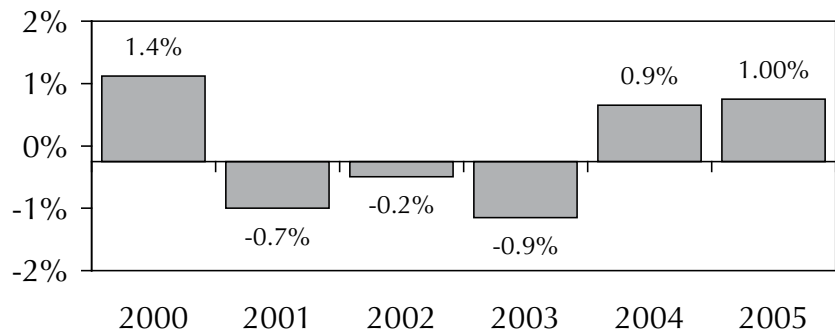
While the region's traditionally high concentration of employment in these industries continues today, the changing character of this foundation and emerging industry growth sectors are transforming the available job opportunities in the region dramatically. Jobs in health care services and the financial sector, for instance, are driving much of the region's year-over-year employment growth, helping to revitalize the economy and fuel prospects for future job growth and specialization in Northeast Minnesota.

INDUSTRY EMPLOYMENT

After suffering a 1.9 percent decline in total employment between 2000 and 2003, the Northeast (also known as the Arrowhead) Region experienced positive annual job growth in 2004 (up 0.9 percent) and 2005 (up 1 percent) and continues to demonstrate notable signs of continued improvement well into 2006 and 2007 (see Figure 1).

Figure 1

Annual Employment Growth Northeast MN



Source: DEED: QCEW

Change in Industry Employment Second Quarter 2004 - Second Quarter 2006

Table 1

Industry	2Q 2004 Covered Employment	2Q 2006 Covered Employment	Percent Change 2Q 2004-2Q 2006
Total, All Ownerships	139,897	142,146	1.6%
Total, Private Sector	111,611	113,180	1.4%
Agriculture, Forestry, Fishing, and Hunting	669	734	9.7%
Mining	3,632	3,378	-7.0%
Utilities	1,502	1,469	-2.2%
Construction	6,289	6,697	6.5%
Manufacturing	10,841	10,996	1.4%
Wholesale Trade	3,297	3,344	1.4%
Retail Trade	18,324	18,117	-1.1%
Transportation and Warehousing	2,962	2,779	-6.2%
Information	2,916	2,625	-10.0%
Finance and Insurance	5,299	5,298	0.0%
Real Estate and Rental and Leasing	1,272	1,237	-2.8%
Professional and Technical Services	3,230	3,389	4.9%
Management of Companies and Ent.	690	876	27.0%
Administrative and Support Services	4,155	3,774	-9.2%
Educational Services	1,384	1,456	5.2%
Health Care and Social Assistance	24,314	26,205	7.8%
Arts, Entertainment, and Recreation	1,679	1,623	-3.3%
Accommodation and Food Services	14,326	14,411	0.6%
Other Services, Ex. Public Admin	4,823	4,741	-1.7%

Source: DEED: QCEW Program

Health care and social assistance remains one of the more aggressively growing industries in Northeast Minnesota. Between second quarter 2004 and second quarter 2006 the industry added above 1,900 jobs in the region, a gain of 7.8 percent (see Table 1). As a result of this growth, health care and social assistance is now the top-employing industry in the Arrowhead. In 2006 the industry accounted for nearly one out of every four or 23.2 percent of private sector jobs in the region. This figure is well above the 15.2 percent statewide and the 13.0 percent in the Twin Cities.

Healthcare and social assistance also contributes \$879 million or one-quarter (24.9 percent) of the total annual wages paid in Northeast Minnesota.

Mining and manufacturing have historically been competitive strongholds for economic prosperity in Northeast Minnesota. In 2006, however, mining and manufacturing combined to represent just 12.7 percent of the jobs in the Arrowhead region. Nonetheless, these industries contribute over \$703 million or nearly one-fifth (19.9 percent) of the total annual wages paid.

Strong global competitiveness in iron ore mining and manufacturing continues today, but its appearance is drastically different from the past. New foreign direct investment and international ownership in regional paper mills and iron ore mining facilities is fostering opportunities for increased production capacities, technology transfer, and regional linkages to the global marketplace. The positive effect has been an increase in average weekly wages, productivity, and state-of-the-art automated methods of operation in both industries. But the negative impact on job creation in mining and

manufacturing in recent years has been sizeable.

Between second quarter 2004 and second quarter 2006 employment in mining has decreased 7.0 percent or about 250 jobs. Despite steady employment declines of nearly 80 percent since its peak in the 1970s, increasing demand for natural resources around the world in recent years has led to the resurgence of Northeast Minnesota iron ore mines. This has taken the shape of growing investment in research, development, and diversification as well as escalating demand for high precision engineers and technicians in the region.

Employment in the manufacturing sector grew by 1.4 percent or about 150 jobs. Many manufacturing industries in the region are facing aggressive challenges to reinvent themselves while under pressure to meet the cost-competitive demands of globalization. Recent layoffs and employment declines in the region's forestry products industries, for example, have come as a result of the weakening national housing construction market, the age and condition of facilities, and the growing cost of production of timber products in Minnesota. While the industry is diversifying by way of research and development, tomorrow's forestry-related production continues to demand a highly skilled class of trained engineers, drafters, technicians, and trades workers.

Arrowhead Unemployment and Current Job Vacancies

The Arrowhead's annual unemployment rate declined to 5.1 percent in 2006, down from 5.2 percent in 2005, 5.9 percent in 2004, and 6.3 percent in 2003 (see Figure 2). The rate remains slightly higher than both the national (4.6 percent) and state (4.0 percent) unemployment rates.

Unemployment rates vary within the region. For instance, Koochiching County has the highest 2006 annual rate of unemployment at 6.6 percent, while Lake County posts the lowest at 4.0 percent. St. Louis County's 2006 annual unemployment rate was 5.0 percent.

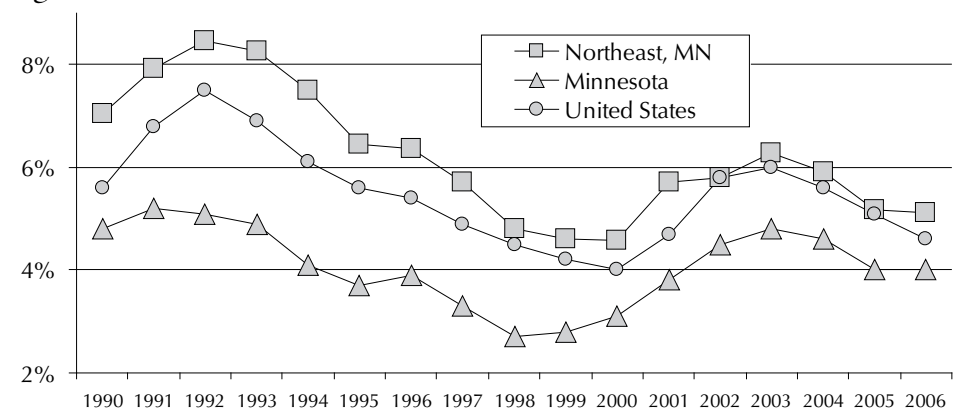
Declining unemployment has correlated closely with declining job vacancy levels. While job vacancies in the Arrowhead during the fourth quarter of 2006 were down just 0.1 percent from one year prior, they were down 45 percent since

the fourth quarter of 2002 (see Figure 3).

During the fourth quarter of 2006 approximately 3.5 job vacancies existed for every 10 unemployed workers in Northeast Minnesota. Of the estimated 2,869 job vacancies the largest numbers were found in health care practitioners and technical occupations, 516 job vacancies, and sales, 473 job vacancies (see Table 2). Notably, 42 percent of regional job openings require a post-secondary education, up from previous years.

Annual Unemployment Rates, Northeast Region
Minnesota and U.S., 1990-2006

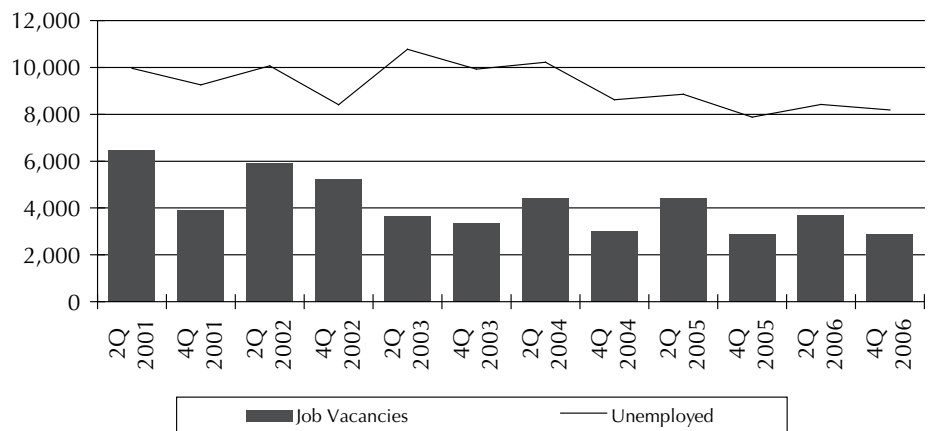
Figure 2



Source: DEED: LAUS

Regional Job Vacancies and Unemployment
Northeast Minnesota

Figure 3



Source: DEED: JVS and LAUS

Northeast Minnesota Wages

Average wages are generally lower in Northeast Minnesota and the Duluth-Superior Metropolitan Area compared to Minnesota’s state average and the Twin Cities. Production, forestry, maintenance, and transportation-related occupations are an exception. These job categories historically pay higher wages in the Arrowhead than are found statewide, a sign of specialization and regional demand.

The median wage of all occupations is \$14.63 per hour in Northeast Minnesota and \$14.81 in the Duluth-Superior Metropolitan Area (see Table 3). Most of the higher wage employment in the region is found in high-skill professional jobs including management, legal, computer and mathematical, architecture and engineering, and health care practitioners and technical occupations.

Employment Outlook

In addition to paying above-average wages, computer and mathematical and health care practitioners and technical occupations are projected to be two of the fastest growing job categories in Northeast Minnesota between 2004 and 2014 (see Table 4). Health care support and community and social services occupations are also projected to witness high net job creation during this period.

Northeast Minnesota Job Vacancies by Major Occupation:
4th Quarter 2006

Table 2

Occupation Group	Regional Job Vacancies	One Year Job Vacancy Change (from 4Q 2005)	Regional Vacancy Rate (%)	Statewide Job Vacancies	MN Vacancy Rate (%)
Health Care Practitioners and Technical	516	+83	5.3%	4,844	3.5%
Sales and Related	473	+216	3.5%	9,192	3.3%
Food Preparation and Serving Related	283	+78	2.1%	5,385	2.5%
Office and Administrative Support	255	+53	1.2%	7,386	1.7%
Health Care Support	248	-85	3.9%	3,480	4.8%
Computer and Mathematical	153	+133	9.1%	2,525	3.6%
Arts, Design, Entertainment, and Media	148	+22	11.0%	1,098	3.2%
Production	135	-1	1.5%	3,359	1.5%
Building and Grounds Cleaning and Maintenance	123	-33	2.5%	1,059	1.4%
Transportation and Material Moving	121	+85	1.6%	3,365	1.9%
Personal Care and Service	96	-130	2.8%	1,293	1.6%
Management	83	+18	1.6%	2,178	1.7%
Installation, Maintenance, and Repair	62	-27	0.9%	825	0.9%
Education, Training, and Library	42	+4	0.5%	1,632	1.1%
Architecture and Engineering	33	-89	2.1%	1,295	2.4%
Business and Financial Operations	26	-32	0.5%	2,975	2.1%
Community and Social Services	26	-21	0.8%	849	1.8%
Life, Physical, and Social Science	20	+13	1.3%	641	2.3%
Protective Services	15	NA	0.4%	507	1.1%
Construction and Extraction	11	-293	0.2%	823	0.7%
Farming, Fishing, and Forestry	NA	NA	NA	437	11.6%
Legal	NA	NA	NA	100	0.5%
Total, All Occupations	2,869	-2	2.0%	55,248	2.1%

Source: DEED: JVS

Wages by Major Occupation: Northeast MN, 4th Quarter 2006

Table 3

Occupation Group	Northeast MN Median Wage	Duluth-Superior MSA Median Wage	Minnesota State Median Wage
Management	\$33.41	\$33.73	\$42.14
Legal	\$26.72	\$27.00	\$33.58
Computer and Mathematical	\$25.48	\$25.04	\$32.88
Architecture and Engineering	\$24.86	\$24.80	\$28.67
Health Care Practitioners and Technical	\$23.48	\$23.72	\$26.73
Life, Physical, and Social Science	\$22.93	\$23.12	\$26.86
Business and Financial Operations	\$21.69	\$21.97	\$25.11
Education, Training, and Library	\$21.59	\$21.91	\$20.02
Construction and Extraction	\$21.52	\$22.26	\$22.75
Installation, Maintenance, and Repair	\$19.75	\$19.31	\$19.42
Protective Service	\$17.96	\$18.38	\$15.69
Community and Social Services	\$16.32	\$16.15	\$17.53
Production	\$16.00	\$15.52	\$14.88
Farming, Fishing, and Forestry	\$15.85	\$14.99	\$11.68
Arts, Design, Entertainment, Sports, and Media	\$15.28	\$15.69	\$19.51
Transportation and Material Moving	\$13.44	\$14.51	\$14.19
Office and Administrative Support	\$13.08	\$13.25	\$14.78
Health Care Support	\$11.10	\$11.48	\$12.35
Personal Care and Service	\$10.01	\$9.87	\$10.40
Sales and Related	\$9.39	\$9.73	\$11.90
Building and Grounds Cleaning and Maintenance	\$9.26	\$9.03	\$10.73
Food Preparation and Serving Related	\$7.68	\$7.54	\$8.49
Total, All Occupations	\$14.63	\$14.81	\$16.48

Source: DEED: OES

Of the estimated 15,625 regional jobs projected to be created during the 10-year period, over 5,300 or 34 percent are projected to be in health care and community and social service-related fields. Eight of the 20 projected fastest growing occupations in Northeast Minnesota between 2004 and 2014 are in health care and community and social services. These positions include:

- Physician Assistants (55 percent growth)
- Social and Human Service Assistants (50 percent growth)
- Home Health Aides (50 percent growth)

- Medical Assistants (45 percent growth)
- Mental Health and Substance Abuse Social Workers (39 percent growth)

Other fast growing occupations include:

- Computer Applications Software Engineers (65 percent growth)
- Network Systems and Data Communications Analysts (61 percent growth)
- Aerospace Engineers (57 percent growth)

- Network and Computer Systems Administrators (49 percent growth)
- Avionics Technicians (47 percent growth)

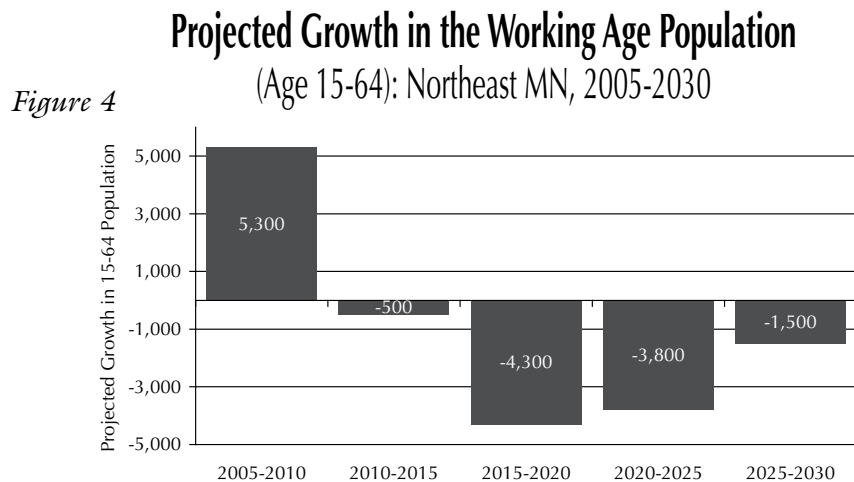
Both sales, office, and administrative support and food preparation and serving related occupations are projected to have the most job openings in the Arrowhead, largely from high levels of replacement openings, and farming, fishing, and forestry occupations are projected to decline as productivity gains and global competition force a continued restructuring of Northeast Minnesota's economy.

Occupational Projections: Northeast Minnesota, 2004-2014

Table 4

Occupation	Regional Employment 2004	Percent Change 2004-2014	Net Job Growth 2004-2014	Net Replacements 2004-2014	Total Openings 2004-2014
Management	7,172	10.2%	734	1,200	1,934
Business and Financial Operations	5,971	19.7%	1,178	1,050	2,228
Computer and Mathematical	1,387	37.6%	521	180	701
Architecture and Engineering	1,775	9.7%	173	420	593
Life, Physical, and Social Science	1,535	12.7%	195	370	565
Community and Social Services	3,971	33.4%	1,326	750	2,076
Legal	1,143	16.2%	185	130	315
Education, Training, and Library	9,832	2.9%	286	2,110	2,396
Arts, Design, Entertainment, Sports, and Media	2,338	5.0%	117	450	567
Healthcare Practitioners and Technical	10,053	21.6%	2,169	1,920	4,089
Health Care Support	6,096	29.6%	1,806	900	2,706
Protective Service	3,453	11.9%	411	1,210	1,621
Food Preparation and Serving	13,635	10.1%	1,374	5,410	6,784
Building and Grounds Cleaning and Maintenance	6,398	13.6%	873	1,280	2,153
Personal Care and Service	6,248	15.7%	978	1,470	2,448
Sales and Related	16,538	5.3%	878	5,670	6,548
Office and Administrative Support	22,409	3.4%	761	5,460	6,221
Farming, Fishing, and Forestry	1,078	-2.0%	-22	250	250
Construction and Extraction	9,210	7.0%	649	1,820	2,469
Installation, Maintenance, and Repair	7,482	5.1%	382	1,750	2,132
Production	8,973	2.9%	261	2,200	2,461
Transportation and Material Moving	8,598	4.5%	390	1,900	2,290
Total, All Occupations	155,295	10.1%	15,625	37,890	53,515

Source: DEED: Employment Outlook, 2004-2014



Source: Minnesota State Demographer: Population Projections, 2000-2030

Demographic Transformation

Despite encouraging activity, demographic trends in Northeast Minnesota may inhibit economic growth in a future trend seen throughout rural areas of Minnesota. During the next decade individuals over age 55 will comprise the fastest growing segment of the population. With more of the population moving into their 60s than into their 20s, the working-age population (15-64) will begin to decline rapidly around 2015 (see Figure 4). This will have significant ramifications for the way

regional businesses approach succession planning, recruitment and retention, cross-generational learning, and knowledge management strategies.

Conclusion

The Arrowhead region continues to experience significant changes in both industry and occupational composition. Rapid job growth in the areas of education, health care, social services, and finance is fueling lower unemployment rates. As transforming

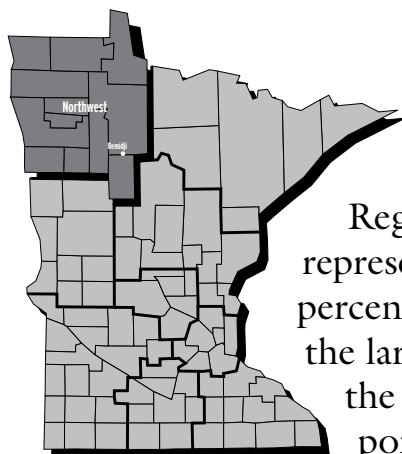
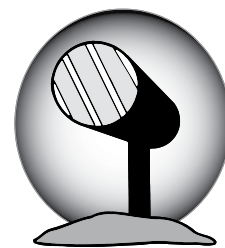
demographic trends begin to slow the labor force growth over the next two decades, the tighter labor force could pose serious challenges to regional businesses and economic development.

The Arrowhead region has a strong base of educational institutions, medical facilities, financial establishments, and development organizations. It is these entities that must continue to provide new opportunities for growth and diversification while helping to attract, engage, and retain a vibrant labor force.

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State of NORTHWEST REGION



The Northwest Planning Region represents 26 primarily rural counties contained within four Economic Development Regions. The Northwest Region is geographically the largest Planning Region covering nearly 36 percent of Minnesota's land area and representing a population of 544,880 or slightly more than 10 percent of the state using data from the 2000 U.S. Census. Most of the large population centers are located in the southern portion of the region along I-94 and State Highway 10, while the northern portion of the region is generally less dense, consisting of three geographically large Indian reservations and other public lands.

Employment in the region has grown in five of the six most recent years (see Figure 1). The region has generally fared better than Minnesota during the recession and recovery period beginning in late 2001.

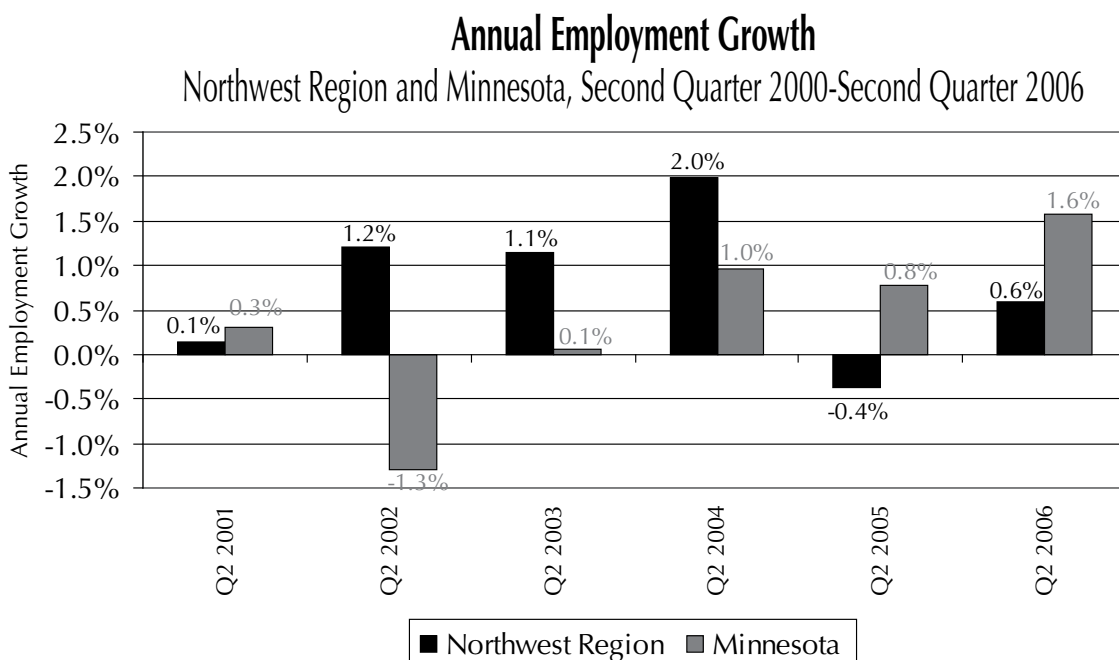


Figure 1

Source: DEED: QCEW

Change in Industry Employment

Second Quarter 2004 - Second Quarter 2006

Table 1

Industry	2Q 2004 Covered Employment	2Q 2006 Covered Employment	Percent Change 2Q 2004-2Q 2006
Total, All Ownerships	216,041	216,585	0.3%
Total, Private Sector	169,130	170,532	0.8%
Ag., Forestry, Fishing, and Hunting	3,398	3,428	0.9%
Mining	303	268	1.6%
Utilities	1,204	1,242	3.2%
Construction	11,359	11,162	-1.7%
Manufacturing	30,358	29,762	-2.0%
Wholesale Trade	8,890	9,195	3.4%
Retail Trade	29,733	29,465	-0.9%
Transportation and Warehousing	4,241	4,393	3.6%
Information	3,478	3,518	1.2%
Finance and Insurance	5,804	5,865	1.1%
Real Estate and Rental and Leasing	1,860	1,808	-2.8%
Professional and Technical Services	4,544	4,632	3.4%
Management of Companies and Ent.	418	688	64.6%
Administrative and Support Services	3,632	3,756	3.4%
Educational Services	1,924	1,757	-8.7%
Health Care and Social Assistance	27,451	29,015	5.7%
Arts, Entertainment, and Recreation	2,396	2,650	10.6%
Accommodation and Food Services	20,970	20,840	-0.6%
Other Services, Ex. Public Admin	7,161	7,026	-1.9%

The Northwest Region grew a mere 0.3 percent in the two years spanning the second quarters of 2004 to 2006, adding 544 jobs to reach a total of 216,585 jobs for all ownerships in 2006 (see Table 1).

The largest employers in the region are in manufacturing, retail trade, educational services, health care and social assistance, and accommodation and food services. These industries, except for health care and social assistance, have experienced negative net growth when comparing the second quarters of 2004 to 2006. Despite the negative net growth

rate for employment in these leading employment industries, the relative impact is minimal with most employment losses being less than two percent. Industries with the largest percentage change from 2004 to 2006, specifically the negative change in mining and the positive change in management of companies and enterprises, should be noted since they represent an extremely small number of the regional employment.

Drilling down into the labor market data, industries in the Northwest Region with an above average market share are identified in Figure 2. These

distinguishing industries include manufacturing, health care, agriculture, and accommodation and food services for the region. The large growth in animal production showcases both the small regional employment in the industry and the rural dependence on agriculture, while the growth in accommodation has contributed to steady growth in a large employment industry. Food manufacturing has lost both the largest relative and absolute employment of the distinguishing industries in the region with transportation equipment manufacturing a close second.

JOB SEEKER PERSPECTIVE

Looking at the trend in unemployment rates from 2000 to 2006, the region has maintained roughly a one percent higher unemployment rate than Minnesota (see Figure 3). However, the region has fared better than the national economy in five of the seven most recent years when comparing unemployment rates.

The total number of unemployed persons is currently holding steady at about 14,000 (see Figure 4). Job vacancies fluctuated between 5,000 and 6,000 over the last five years. Putting these two measures together for all industries, an estimated 3.6 unemployed persons exist for each job vacancy using data from the fourth quarter of 2006. This ratio is relatively good news for job seekers in the region, though less competitive ratios existed during 2001 and 2002, ranging between 1.6 and 2.6 unemployed persons per job vacancy.

Occupational groups with the largest number of job vacancies for the fourth quarter of 2006 in the region and Minnesota are shown in Table 2. Sales and related jobs have surpassed both production and healthcare support jobs in the last year as the occupational group with the largest number of job vacancies in the region.

Employment projections show a positive net job growth of 11.8 percent or 30,375 jobs by the year 2014 (see Table 3). The largest areas of occupational growth are projected for health care, food preparation and serving, sales, and office and administrative support. Food preparation and serving, sales, and office and administrative support occupations show the largest gain in net replacements and also in total number of job openings by 2014.

Median wages by occupational group for the region and Minnesota are displayed in Table 4. The only occupation in the region that pays

Distinguishing Industries Annual Employment Growth Northwest Region and Minnesota, Second Quarter 2004-Second Quarter 2006

Figure 2

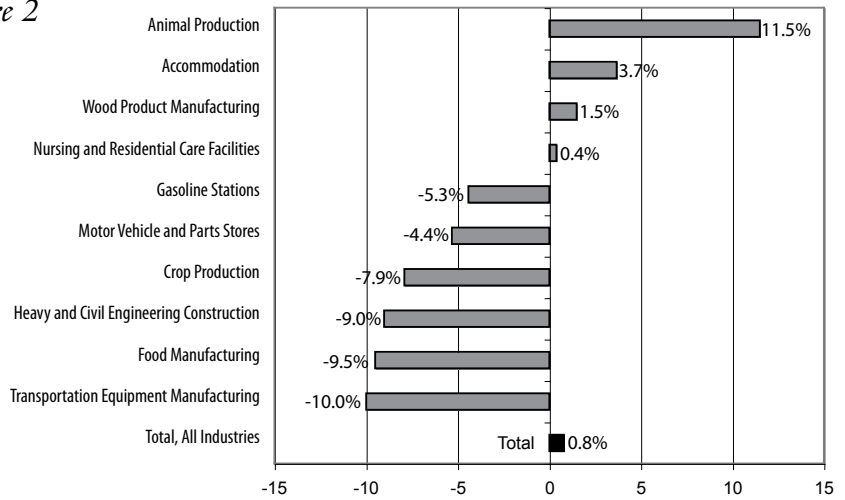
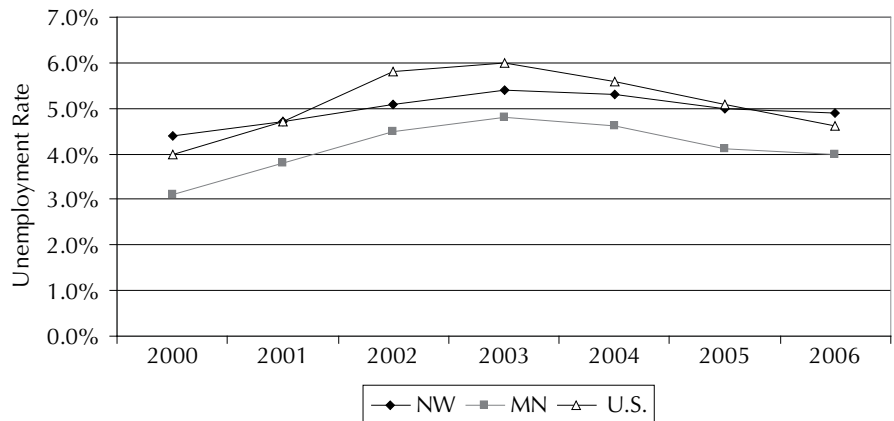


Figure 3

Unemployment Rates Northwest Region, Minnesota and U.S., 2000 - 2006



Source: DEED: LAUS

Figure 4

Job Vacancies and Unemployment Northwest Minnesota



Source: DEED: JVS

Table 2

Top 10 Occupational Groups by Number of Job Vacancies, Northwest Minnesota, 4th Quarter 2006

Occupational Group	Regional Job Vacancies	Vacancy Change 4Q 2005 to 4Q 2006	Regional Vacancy Rate	MN Job Vacancies	MN Vacancy Rate
Sales and Related	548	77	2.7%	9,192	3.3%
Production	477	-131	2.0%	3,359	1.5%
Health Care Support	429	-53	5.6%	3,480	4.8%
Food Preparation and Serving Related	385	-3	1.8%	5,385	2.5%
Office and Administrative Support	281	210	0.9%	7,386	1.7%
Health Care Practitioners and Technical	253	-44	2.3%	4,844	3.5%
Personal Care and Service	197	-120	3.7%	1,293	1.6%
Transportation and Material Moving	180	194	1.2%	3,365	1.9%
Education, Training, and Library	126	54	0.8%	1,632	1.1%
Building and Grounds Cleaning and Maintenance	123	-36	1.7%	1,059	1.4%
All Job Vacancies	3,728	-344	1.7%	55,248	2.1%

Source: DEED: JVS

Table 3

Occupational Projections, Northwest Minnesota, 2004-2014

Occupational Group	Regional Employment 2004	Percent Change 2004-14	Net Job Growth 2004-14	Net Replacements 2004-14	Total Openings 2004-14
Management	20,809	2.20%	457	2,530	2,987
Business and Financial Operations	8,591	20.10%	1,726	1,520	3,246
Computer and Mathematical	1,709	26.80%	458	220	678
Architecture and Engineering	3,288	19.00%	625	760	1,385
Life, Physical, and Social Science	2,236	10.30%	230	550	780
Community and Social Services	5,561	26.10%	1,453	1,020	2,473
Legal	1,541	7.50%	115	190	305
Education, Training, and Library	16,731	5.50%	921	3,700	4,621
Arts, Design, Entertainment, Sports, and Media	3,742	14.10%	527	700	1,227
Health Care Practitioners and Technical	11,702	25.80%	3,019	2,250	5,269
Health Care Support	8,674	32.60%	2,832	1,260	4,092
Protective Service	4,828	12.50%	602	1,720	2,322
Food Preparation and Serving Related	21,634	15.30%	3,302	8,590	11,892
Building and Grounds Cleaning and Maintenance	10,136	16.00%	1,620	2,040	3,660
Personal Care and Service	10,448	19.00%	1,986	2,500	4,486
Sales and Related	24,370	10.80%	2,639	8,390	11,029
Office and Administrative Support	33,707	7.70%	2,603	8,200	10,803
Farming, Fishing, and Forestry	3,419	-3.40%	-115	930	930
Construction and Extraction	13,620	11.40%	1,549	2,670	4,219
Installation, Maintenance, and Repair	9,852	12.10%	1,195	2,380	3,575
Production	24,014	4.70%	1,139	5,830	6,969
Transportation and Material Moving	16,076	9.30%	1,492	3,410	4,902
Total, All Occupations	256,688	11.80%	30,375	61,360	91,735

Source: DEED: Employment Projections 2004-2014

Median Wages by Occupational Group:

Northwest Minnesota

Table 4

Occupational Group	Regional Median Hourly Wage	MN Median Hourly Wage	Regional Employment
Management	\$30.79	\$42.14	6,530
Business and Financial Operations	\$21.11	\$25.11	6,240
Computer and Mathematical	\$21.99	\$32.88	1,170
Architecture and Engineering	\$22.30	\$28.679	2,660
Life, Physical, and Social Science	\$22.67	\$26.86	1,440
Community and Social Services	\$15.32	\$17.53	4,180
Legal Occupations	\$24.13	\$33.58	570
Education, Training, and Library	\$19.56	\$20.02	13,210
Arts, Design, Entertainment, Sports, and Media	\$12.45	\$19.51	1,770
Health Care Practitioners and Technical	\$21.60	\$26.73	10,070
Health Care Support	\$10.74	\$12.35	6,870
Protective Service	\$15.14	\$15.69	3,350
Food Preparation and Serving Related	\$7.85	\$8.49	17,450
Building and Grounds Cleaning and Maintenance	\$9.99	\$10.73	6,580
Personal Care and Service	\$9.75	\$10.40	5,130
Sales and Related	\$9.28	\$11.90	18,600
Office and Administrative Support	\$12.42	\$14.78	27,080
Farming, Fishing, and Forestry	\$12.18	\$11.68	400
Construction and Extraction	\$16.27	\$22.75	8,910
Installation, Maintenance, and Repair	\$16.21	\$19.42	7,260
Production	\$13.43	\$14.88	21,210
Transportation and Material Moving	\$11.95	\$14.19	12,330
TOTAL, ALL OCCUPATIONS	\$13.22	\$16.48	183,030

Source: DEED: OES

above the state median wage is farming, fishing, and forestry, while all other occupations are below the state median wage. The highest paying occupations in the region are in management, legal, life physical and social sciences, and architectural engineering. The largest number of workers are employed in office and administrative support and production occupations with median hourly wages range in pay from \$12.42 to \$13.43 respectively.

WORKFORCE CHARACTERISTICS

So how prepared is the workforce for the demands of the regional economy? Using data compiled by the Minnesota State Demographic Office, educational attainment for residents in the Northwest Region age 25 years and older is shown in Figure 5. Exactly half of adults in the region have a high school diploma or less, and nearly 17 percent have completed a bachelor's degree or higher. Interestingly, males are more likely to achieve an advanced degree and also more likely to drop out of high school.

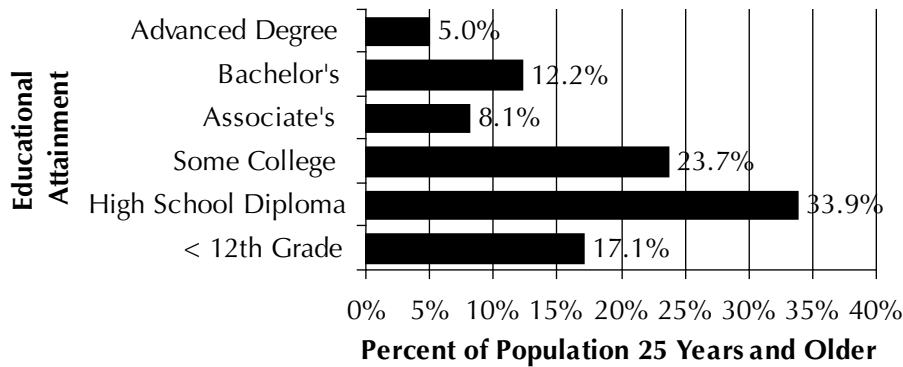
Overall, labor force participation rates grew from 1990 to 2000 using data gathered from the U.S. Census Bureau (see Figure 6). The largest growth in labor force participation occurred with the 20 to 24 year-old cohort. The increase in labor force participation rates among older workers has primarily contributed to large increases in Economic Development Region 2, while the three other Economic Development Regions show minor increases.

Projecting working age population from 2000 to 2030 illustrates how significantly the wave of retiring Baby Boomers will impact the labor force (see Figure 7). The region is expected to encounter negative growth in the working age population for the next 18 years before rebounding in 2030.

Educational Attainment of Northwest Minnesota's Adult Residents

Figure 5

25 Years and Older: 2000

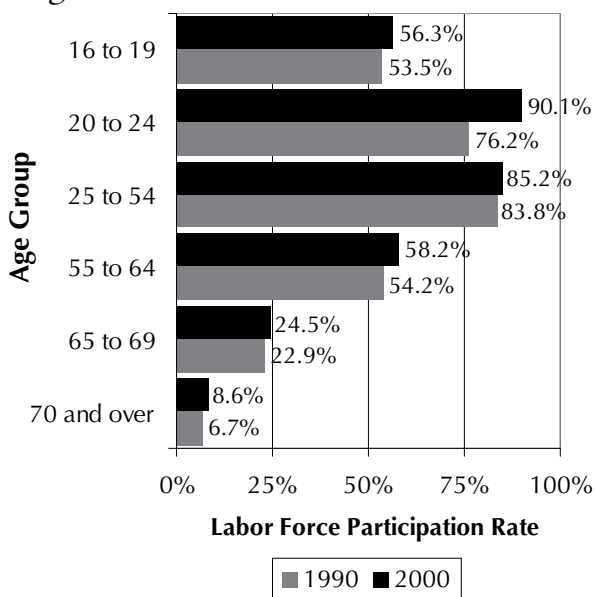


Source: Minnesota State Demographic Office: Census 2000

Northwest Minnesota Labor Force Participation

Figure 6

1990-2000

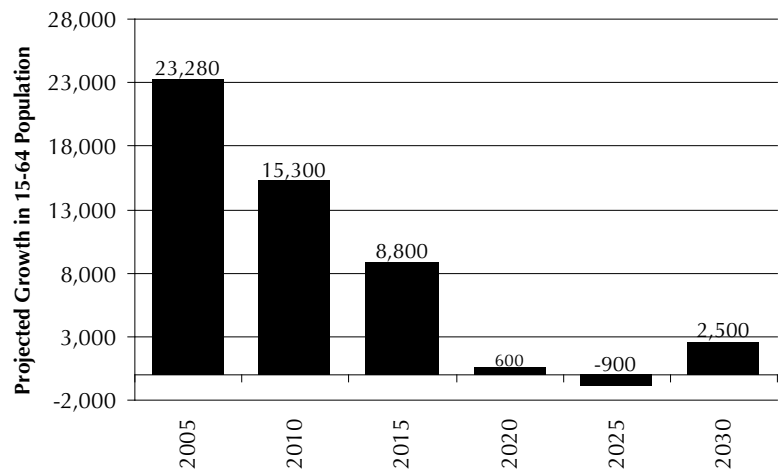


Source: U.S. Census Bureau: Census 2000

Projected Growth in Working Age Population for Northwest Minnesota

Figure 7

2000-2030



Source: Minnesota State Demographic Office: Population Projections

CONCLUSION

The Northwest Region is so geographically large that many industries are included here. For example, wood product manufacturing in the northern portion of the region is balanced by primary metal manufacturing in the south. Communities large and small contribute to the overall economic diversity and sustainability in the Northwest Region. The greatest challenge facing economic development planners in the region is to prepare businesses for an aging and retiring workforce while encouraging innovation and the creation of new products. This also means industries with the most job vacancies and projected job openings will need to start looking at recruitment, compensation, and workplace strategies to attract and retain talented workers. Individuals in the workforce with the proper education and experiences will ride the wave into high paying, high demand occupations.

Economic and workforce development will continue to converge in the area of education and training. Fortunately, the region is home to more than 15 public colleges and universities, as well as customized training services. Overall, the Northwest Region is rich in opportunities for business and individual growth. **TR_Z**

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