MINNESOTA ECONOMIC

TRENDS

SIGNS OF A JOBS RECOVERY

JUNE 2011

POSITIVELY Minnesota

Department of Employment and Economic Development

What Our Readers Say

If reader response to our survey in the March issue of Trends is any indication, we're doing a lot of things right. When asked about the content, writing, layout and photography in the magazine, at least 75 percent of the respondents said each of those categories was "good" or "excellent."

Another 88 percent of those who responded to the survey said the length of the articles was "just right," 70 percent said they found the articles "useful" or "very useful," and 95 percent said Trends is "impartial" or "somewhat impartial." I know some politicians who would be thrilled with approval numbers like those.

That's not to say there isn't room for improvement. The one thing I've learned during a career of writing and editing for publications is that you can never be satisfied with the status quo. In an era when there is so much competition for reader attention, particularly online, any print publication that isn't striving to get better won't last long.

An interesting finding in our latest survey is how many people still read the print edition of Trends versus online. When we asked that question during our last survey in February 2007, about 78 percent of the respondents said they read a print copy of Trends. Four years later — at a time when Internet usage is even more widespread — 65 percent of responding readers still prefer the print edition.

Readers say the main areas they want us to cover are current topics, regional or labor market trends, and economic or workforce development. The good news is, those are already the sweet spots of Trends coverage. We don't have any plans to make major changes in what we write about, but we're always looking for ways to improve and appreciate your suggestions.

Monte Hanson

Monte Hanson
Editor

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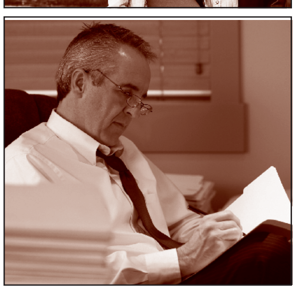


REGIONAL SPOTLIGHTS

Signs of a Jobs Recovery

While job growth has been slow since the end of the recession, the stage may be set for businesses to begin significant hiring.

April 2011 marked the 22nd month of the recovery since the Great Recession of 2008 and 2009. In some respects, the nation has rebounded nicely from the longest and deepest downturn since the Great Depression.

After declining by $554 billion (4.1 percent) between fourth quarter 2007 and second quarter 2009, real gross domestic product (GDP) since then has grown by $571 billion (4.5 percent). Here in Minnesota, personal income (the closest measure to GDP available quarterly at the state level) dropped by 3.7 percent during the recession but has since (through fourth quarter 2010) bounced back 4.9 percent. So our economy, both nationally and locally, is producing more now than before we went into recession.

Furthermore, goods and services aren't going unsold. Inventory-to-sales ratios are as low (manufacturing and trade ratio of 1.24 in February 2011) as they have ever been since 1992. This is important, as it suggests that further increases in demand will likely be met with higher production rather than drawing down inventories. And real final sales surged 6.7 percent in the fourth quarter last year — the largest increase since 1998.

All of this production and purchasing is also serving bottom lines. Corporate profits in the third quarter last year were up 77 percent over their low point in the fourth quarter of 2008, and they are at their highest level ever with the exception of the 2006 third quarter.

So we have expanding production, strong sales and near-record profits. But despite full recoveries in production and profits, we have regained only one-seventh of the jobs lost during the recession. So why aren't businesses hiring workers at correspondingly high rates?

Part of the reason is that businesses haven't had to. Their remaining workers have been able to meet rising demand. Over the past two years, labor productivity has increased 8.5 percent, allowing the production of 4.4 percent more goods and services with 4 percent fewer workers. Productivity always spikes as the economy enters recovery. On a year-over-year basis, productivity hit 6.7 percent in the first quarter of 2010, 6.1 percent in 2002, 4.3 percent in 1992, 5.4 percent in 1983 and 4.6 percent in 1975. In each of those cases, productivity then dropped off, creating the need to hire to meet continued rising demand. Following the 2001 recession and during the jobless recovery that followed, productivity growth didn't fall below its long-run average of 2.3 percent per year until the last half of 2004. But when it did, we began to average job gains of more than 200,000 a month.

So if experience is any indication, more output with less labor should eventually reach its limits. In the three quarters since annual productivity growth hit 6.7 percent in the U.S., it has fallen to 4 percent, 2.9 percent and 1.9 percent, respectively. Perhaps coincidentally, job growth nationally has averaged about 200,000 over the past two months.

The confluence of these various trends — strong GDP growth that is expected to continue, strong sales and lower inventories, and productivity that has peaked and now waned — strongly suggests that employment growth is soon to follow. Indeed, we have been tracking various leading indicators of improved labor markets for some time.

On the layoffs side of the equation, it is clear that businesses are no longer shedding their workforces the way they were during the worst of the downturn. New claims for unemployment benefits — a strong indicator of involuntary layoffs — were down in Minnesota from a peak of 43,750 in May 2009 to 25,250 in March, a 42 percent decline. Nationally, new claims have fallen below the 400,000 per week threshold, a level frequently used to distinguish job creation from elimination, after being as high as 651,000 the last week of March 2009.

Corroborating these trends is the layoff estimates from the Job Openings and Labor Turnover Survey (JOLTS) conducted by the Bureau of Labor Statistics. Layoffs and discharges per month peaked during the recession at 2.5 million in February 2009, but they were down to 1.5 million as of January 2011. In fact, January's layoff level was the lowest since JOLTS first began in 2001, including the expansionary years between 2002 and 2007.

The hiring side of the labor market equation is where the recovery is yet to have an impact. Again referring to the JOLTS evidence, monthly hires were as high as 5.6 million in mid-2006 and were above the 5 million mark from mid-2004 until the recession began in December 2007. Hiring then fell to a low point of less than 3.6 million by October 2009 before recovering somewhat to remain between 3.9 million and 4 million throughout 2010.

Based on Business Employment Dynamics (BED) data, the story is similar here in Minnesota.

On the basis of gross job gains and losses, BED points to the first quarter of 2009 as the worst point of the recession, when contracting businesses shed 166,000 jobs while expanding firms added only 113,300. By the second quarter of last year, there were 113,400 gross job losses and 137,700 gross gains. So, while both improved, the number of jobs being shed per quarter declined by 52,600 per month, while the gains were expanding by less than half that.

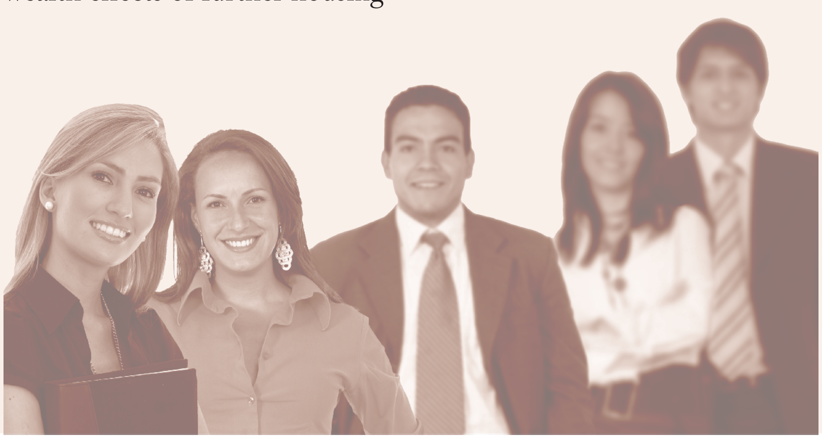
There are indicators that firms are beginning to recognize the need to begin hiring. Often businesses will turn to temp help agencies first to fill their staffing needs rather than undertaking the often costly process of hiring. After declining on an annual basis by as much as 25 percent from mid-2007 through the end of 2009, the employment services industry (three-fourths of which is temp help jobs) began to show annual gains in early 2010 and has now been up over the same month a year ago by 20 percent or more for nearly a year.

Job postings also reveal the need for more workers. The Conference Board produces a monthly series on the number of online job postings by state called the Help Wanted OnLine (HWOL) series. From recessionary trough to present, Minnesota has experienced a 60 percent increase in the number of ads for jobs posted online. Likewise, our own Job Vacancy Survey revealed a 30.6 percent increase in openings between the fourth quarters of 2009 and 2010. At the national level over that same time span, JOLTS estimates of job openings improved by 34 percent.

So it seems from this writer's perspective that the stage is set for some long-awaited improvements in our employment situation. Businesses have met growing demand without hiring additional workers, but there are strong indications that their ability to keep that up is reaching its limits. Labor productivity is exhibiting its typical cyclical pattern of dropping off to more sustainable levels after surging earlier in the recovery, but consumers are just now showing a renewed willingness and ability to spend on goods and services, and just at a time when inventories are greatly reduced.

Risks most certainly remain, if not abound. The winding down of federal stimulus spending and the recent run-up in energy prices will have detrimental effects on overall aggregate demand, and this could be compounded by the passage of overly austere budgets at the state and federal levels. Housing market conditions continue to be worrisome, and the negative wealth effects of further housing depreciations and foreclosures will be another drag on the economy for some time. And it wouldn't be a shock if nuclear meltdowns, political unrest and any number of unanticipated future calamities start to take their toll on consumer and business confidence. That would also have negative consequences if it translates into an unwillingness to spend, hire, invest and expand.

We'll be watching to see if output growth improves and if productivity gains have run their cyclical course. If so, employment will have to grow by about 100,000 a month nationally for every one-point gap between real GDP growth and productivity growth. Four percent GDP and 1 percent productivity growth would translate into 300,000 new jobs a month nationally and 6,000 new jobs a month in Minnesota. That would be just the ticket. I'll settle, though, for 3.5 percent growth in real GDP, 1.5 percent productivity growth and 4,000 new jobs a month in Minnesota.



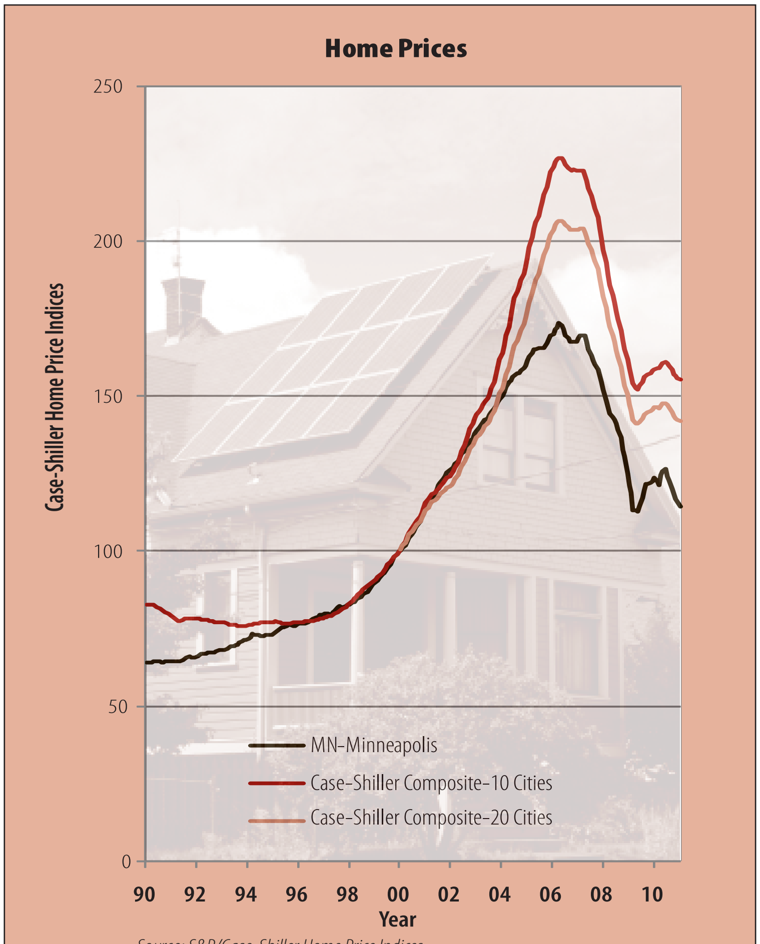
From Boom to Bust

The Minnesota construction sector is still struggling to break out from the effects of the housing bust and the Great Recession.

While most Minnesota industrial sectors have slowly regained jobs that were lost during the Great Recession, construction continues to struggle, remaining severely depressed as construction spending, especially for housing, remains at historical lows.

Minnesota construction employment climbed for 14 straight years from 1992 to 2006, fueled at first by a strong state economy and later by the housing bubble. Then the housing market collapsed, foreclosures soared, a financial meltdown occurred and the economy tumbled into the deepest and longest recession since the Great Depression. Construction employment plummeted for five straight years.

FIGURE 1

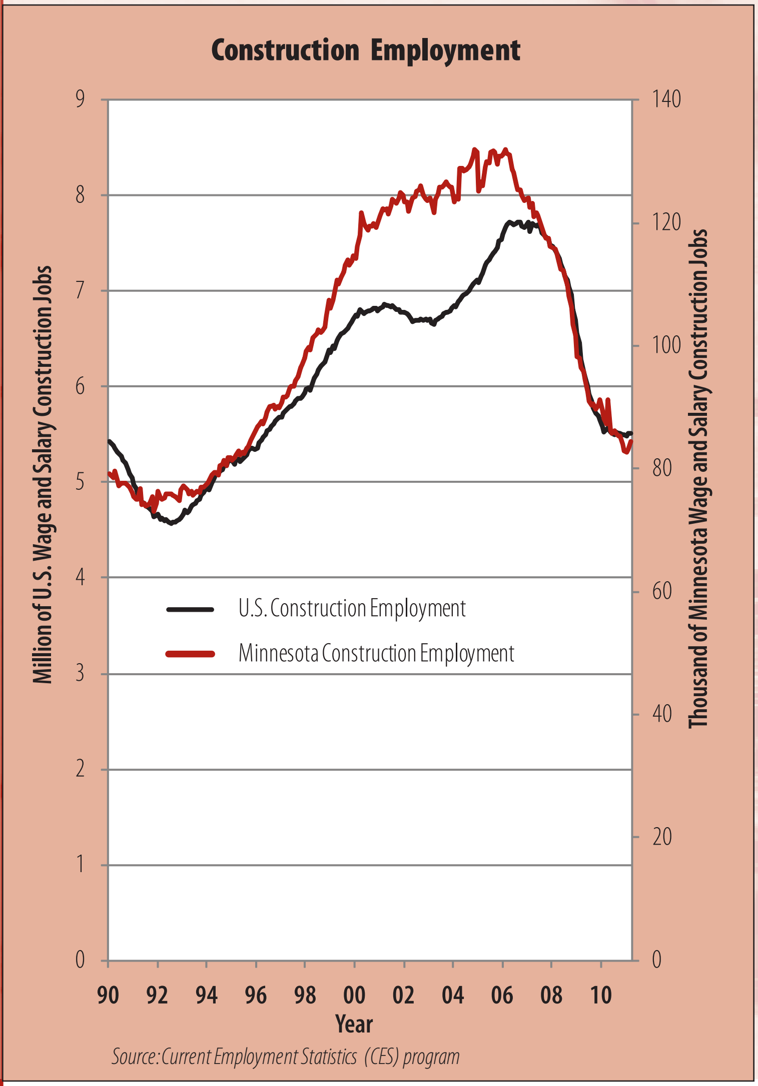


Source: S&P/Case-Shiller Home Price Indices

Home prices in the metro, as measured by the Case-Shiller Index for the 13-county metro area, rose during the first half of the 1990s — while slipping slightly nationwide — as Minnesota's economy weathered the 1990-91 recession in better shape than most of the country (see Figure 1). Minnesota's economy continued to outpace the national economy for most of the decade, creating a strong housing market in the state. House prices jumped 20 percent between 1990 and 1996 in the Twin Cities area but were down 5 percent nationally over the same period as measured by the 10-city composite Case-Shiller Index.

Then the boom phase of the housing bubble kicked in sometime between 1997 and 2002, and home prices skyrocketed in most areas of the country. Home values more than doubled in the Twin Cities between 1996 and 2006, but that

FIGURE 2



was tame compared with places like San Diego, Las Vegas and Miami, where home prices more than tripled in value.

The housing market frenzy ended in early 2006, when prices began a steep decline. The 10-city composite, 20-city composite and the Minneapolis Case-Shiller home price indices all peaked in April 2006. Home values in the Twin Cities today are comparable to levels a decade ago, down 50 percent from the peak five years ago.

Construction employment in Minnesota followed the same path as home prices during the 1990s and through the housing boom and bust. Construction payroll numbers slipped in Minnesota during the 1990-91 recession, but the dip was shallower and shorter than nationally (Figure 2). Minnesota's robust economic growth during most of the 1990s spurred residential, commercial and industrial building, fueling solid annual increases in the state's construction workforce through the decade. Construction hiring was strongest from 1998 to 2000.

Payroll numbers at Minnesota construction firms continued to grow, albeit at a slower pace than during the 1990s, right through the 2001 recession and into the housing boom years before the bubble burst. Construction employment climbed to 4.8 percent of total payroll employment in Minnesota in 2004 and 2005, the highest percentage since 1970. The state's share of annual average U.S. construction employment from 2002 through 2004 was among the highest recorded by Minnesota construction companies, topped only in 1954 and 1955.

Construction employment nationally inched downward after the 2001 recession before soaring for the next four years, with home building going into overdrive in the sand states — Florida, Arizona, Nevada and California. Seasonally adjusted construction employment peaked nationally in April 2006, two months after Minnesota's adjusted construction employment reached its peak of 132,000. Minnesota's construction employment increased 80 percent from the lowest seasonally adjusted monthly total during the 1990-91 recession (November 1991) to its record high in February 2006. Construction across the nation increased 70 percent from the 2001 recession-related low in July 1992 to the national peak in April 2006.

The drop off in construction work in Minnesota was steeper than nationally during 2006 and 2007. But once the financial meltdown occurred and the recession grew deeper and longer, construction work nosedived, even in areas of the country where housing had not boomed.

Minnesota lost construction jobs at a rate comparable to the U.S. from 2008 to 2010. Minnesota's seasonally adjusted construction payroll decreased by 50,000 when calculated from the February 2006 peak to what might turn out as the low in January 2011. That's a 37 percent plunge compared with the 5.7 percent overall employment decline during that period.

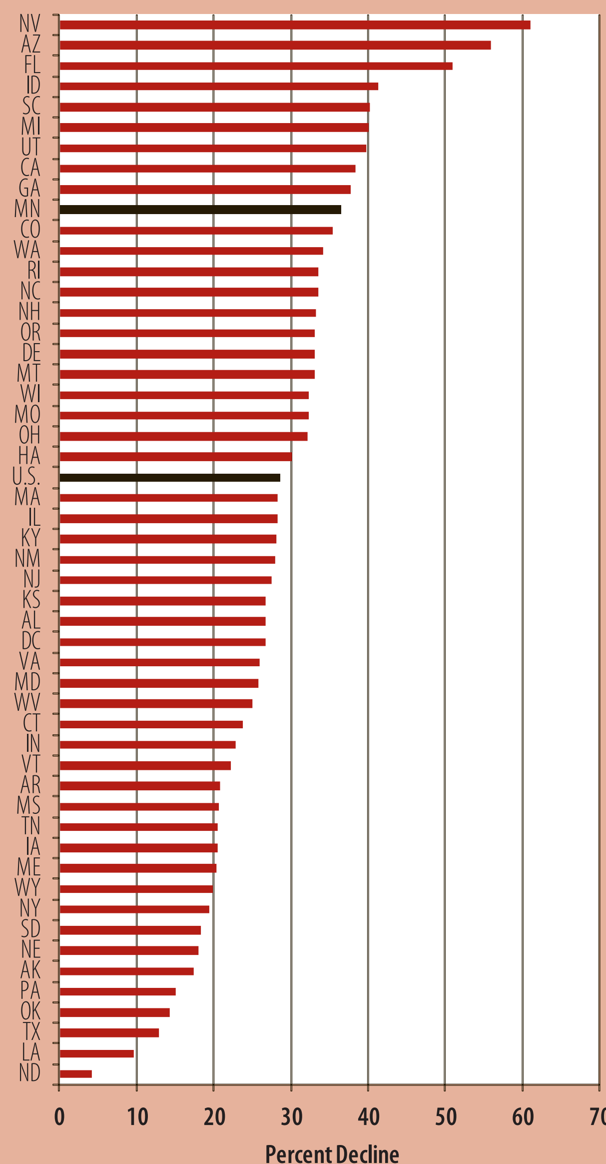
Almost one-third of the jobs lost in Minnesota during the Great Recession were construction jobs, which evaporated at a rate that was six times faster than overall job loss.

Construction workforce records were set in 20 states in 2006, 14 states in 2007 and eight states in 2008. Minnesota's construction decline, from peak to February 2011 ranks as the 10th steepest (see Figure 3). The peak-to-trough plunge for U.S. construction jobs was 29 percent, slightly less than Minnesota's 37 percent slide. The rise and fall of Minnesota's construction employment exceeded what happened nationally on the way up and on the way down.

The net result is that Minnesota's share of U.S. construction activity has dropped to levels last experienced during the 1980s. Minnesota's construction sector's health relative to the national picture is tracked

FIGURE 3

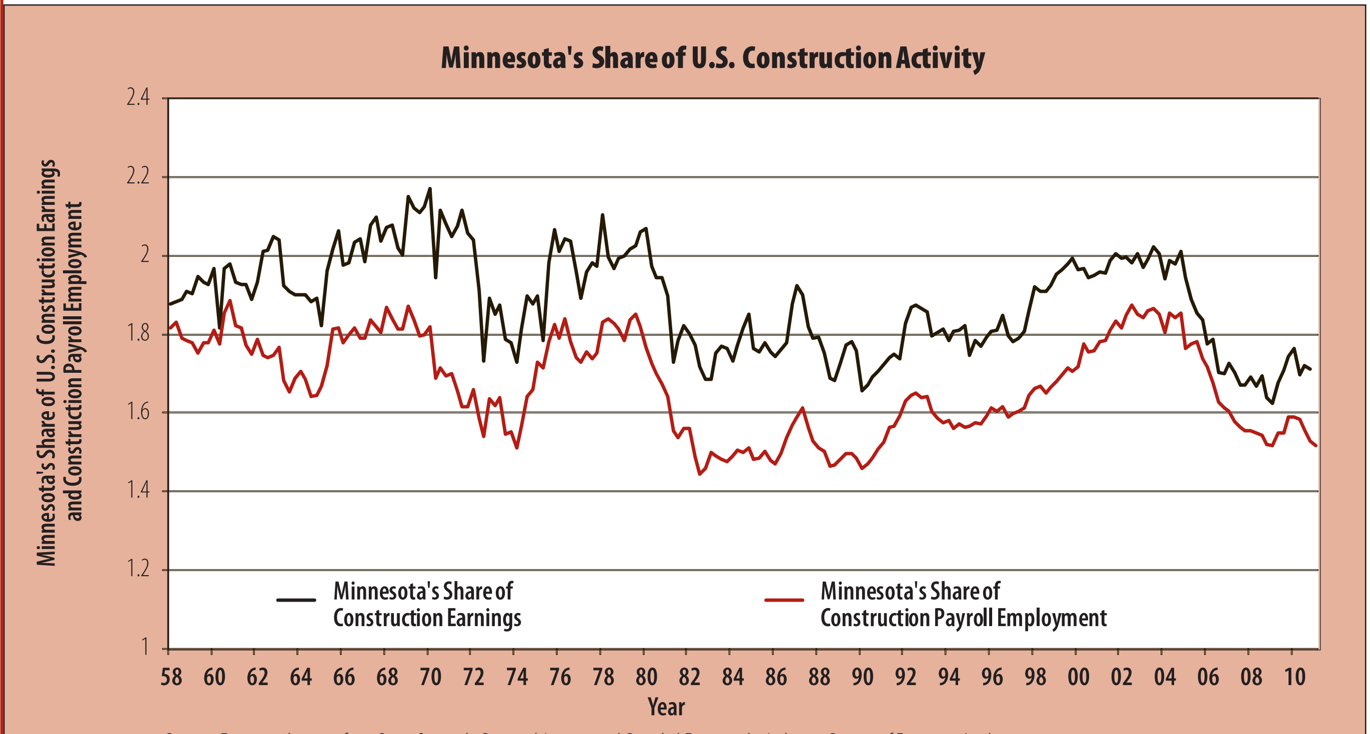
Construction Employment Decline*



*Decline is percent change from a state's peak to February 2011.

Source: Seasonally Adjusted Current Employment Statistics (CES) program

FIGURE 4



Source: Earnings data are from State Quarterly Personal Income and Detailed Earnings by Industry, Bureau of Economic Analysis, and wage and salary data are from the Current Employment Statistics (CES) program.

PHOTO BY JUDY PARKER

for the last five decades in Figure 4 using Minnesota's share of nationwide construction wage and salary employment and share of U.S. construction earnings. Construction earnings combine compensation (paychecks plus benefits) for construction workers on a payroll and the income that self-employed construction workers earn.[1] Income earned by self-employed construction workers accounted for 30 percent of all Minnesota construction earnings during the height of the housing boom but has tailed off to below 24 percent in the last few quarters.

Minnesota's construction boom of the late 1990s and early 2000s looks comparable to the prosperous times enjoyed by the industry in the mid-1960s and last half of the 1970s. The state's construction sector has also seen periods in the past when its share of the country's workforce slipped to the current low level. The state's low share of construction earnings over the last few years, however, suggests the state's relative construction situation may be the most dismal over the last five decades. Self-employed construction income is down relative to the nation and wage payments for Minnesota construction workers have declined faster than nationally. Construction hours and wage rates have lost more ground in Minnesota than nationwide, an indicator that the Minnesota construction sector's deep downturn is probably a degree or two worse than the national construction downturn.

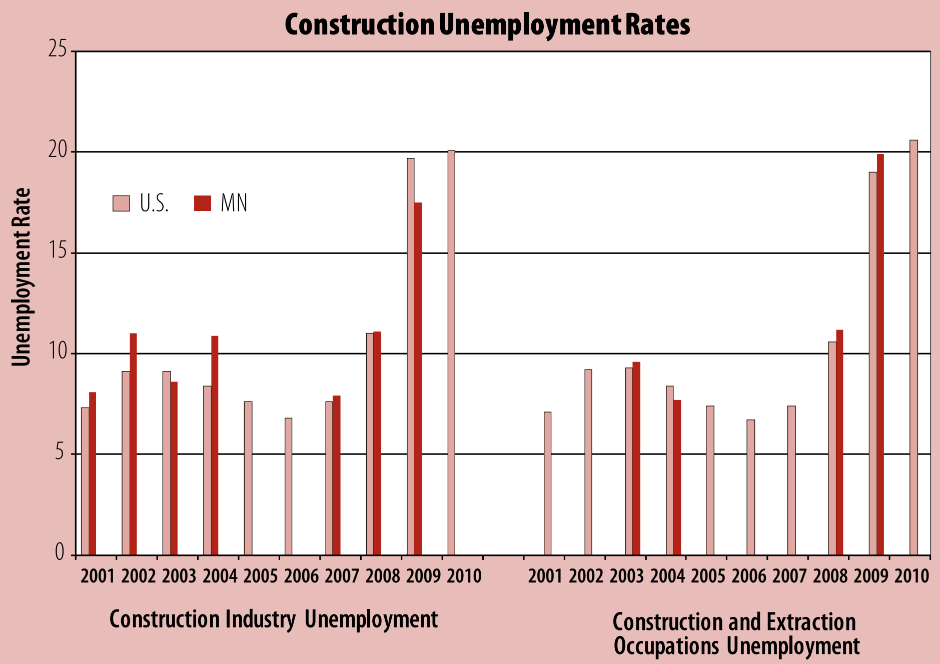
Unemployment rates for construction workers in Minnesota are both higher and lower than the national rates, depending on what one is referring to in that sector. Minnesota's most current construction industry unemployment rate was 17.5 percent in 2009 compared with the national rate of 19.7 percent. The 2009 construction and extraction occupation unemployment rate in Minnesota was 19.9 percent compared with 19 percent nationwide (see Figure 5).

The difference between the two construction workforce unemployment rates is that not all jobs in the construction sector are construction occupations and not all construction occupation workers work in the construction sector. Two-third of construction sector employees work in construction occupations like carpentry, electrical work, construction supervising and plumbing.

The other one-third are spread across a variety of occupations such as office clerks, truck drivers, cost estimators and accounts. In a similar vein, three-fourths of workers employed in construction occupations work within the construction sector, but the other one-fourth are employed in other industries. The largest employers of workers in construction occupations outside of the construction sector are local government (think road maintenance workers), state government and temporary help services.

Industry and occupation construction unemployment estimates are available nationally each month but only on an annual basis for states.[2] All of the unemployment estimates depend on the monthly Current Population Survey, which interviews 60,000 households nationally inquiring about the labor market activities of household members. About 1,300 Minnesota households are included in the survey, which is too small of a sample to provide statistically reliable monthly unemployment estimates at the industry or occupation levels. Reliable annual estimates, however, can be calculated when monthly data are pooled. These have been published sporadically

FIGURE 5



Source: U.S. unemployment rates are from Tables A-13, A-14 of the Employment Situation, Bureau of Labor Statistics. Minnesota unemployment rates are from Geographic Profile 2009, Bureau of Labor Statistics.

TABLE 1

2009 Annual Average Unemployment Rates in Minnesota	
Overall Unemployment Rate	**7.4**
by Occupational Group	
Construction and Extraction	19.9
Production	14.2
Farming, Fishing and Forestry	12.8
Transportation and Material Moving	11.5
Installation, Maintenance and Repair	10.2
Service	10.1
Office and Administrative Support	6.3
Sales and Related	5.7
Management, Business and Financial	3.6
Professional and Related	3.2
by Industry	
Construction	17.5
Leisure and Hospitality	12.5
Manufacturing	10.4
Professional and Business Services	8.8
Information	7.2
Transportation and Utilities	6.6
Agriculture and Related Industries	6.2
Other Services	6.1
Wholesale and Retail Trade	5.7
Financial Activities	4.9
Education and Health Services	3.4
Public Administration	2.5
Mining	NA

Source: 2009 Geographic Profile, Bureau of Labor Statistics

in the past by the Bureau of Labor Statistics. Another drawback with the unemployment estimates is the delay in publication, as 2010 state estimates have yet to be published.

Minnesota's construction industry and occupation unemployment rates most likely increased again in 2010, duplicating the uptick in the national construction rates, even though Minnesota's overall unemployment rate retreated to 7.3 percent at the same time that the national rate rose to 9.6 percent. Despite Minnesota's job market being a tad better than nationally, home-building activity showed no signs of recovery in Minnesota or nationally in 2010. Minnesota's construction companies continued to cut jobs throughout 2010.

A quick glance at the 2009 annual unemployment rates by industry and occupational group in Minnesota underscores how harsh the housing collapse and Great Recession have been for the state's construction workers (see Table 1). The 2009 unemployment rate for construction workers, viewed through either the industry or occupation lens, is 2½ times the overall rate and significantly above the rates of the industry and occupational group with the next highest unemployment rate. Unemployment rates for all industries and occupations except for construction likely dropped by varying degrees in 2010 as the overall unemployment rate gradually declined through 2010.

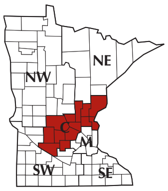
Construction job growth after the double-dip recession of the early 1980s — the only other post-war recession that comes close to the Great Recession in depth and duration — helped lead that job rebound. The construction market back then benefited from falling mortgage rates and rising demand for housing as the middle of the baby boom generation moved into its home-buying years. No boost for a quick rebound in construction jobs is expected this time around as the fallout from the housing market collapse continues to be a drag on the economy.

ENDNOTES:

[1] Self-employed construction earnings estimates of Bureau of Economic Analysis (BEA) "proprietors" income estimates for the construction sector. For more information see www.bea.gov/regional/definitions/nextpage.cfm?key=Nonfarm proprietors' income.

[2] U.S. construction unemployment estimates are available in Tables A-13 and A-14 of the Employment Situation news release by the Bureau of Labor Statistics (BLS) at http://www.bls.gov/cps/cpsatabs.htm. Annual average industry and occupational unemployment estimates for states are at the BLS Geographic Profile Web page http://www.bls.gov/opub/gp/laugp.htm .

Cameron Macht



Regional Spotlight:
CENTRAL Planning Region

Commuting to Work: The Long and Short of It

Given their proximity to jobs in the Twin Cities, many people in central Minnesota have made traveling long distances to work a way of life.

Over the last two decades, central Minnesota has enjoyed tremendous population growth. From 1990 to 2010, the 13-county planning region welcomed more than 205,000 new people, making it the fastest-growing region in the state. In fact, central Minnesota's population increased twice as fast as the state, jumping 43.1 percent compared with 21.2 percent statewide.

All but one county in the region saw population growth during that period, with the fastest increases occurring in the counties surrounding the Twin Cities metropolitan area. Sherburne County doubled in population (up 111 percent) over the last 20 years, followed by Wright County (up 81.5 percent) and Chisago County (up 76.6 percent). Isanti (up 45.9 percent), Pine (up 39.9 percent) and Mille Lacs (up 39.8 percent) all saw rapid growth as well. Those six counties were among the 11 fastest-growing counties in the state.

Central Minnesota has been a driving force for growth in the state. And while the population leap led to significant job growth in the region, many new residents found work outside the region, primarily in the nearby Twin Cities. But this growth has forced workers to endure long drives.

The Long of It

According to data from the 2005 to 2009 American Community Survey, the seven counties with the longest average commute times in the state were all located in central Minnesota, led by Isanti County at 33.2 minutes. Three other counties in the region — Kanabec, Chisago and Sherburne — had one-way commutes that averaged more than one-half hour. Three more counties — Wright, Mille Lacs and Pine — had travel times just below 30 minutes. Nine of the 13 counties in central Minnesota had longer mean travel times to work than the state of Minnesota, which averaged 22.2 minutes in 2009 (see Table 1).

To most people, a half-hour commute probably sounds reasonable, but all that driving can add up. With a mean one-way travel time of 33.2 minutes, workers in Isanti County

TABLE 1

Mean Travel Time to Work, 2009

Geography	Avg. Travel Time, One-Way (minutes)	Avg. Annual Commute (days)
Isanti Co.	33.2 mins.	12.0 days
Kanabec Co.	32.0 mins.	11.6 days
Chisago Co.	31.8 mins.	11.5 days
Sherburne Co.	31.1 mins.	11.2 days
Wright Co.	29.6 mins.	10.7 days
Mille Lacs Co.	28.1 mins.	10.1 days
Pine Co.	27.1 mins.	9.8 days
United States	25.2 mins.	9.1 days
Meeker Co.	23.4 mins.	8.5 days
Benton Co.	22.6 mins.	8.2 days
Minnesota	22.2 mins.	8.0 days
McLeod Co.	20.6 mins.	7.4 days
Stearns Co.	20.3 mins.	7.3 days
Renville Co.	18.4 mins.	6.6 days
Kandiyohi Co.	17.0 mins.	6.1 days

Source: American Community Survey, 2005 to 2009

averaged just over an hour in transit each day. That equals nearly 288 hours, or more than seven 40-hour work weeks each year commuting back and forth to work.

Likewise, the seven counties with the highest percentages of workers traveling more than 45 minutes to work were all located in the region. Statewide, about one in every nine workers (11 percent) spent at least 45 minutes commuting to work. In central Minnesota, one in every five workers (20.1 percent) spent the equivalent of nearly 10 work weeks (almost 400 hours) commuting each year.

In Kanabec County, which has the second-longest mean travel times to work in the state, nearly one in five workers (19.8 percent) commuted 60 minutes or more each way. At more than two hours of travel each day, these workers spend more than 13 work weeks each year making their way to and from home. What's more, 8 percent of Kanabec County workers commuted 90 minutes or more each way — well over 19.5 work weeks each year — to and from work.

The Short of It

In that context, it might seem strange that workers in central Minnesota also had shorter commute times than other parts of the state and nation. In 2009, 35.3 percent of local workers spent fewer than 15 minutes each way to work, compared with 33.7 percent in Minnesota and 28.8 percent in the United States.

The percentage of workers with these short commutes, however, has declined rapidly over the last 20 years. In 1990, nearly half (45.2 percent) of the workers in the region spent fewer than 15 minutes on the way to or from work. That shrank 10 percent over the next two decades because of the population growth detailed above in the counties closest to the Twin Cities metro area (see Figure 1).

While the number of workers with commutes of 15 minutes or less rose by about 20,000 people from 1990 to 2009 — a 20.5 percent increase — the number of workers driving 45 minutes or more jumped by about 35,000, representing a 118.3 percent increase. In other words, the number of workers with long commutes was increasing about six times as fast as workers with short commutes.

In the counties that are least connected to the Twin Cities labor market, more than half of the workers commuted fewer than 15 minutes each way. In Kandiyohi County, which had the shortest mean travel time in the region at 17 minutes, well over half (53 percent) of workers had these short commutes. Likewise, just over half the workers in McLeod County (51.7 percent) and Renville County (50.9 percent) spent less than 15 minutes each way.

Early to Bed, Early to Rise

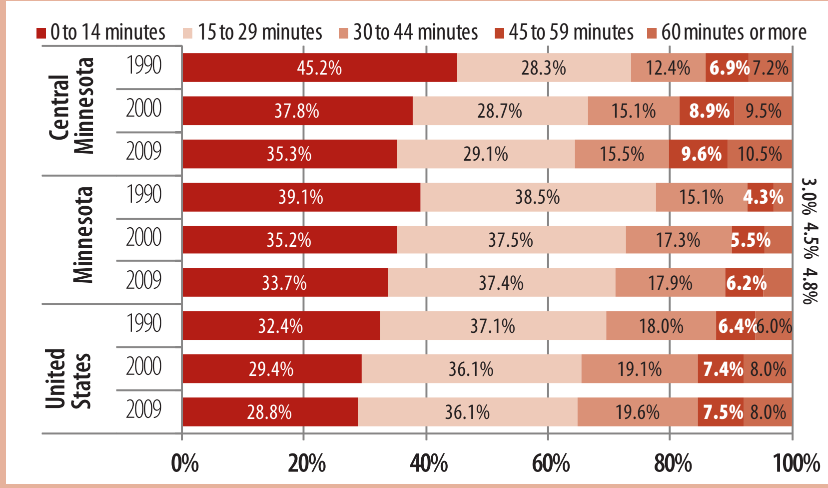
Before the sun rises each morning, many commuters in central Minnesota are already on their way to work. In seven counties within the region, more than 20 percent of workers leave for work before 6 a.m. and another 20 percent leave between 6 and 7 a.m. In the entire 13-county region, about 18 percent of workers are on the road before 6 a.m., compared with 12.1 percent of workers in Minnesota and 12.5 percent in the United States.

In most of the country, the largest portion of the workforce leaves for work sometime between 6 and 7:59 a.m., presumably to get to work by 8 a.m. But the details can vary greatly by county, depending on commuting patterns. In both Kandiyohi and Chisago counties, about two-thirds of workers left for work before 8 a.m. But in Kandiyohi County, which had short commute times, nearly 36 percent left between 7 and 7:59 a.m., while just 11.3 percent left before 6 a.m. In Chisago County, almost equal numbers of workers left before 6 a.m., between 6 and 7 a.m., and between 7 and 8 a.m.

More than 15 percent of workers in the region also left for work in the afternoon, with the highest percentages in Kanabec County, where nearly 20 percent of workers commuted after 12 p.m., and Benton and Stearns counties, which make up the St. Cloud Metropolitan Statistical Area.

FIGURE 1

Travel Time to Work, 1990 to 2009



Source: U.S. Census Bureau 1990 and 2000, American Community Survey 2005 to 2009

Living and Working

The reason for all the commuting is the mismatch between where people live and where they work. In central Minnesota, just 55 percent of workers both lived and worked in the same county, compared with 64 percent in the state and 72.6 percent in the nation.

In Sherburne County, just 30.7 percent of working residents both lived and worked in their home county, versus 68.5 percent who worked outside their county of residence. Benton, Isanti, Chisago and Wright also had huge outflows of workers to surrounding labor markets. In contrast, Kandiyohi, Stearns and McLeod held on to their workers and tended to draw in workers from surrounding counties (see Table 2).

Because of the willingness of residents to travel to work, commuting patterns will continue to be important to the growing and changing labor markets of central Minnesota.

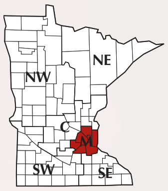
TABLE 2

Place of Work, State and County Level

	Percentage of Workers Who:		
Geography	Worked in their county of residence	Worked outside their county of residence	Worked outside their state of residence
Benton Co.	37.30%	62.00%	0.70%
Chisago Co.	37.60%	58.90%	3.50%
Isanti Co.	38.20%	60.80%	1.00%
Kanabec Co.	47.80%	51.20%	1.00%
Kandiyohi Co.	86.20%	13.30%	0.50%
McLeod Co.	71.70%	27.80%	0.50%
Meeker Co.	51.20%	48.10%	0.70%
Mille Lacs Co.	56.20%	43.10%	0.70%
Pine Co.	62.80%	35.30%	2.00%
Renville Co.	66.50%	32.80%	0.70%
Sherburne Co.	30.70%	68.50%	0.90%
Stearns Co.	79.10%	20.30%	0.60%
Wright Co.	42.00%	57.60%	0.50%
Central Minnesota	54.90%	44.20%	0.90%
Minnesota	64.00%	33.70%	2.40%
United States	72.60%	23.60%	3.80%

Source: American Community Survey, 2005 to 2009

Rachel Vilsack



Regional Spotlight:
METRO Planning Region

Matching People to Jobs

The Twin Cities has a well-educated and diverse workforce, but an anticipated 500,000 openings through 2019 will challenge employers to find workers with the right education, skills and experience.

The 2010 population census offers a glimpse of how the Twin Cities has evolved over the past decade. These data along with long-term employment projections also provide insight into the future labor market: Where are the jobs and how will businesses find the workers they need?

Meet Your New Neighbors

The Twin Cities reached a population of 2.85 million in 2010, growing by nearly 8 percent during the past decade (see Table 1). Six of the seven Twin Cities counties added population between 2000 and 2010, with Scott County and Carver County leading the way. In fact, Scott County was the fastest-growing county in Minnesota.

As a region, the Twin Cities had only average population growth between 2000 and 2010. But the region stands out as the most diverse in Minnesota. Overall, the minority population grew by 232,820 residents in the Twin Cities, or 52.5 percent, between 2000 and 2010. In 2010, about 8.2 percent of the region's population was black, 6.5 percent was Asian and 5.9 percent was Hispanic.[1]

During the past decade, all Twin Cities counties have seen growth in the minority population (see Figure 1).[2] Minority populations doubled in Scott, Anoka and Washington counties in the last 10 years. Nearly one in four Twin Cities residents were members of a minority group in 2010. Ramsey (33.1 percent) and Hennepin counties (28.3 percent) have the highest concentrations of minority residents in the region, and rank second and fourth, respectively, for the largest concentrations of minority residents statewide.

Why Population Matters

Population growth is a key indicator of a healthy economy. Beyond the increased demand for goods and services that an expanding population requires, the local population also fills workforce needs for businesses. So future labor force growth depends on expansion of the working-age population and the proportion of the population (age 16 and older) that is employed or actively seeking work. While the recession has discouraged some workers — people who are not looking for employment or available for work are not counted in official unemployment rates — participation in the labor force remained relatively strong. In 2009, the Minneapolis-St. Paul region had the second-highest labor force participation rate (72.5 percent) among the 30 largest U.S. metropolitan areas.[3]

And the Twin Cities labor force is projected to expand in the coming decades. According to the State Demographic Center, the number of Twin Cities residents in the labor force will increase by 87,640, or 5.2 percent, between 2010 and 2020.

A growing regional labor force will be essential for long-term economic growth. Employment estimates for the Twin Cites project an increase of 144,100 jobs between 2009 and 2019, a growth rate of 8.5 percent. An additional 392,810 new workers will be needed to take jobs left vacant by people who retire or otherwise leave the labor force.

Successfully filling more than 500,000 new and replacement openings through 2019 will require new labor force entrants, dislocated workers and people in career transition with the requisite education, skills and experience.

TABLE 1

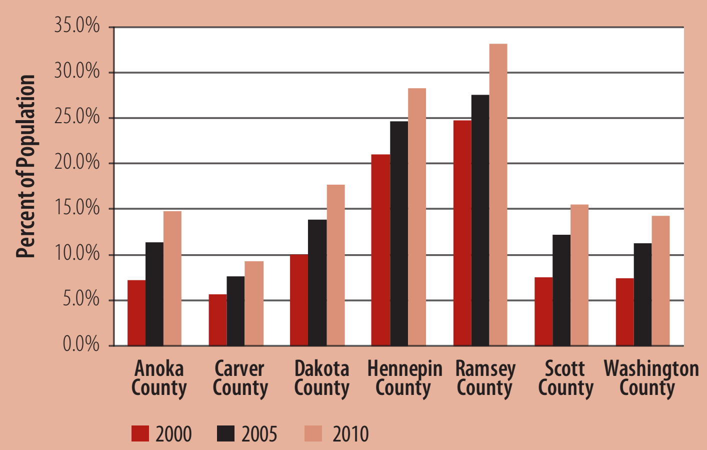
Twin Cities Population by County, 2010

	2010 Population	2000-2010 Numeric Change	2000-2010 Percent Change
Anoka County	330,844	32,760	11.0%
Carver County	91,042	20,837	29.7%
Dakota County	398,552	42,648	12.0%
Hennepin County	1,152,425	36,225	3.2%
Ramsey County	508,640	-2,395	-0.5%
Scott County	129,928	40,430	45.2%
Washington County	238,136	37,006	18.4%
Twin Cities Region	2,849,567	207,511	7.9%
Minnesota	5,303,925	384,446	7.8%

Source: U.S. Census Bureau, 2010 Census

FIGURE 1

Concentration of Minority Population by County



Source: U.S. Census Bureau, 2010 Census

TABLE 2

Educational Attainment of Adult Population, 2009

	U.S.	Minnesota	Twin Cities
Less than High School	14.7%	8.5%	7.5%
High School Diploma/GED only	28.5%	27.9%	22.8%
Some College	21.3%	22.3%	21.1%
Associate Degree	7.5%	9.7%	9.0%
Bachelor's Degree	17.6%	21.2%	26.2%
Master's Degree	7.2%	7.1%	9.3%
Doctoral Degree	1.2%	1.1%	1.4%
First Professional Degree	1.9%	2.0%	2.6%

Note: Educational attainment is computed for adults age 25 and over.

Source: U.S. Census Bureau, American Community Survey

TABLE 3

Educational Requirements of Future Jobs in the Twin Cities, 2009-2019

	Total Jobs, 2009 to 2019	Percent Change
Short-Term on-the-Job Training	176,853	7.2%
Moderate-Term on-the-Job Training	54,152	6.0%
Long-Term on-the-Job Training	26,985	7.7%
Work Experience in a Related Occupation	41,069	5.5%
Postsecondary Vocational Award	23,522	11.4%
Associate Degree	29,375	16.1%
Bachelor's Degree	83,779	11.7%
Bachelor's or Higher Degree, plus Work Experience	20,639	6.4%
Master's Degree	9,236	13.1%
Doctoral Degree	11,138	18.8%
First Professional Degree	5,598	12.0%

Source: DEED, Employment Projections

Preparing Tomorrow's Workforce

Traditionally, high levels of education have been a hallmark of Minnesota residents. In 2009, the state ranked second nationally in the percentage of the population age 25 and older that had a high school diploma or equivalency (91.5 percent) and 11th in the percent of the population with a bachelor's degree (21.2 percent) (see Table 2).[4] In the Twin Cities, nearly half of adults had a post-secondary degree in 2009.

Based on employment projections through 2019, about 35 percent of jobs in the Twin Cities will require a post-secondary award or degree in 2019. The fastest job growth includes occupations that require doctoral degrees (18.8 percent), associate degrees (16.1 percent) and master's degrees (13.1 percent) (see Table 3).

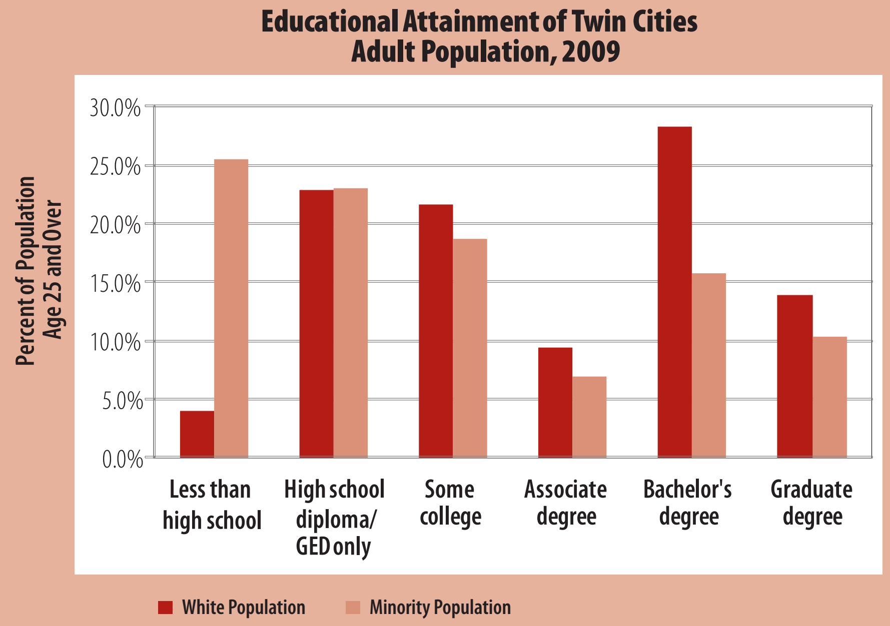
While occupations requiring advanced levels of training display the fastest growth rates, careers requiring short-term on-the-job training are projected to have the largest number of new and replacement positions between 2009 and 2019. These occupations include waiters and waitresses, personal and home care aides, cashiers and retail salespersons — occupations that usually have high replacement or turnover rates. Occupations requiring moderate or long-term on-the-job training include positions that may require some post-secondary class work or apprenticeship programs. Jobs in this category include bookkeeping clerks, dental assistants, carpenters and executive secretaries.

Together occupations requiring more extensive on-the-job training, experience or post-secondary degrees account for more than 60 percent of jobs projected to be available in the Twin Cities in 2019.

At first glance, the outlook appears good. An already well-educated population will find ample opportunities in the Twin Cities. Figure 2, however, paints a slightly different picture. The educational attainment of Twin Cities residents by race and ethnicity shows a disparity. While 96 percent of white residents had a high school diploma, only 74.5 percent of minority residents had a high school diploma. One in two white adults in the Twin Cities had a college degree in 2009, compared with one in three minority adults.

As future jobs require higher levels of education or experience, workers must be prepared to compete for positions. Monitoring educational outcomes may be necessary so that residents and businesses in the Twin Cities participate and remain competitive in the future economy.

FIGURE 2



Note: Educational attainment is computed for adults age 25 and over.
Source: U.S. Census Bureau, American Community Survey

ENDNOTES:

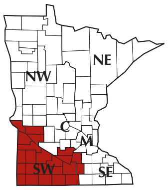
[1]U.S. Census Bureau, 2010 census.

[2]The census classifies race and ethnicity as separate categories, so the minority population is defined here as the non-white, Hispanic or Latino population.

[3]U.S. Census Bureau, American Community Survey.

[4]U.S. Census Bureau, American Community Survey.

Cameron Macht and Brent Pearson



Regional Spotlight:
SOUTHWEST Planning Region

Closing the Gap

Southwestern Minnesota lags the state and country when it comes to education – largely because of a population that skews older than normal – but a younger generation is helping the region to catch up.

It seems unthinkable now, but less than 35 percent of the U.S. adult population had graduated from high school 65 years ago and only 5 percent had a bachelor's degree or higher.[1] Not coincidentally, this also marked the first year of the baby boom generation, which was born from 1946 to 1964.

The baby boomers — still about 77 million strong — transformed educational attainment in the United States. By 2009, nearly 85 percent of adults had a high school diploma or General Equivalency Diploma (GED), and nearly 35 percent of adults had associate, bachelor's or higher degrees.

During that period, Minnesota became well known for its highly educated population. The state ended 2009 tied (with Wyoming) for the highest percentage of high school graduates in the country, and it had the sixth-highest percentage of adults with post-secondary degrees (38.1 percent).

About 88 percent of adults in southwestern Minnesota had at least a high school diploma or GED, which was 3 percent below the state rate (90.6 percent) but 3.5 percent above the U.S. rate (84.3 percent). Nearly half of the region's residents stopped at high school, however. About 35 percent had a high school diploma or GED, and just over 12 percent did not graduate from high school (see Table 1).

TABLE 1

Educational Attainment for the Population 18 Years and Over, 2005 to 2009

	United States	State of Minnesota	Southwest Minnesota Planning Region	
	Percent	Percent	Number	Percent
Total Population, 18 Years and Over	100.0%	100.0%	298,652	100.0%
Less than H.S. Diploma	15.7%	9.4%	36,543	12.2%
H.S. Diploma or More	84.3%	90.6%	262,109	87.8%
H.S. Diploma or GED	29.7%	28.2%	103,733	34.7%
Some College, No Degree	22.5%	24.7%	77,464	25.9%
Associate Degree	7.1%	9.2%	27,347	9.2%
Bachelor's Degree or Higher	25.1%	28.4%	53,565	17.9%

Source: American Community Survey, 2005 to 2009

The other half (53 percent) of the adult population in the 23-county Southwest Planning Region gained some post-secondary education: 25.9 percent attended college but did not graduate, 9.2 percent obtained an associate degree, and 17.9 percent earned a bachelor's degree or higher.

Overall, southwestern Minnesota has a higher percentage of people who attended college but did not complete a degree than the state and the country, as well as a notable advantage over the country in the percentage of workers with an associate degree. But the region is significantly behind the state and country in the percentage of workers with a bachelor's degree or higher.

Lifelong Learning

Much of the lag behind the state and country is due to the region's older demographic. In 2009, 16.9 percent of the population in southwestern Minnesota was 65 years or over, a generation that did not have the same educational opportunities as the generations that followed. Indeed, a different picture of the region emerges when looking at educational attainment by age group (see Table 2).

More than one-fifth (21.8 percent) of the region's adult population is 65 years and over, which is 5 percent higher than the U.S. Almost 70 percent of this age group had a high school diploma or less, and just 15 percent had a college degree.

More than twice as many people in the next age group (31 percent) — the baby boom generation — had earned a college degree, including almost 10 percent who had associate degrees. In fact, southwestern Minnesota showed an advantage over the country in the percentage of people age 45 to 64 with some college experience

TABLE 2

Educational Attainment by Age Group, 2005 to 2009

	United States	State of Minnesota	Southwest Minnesota		Gap with the U.S.
	Percent	Percent	Number	Percent	
18 to 24 years	13.1%	13.3%	46,612	15.6%	2.5%
Less than H.S. Diploma	17.2%	13.2%	5,660	12.1%	-5.1%
H.S. Diploma or GED	32.0%	29.3%	13,488	28.9%	-3.1%
Some College, No Degree	37.1%	40.0%	20,960	45.0%	7.9%
Associate Degree	4.7%	6.9%	3,374	7.2%	2.5%
Bachelor's Degree or Higher	9.0%	10.6%	3,130	6.7%	-2.3%
25 to 34 years	17.8%	17.2%	37,638	12.6%	-5.2%
Less than H.S. Diploma	13.4%	7.2%	3,344	8.9%	-4.5%
H.S. Diploma or GED	26.0%	20.8%	9,849	26.2%	0.2%
Some College, No Degree	21.9%	22.4%	9,056	24.1%	2.2%
Associate Degree	8.1%	12.1%	5,961	15.8%	7.7%
Bachelor's Degree or Higher	30.5%	37.5%	9,428	25.0%	-5.5%
35 to 44 years	18.8%	18.7%	47,204	15.8%	-3.0%
Less than H.S. Diploma	12.8%	6.0%	3,421	7.2%	-5.6%
H.S. Diploma or GED	27.7%	22.7%	14,219	30.1%	2.4%
Some College, No Degree	20.5%	23.4%	12,129	25.7%	5.2%
Associate Degree	8.8%	11.7%	6,310	13.4%	4.6%
Bachelor's Degree or Higher	30.2%	36.2%	11,125	23.6%	-6.6%
45 to 64 years	33.5%	34.4%	102,010	34.2%	0.7%
Less than H.S. Diploma	12.8%	5.8%	7,057	6.9%	-5.9%
H.S. Diploma or GED	29.4%	29.7%	38,307	37.6%	8.2%
Some College, No Degree	21.1%	23.8%	24,939	24.4%	3.3%
Associate Degree	8.1%	9.8%	9,942	9.7%	1.6%
Bachelor's Degree or Higher	28.5%	30.9%	21,765	21.3%	-7.2%
65 years and over	16.7%	16.4%	65,188	21.8%	5.1%
Less than H.S. Diploma	25.8%	20.2%	17,061	26.2%	0.4%
H.S. Diploma or GED	34.4%	38.5%	27,870	42.8%	8.4%
Some College, No Degree	16.8%	18.1%	10,380	15.9%	-0.9%
Associate Degree	3.8%	3.7%	1,760	2.7%	-1.1%
Bachelor's Degree or Higher	19.3%	19.5%	8,117	12.5%	-6.8%

Source: American Community Survey, 2005 to 2009

or an associate degree, but it had the largest comparative gap in people with bachelor's degrees or higher.

In each younger age group, the region progressively closed the gap in the percentage of people with college degrees. For the 35- to 44-year-old age group, southwestern Minnesota lagged the nation by 6.6 percent in bachelor's degrees or higher, but it led the nation by 4.6 percent in associate degrees.

The region actually had a higher percentage of 25 to 34 year olds with college degrees, thanks to an advantage of 7.7 percent in associate degrees compared with a 5.5 percent gap in bachelor's degrees or higher. For the youngest age group, southwestern Minnesota again has competitive educational attainment, including the smallest gap (-2.3 percent) in bachelor's degrees or higher. Perhaps more impressively, a higher percentage of 18 to 24 year olds in the region have attended some college or earned associate, bachelor's or higher degrees (58.9 percent) than in Minnesota (57.5 percent).

College Towns

Because of the region's larger senior citizen population, it might seem surprising that it has a slightly higher percentage of people in the 18- to 24-year-old age group as well. But southwestern Minnesota is also home to several colleges and universities, which serve thousands of students. Cities in the region with college campuses include Canby, Granite Falls, Jackson, Mankato, Marshall, New Ulm, North Mankato, Pipestone, St. Peter and Worthington with a total of over 45,900 students.

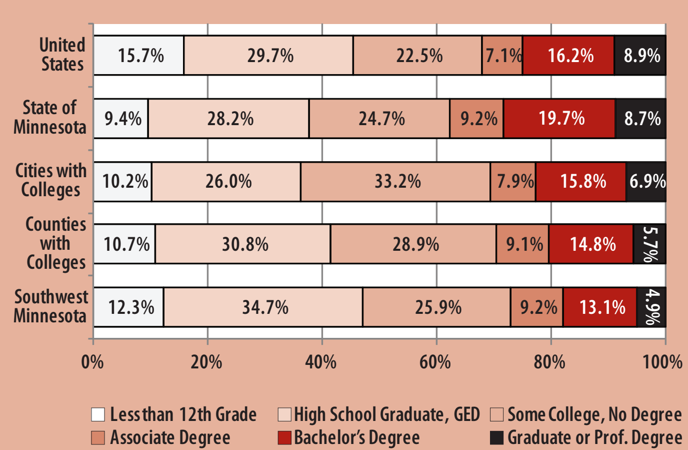
Predictably, in the cities and counties where these colleges are located, educational attainment is higher than the rest of the region. Nearly two-thirds (63.8 percent) of the adult population in the cities with colleges had at least some college experience, and just over 30 percent had a college degree. Likewise, just under 30 percent of the adults in counties with colleges had an associate, bachelor's or higher degree, which was in line with national figures (see Figure 1).

No age group or comparison, however, can erase the region's lag in bachelor's degrees or higher. Even in the cities and counties with colleges, the area has fewer highly educated adults than the country or state. As shown in Figure 1 and Table 2, the region's adults are around 7 percent below the national rate for people with bachelor's degrees or higher and 10 percent behind the state.

Southwestern Minnesota's advantage in associate degrees helps to close the gap, and the region would benefit from efforts to help the large percentage of adults who started college but didn't finish. But the more important trend for southwestern Minnesota will be increasing education for young adults and their willingness to stay in the region after earning college degrees. T

FIGURE 1

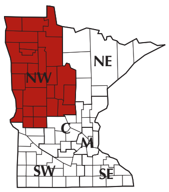
Educational Attainment, 18 Years and Over, 2005 to 2009



Source: American Community Survey, 2005 to 2009

ENDNOTES:

[1] "Educational Attainment in the United States: 2003," Figure 1, Page 2, http://www.census.gov/prod/2004pubs/p20-550.pdf



Regional Spotlight:

NORTHWEST Planning Region

A Region in Recovery

Northwestern Minnesota is inching back from the effects of the Great Recession.

Northwestern Minnesota employment trends were similar to the state and country during the recession of 2008-2009. Many goods-producing sectors shrank significantly as manufacturers, retailers and construction businesses cut staff to survive.

For some operations, that wasn't enough. Closings in Little Falls, Detroit Lakes, Bemidji and Brainerd had ripple effects throughout the regional economy.[1] Layoffs in the metro and other areas also negatively impacted the tourism and recreation industry in northern Minnesota's lake country.[2] People quit buying new automobiles and recreational vehicles, and they built fewer homes.

Construction jobs in the region felt the pinch over the last few years. Decreases in building permits and new building starts, along with increased foreclosures, contributed to the downturn in

construction here. Northwestern Minnesota counties in the lakes areas were hit especially hard. In fact, counties with a greater percentage of water had greater construction employment losses.[3]

The lakes region attracts vacationers from across the country, particularly vacation homeowners from Minnesota and North Dakota metro areas. As a result, the economy in the lakes region has both lower-wage hospitality and food service occupations and higher-paying construction and finance jobs. Uncertainty about the economy and restricted lending by mortgage companies reduced the growth of vacation home building in the region. Communities along the Red River and in farm country, however, largely avoided significant losses in construction employment because the farm economy continued to provide opportunities for growth.

Construction waned during the last few years across the state. From 2006 to 2009, total covered employment for Minnesota slid 3.9 percent, while construction jobs in Minnesota fell a dramatic 25.1 percent.[4] Still, construction employment in the northwestern region held up better than the state as a whole. Regional losses between 2006 and 2009 were 15.7 percent, well below the state losses during that period. Self-employment in Minnesota's construction sector also dipped 3.4 percent from 2005 to 2008. In comparison, northwestern Minnesota lost 3.2 percent in self-employment.

The information in Table 1 provides employment trends and projection comparisons between the region and Minnesota.

Interestingly, employment projection data for the region and state counter recent trends. For example, although the state had greater percentage losses in construction, it is also expected to grow jobs faster than the region. This makes sense when we think in terms of recovery. The state and metro areas, with greater construction losses, will show faster job growth in the future because of a lower starting point. We can assume the worst of the construction employment losses is over, and now we begin a slow climb back up.

The recession put job growth on ice during the cold months of January to March 2009 in northwestern Minnesota. Unemployment rates reached a harsh 10.7 percent in the region at that time. Clearwater County maxed out at 21.4 percent during February 2009, while the city of Brainerd peaked at 20.8 percent in March 2009, followed by Bemidji at 16.8 percent in February 2009.[5]

While many construction workers were off for the season during those months, layoffs in manufacturing and retail softened the demand for new construction into the summer. Reduced demand for new construction and home remodels led to a trickle-down effect of job losses in the building material and garden supply store segment, which dropped 7.9 percent (239 jobs) from 2006 to 2009.[6]

TABLE 1

Total, All Ownerships

	Employment (2009)	Job Change (2006-2009)		Projected Job Growth (2009-2019)	
Industry Title	NW MN	NW MN	MN	NW MN	MN
Total, All Industries	207,738	-2.9%	-3.9%	7.6%	8.7%
Construction	*10,011*	*-15.7%*	*-25.1%*	*8.5%*	*15.3%*
Construction of Buildings	2,090	-31.4%	-30.7%	18.3%	16.0%
- Residential Building Construction	1,253	-34.9%	-41.5%	19.9%	19.3%
- Nonresidential Building Construction	838	-25.2%	-18.0%	16.1%	13.2%
Heavy and Civil Engineering Construction	3,528	8.2%	-7.4%	-12.4%	3.6%
- Utility System Construction	1,161	42.8%	1.3%	-25.3%	1.4%
- Land Subdivision	22	-35.3%	-66.7%	-13.6%	-13.5%
- Highway, Street and Bridge Construction	2,264	-3.1%	-7.7%	-1.1%	4.4%
- Other Heavy Construction	81	3.8%	-6.1%	13.2%	18.2%
Specialty Trade Contractors	4,391	-21.2%	-27.7%	16.4%	17.7%
- Building Foundation/Exterior Contractors	951	-32.0%	-39.2%	-1.5%	15.5%
- Building Equipment Contractors	2,036	-16.3%	-21.4%	20.8%	14.5%
- Building Finishing Contractors	568	-28.3%	-35.6%	27.1%	20.0%
- Other Specialty Trade Contractors	835	-12.1%	-15.9%	18.6%	27.8%

Source: Minnesota Department of Employment and Economic Development (DEED), Quarterly Census of Employment and Wages, 2006-2009, all ownerships, and DEED, long-term employment projections, 2009-2019

Construction Jobs Rebounding?

Unemployment insurance (UI) claims show the region is recovering. During February 2011, total UI claims dropped 18.3 percent from one year ago to 20,485.[7] This follows a similar decrease from 2009 to 2010.

Manufacturing continues to hold the largest number of claims at 5,317 despite a 25.6 percent decline over the year. Wholesale trade and transportation and warehousing follow with 2,379 and 1,740 claims, respectively. In fact, all industry claims are down over the year except for mining and professional and technical services. UI claims for construction improved from the second-highest industry — just behind manufacturing — to ninth place.

As shown in Table 1, employment in construction is expected to grow 15.3 percent in Minnesota between 2009 and 2019, compared with 8.7 percent growth projected for overall employment in the state. Residential and specialty trade construction segments are expected to grow the most. Heavy and civil engineering construction, on the other hand, should decrease over the 10-year period. This subsector showed solid growth between 2006 and 2009, while other construction segments lost employment. Projected losses in heavy and civil engineering construction may be due to shrinking government budgets rather than decreased demand.

Current demand for workers in the region remains fairly low. Job Vacancy Survey data show higher vacancy rates in retail trade (2 percent), transportation and warehousing (2.9 percent), professional and technical services (2.1 percent), and health care and social assistance (2.5 percent). Low job vacancy rates are found in construction (0.1 percent) and manufacturing (1 percent).

Construction and Home Sales Down in Lakes Country

New American Community Survey information may shed some light on another threat to construction employment. Households with mortgages and monthly housing costs over 35 percent of income could signal potential foreclosures or short sale situations in the future. An increase in foreclosures and short sales would put more housing units on the market, thereby reducing the demand for construction jobs.

Comparing multiple data sources by county, a clear and positive relationship exists between the percentage of land base to water for households spending more than 35 percent of household income on housing expenses. Counties with less water to land tend to have both lower housing costs and more demand for construction.

To summarize these multiple data sources, the worst is over. Although job vacancies and current demand remain weak, projections and unemployment measures continue to show improvement. Employment will return slowly. Consumer confidence, will factor into the speed of recovery in the region. The construction industry is showing signs of a turnaround. That's good news for the regional economy, since this industry represents 10,011 covered jobs and another 7,374 self-employed workers.[8] T

ENDNOTES:

[1]Minnesota Department of Employment and Economic Development (DEED), Dislocated Worker Program, Plant Closings and Mass Layoffs Events.

[2]DEED, Economic Trends, September 2009, "Northwest Planning Region: Water and Wilderness," Nate Dorr.

[3]DEED, Quarterly Census of Employment and Wages (QCEW), 2006-2009, all ownerships, and 1990 U.S. census data.

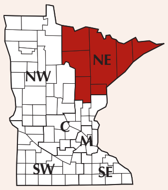
[4]DEED, QCEW, 2006-2009, all ownerships.

[5]DEED, Local Area Unemployment Statistics.

[6]DEED, QCEW, all ownerships.

[7]DEED, unemployment insurance claims, February 2011.

[8]DEED QCEW, 2009, all ownerships, and U.S. census non-employers statistics, 2008.



Regional Spotlight:
NORTHEAST Planning Region

Struggling to Make Ends Meet

Northeastern Minnesota's relatively high rate of working poor makes it difficult for many residents to find affordable housing.

At first glance, the census profile of what people pay for housing in northeastern Minnesota is fairly similar to the rest of the state. Increasingly, Minnesotans are becoming "housing cost-burdened"— that is, paying more for housing than they can afford.

Financial planners and groups like Minnesota Compass say people who pay more than 30 percent of their income for housing are more likely to face financial problems. Across the state, data from the American Community Survey indicate the percentage of Minnesotans who are housing cost-burdened rose from 30.6 percent in 2005 to 32.8 percent in 2009. Data for Duluth show the number of cost-burdened households rose slightly faster, from 36 percent to 42 percent over the same time.

But peeling those numbers apart shows a more unsettling trend: Those who rent in northeastern Minnesota pay far more of their income for housing than those who bought homes. And a second trend is also apparent: While professional and technical jobs in the region have been increasing, jobs in manufacturing have declined significantly, replaced by lower-wage service jobs in health care and customer service.

The percentage of cost-burdened renters in the region, 48 percent, is more than double the percentage of cost-burdened residents living in owner-occupied housing (see Table 1).

That explains why some people think the cost of living in the region is relatively low, while others complain wages don't match expenses. The answer is in housing: If someone has purchased a home, the differential in median wages between northeastern Minnesota and the rest of the state is not significant. For renters, the relatively high cost of renting makes it seem prices in the region are sky high.

The trend is matched by another trend in wages. There appears to be more of a wage differential between growing professional/technical jobs and service jobs. Nowhere can the trend be seen more clearly than in the dramatic growth in health care jobs in northeastern Minnesota. Substantial growth has affected all sectors of the health care industry. Employment at hospitals and ambulatory care grew 7.4 percent from the third quarter of 2005 to the third quarter of 2010, even after cutbacks caused by the recession. Wages remain high, with the median weekly wage for both sectors combined at $1,002.

In the faster-growing residential care sector, which grew by just over 24 percent in the same period, the average weekly wage was $409 per week. Granted, more employees in residential care are part time, but few salaries in the sector come close to those in the ambulatory care and hospital sector.

And there are fewer jobs in between those two extremes. Manufacturing jobs, for example, declined by 24 percent during that period. Average wages in manufacturing remained strong for the region at $952 weekly in the third quarter of 2010. (Table 2 shows median wages for selected regions of Minnesota.) But the decline of manufacturing jobs, combined with the rise of jobs that pay much more and jobs that pay much less, has created a more divided, two-tiered economy.

A closer examination of census data shows a growing trend in the number of residents just above the poverty line. The federal guidelines for poverty were $10,890 a year for a single person in 2011 and $22,350 a year for a family of four. A number of state and federal programs designed to help those with low incomes often use wage cutoffs of 150 percent to 200 percent of the federal poverty guidelines.

While detailed data are not available for all areas year by year, the number of people living in households at or below 200 percent of the poverty rate in Duluth rose from 34.7 percent to 47.2 percent from 2005 to 2009. And that increase didn't occur just because more people were unemployed. The percentage of those at more than the 100 percent poverty level but less than 200 percent rose from 18.5 percent of the population to 22.1 percent of the population.

Using the more detailed 2005-2009 American Community Survey data that are available for all counties, it's clear that this is a problem across the region (see Table 3). No part of the region had the 100 to 200 percent group — essentially the working poor — at less than the state average.

Clearly, the region has a problem in terms of finding career pathways that will allow residents to move from low-wage to higher-wage jobs — the first step toward home ownership and greater financial stability.

The region has long taken pride in fairly high home ownership levels. (St. Louis County had a 72.6 percent owner-occupied housing rate compared with the national rate of 66.9 percent and

TABLE 1

Cost-Burdened Residents

	Cost-Burdened Renters	Cost-Burdened Homeowners	Cost-Burdened Housing Total
Aitkin County	43.4%	28.7%	31.4%
Carlton County	44.3%	27.0%	30.4%
Cook County	22.1%	25.9%	24.9%
Itasca County	44.8%	24.7%	28.7%
Koochiching County	48.1%	22.1%	27.3%
Lake County	38.3%	23.0%	26.0%
St. Louis County	50.4%	22.4%	30.1%
Duluth	54.8%	24.9%	36.9%
Northeast Minnesota	48.0%	23.7%	29.6%
Minnesota	45.0%	27.8%	32.1%

Source: U.S. Census American Community Survey, 2005-2009

TABLE 2

Median Wages in Minnesota

Region	Median Wage
Minnesota	$17.56/hr
Seven-County Twin Cities	$19.28/hr
Southeast Minnesota	$16.63/hr
Northeast Minnesota	$15.44/hr
Northwest Minnesota	$15.04/hr
West Central Minnesota	$14.27/hr

Source: Minnesota DEED Occupational Employment and Wages

TABLE 3

Poverty Rates in Northeastern Minnesota

Region	Residents at 100 to 200 Percent of Poverty	Percent of Residents at 100 to 200 Percent of Poverty	Poverty Rate: Percent of Residents at 100 Percent of Poverty	Percent of Residents at 200 Percent of Poverty
Aitkin County	3,933	25.2%	13.9%	39.1%
Carlton County	5,431	16.8%	10.9%	27.7%
Cook County	944	17.5%	9.5%	27.0%
Itasca County	8,877	20.6%	12.0%	32.6%
Koochiching County	2,741	20.5%	13.4%	33.9%
Lake County	1,960	18.3%	12.7%	31.0%
St. Louis County	33,874	18.0%	14.6%	32.6%
Duluth	15,767	20.1%	20.1%	40.2%
Northeast	57,760	18.7%	13.6%	32.3%
Minnesota	734,174	14.5%	10.0%	24.5%

Source: American Community Survey, 2005-2009

the state rate of 74.9 percent). But that has meant fewer rental units and fewer options for those at the lower end of the income scale.

There are many programs available in the region to help low-income residents purchase their own homes, and these programs have kept the number of foreclosures in the region relatively modest. The latest report by the Minnesota Home Ownership Center (using 2009 foreclosure data) found that Aitkin was the only county in northeastern Minnesota in the top 20 counties in the state for foreclosure rates. (St. Louis, Itasca, Koochiching and Lake counties were all in the bottom half for foreclosure rates.)

Finding a way out of the working poor category is not easy, and the current structure of both the job market and the housing market is creating a double challenge for those who are working at low-wage jobs and want to reach more financial stability.

Duluth has implemented a number of programs to help working people who are struggling to make ends meet. Community Action Duluth has a program called Jump Start that helps working low-income residents to qualify for auto loans and to obtain a car to get to work. Another program, Duluth at Work, matches working adults with specific programs that are designed to overcome potential barriers to higher-paying jobs.

Community Action Duluth and the Northern Communities Land Trust provide asset-building programs that allow working adults to get assistance to save for down payments on homes and make home repairs, if necessary.

The Duluth Workforce Council is developing pathways programs to help workers in low-wage jobs — at call centers or residential care facilities, for example — find careers that pay better salaries.

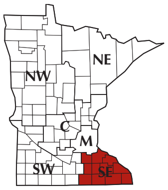
On the Iron Range, the Northeast Higher Education District is revamping a significant number of programs to provide the basic background for technical and industrial jobs that pay higher wages.

But there are few if any efforts under way to deal with the scarcity of affordable, quality rental housing.

The good news is that for those in professional and technical occupations that pay high enough to qualify for a mortgage, home prices in the region are relatively low. With the exception of Aitkin County, residents of the region spend less income on housing than anywhere in Minnesota. T

Note: Wage and employment data for health care and manufacturing are from the Quarterly Census of Employment and Wages, third quarter 2005 and 2010. Foreclosure data are from: www.hocmn.org/Stock/Editor/file/REPORTS/2009_YrEnd_ForeclosureCount/2009_Annual_ForeclosuresInMN.pdf .

Brent Pearson



Regional Spotlight:
SOUTHEAST Planning Region

The Graying of Southeastern Minnesota

Like much of the country, southeastern Minnesota is slowly aging. How that will affect the region's labor market in the next decade remains to be seen.

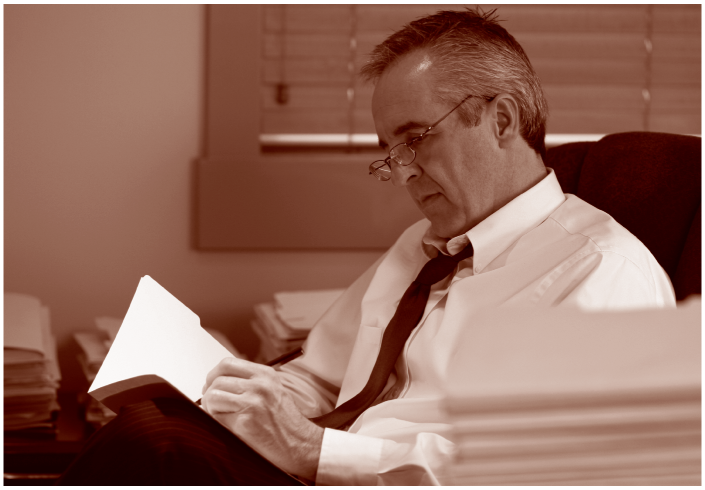
Southeastern Minnesota and its workforce are growing grayer. The number of people 55 and older in the region grew 16.6 percent from 2000 to 2009, while the overall population was increasing 5.2 percent during roughly the same period.

The biggest percentage gains in workers 55 and older from 2007 to 2009 were in Wabasha County, which was up 3.8 percent, and Freeborn County, up 3.2 percent. That compares with the overall region, which saw the 55 and older workforce grow 0.8 percent.

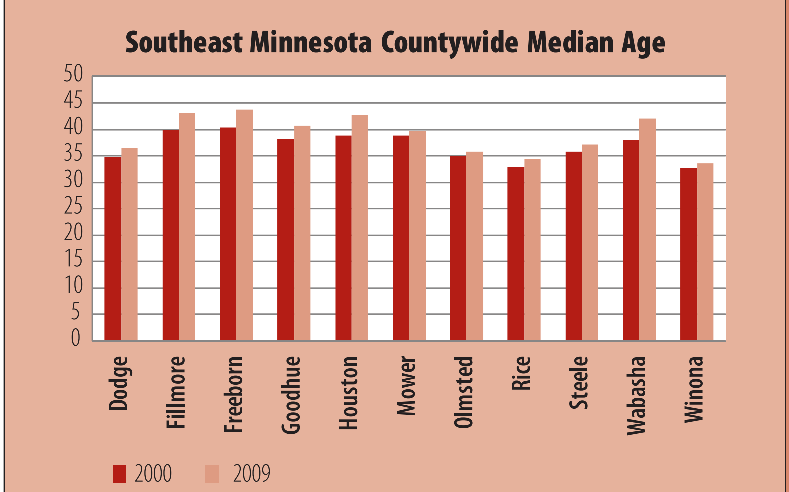
Mower County, meanwhile, lost 0.8 percent of its 55 and older workforce from 2007 to 2009, and Rice County lost 2.7 percent in that group.[1] The counties with the lowest median ages were Winona (33.5 years) and Olmsted (35.7 years) (see Graph 1).

While the overall population and workforce are slowly aging, the largest group of workers in the 11-county region in 2009 was still between the ages of 25 and 44, according to the U.S. Census Bureau's American Community Survey (ACS).

So what do these data tell us? The bulk of the labor force in the region is between 25 and 55 years old — a positive sign — but a storm may be on the horizon.



GRAPH 1



Source: U.S. Census Bureau 2010, American Fact Finder and U.S. Census Bureau ACS 2005-2009

TABLE 1

Labor Force Percent Participation Ages 16+

Age	Dodge	Fillmore	Freeborn	Goodhue	Houston	Mower	Olmsted	Rice	Steele	Wabasha	Winona	Southeast
16 to 19	50.8%	59.9%	62.3%	62.8%	65.5%	61.9%	58.2%	55.5%	63.8%	64.2%	54.9%	58.7%
20 to 24	91.9%	83.3%	87.3%	87.8%	89.2%	88.4%	83.9%	74.3%	91.1%	90.9%	80.3%	83.3%
25 to 44	90.7%	89.9%	86.1%	89.9%	89.8%	88.5%	87.6%	84.1%	88.9%	90.1%	87.0%	87.8%
45 to 54	89.9%	89.7%	86.4%	90.7%	92.7%	86.2%	88.3%	85.6%	89.1%	90.4%	90.9%	88.7%
55 to 64	82.3%	73.2%	74.4%	70.0%	72.8%	69.4%	74.0%	73.4%	77.0%	74.1%	73.7%	73.6%
65 to 74	34.0%	31.8%	26.3%	30.8%	28.7%	23.4%	26.9%	24.2%	33.1%	32.0%	31.6%	28.4%
75+	5.4%	6.4%	4.3%	5.2%	9.5%	5.1%	7.5%	3.5%	6.6%	4.9%	6.8%	6.0%

Source: U.S. Census Bureau, 2005-2009 American Community Survey

Where Are the Youth?

Labor force participation rates from 2009 cast a murky outlook. Young people from 16 to 19 had the lowest labor force participation rates (58.7 percent), particularly in the most populated counties of Olmsted, Rice and Winona (see Table 1). By the time the 2020 census results are tabulated, workers currently 45 to 54 years old will be in the 55- to 64-year-old category. Some, no doubt, will retire, thus lowering the labor force participation rate for the largest group of potential workers. Moreover, those currently 55 to 64 years old will be largely retired by 2020.

The 2009 ACS estimates are a good indicator of what lies ahead. In 2009, the labor force participation rate for people 55 to 64 dropped from 88.7 percent to 73.6 percent. That drop-off represents the second sharpest decrease among all age groups. The largest drop off? The 65- to 74-year-old group lost 43.9 percent of its labor force as those workers shifted into retirement years. In a nutshell, while the labor force is aging, stronger participation rates in the 16- to 19-year-old group as it shifts to the 20- to 24-year-old bracket will be essential to avoid large losses in the labor force over the next five to 10 years.

Unemployment Rates Tell All

The key question, though, is whether 16 to 19 year olds will find jobs as they enter the labor force in southeastern Minnesota in coming years. Recent history suggests 15 percent of workers 55 and over will retire or drop out of the workforce as they move into the next age bracket, creating potential openings for younger workers.[2]

At the same time, young workers in southeastern Minnesota and across the country are facing a difficult labor market with high unemployment. While the situation will likely improve over the next 10 years, it is difficult to predict how this will impact future labor force participation rates for the 20- to 24-year-old workers of 2020.

This problem is not unique to southeastern Minnesota, but it does pose a potential obstacle to short-term stability in the region. One concern of rural communities is losing their young people to higher-paying jobs in the Twin Cities. A hopeful sign is that southeastern Minnesota fared relatively well during the recession, due in part to its strong health care sector. That might be good news for future labor force stability throughout the region.

ENDNOTES:

[1]Numbers calculated based on U.S. Census Bureau's American Community Survey (ACS) 2007 and 2009 data.

[2]ACS, 2005-2009, five-year estimates.

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