

MINNESOTA ECONOMIC

# TRENDS

## MINNESOTA'S PATH TO RECOVERY

STATE OF THE  
ECONOMY 2015



JUNE 2015

*Minnesota*  
Department of Employment and Economic Development



## State of the Economy

Every issue of Trends is filled with data about the labor force and economy, but a particular statistic that caught my eye in this edition relates to the tightening market for workers in Minnesota. The ratio of job openings to job seekers is now at or near 1-to-1 in every region of the state.

That's either good news or bad news, depending on your perspective. For people looking for work, job opportunities are the best in years. For some employers, though, finding and keeping workers is becoming increasingly difficult. To attract high-quality candidates, some businesses might have to raise starting wages and offer other incentives.

It's a major shift from the height of the Great Recession, when the ratio of unemployed workers to job vacancies was as high as 12-to-1 in some parts of the state.

A tighter labor market is just one facet of the economy that DEED analysts examine in our annual state-of-the-state issue. In his excellent overview story that anchors this issue, DEED analyst Dave Senf looks at employment growth, unemployment rates, job vacancies, wage and salary trends, job growth projections and much more. Six other stories break down some of those same economic measures by region of the state.

The main takeaway from these stories is Minnesota's economy is doing well six years after the end of the recession. In some respects — such as the unemployment rate — the state ranks among the best in the country. But in other areas, including long-term unemployment and job quality, there's room for improvement.

So pull up a chair and get ready to learn something. This issue is chock full of information that will give you a better understanding of Minnesota's labor market and economy.



**Monte Hanson**  
Editor

# CONTENTS



Road to Recovery . . . . . 2

Dave Senf

## REGIONAL SPOTLIGHTS

NORTHWEST PLANNING REGION

At the Forefront of the Recovery . . . . . 13

Chet Bodin and Cameron Macht



NORTHEAST PLANNING REGION

Gaining Momentum . . . . . 17

Erik White

METRO PLANNING REGION

Full Speed Ahead . . . . . 21

Tim O'Neill



CENTRAL PLANNING REGION

Unmatched Minnesota Job Growth . . . 25

Luke Greiner

SOUTHWEST PLANNING REGION

Recovering by Fits and Starts . . . . . 29

Cameron Macht



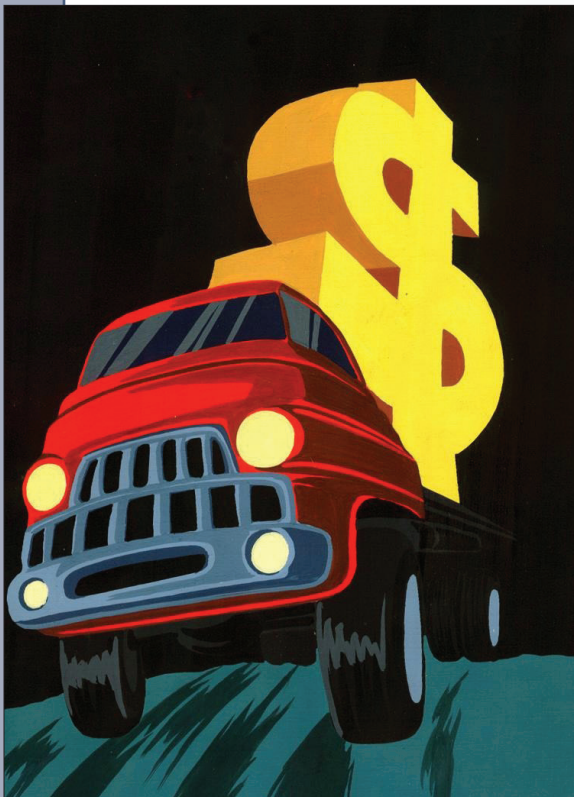
SOUTHEAST PLANNING REGION

Healthy and Growing . . . . . 33

Mark Schultz

# Road to Recovery

*Minnesota's recovery is six years old, but there's still room for improvement in some areas of the economy.*



**M**innesota's labor market continued to strengthen over the last 12 months, with the economic expansion completing its sixth year. The recovery is now one year longer than the average of the 11 post-World War II expansions, but it has been uneven and remains incomplete in Minnesota and nationwide.

Total jobs, job vacancies, the unemployment rate and layoffs

(as measured by new claims for unemployment benefits) have returned to pre-recession levels. Wage and income growth, though, has been modest, and broader measures of unemployment, including underemployment, are still above levels of six years ago.

As of April, employment in Minnesota was 2.6 percent higher than the pre-recession peak reached in February 2008. That gain is similar to the 2.7 percent employment increase achieved from February 2001 to February 2008, the previous peak-to-peak employment period (see Figure 1).

Both periods, about seven years long, produced unemployment rates around 3.7 percent. The major distinction between the two periods is obviously the depth and length of the two recessions that preceded them. The 2001 recession reduced Minnesota's employment by 2 percent, while the 2007-2009 recession cost the state 5.7 percent of its employment base.

The severity of the last recession and bumpy nature

of employment growth since has left plenty of ground still to be covered, despite major indicators that are now at or above pre-recession levels. While unemployment has fallen across age, gender and racial groups, unemployment gaps for some groups remain substantial. And even though long-term unemployment and involuntary part-time employment have both fallen sharply, there is still a ways to go before full employment becomes a reality.

Real income growth remains lackluster as evidenced by real median household income, which is still below pre-recession levels, and by overall and child poverty rates that are above rates prior to the recession. While our national and state employment situation has improved significantly since entering the recovery in mid-2009, there remains much progress to make before we can say mission complete.

## Industry Sector Employment

As of April, employment in Minnesota has expanded 8.8



percent since bottoming out in 2009. That is just short of the 9 percent national job rebound. Minnesota was the 15th state to recapture jobs lost during the recession, topping its pre-recession peak in September 2013 after losing 159,000 jobs, or 5.7 percent of the state's employment during the recession. Employment nationally dropped 6.3 percent during the recession and didn't reach its pre-recession peak until April 2014.

The state's job recovery was initially stronger than the national job rebound in 2010 and 2011. It then mirrored the national pace over 2012 and 2013 before falling significantly behind national growth in 2014. Figure 1 shows job growth for Minnesota and the U.S. since 2001. Minnesota's initial advantage in job growth after the recession was due to slightly faster private-sector job growth and a significantly smaller drop in public-sector employment relative to the U.S. public sector following the recession.

Minnesota's private payroll growth began to lag slightly behind U.S. private payroll growth in early 2013 and continued to lag throughout 2014 before increasing slightly faster than U.S. growth during the first few months of 2015. Minnesota cut public-sector jobs slower than the rest of the U.S.

during the first few years after the recession. The state then started adding public workers in 2013 while public jobs were still being reduced nationally. Minnesota's public payroll has expanded at about the same pace as the U.S. since early 2014, when U.S. public payrolls starting inching up for the first time since 2008.

Private-sector employment is up 10.2 percent in Minnesota since the recession trough, while U.S. private-sector employment is 11.5 percent higher. Public-sector employment in Minnesota was 0.4 percent higher in April 2015 than in April 2008, while nationally public-sector employment was down 2.4 percent over the same period. The private-public split of employment in Minnesota in April was 85.3 percent private

and 14.7 public. Nationally the split was 84.5 percent private and 15.5 percent public.

Table 1 compares Minnesota and U.S. job growth across sectors over the last 12 months (April 2014-2015). Job growth in the state during the last year slipped significantly behind the national pace, with only one sector (manufacturing) out of the 11 sectors adding jobs faster in Minnesota than nationally. Minnesota's hiring pace hasn't been this far off the national pace since 2007.

Minnesota's wage and salary income, however, increased 5.6 percent between the fourth quarters of 2013 and 2014, compared with 5.1 percent growth nationwide. Minnesota's higher paycheck growth might be related to the state's tighter

FIGURE 1

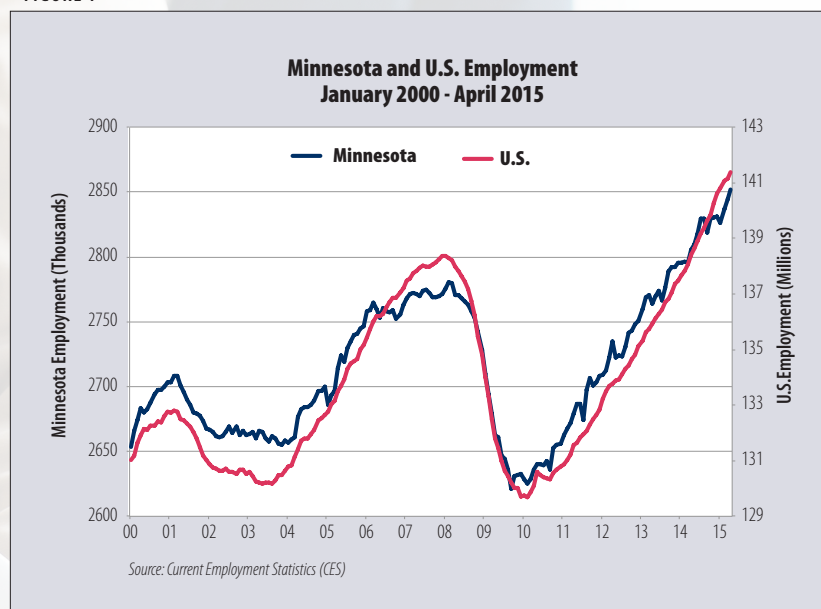


TABLE 1

Annual Employment Growth, April 2014 - April 2015		
Percent Change		
	Minnesota	U.S.
Total Nonfarm	1.7	2.2
Total Private	2.1	2.6
Goods-Producing excluding Agriculture	2.6	2.5
Private Service Providing	2.0	2.6
Mining and Logging	-0.9	-3.0
Construction	5.0	5.0
Manufacturing	1.9	1.6
Trade, Transportation and Utilities	1.4	2.1
Information	-0.1	2.2
Financial Activities	0.2	1.9
Professional and Business Services	3.5	3.6
Educational and Health	2.1	2.7
Leisure and Hospitality	3.0	3.1
Other Services (Private Only)	0.6	1.2
Government	-0.7	0.3

*Source: Current Employment Statistics (CES), not seasonally adjusted*

labor market, producing slightly faster wage growth than nationally, and a better mix of higher-paying new jobs. Personal income in the state rose 4.3 percent over the same period, while climbing 4.5 percent in the U.S. Minnesota's personal income growth was hurt by slower growth in transfer payments and by farm and non-farm proprietorship income.

The slowdown in Minnesota job growth over the last year was somewhat surprising because most labor market indicators remained positive. Initial claims

for unemployment insurance benefits — a proxy for layoff levels — continued to remain low by historical standards, while job vacancies — a proxy for hiring demand — were 47 percent higher in the fourth quarter of 2014 than a year ago. Weekly work hours of private-sector workers were the highest reported since the series was initially reported in 2007. Manufacturing hours, available back to 1970, also set an annual average record high.

A record annual average was also reached by the Minnesota

Business Conditions Index, which has been published since 1994. Various labor market indicators last year pointed toward Minnesota's job growth remaining robust. The unexpected slowdown might be related to Minnesota's tightening labor market. The pool of job seekers in Minnesota is significantly smaller than in many other states with higher unemployment rates. Minnesota's slower hiring pace last year might have been due more to slow labor force growth than waning labor demand.

Minnesota's employment expansion over the last 12 months was led by professional and business services, with 12,000 positions added. The educational and health services sector, as usual, was also busy hiring, boosting payrolls by 10,700 workers. Leisure and hospitality along with trade, transportation and utilities were two other top job generators, with 7,500 and 7,000 jobs added, respectively.

Most of the other jobs added were in manufacturing and construction, with 5,900 factory jobs and 4,800 construction jobs created. While both sectors have gradually added workers over the last five years, their workforces remain far below pre-recession levels. Three other sectors, as of April, are also still below pre-recession employment

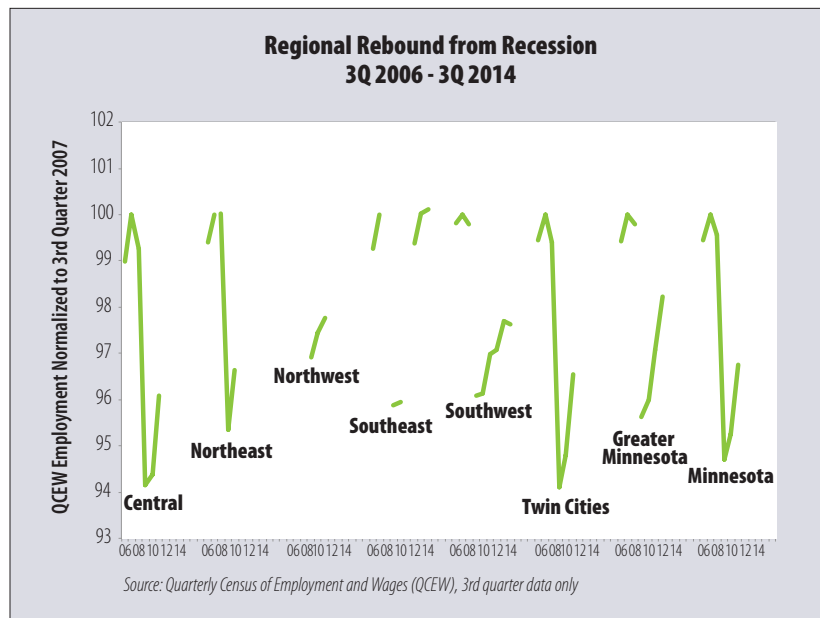


levels. Trade, transportation and utilities will probably regain all jobs lost during the recession this year. Complete recovery for the information and other services sectors will take longer.

While all regions in Minnesota have experienced job rebounds since the recession, the pace of the rebound has been slowest in Northeast and Southwest Minnesota. These two regions are the only parts of the state that have yet to completely recover jobs lost during the recession. Slower growth in these two regions is not unexpected, as they have the state's oldest workforces and slowest growing labor forces. Figure 2 compares wage and salary employment during the third quarter between 2006 and 2014 across regions, with regional employment totals normalized to third quarter 2007 employment levels.

Northwest Minnesota was the least affected by the recession, losing only 3 percent of its employment, while Central Minnesota and the Twin Cities regions were the hardest hit areas, with job loss near 6 percent. Northwest and Southeast Minnesota were the first regions to recapture jobs lost during the recession, but job growth in Southeast was minimal last year. Job growth was strongest in the Central, Twin Cities, Northwest and Northeast regions last year. Southwest

FIGURE 2





Minnesota, after four straight years of moderate job growth, saw jobs slip in 2014.

### Trends in Unemployment

Minnesota's unemployment rate continues to be significantly lower than the national rate, but the difference has been steadily shrinking over the last year. Minnesota's rate leveled off during the past nine months, while the U.S. rate continued to decline. April's unemployment rate in Minnesota was 3.7 percent compared with the national rate of 5.4 percent. The 1.7 percentage point difference is rapidly closing in on the 39-year average difference of 1.5 percentage points. During the recession Minnesota peaked at 8.2 percent (seasonally adjusted), while the U.S. rate continued to increase until peaking at 10 percent in early 2010.

Minnesota's unemployment rate dropped faster than the country's after the recession, with the state's job growth outpacing national growth in 2010 and 2011. As a result, Minnesota's unemployment rate remained 2 percentage points below the U.S. rate from late 2009 until just recently (see Figure 3).

As of April, Minnesota had the fifth-lowest unemployment rate among states. Before the recession, Minnesota's unemployment rate ranked in

FIGURE 3

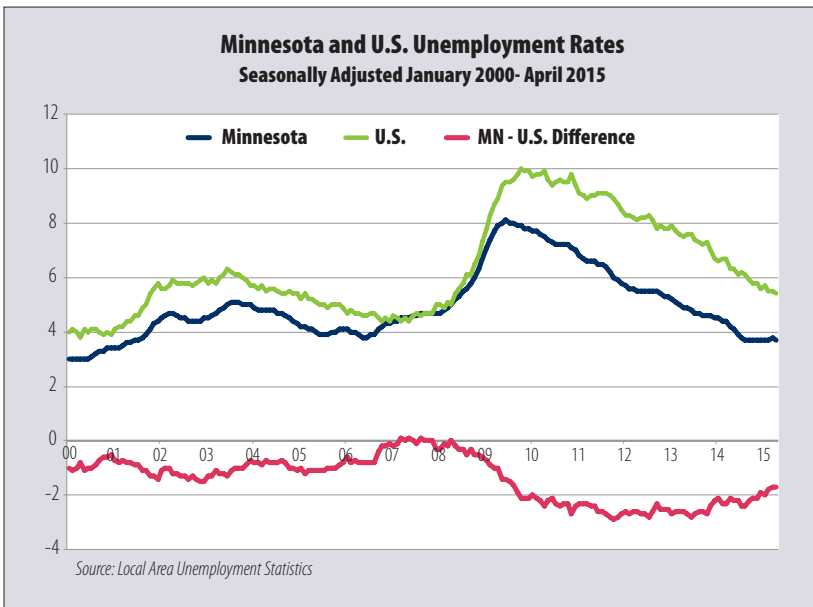
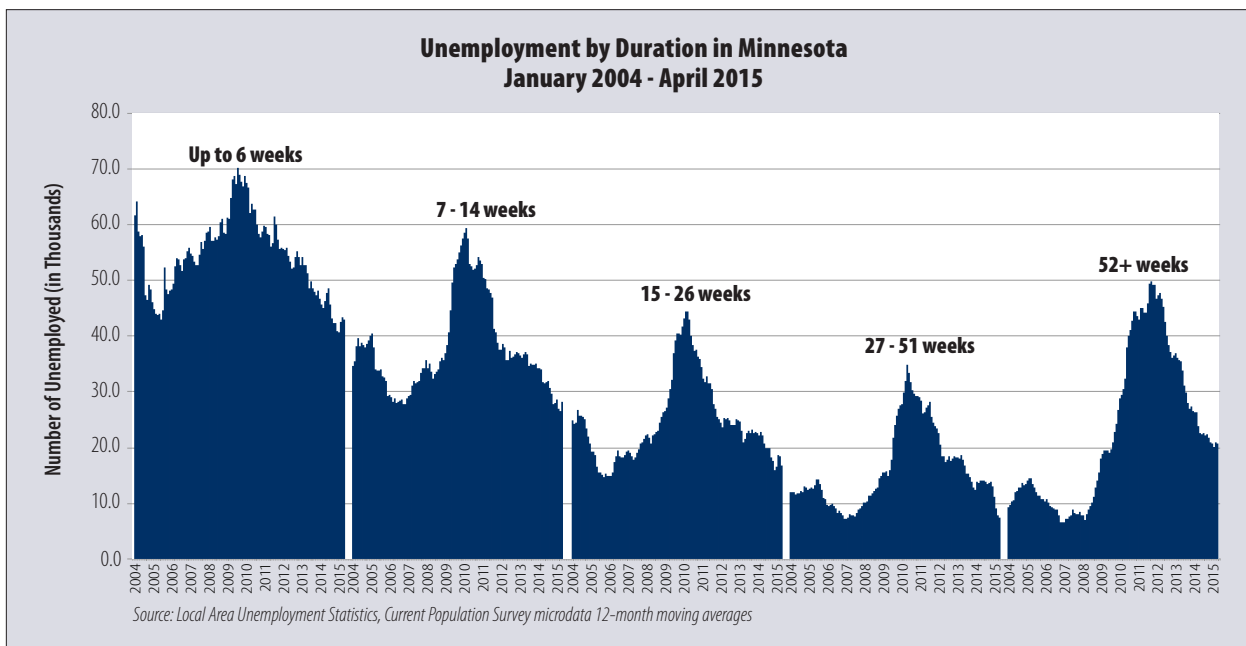




FIGURE 4



the middle of all states. That was high by Minnesota standards. The state on average has had the 12th-lowest unemployment rate since consistent state unemployment rates were first published in 1976.

While Minnesota's overall unemployment rate has flattened out, the broader unemployment picture continued to improve last year. Between April 2010 and June 2013, the number of long-term unemployed — longer than 27 weeks — was the largest share of all unemployed. But long-term unemployment numbers have been steadily dropping since 2010. Long-term unemployment declined from 38,000 a year ago to 28,000 in April. Minnesota's long-term unemployed accounted for 24

percent of all unemployed in the latest report, compared with 32 percent nationally.

All durations of unemployment are now near or below pre-recession levels except for workers unemployed 52 weeks or more (see Figure 4). The number of workers unemployed 52 weeks or more is still twice the level prior to the recession.

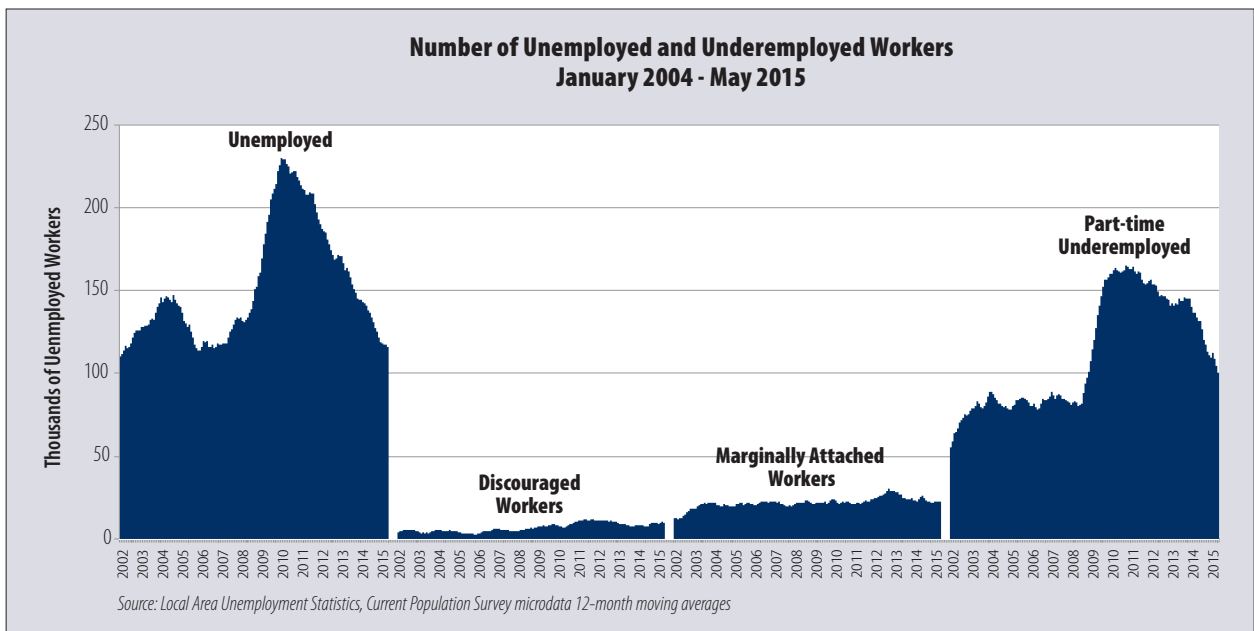
Part of the decline in unemployed workers can be attributed to people dropping out of the workforce. While the 3.7 percent unemployment rate is the lowest since late 2001 and sustainably lower than the state's 39-year average of 5.8 percent, broader measures of unemployment are still higher than before the

recession. Broader measures of unemployment include discouraged workers (U-4), marginally attached workers (U-5) and marginally attached workers plus part-time workers who want to work full time but can't find a full-time job (U-6).

Discouraged workers are people who are not in the labor force but are available for work. They have looked for a job sometime during the prior 12 months but not in the last four weeks because they don't believe they can find work.

Marginally attached workers include discouraged workers and people who are also not in the labor force. They are available for work and have looked for work sometime during the prior

FIGURE 5



12 months but not in the last four weeks for reasons other than believing that no jobs are available.

People employed part time for economic reasons are those working fewer than 35 hours per week who want to work full time, are available to do so, but can't find a full-time job.

All of the broader measures of unemployed have declined over the last few years, but they are still above levels prior to the recession (see Figure 5). Part-time underemployed numbers have improved the most over the last few years. Minnesota's broadest measure of unemployed — the U-6 rate, which adds part-time underemployed workers — peaked at 14.2 percent and has declined to 8.4

percent as of first quarter 2015. The national U-6 rate peaked at 16.8 percent and has declined to 11.7 percent. Minnesota's U-6 has dropped 5.8 percentage points, while the U.S. decline stands at 5.1 since peaking during the worst of the recession. Minnesota had the eighth-lowest state U-6 unemployment rate as of the first quarter of this year. Despite some setbacks, Minnesota's unemployment picture has brightened over the past year.

### Job Vacancy Level and Quality

Job vacancies, as estimated by DEED's Job Vacancy Survey (JVS), continued to climb last year, jumping 47 percent from the end of 2013 to the end of 2014. The 88,900 job vacancies

reported during fourth quarter 2014 were 3.4 times higher than the 25,900 reported during the bottom of the recession in fourth quarter 2009.

Another job vacancy estimate, the Conference Board's monthly Help Wanted Online (HWOL), reports online ads during the first four months of 2015 running 15 percent higher than last year. Online help-wanted advertising in Minnesota as of April was 148 percent higher than the lowest level reached during the recession, according to HWOL. Online help-wanted ads nationwide have climbed 91 percent from the recessionary low point.

The ratio of unemployed people to vacancies in Minnesota fell to 1.1 in the fourth quarter of



2014, the second-lowest level on record, according to the JVS. The lowest ratio, 0.9, was recorded during the second quarter of 2001 at the end of the job expansion boom between 1992 and 2000. The ratio jumped to 2.6 by 2003, as the 2001 recession elevated layoffs and curbed job growth. The ratio reached its highest level in fourth quarter 2009, when there were 8.2 unemployed people for each vacancy.

The Conference Board publishes a similar ratio called the supply/demand rate. The rate nationally in April was 1.6, or 1.6 unemployed people for each online help-wanted ad. Minnesota's ratio was 0.8, the fifth lowest among states. Nine states have supply/demand rates below 1, with Nebraska and North Dakota having the lowest rates at 0.6. Iowa and South Dakota are also below 1, while Wisconsin's rate stands at 1.2. The low supply/demand rates are another indicator that Minnesota and neighboring states have tighter job markets than most other areas of the country.

While job openings have completely rebounded since the recession, the quality of job openings — in terms of hours and wage offers — are still below pre-recession levels. Job quality indicators showed mixed improvement last year. The percentage of openings that

were part time tailed off slightly from the previous year, while real wage offers were up in the Twin Cities but flat across Greater Minnesota.

The only hours information collected in the JVS is the share of part-time versus full-time vacancies. The share of vacancies that were part time has ranged from 34 to 45 percent since 2001, averaging 39 percent. Before the Great Recession, the share of vacancies that were part time averaged 37.9 percent. The share of part-time vacancies increased during the recession, averaging 40.4 percent. Since then, part-time vacancies have

remained high, averaging 40.8 percent of all vacancies. Part-time vacancies decreased last year, falling to 40.9 percent of vacancies from 42.1 percent in 2013. Full-time jobs continue to be more difficult to find post-recession when compared with 2001 through 2007.

Average wage offers, both nominal (current dollars) and real (constant 2014 dollars), are another key measure of job quality. Statewide, both average nominal and real wage offers climbed steadily from 2001 to the start of the recession and then slipped throughout the recession.

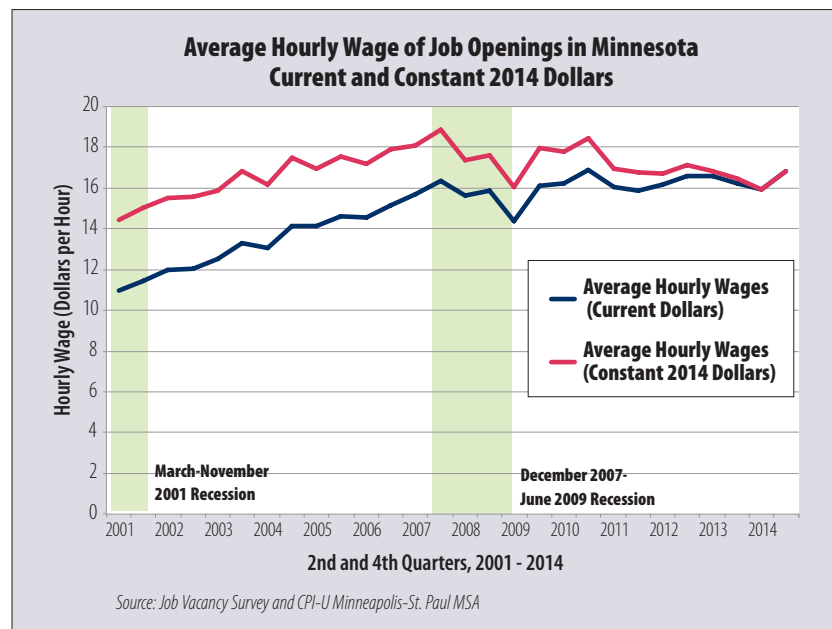


Wages rebounded to near pre-recession highs shortly after the recession. They stumbled in 2011 and then leveled off until last year, when wage offers inched upward, as Figure 6 shows. Average real wage offers grew 11.8 percent between the fourth quarters of 2001 and 2014, or about 0.9 percent a year on average. Real wage offers increased 1.9 percent between the fourth quarters of 2013 and 2014, hopefully starting a trend of solid real wage gains. Despite the real gain in wage offers to \$16.80 during fourth quarter last year, the average real wage offer is still 11 percent below the peak offer of \$18.86 during fourth quarter 2007.

As shown in Figure 7, last year's real wage offer increase was confined to the seven-county Twin Cities, as wage offers in Greater Minnesota were essentially unchanged in 2014. Average wage offers in Greater Minnesota have remained consistently below those of the Twin Cities, ranging from 17 to 43 percent below Twin Cities wage offers between 2001 and 2014. In fourth quarter 2014, the average wage offer in Greater Minnesota was \$13.93, compared with \$19.11 in the Twin Cities, or 27 percent lower.

One of the most important determinants of the wage offered for a job opening is the education background required

FIGURE 6



to fill the job vacancy. The share of job openings requiring no education has increased over the last two years, while the share of openings requiring post-secondary education has dropped, as shown in Figure 8.

These two trends might be the product of a tightening job market. As jobs become easier to find, turnover rates increase, especially for low-wage jobs, as workers job hop for higher pay. Higher turnover creates more openings, leading to a larger share of job vacancies requiring no education.

A tighter job market also makes it harder for employers to demand higher educational requirements of job seekers since the pool of unemployed

with higher educational backgrounds has shrunk. The declining share of job vacancies requiring post-secondary education might be another indicator that Minnesota's job market has shifted from a buyer (employers) job market to a seller (employees) job market.

### Job Growth Forecast

Minnesota's job growth is off to a solid start in 2015, averaging 1.6 percent on a year-over-year basis. That is roughly in line with the 1.5 percent job growth expected for all of 2015. After tailing off last year to 1.3 percent, job growth is expected to experience a modest uptick this year. Job expansion will be just a tad below the 1.6 average annual rate achieved since 2011. Overall, the



Minnesota economy is forecasted to generate 40,600 wage and salary jobs in 2015, up modestly from the 37,200 added last year.

Labor market indicators remain positive early in 2015, pointing toward another year of steady employment expansion. Job vacancies continue to remain well above pre-recession levels, while initial claims for unemployment are at a 14-year low.

All sectors except mining and information will expand payroll numbers in 2015, producing the fifth year of solid employment expansion. This is Minnesota's best four-year period of job growth since 1996-2000. Annual job growth during the booming 1996-2000 period averaged 2.4 percent, compared with 1.6 percent achieved over the last four years.

Construction employment is expected to increase strongly for the third straight year as the lackluster home-building rebound picks up speed. Manufacturing hiring is expected to remain solid for the second straight year despite the strong dollar headwind. Professional and business services, educational and health services, and leisure and hospitality are all expected to add slightly more jobs this year than in 2014. Payroll growth in the public sector will slip from last year's pace, but job growth in

FIGURE 7

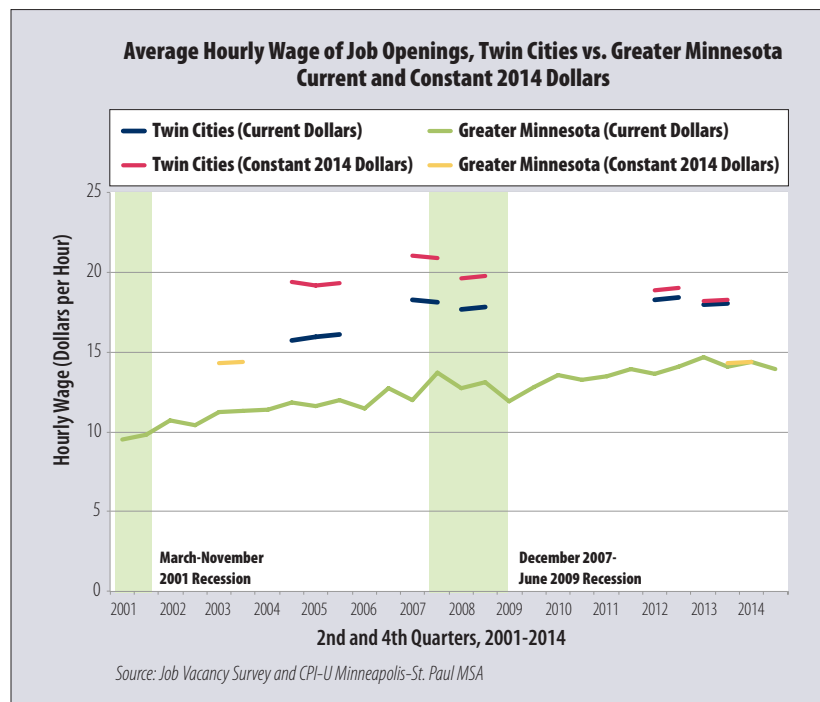
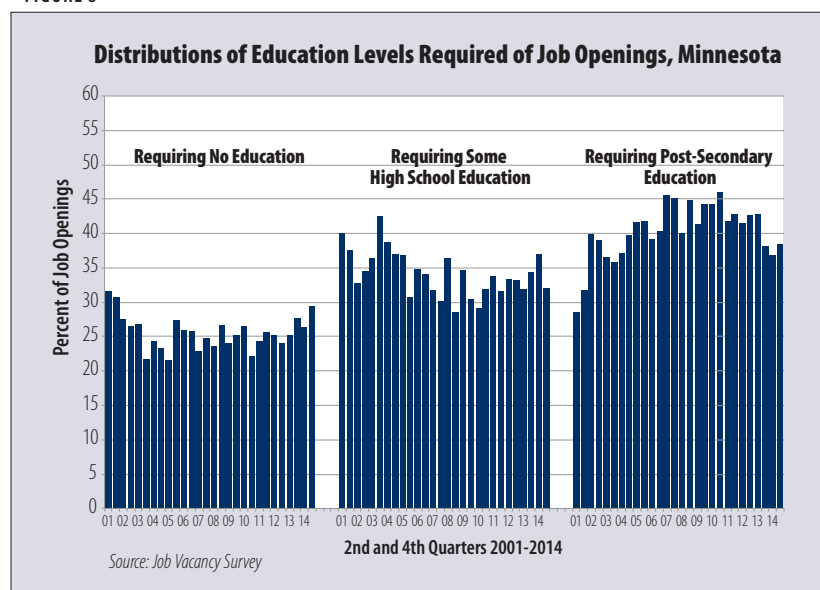


FIGURE 8





other services will be positive for the first time in three years.

Trade, transportation and utilities jobs will grow at the same rate as last year, pushing this sector's annual average job total above its 2008 total. Financial activities employment, after almost no growth last year, will see more hiring, but

the rate will be well below the historical pace. Employment in construction, manufacturing, information and other services will remain below pre-recession levels.

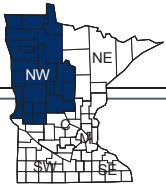
Minnesota's unemployment rate has been stuck at 3.7 percent for almost a year now, in contrast to a national rate that has been

steadily declining. During the last 12 months, Minnesota's job growth has lagged significantly below the U.S. pace for the first extended period since the job recovery began. Minnesota's tighter job market has likely contributed to the state's slower job growth, as qualified job seekers have become harder to find.

Slower job growth, however, is not the only reason for Minnesota's flat unemployment rate. The state's labor force participation rate, which had been sliding along with the U.S. rate over most of the last five years, has been inching upward over the last six months and is now at its highest level in four years. The national rate has also stopped falling, flattening out over the same period. The net result is Minnesota's labor force has been growing significantly faster than the country over the last 12 months.

Improving labor market conditions in the state have finally drawn some of the state's discouraged and marginally attached workers back into the labor force. This is one key development that has been missing in the road to complete recovery. **T**





# At the Forefront of the Recovery

*The Northwest region displayed remarkable economic resiliency during and after the recession.*

Northwest Minnesota's economy proved to be more resilient during the recession than the rest of the state, suffering a much smaller employment decline from 2007 to 2009. Although employers in the 26-county planning region cut nearly 7,000 jobs during that two-year period, Northwest's 3.1 percent recessionary job decline was less severe than the 5.2 percent decrease statewide.

Northwest Minnesota grew from 205,738 jobs in the third quarter

of 2000 to a pre-recessionary peak of 217,454 jobs in the third quarter of 2007. By the third quarter of 2009, jobs had fallen back to 210,769.

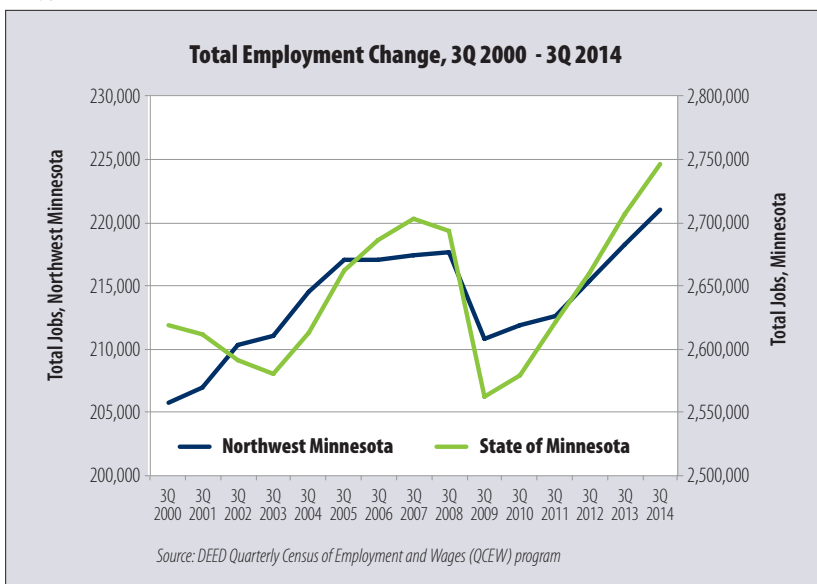
Like the state as a whole, Northwest Minnesota regained all the jobs it lost by the third quarter of 2013. The region added another 2,723 jobs in the past year, reaching 220,983 jobs at 16,604 business establishments in the third quarter of 2014.

Job growth was slower in the region than statewide during the recovery from 2009 to 2014, but Northwest Minnesota still has over 3,500 more jobs than before the recession and over 15,000 more jobs than in 2000. In fact, Northwest Minnesota added jobs faster than the state from 2000 to 2014 (see Figure 1).

Northwest Minnesota earned positive press coverage because it was home to seven of the nine counties in the state that had reached "full economic recovery," according to a report from the National Association of Counties.<sup>1</sup>

Clay, Marshall, Pennington, Polk, Pope, Stevens and Wilkin counties all met or exceeded pre-recession levels in the four economic recovery indicators examined in the report: annual change in jobs, unemployment rates, economic output (GDP) and median home prices. These measures indicate that Northwest Minnesota is at the forefront of the state's economic recovery.

FIGURE 1



<sup>1</sup><http://content.govdelivery.com/accounts/MNDEED/bulletins/e9d68f>



### Revitalized and Renewed

Northwest Minnesota's economy has stayed strong because several sectors have displayed remarkable resiliency. Health care and social assistance, which is the largest industry in the region with 36,743 jobs, actually gained more jobs during the recession than in the recovery. The sector added more than 1,800 jobs from the third quarter of 2007 to the third quarter of 2014.

Despite losing more than 4,000 jobs during the recession, manufacturing is still the second-largest employing industry in the region with

28,967 jobs at 824 firms. The sector has regained almost 3,350 jobs since 2009. Manufacturers in Northwest Minnesota now have surpassed 97.6 percent of their 2007 employment level, compared with just 91.6 percent in Minnesota.

The region's large retail trade and leisure and hospitality industries still haven't fully recovered from the effects of consumers cutting back during the recession, although the accommodation and food services and the arts, entertainment and recreation sectors did add jobs in the past five years.

Educational services saw a boost

in enrollment and employment coming out of the recession, as workers went back to school to train for new opportunities in the region. After adding 561 jobs from the third quarter of 2007 to the third quarter of 2014, educational services has 17,147 jobs at 364 institutions.

The largest employment gains were welcomed in the region's unique and strongly concentrated wholesale trade industry, which expanded during both the recession and recovery, adding nearly 2,200 net new jobs from third quarter 2007 to third quarter 2014. The region also saw a whopping 45 percent job growth in the administrative support and waste management services industry, which includes temporary staffing agencies.

In contrast, several other sectors have not fully recovered yet. Professional, scientific and technical services; information; construction; real estate; and finance and insurance were all still well below their prerecession employment levels (see Table 1).

### Rising and Re-entering

Northwest Minnesota's labor force has also demonstrated resiliency over time, with the number of workers rising rapidly from 2000 to 2010, then holding steady over the past five years. The region's labor force started with just over 275,000 workers



TABLE 1

## Northwest Minnesota Industry Employment Statistics, Q3 2007-Q3 2014

NAICS Industry Title	Number of Firms Q3 2014	Number of Jobs Q3 2014	Quarterly Payroll Q3 2014	Recession	Recovery	Total
				Change in Jobs Q3 2007 – Q3 2009	Change in Jobs Q3 2009 – Q3 2014	Change in Jobs Q3 2007 – Q3 2014
<b>Total, All Industries</b>	<b>16,604</b>	<b>220,983</b>	<b>\$1,960,479,773</b>	<b>-6,685</b>	<b>+10,214</b>	<b>+3,529</b>
Agriculture, Forestry, Fishing and Hunting	716	5,092	\$42,340,229	-19	+977	+958
Mining	43	325	\$4,693,300	-65	+92	+27
Construction	2,178	12,651	\$154,279,702	-1,352	+916	-436
Manufacturing	824	28,967	\$329,024,745	-4,051	+3,346	-705
Utilities	65	1,322	\$25,709,191	+19	-112	-93
Wholesale Trade	649	11,706	\$140,811,963	+369	+1,819	+2,188
Retail Trade	2,414	28,232	\$170,172,129	-759	-178	-937
Transportation and Warehousing	869	5,916	\$57,596,098	-268	+257	-11
Information	238	2,988	\$30,468,564	ND	ND	-768
Finance and Insurance	854	5,816	\$64,627,096	+83	-272	-189
Real Estate, Rental and Leasing	429	1,511	\$10,274,507	-285	+13	-272
Professional, Scientific and Technical Services	842	4,343	\$46,885,139	-324	-552	-876
Management of Companies	58	853	\$17,022,091	-16	+200	+184
Administrative Support and Waste Management Services	598	6,502	\$45,717,999	-509	+2,522	+2,013
Educational Services	364	17,147	\$174,215,436	-76	+637	+561
Health Care and Social Assistance	1,457	36,743	\$349,932,371	+1,739	+74	+1,813
Arts, Entertainment and Recreation	367	5,544	\$25,075,370	ND	+194	ND
Accommodation and Food Services	1,480	23,497	\$82,730,203	ND	+672	ND
Other Services	1,456	6,455	\$32,994,174	ND	+106	ND
Public Administration	703	15,368	\$155,909,466	+708	+146	+854

Source: DEED Quarterly Census of Employment & Wages (QCEW) program

in 2000 and peaked at almost 298,000 workers in 2010. The labor force averaged about 297,400 workers in 2014.

Unfortunately, the number of unemployed workers also rose over that period, from a low of 12,332 workers in 2000 to a high of 24,233 workers in 2009, before settling back down to 14,531 unemployed

workers in 2014. Northwest Minnesota ended the year with a 4.9 percent unemployment rate, compared with 4.1 percent statewide. Regardless of economic conditions, Northwest Minnesota's unemployment rate has remained well above the state rate over time (see Figure 2).

The large but shrinking number of unemployed workers has

created a tightening labor market in the region, especially as businesses continue adding jobs. Employers in Northwest Minnesota posted the highest number of job vacancies ever reported in the fourth quarter of 2014, while the corresponding quarterly average of unemployed workers was the second lowest on record since 2001.

With an average of 11,881 unemployed workers and 8,703 job vacancies in the fourth quarter of 2014, Northwest Minnesota had just 1.4 job seekers per vacancy, which is the tightest the labor market has been in the region. The number of job seekers per vacancy climbed to as high as 9.7 in the depths of the recession in 2009 and then dropped by half every two years after that (see Figure 3).

Regional businesses will face increased competition to meet their workforce needs, so aligning the labor force to employer demands will be a key element of sustaining the economic progress in Northwest Minnesota. The region's high schools, technical and community colleges, universities, and tribal colleges will help train a large number of new potential workers for employers. **T**

FIGURE 2

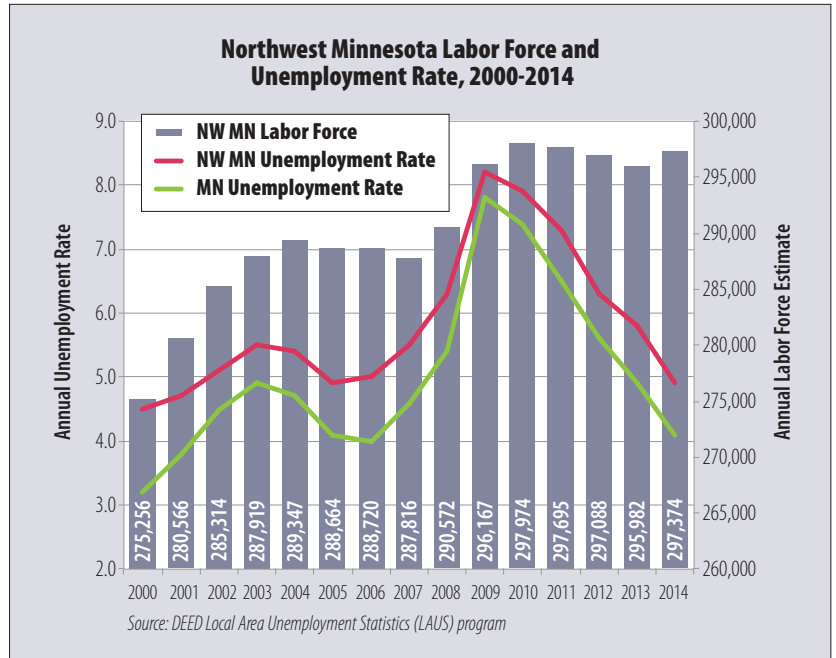
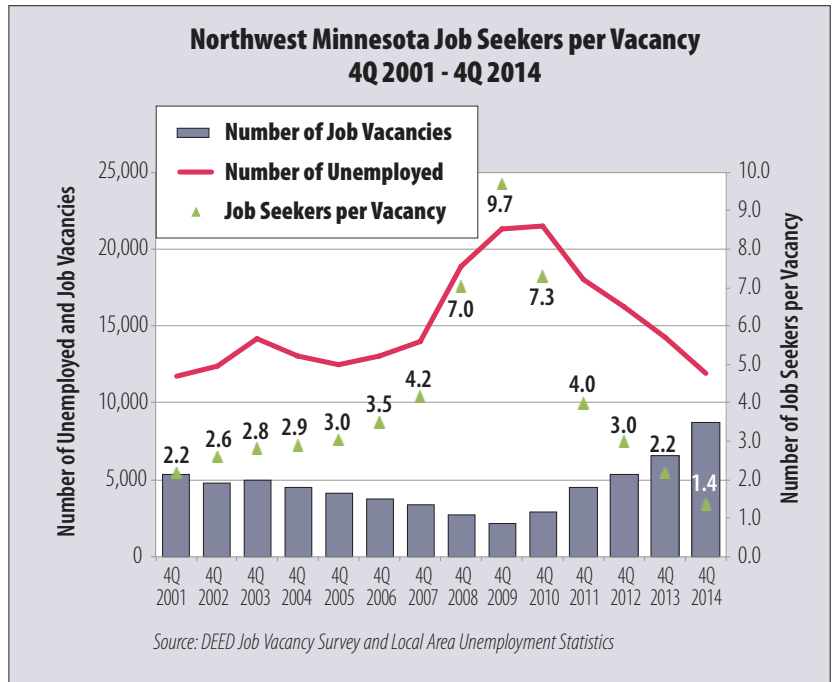
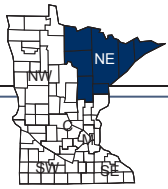


FIGURE 3







# Gaining Momentum

*The Northeast region is approaching full recovery, although job growth in that part of the state has been uneven.*

The seven-county Northeast Minnesota planning region was home to 8,767 businesses and 143,797 jobs as of the third quarter of 2014. That was about 5.2 percent of the total jobs in the state.

What makes Northeast Minnesota unusual is its high concentration of employment in mining, health care and social assistance, and leisure and hospitality. Nearly 70 percent of the state's 6,794 mining jobs are located in Northeast Minnesota. Health care and social assistance provides 22.3 percent of total employment in the planning region, compared with 16.6 percent statewide.

Lastly, because of Northeast Minnesota's lakes and wilderness, tourism-related and accommodation industries play an integral part in the regional economy, accounting for 14 percent of total employment.

Much like the rest of the state, Northeast's economy has encountered peaks and valleys during the last 15 years, with big recessionary declines and

steady recoveries. In the recent recession, Northeast Minnesota dropped from 144,488 jobs in the third quarter of 2007 to 137,765 jobs in the third quarter of 2009. The region then climbed back to 143,797 jobs in 2014.

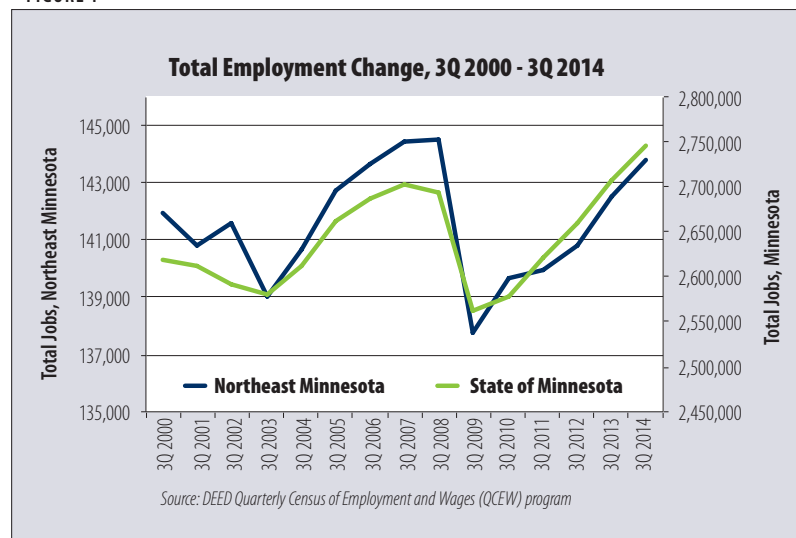
While Minnesota had recovered all the jobs lost in the Great Recession by the third quarter of 2013, Northeast still had about 700 jobs to go before reaching full recovery.

Northeast Minnesota enjoyed a strong start to the recovery, with

a gain of 1,879 jobs from 2009 to 2010, a 1.4 percent increase. The region, however, endured a lull in job creation for the next two years, adding only 1,178 net new jobs from 2010 to 2012, an average annual growth rate of 0.4 percent.

The Northeast economy regained steam over the past two years, adding 1,707 jobs from 2012 to 2013 and 1,268 jobs from 2013 to 2014, an average of 1 percent growth each year (see Figure 1).

FIGURE 1



## Uneven Growth

Sectors experienced the recession and recovery differently in Northeast Minnesota. All but one industry lost jobs from 2007 to 2009. Since then, 17 of the 20 industries have created jobs. Because of the recent growth, half of the region's industries have now regained their pre-recession employment levels.

Health care and social assistance is easily the largest industry in

the region, having almost twice as many jobs as the next largest sector. The health care industry gained 1,124 jobs from third quarter 2007 to third quarter 2009. The sector continued to grow during the recovery, albeit at a slower rate, with 340 jobs added over the next five years.

As noted, 10 of the 20 major industries in the region now have more jobs than before the recession, with

the biggest increases seen in mining, educational services, and professional, scientific and technical services. Other services, accommodation and food services, and public administration had all fully recovered as well.

In contrast, the recession hit the manufacturing industry hardest, with 2,290 jobs lost, accounting for more than one-third of all jobs cut in Northeast Minnesota

TABLE 1

### Northeast Minnesota Industry Employment Statistics, Q3 2007-Q3 2014

NAICS Industry Title	Number of Jobs Q3 2014	Number of Firms Q3 2014	Quarterly Payroll Q3 2014	Recession	Recovery	Total
				Change in Jobs Q3 2007 – Q3 2009	Change in Jobs Q3 2009 – Q3 2014	Change in Jobs Q3 2007 – Q3 2014
<b>Total, All Industries</b>	<b>143,797</b>	<b>8,676</b>	<b>\$1,485,704,532</b>	<b>-6,723</b>	<b>6,032</b>	<b>-691</b>
Agriculture, Forestry, Fishing and Hunting	598	128	\$5,627,772	-154	-29	-183
Mining	4,650	30	\$104,418,630	-1,246	2,058	812
Construction	7,774	959	\$108,562,258	-578	877	299
Manufacturing	8,605	345	\$117,498,263	-2,290	26	-2,264
Utilities	1,785	55	\$39,715,145	-2	120	118
Wholesale Trade	3,160	278	\$38,098,023	-134	87	-47
Retail Trade	17,923	1,383	\$105,593,441	-1,198	474	-724
Transportation and Warehousing	3,587	323	\$41,204,825	-253	199	-54
Information	1,652	148	\$17,490,967	*	*	-924
Finance and Insurance	4,424	437	\$52,152,405	-216	-463	-679
Real Estate and Rental and Leasing	1,386	267	\$9,026,856	-27	127	100
Professional, Scientific, and Tech	4,234	554	\$60,805,269	-27	475	448
Management of Companies	871	39	\$16,095,917	-45	-119	-164
Administrative and Support and Waste Mgmt.	4,297	304	\$27,354,100	-680	428	-252
Educational Services	9,896	266	\$111,395,043	-41	618	577
Health Care and Social Assistance	32,700	878	\$387,887,217	1,124	360	1,484
Arts, Entertainment, and Recreation	4,156	238	\$22,938,821	*	100	*
Accommodation and Food Services	16,137	933	\$60,132,278	-290	543	253
Other Services (except Public Administration)	4,881	781	\$30,368,891	-127	423	296
Public Administration	11,075	330	\$129,338,411	-56	260	204

Source: DEED's Quarterly Census of Employment and Wages (QCEW Program)



during this span. Unfortunately, the recovery hasn't helped this sector much, with only 26 jobs added since 2009.

Other industries that have yet to regain their pre-recession employment include information, retail trade, and finance and insurance, which are all still short by a considerable amount (see Table 1).

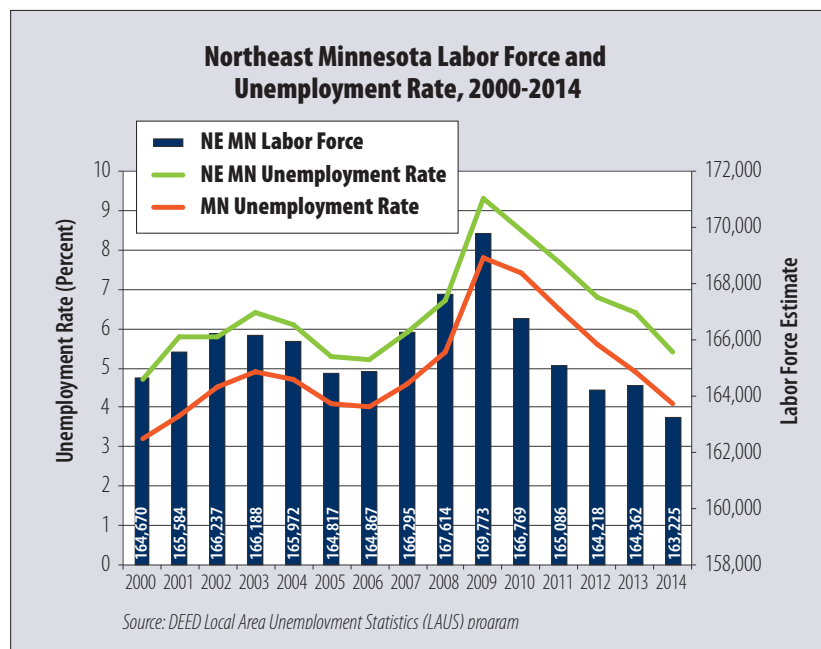
### Road to Recovery

The labor force and unemployment rates in Northeast Minnesota have expanded and contracted in relation to the recession and recovery. In 2009, the region's unemployment rate reached its highest point at 9.3 percent, while the labor force ballooned to 169,773 workers as people responded to the recession by entering the job market to supplement incomes. Since then, those workers have gradually dropped out, prompting unemployment rates to fall to 5.4 percent, similar to the region's unemployment rates before the recession.

The region's labor force was down to 163,225 workers in 2014, a decline of 6,548 from the peak in 2009 and a decline of 1,245 people from 2000. Northeast Minnesota's unemployment rate has been higher than the state every year since 2000, averaging 1.3



FIGURE 2



percentage points above the state rate over the last 15 years.

Despite their difference in magnitude, the region's unemployment rates have followed the same trend as the

state. Minnesota's labor force, however, has continued to grow throughout the recovery period, while the labor force in Northeast Minnesota has decreased (see Figure 2).

### Tighter Labor Market

As the labor force has declined and the economy continues to recover, the region's labor market has tightened. One clear demonstration of this is the ratio of unemployed job seekers per vacancy, which now stands at less than 1-to-1 in Northeast Minnesota.

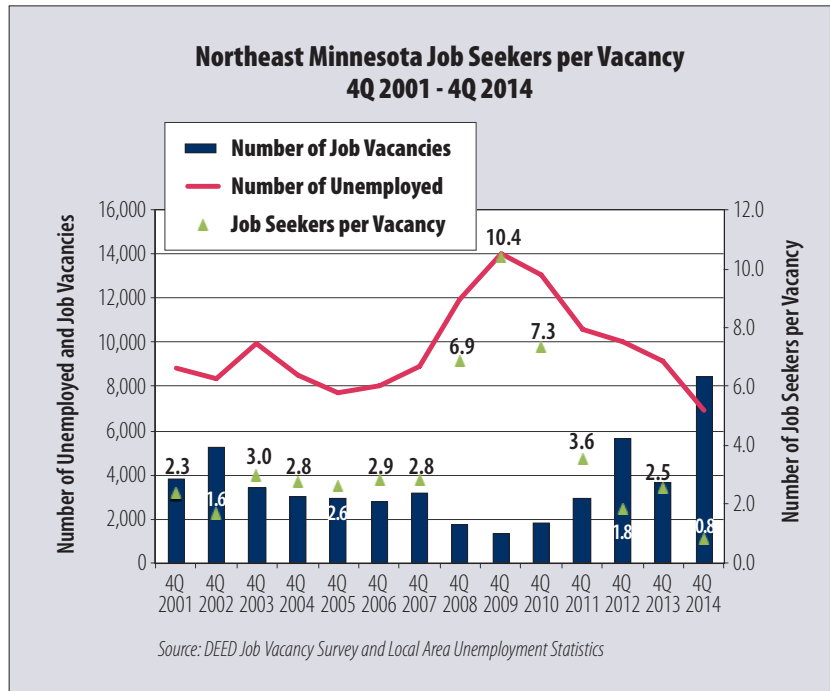
According to DEED's Job Vacancy Survey from the fourth quarter of 2014, there were 8,410 job vacancies reported by employers and an average of 6,923 unemployed job seekers in the region. The number of job seekers per vacancy climbed to as high as 10.4 during the recession in 2009, but then steadily decreased before dropping below one job seeker per vacancy in 2014 (see Figure 3).

The recession had a great impact on Northeast Minnesota's economy, with all but one industry sector losing jobs. The region's economy, however, has gained momentum since then and is quickly approaching full recovery, even though job change has been uneven across industries. Health care delivered recession-proof employment growth, while manufacturing lost many jobs and has yet to begin its road to recovery.

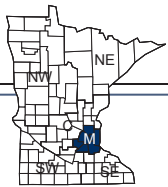
In a reversal of the job environment just five years ago, current vacancies show



FIGURE 3



an extreme tightening of the labor market, with more job postings than available workers. Employers in the region will have to compete for job seekers to continue growing. **T**



# Full Speed Ahead

*The seven-county Twin Cities region has made a strong comeback since the recession.*

The Twin Cities Metro, the state planning region with the biggest economy, is well known for its high concentration of jobs in company management; real estate; professional, scientific and technical services; and finance and insurance.

The seven-county metropolitan area had 78,597 businesses and 1.65 million jobs through the third quarter of 2014. As such, the Twin Cities accounted for about 60 percent of total employment in the state.

Despite a large and diverse economy, the region did not escape the effects of the Great Recession. At the pre-recession peak during third quarter 2007, Twin Cities employers reported 1.63 million jobs. Over the next two years, the region shed 95,863 jobs, a 5.9 percent employment decline that was slightly more severe than the state’s 5.2 percent decrease.

Coming out of the recession, the Twin Cities regained jobs slightly faster than the rest of the state, with growth rates of

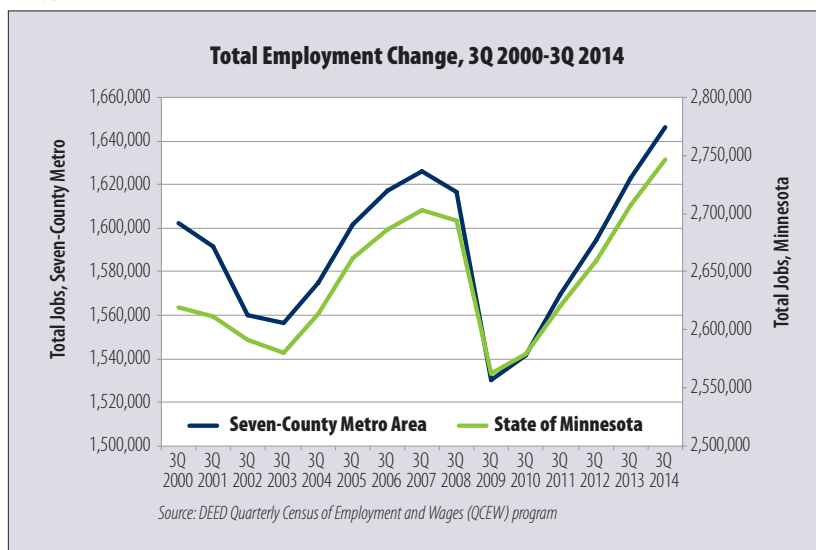
1.8 and 1.6 percent in 2011 and 2012, respectively. The region added more than 116,300 jobs between the third quarters of 2009 and 2014, a rapid 7.6 percent expansion that outpaced the state’s 7.2 percent growth rate during that same period.

Overall, the Metro is 20,500 jobs above its pre-recessionary peak in 2007 and nearly 44,300 jobs above its employment level in the third quarter of 2000 (see Figure 1).

## A Healthy Recovery

The Great Recession had a major effect in the Twin Cities, with 14 of the 20 major industrial sectors losing jobs between the third quarters of 2007 and 2009. Manufacturing was hit the hardest, shedding nearly 23,400 jobs and declining by 12.8 percent. Construction, administrative support and waste management services, and retail trade were also hit particularly hard, with each losing more than 15,000 jobs.

FIGURE 1





While these sectors made a healthy rebound between 2009 and 2014, each still has a significant way to go to catch up with pre-recessionary employment levels. For example, construction expanded by more than 18 percent during the recovery, making it one of the fastest-growing post-recession industries. Yet this sector still

needs to gain over 8,700 jobs to reach its pre-recessionary peak. Similarly, manufacturing is 16,400 jobs below its pre-recessionary peak.

Unlike most sectors, both management of companies and health care and social assistance witnessed employment growth during the recession. With

continued expansion through the recovery, health care and social assistance leads all sectors, with the addition of more than 40,000 jobs from 2007 to 2014. Management of companies added more than 10,100 jobs during that same time period.

Other sectors that have surpassed their pre-recession

TABLE 1

**Twin Cities Metro Area Industry Employment Statistics, Q3 2007-Q3 2014**

NAICS Industry Title	Number of Firms Q3 2014	Number of Jobs Q3 2014	Quarterly Payroll Q3 2014	Recession	Recovery	Total
				Change in Jobs Q3 2007-Q3 2009	Change in Jobs Q3 2009-Q3 2014	Change in Jobs Q3 2007-Q3 2014
<b>Total, All Industries</b>	<b>78,597</b>	<b>1,646,565</b>	<b>\$23,010,118,243</b>	<b>-95,863</b>	<b>+116,361</b>	<b>+20,498</b>
Agriculture, Forestry, Fishing and Hunting	258	3,174	\$22,427,177	-90	-123	-213
Mining	45	780	\$17,328,345	+149	+236	+385
Construction	6,482	67,692	\$1,078,690,235	-19,275	+10,539	-8,736
Manufacturing	4,090	166,628	\$3,011,043,063	-23,393	+6,987	-16,406
Utilities	80	6,065	\$134,074,503	+449	+179	+628
Wholesale Trade	5,166	80,059	\$1,605,803,485	-8,166	+3,365	-4,801
Retail Trade	9,051	160,789	\$1,179,557,928	-15,221	+7,398	-7,823
Transportation and Warehousing	1,741	60,603	\$806,219,578	-6,946	+1,086	-5,860
Information	1,388	39,873	\$734,528,103	-2,160	-2,071	-4,231
Finance and Insurance	4,589	103,675	\$2,282,204,960	-3,481	+1,308	-2,173
Real Estate, Rental and Leasing	3,889	31,233	\$445,201,939	-2,365	+2,958	+593
Professional and Technical Services	10,524	109,511	\$2,405,422,536	-7,645	+13,639	+5,994
Management of Companies	768	69,511	\$1,961,336,760	+1,952	+8,183	+10,135
Admin. Support and Waste Management. Services	3,933	97,697	\$852,788,340	-17,031	+12,752	-4,279
Educational Services	2,023	106,644	\$1,224,732,046	+4,403	+1,247	+5,650
Health Care and Social Assistance	7,796	246,071	\$2,849,639,765	+10,614	+29,499	+40,113
Arts, Entertainment and Recreation	1,377	31,896	\$286,189,400	+331	+2,456	+2,787
Accommodation and Food Services	5,664	131,940	\$602,872,272	-5,487	+11,590	+6,103
Other Services	8,818	56,242	\$465,653,877	-2,285	+2,951	+666
Public Administration	859	70,637	\$985,394,770	-171	+2,873	+2,702

Source: DEED Quarterly Census of Employment and Wages (QCEW) Program

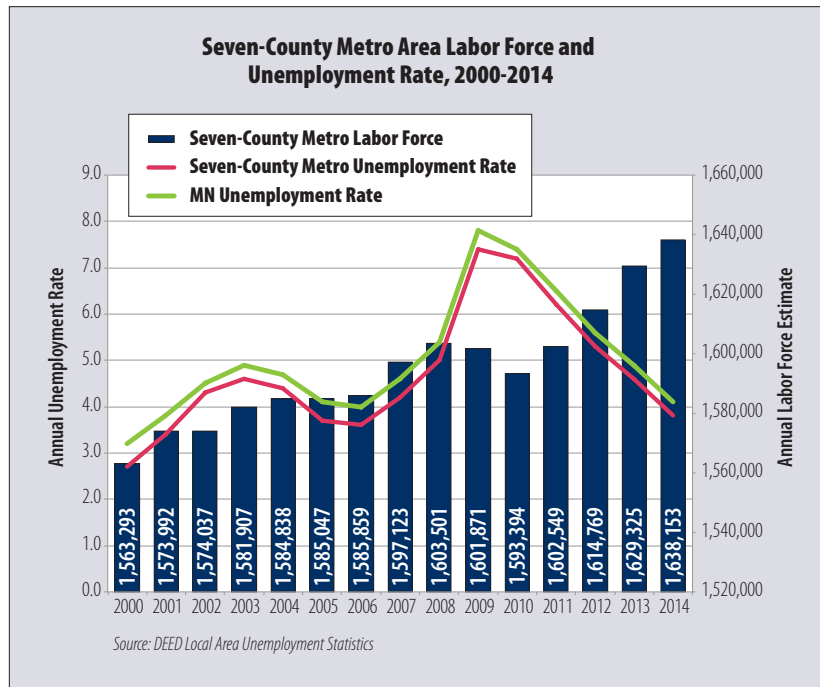
levels include accommodation and food services; professional, technical and scientific services; educational services; arts, entertainment and recreation; and public administration (see Table 1).

### Above and Beyond

The Twin Cities Metro’s labor force and unemployment levels were also affected by the Great Recession. In terms of unemployment, the region peaked out at an annual rate of 7.4 percent in 2009. This represented an estimated 119,200 unemployed workers who were actively seeking work. In the five years since, the region’s unemployment has dropped back down to 3.8 percent, representing about 61,600 unemployed people, essentially cutting unemployment in half since the recession (see Figure 2).

While the size of the available labor force in the Twin Cities has fluctuated in recent years, the changes were not as large as those witnessed with employment and unemployment. With just a 0.6 percent decline in the labor force between 2008 and 2010, the overall trend has been positive, with an average annual growth rate of 0.3 percent over the last decade. Since 2010, this growth has accelerated to an annual rate of 0.7 percent.

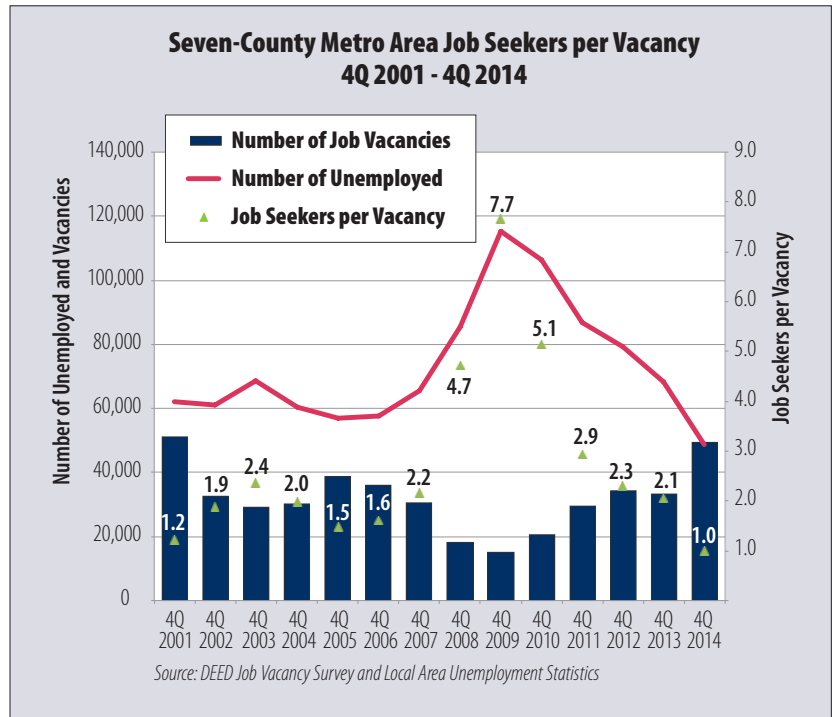
FIGURE 2



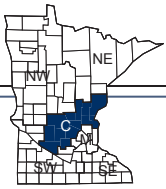
Despite the accelerated growth in the labor force since 2010, the Metro is still witnessing a tightening of the labor market. This is demonstrated by the falling ratio of job seekers to vacancies. At the height of the recession in fourth quarter 2009, there were about 7.7 job seekers per vacancy. With the plummeting unemployment rate, there was an estimated 1-to-1 ratio of job seekers to vacancies during fourth quarter 2014 (see Figure 3).

In light of these trends, employers within the Twin Cities Metro will find an increasingly competitive market for their workforce needs, while job seekers should keep an eye on growing industries and in-demand jobs. **T**

FIGURE 3







# Unmatched Minnesota Job Growth

*The Central Minnesota region is generating new jobs at a faster pace than anywhere in the state.*

Central Minnesota has more jobs than any region outside of the Twin Cities. The 13-county planning area accounts for about one in every 10 jobs in the state, with 265,861 jobs at 17,070 business establishments as of third quarter 2014.

Central Minnesota is unmatched when it comes to job growth in the state. Employers in Central Minnesota expanded by 11.2 percent from 2000 to 2007, which was more than three times as fast as the state overall and twice the pace of the next fastest-growing region.

The region, however, also suffered a bigger job decline than the state during the Great Recession from 2007 to 2009. Central Minnesota fell from its pre-recession peak employment level of 261,864 jobs in third quarter 2007 to a low of 246,545 jobs in third quarter 2009. During that period, the region's total employment decreased 5.8 percent, compared with the state's 5.2 percent loss.

Since those harsh economic times, Central Minnesota is once again leading the state in job growth. By 2013 it had regained all the jobs lost in the recession. In third quarter 2014, the region had nearly 4,000 more jobs than its pre-recession peak. Since 2009, the region has had the state's fastest rate of job growth (see Figure 1).

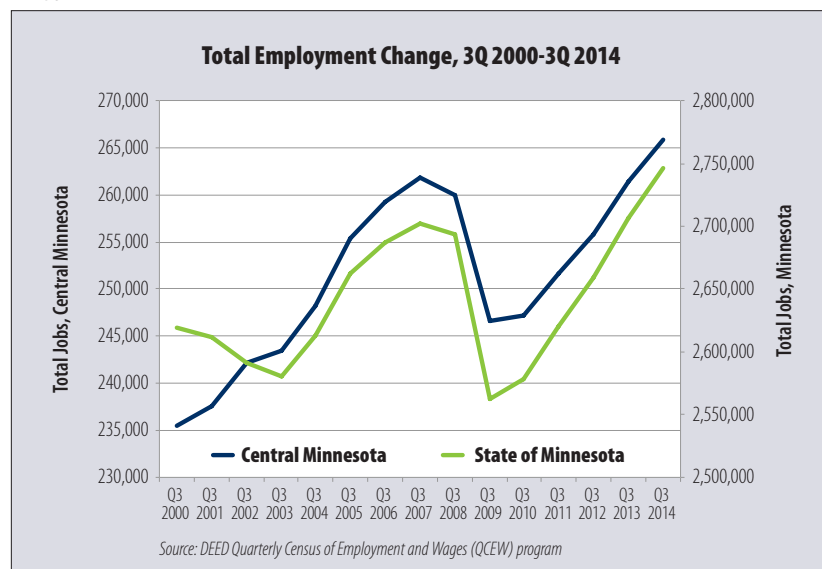
Central Minnesota experienced just three years of negative job

growth in the last decade and a half. Instead, consistent annual job gains combined with higher rates of growth during periods of economic expansion allowed Central Minnesota to add jobs 2-1/2 times faster than the state from 2000 to 2014.

## Making Waves

Although the region's industry concentration is somewhat similar to the rest of the state,

FIGURE 1



Central Minnesota has benefited recently from strong growth in its top three employing industries: health care and social assistance, manufacturing and retail trade. Together, those three industries provide almost half of the jobs in the region, accounting for just over 125,000 jobs in third quarter 2014.

Central Minnesota industries have experienced mixed employment changes in recent years, with 14 of the 20 main sectors shedding jobs during the recession, but 18 of 20 adding jobs throughout the recovery. So far, eight industry sectors have managed to surpass their pre-recession employment levels as of third quarter 2014.

Health care and social assistance overtook manufacturing as the largest employing industry in 2008, as the two industries moved in different directions during the recession. After gaining more than 5,600 jobs since third quarter 2007 — including nearly 3,000 new jobs from 2007 to 2009 — health care and social assistance had 48,159 jobs as of third quarter 2014.

In contrast, despite solid job gains and an impressive 14 percent growth rate during the recovery, manufacturing employment is still well below its pre-recession level. After cutting more than 7,300 jobs from 2007



to 2009, manufacturing has maintained stable employment growth since 2011, even doubling the growth rate for all industries. If manufacturing continues adding jobs at the same rate, it could be fully recovered in the next year.

Educational services has been another solid performer throughout the recession and recovery. By adding more than 1,700 jobs from 2007 to 2014, the region's elementary, secondary and postsecondary schools contributed the second-largest number of net new jobs in Central Minnesota.

Like manufacturing, the other industries hit hardest during the recession have either recovered or are on the verge of breaking even. Construction shed more

than 3,400 jobs from 2007 to 2009, but the industry has now rebuilt payrolls by almost 3,550 net new jobs, leaving the region up by 129 construction jobs from 2007 to 2014.

Retail trade along with accommodation and food services lost nearly 4,000 jobs combined during the recession, but they have welcomed back about 3,275 jobs in the past five years, leaving both industries just below their pre-recessionary employment levels.

The administrative support and waste management services industry also suffered the ups and downs of the recession, slicing 1,721 jobs from 2007 to 2009 before gaining back 1,893 jobs from 2009 to 2014 (see Table 1).

### All Hands on Deck

Conversations about labor have changed dramatically in the past few years as the workforce has shifted from a surplus of unemployed workers to a tightening labor market. After adding nearly 50,000 new workers from 2000 to 2010 — a 15.2 percent growth rate for the decade — Central Minnesota’s labor force has leveled out so far this decade, gaining fewer than

1,000 workers from 2010 to 2014.

In the last decade, Central Minnesota accounted for about 40 percent of the total labor force growth in the state. The state’s labor force has grown faster since 2010, with Central Minnesota seeing two year-over-year declines, falling from 378,707 available workers in 2010 to 377,263 workers in 2012. Central Minnesota has

provided less than 3 percent of the state’s labor force growth since 2010.

Despite slower growth in recent years, Central Minnesota’s labor force continues to edge higher, with a record 379,655 workers in 2014, or 948 more than the previous peak in 2010.

Unemployment rates in Central Minnesota have been higher than the state for the last 14

TABLE 1

**Central Minnesota Industry Employment Statistics, Q3 2007 - Q3 2014**

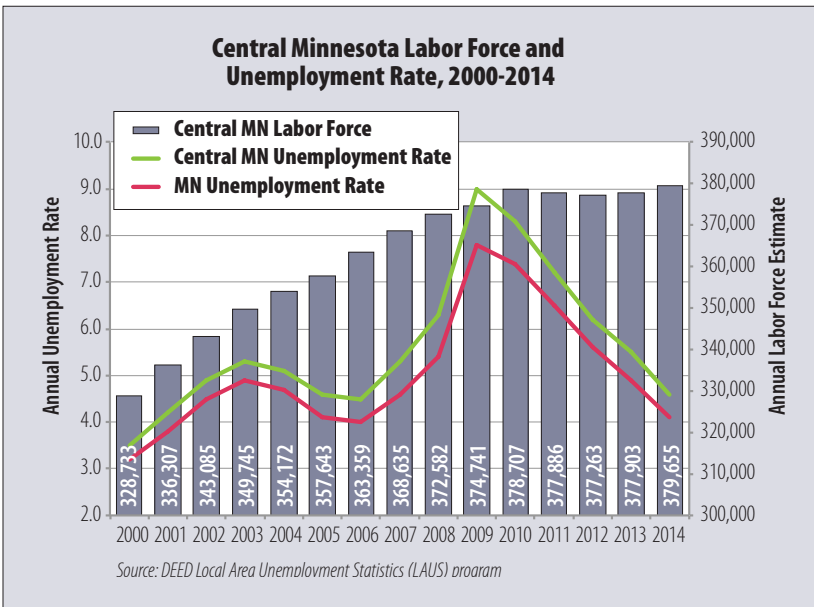
NAICS Industry Title	Number of Firms Q3 2014	Number of Jobs Q3 2014	Quarterly Payroll Q3 2014	Recession	Recovery	Total
				Change in Jobs Q3 2007 - Q3 2009	Change in Jobs Q3 2009 - Q3 2014	Change in Jobs Q3 2007 - Q3 2014
<b>Total, All Industries</b>	<b>17,070</b>	<b>265,861</b>	<b>\$2,521,194,456</b>	<b>-15,319</b>	<b>+19,316</b>	<b>+3,997</b>
Agriculture, Forestry, Fishing and Hunting	425	4,601	\$34,391,666	0	+412	+412
Mining	28	348	\$4,922,181	-70	-2	-72
Construction	2,666	17,947	\$246,923,923	-3,419	+3,548	+129
Manufacturing	1,172	41,689	\$483,707,452	-7,315	+5,177	-2,138
Utilities	59	2,631	\$54,274,390	-117	+50	-67
Wholesale Trade	694	9,710	\$119,776,310	-358	+168	-190
Retail Trade	2,332	35,154	\$216,682,409	-2,355	+1,951	-404
Transportation and Warehousing	826	8,635	\$88,464,834	-380	+642	+262
Information	229	3,372	\$35,758,718	-467	+169	-298
Finance and Insurance	816	6,546	\$79,828,794	-625	-256	-881
* Real Estate, Rental and Leasing	531	2,204	\$15,394,585	-183	+50	-133
Professional, Scientific, and Technical Services	1,066	5,424	\$64,850,693	+169	+50	-262
Management of Companies and Enterprises	58	1,518	\$23,787,560	+193	+210	-133
Admin. and Support and Waste Mgmt. Services	758	10,276	\$73,548,514	-1,721	+1,893	+172
Educational Services	322	18,879	\$204,422,242	+787	+927	+1,714
Health Care and Social Assistance	1,426	48,159	\$488,066,443	+2,729	+2,947	+5,676
* Arts, Entertainment, and Recreation	331	5,233	\$22,988,631	-343	-119	-462
* Accommodation and Food Services	1,216	22,772	\$80,307,853	-1,588	+1,323	-265
Other Services	1,665	8,011	\$45,079,145	+201	+310	+511
Public Administration	450	12,746	\$138,018,113	-258	+424	+166

Source: DEED, Quarterly Census of Employment and Wages (QCEW) program

\* Private sector data only



FIGURE 2



## New Horizons

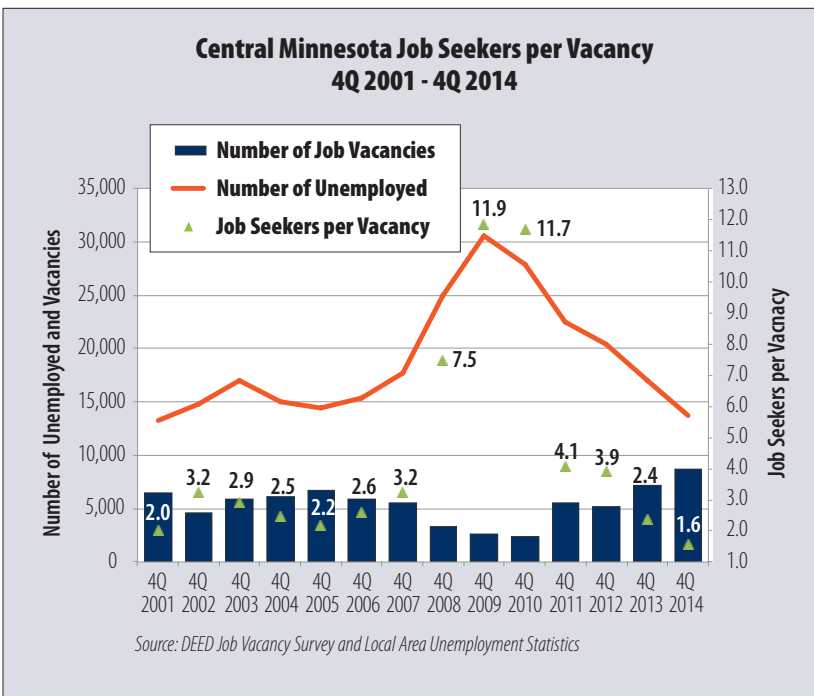
The current economic expansion, when coupled with the slowing labor force growth rate due to demographic shifts, leaves little wiggle room for companies competing for labor in Central Minnesota. With just 1.6 job seekers for every job vacancy in the most recent period, it is easy to understand why many local businesses are struggling to fill open jobs.

Job Vacancy Survey data from the fourth quarter of 2014 show there were 8,685 job vacancies in the region, the highest number on record. That figure was more than triple the hiring activity in 2010, when job openings bottomed out at 2,394.

In comparison, there were 13,787 unemployed job seekers in the region during fourth quarter 2014, which was less than half of the 30,610 unemployed workers during fourth quarter 2009. In that period of high unemployment and low job vacancies, Central Minnesota had nearly 12 unemployed job seekers for every job opening (see Figure 3).

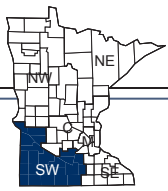
With a slightly higher unemployment rate and a rapidly growing business community, Central Minnesota has just enough labor market slack to not only keep the regional economy afloat, but keep it moving full steam ahead. **T**

FIGURE 3



years, regardless of how the economy is doing. Because of the faster rate of job loss in the region, unemployment spiked much higher in Central Minnesota than the state during the recession, climbing to 9

percent in 2009. The region's unemployment rate declined faster during the recovery, however. By 2014, it matched the region's pre-recession rate of 4.6 percent (see Figure 2).



# Recovering by Fits and Starts

*Southwest Minnesota, with a heavy concentration of employment in manufacturing and agriculture, still hasn't recovered all the jobs that were lost in the recession.*

**T**he 23-county Southwest Minnesota planning region was home to 11,955 businesses and 173,940 jobs during the third quarter of 2014. That was about 6.3 percent of total employment in the state.

Southwest Minnesota has a much heavier concentration of employment in manufacturing and agriculture than any other part of the state. Like the rest of the state, however, the region has endured some ups and down over the last decade and a half, reaching an employment peak of 178,152 jobs in 2007 before dropping into a deep recession in 2009. In the five years since, the region has been slowly recovering.

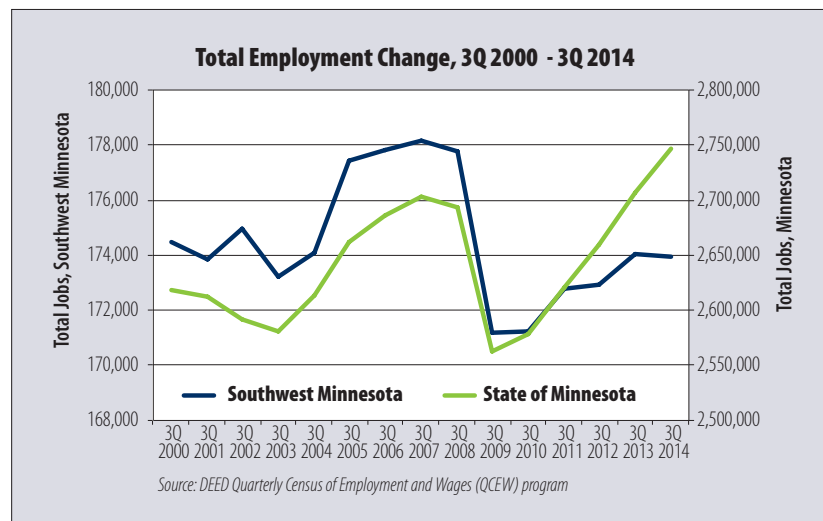
While the state regained all of the jobs that it lost during the recession by the third quarter of 2013, Southwest Minnesota still has not climbed back to its pre-recessionary peak employment level. The region has fewer jobs now than it did in the third quarter of 2000.

Southwest Minnesota matched the state's recovery in the first year coming out of the recession, but has struggled with much slower growth since 2011.

Employment data show the state consistently added about 40,000 jobs each year from the third quarter of 2010 to the third quarter of 2014, averaging about 1.6 percent job growth annually.

In contrast, employers in Southwest Minnesota have expanded payrolls in fits and starts, gaining more than 1,500 net new jobs from 2010 to 2011 and almost 1,100 jobs from 2012 to 2013. But the region added just 164 new jobs from 2011 to 2012 and lost about 100 jobs in the past year (see Figure 1).

FIGURE 1



### Not Fully Recovered

The region's job fluctuations were spread across several industries, with 14 of the 20 main industries losing jobs during the recession and 13 industries gaining jobs in the recovery. Overall, just eight industries have surpassed their pre-recessionary peaks.

Though manufacturing remains the largest employing industry in the region with more than 32,000 jobs, the sector saw the biggest decline during the recession. Manufacturing lost more than 4,000 jobs from the third quarter of 2007 to the third quarter of 2009. It has regained fewer than 600

of those jobs since then. The largest manufacturing cuts occurred in the printing sector, followed by significant declines in computer and electronic product manufacturing and transportation equipment manufacturing.

Other industries that are

TABLE 1

**Southwest Minnesota Industry Employment Statistics, Q3 2007-Q3 2014**

NAICS Industry Title	Number of Firms Q3 2014	Number of Jobs Q3 2014	Quarterly Payroll Q3 2014	Recession	Recovery	Total
				Change in Jobs Q3 2007 – Q3 2009	Change in Jobs Q3 2009 – Q3 2014	Change in Jobs Q3 2007 – Q3 2014
<b>Total, All Industries</b>	<b>11,955</b>	<b>173,940</b>	<b>\$1,640,911,093</b>	<b>-6,988</b>	<b>+2,776</b>	<b>-4,212</b>
Agriculture, Forestry, Fishing and Hunting	581	5,010	\$43,699,788	+82	+718	+800
Mining	27	431	\$6,803,471	-102	+108	+6
Construction	1,527	8,934	\$102,807,599	-1,134	+457	-677
Manufacturing	617	32,287	\$360,695,875	-4,224	+557	-3,667
Utilities	80	1,037	\$18,632,503	+74	+5	+79
Wholesale Trade	653	7,820	\$99,479,024	-197	-313	-510
Retail Trade	1,596	20,258	\$109,544,251	-517	+523	+6
Transportation and Warehousing	763	5,797	\$54,750,245	+33	+135	+168
Information	198	2,957	\$31,341,609	-148	-61	-209
Finance and Insurance	747	5,902	\$71,304,895	-106	+72	-34
Real Estate, Rental and Leasing	297	1,285	\$7,762,145	-159	+1	-158
Professional, Scientific and Technical Services	616	4,105	\$48,784,096	+160	+300	+460
Management of Companies	51	1,857	\$94,085,821	-208	-19	-227
Admin. Support and Waste Management Services	357	4,296	\$29,686,087	-780	+384	-396
Educational Services	227	11,470	\$117,811,809	-109	+80	-29
Health Care and Social Assistance	980	30,459	\$273,347,469	+1,115	+312	+1,427
Arts, Entertainment and Recreation	235	2,226	\$8,085,185	-63	-14	-77
Accommodation and Food Services	836	12,639	\$39,444,840	-649	-217	-866
Other Services	996	4,944	\$30,559,802	-214	-98	-312
Public Administration	571	10,219	\$92,284,579	+277	-157	+120

Source: DEED Quarterly Census of Employment & Wages (QCEW) program



struggling to regain jobs include accommodation and food services, construction and wholesale trade. All three would need to gain more than 500 jobs each to get back to 2007 employment levels.

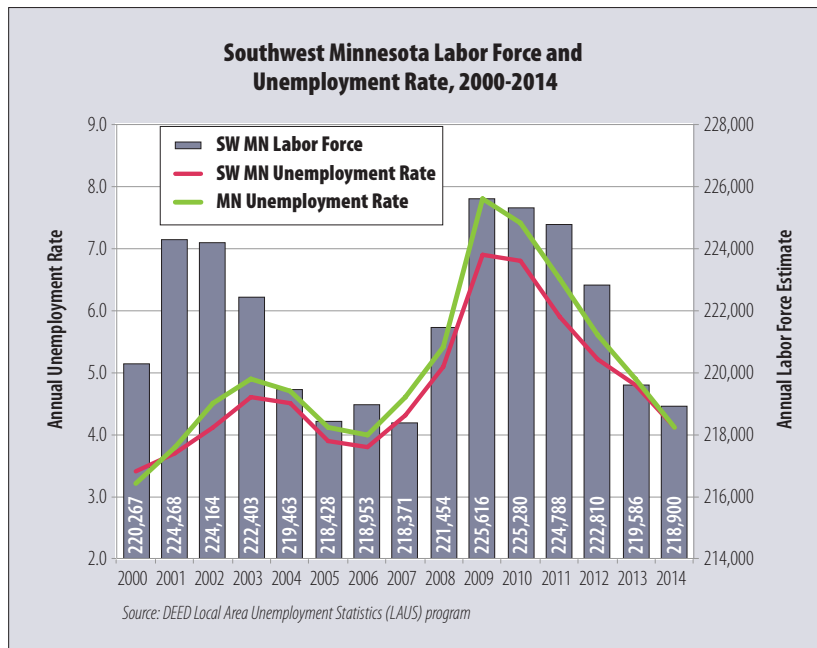
In contrast, the region's health care and social assistance industry added jobs during and after the recession, gaining more than 1,400 net new jobs from the third quarter of 2007 to the third quarter of 2014. Other industries that are in better shape now than before the recession include agriculture, forestry, fishing and hunting; professional, scientific and technical services; and transportation and warehousing (see Table 1).

## Ups and Downs

Like the economy overall, the region's unemployment rate and labor force have expanded and contracted over the last 15 years. Southwest Minnesota, however, has consistently had a lower unemployment rate than the rest of the state, including 13 of the last 15 years. Despite the job losses and a slower recovery, unemployment rates remained lower in Southwest Minnesota during the recession, before matching the state rate at 4.1 percent in 2014 (see Figure 2).

Like the unemployment rate, the size of the labor force in Southwest Minnesota has also

FIGURE 2



experienced ups and downs over the past 15 years. Southwest Minnesota’s labor force grew at the beginning of the decade, dropped off due to the region’s economic strength until 2007, then jumped in size as workers entered the labor force to make up for the lost income from layoffs during the recession.

Since then, while the state’s labor force continued growing, Southwest Minnesota’s labor force has been declining — dropping from a peak of 225,616 workers in 2009 to a low of 218,900 workers in 2014, which was about 1,400 fewer workers than the region started with in 2000.

### One-On-One

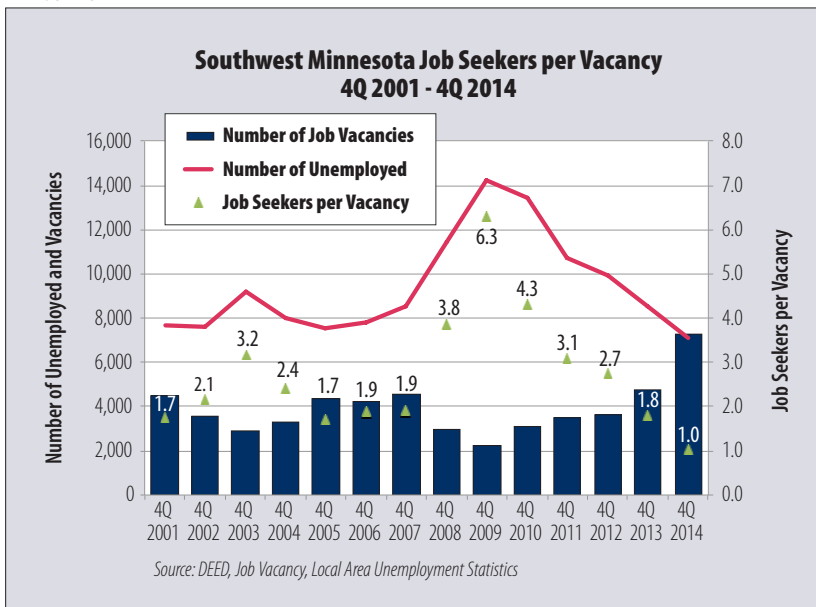
As the number of available workers has declined and the economy continues to recover, the region’s labor market has tightened. One clear demonstration of this is the ratio of unemployed job seekers per vacancy, which now stands at 1-to-1 in Southwest Minnesota.

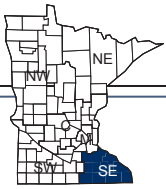
According to DEED’s Job Vacancy Survey in the fourth quarter of 2014, there were 7,245 job vacancies reported by employers compared with 7,104 unemployed job seekers in the region. The number of job seekers per vacancy climbed as high as 6.3 in the depths of the recession in 2009, then

steadily inched back down before essentially evening out in the fourth quarter of 2014 (see Figure 3).

Going forward, employers will have to compete for available workers in the region to fill open jobs and continue to grow. Even as new workers enter and older workers remain, Southwest Minnesota’s labor market will remain tight. **T**

FIGURE 3





# Healthy and Growing

*Southeast Minnesota has surpassed its pre-recessionary employment levels and is still growing, although at a slower pace.*

Over the past decade and a half, Southeast Minnesota has experienced employment patterns similar to the rest of the state. From the third quarter of 2000 to the third quarter of 2014, the 11-county Southeast planning region and the state of Minnesota both saw job growth of 4.9 percent.

After sailing through the 2001 recession relatively unscathed, Southeast Minnesota and the state experienced nearly identical year-over-year employment gains from 2004 to 2007, with both growing 3.4 percent. Southeast, however, saw a slightly smaller decline than the state during the Great Recession from the third quarter of 2007 to the third quarter of 2009, losing just 4.1 percent of total employment compared with a 5.2 percent decline statewide.

Both the region and state have enjoyed a strong recovery since then, though Southeast Minnesota's job growth slowed in the past two years. Southeast Minnesota now has 12,112 businesses and 236,500 jobs, the highest number of third-

quarter jobs ever reported in the region. The region and the state have not only recovered from the recession, both have surpassed their pre-recessionary employment levels (see Figure 1).

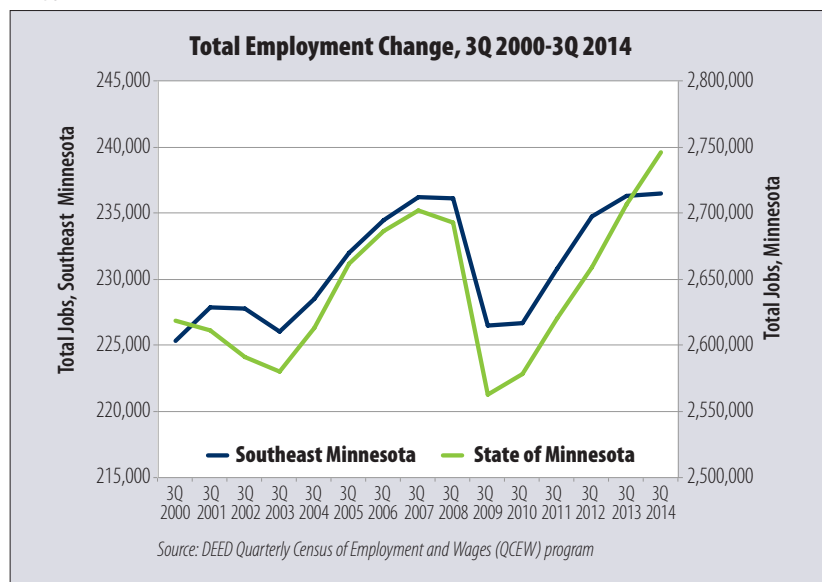
## A Mixed Bag

Although more than 9,700 jobs were lost during the recession in the Southeast region, some industries actually gained jobs and others declined only modestly.

Fifteen of the 20 main industrial sectors lost jobs from third quarter 2007 to third quarter 2009, with the largest cuts suffered in manufacturing (down 5,699 jobs), retail trade (down 1,894 jobs), construction (down 1,482 jobs), and administrative support and waste management services (down 1,147 jobs).

Southeast Minnesota showed its ability to bounce back, with 17 of the 20 sectors gaining jobs from third quarter 2009 to third quarter 2014, including the

FIGURE 1





four industries listed above. Not surprisingly, manufacturing, retail trade and construction had the most net job losses during the recession and recovery. Likewise, half of the 20 sectors still have not regained all of the jobs that disappeared during the recession.

In contrast, administrative support and waste management services led the pack during the recovery, adding more than

2,750 new jobs in the past five years for a net gain of 1,576 jobs since 2007. Other industries that were also fully recovered include transportation and warehousing, information, and accommodation and food services.

Several other industries added jobs during the recovery and the recession, led by huge expansions in health care and social assistance. Already the largest-

employing industry in the region by nearly 20,000 jobs, health care and social assistance gained more jobs from 2007 to 2009 than from 2009 to 2014, totaling 3,871 net new jobs during the entire period.

Educational services also enjoyed powerful growth during the recovery, gaining more than 1,050 jobs in the past five years. Agriculture, forestry, fishing and

TABLE 1

**Southeast Minnesota Industry Employment Statistics**

	Number of Firms Q3 2014	Number of Jobs Q3 2014	Quarterly Payroll Q3 2014	Recession Change in Jobs Q3 2007 -Q3 2009	Recovery Change in Jobs Q3 2009 -Q3 2014	Total Change in Jobs Q3 2007 -Q3 2014
<b>Total, All Industries</b>	<b>12,112</b>	<b>236,500</b>	<b>\$2,680,289,212</b>	<b>-9,705</b>	<b>+ 9,958</b>	<b>+253</b>
Agriculture, Forestry, Fishing and Hunting	370	3,060	\$22,081,816	+202	+453	+655
Mining	17	170	\$2,186,633	-23	+15	-8
Construction	1,459	9,464	\$119,883,212	-1,482	+207	-1,275
Manufacturing	663	37,934	\$491,426,511	-5,699	+1,950	-3,749
Utilities	51	1,530	\$37,299,387	+77	+55	+132
Wholesale Trade	537	6,678	\$94,309,806	-173	+13	-160
Retail Trade	1,804	26,967	\$158,804,559	-1,894	+365	-1,529
Transportation and Warehousing	586	7,191	\$70,981,514	-182	+691	+509
Information	184	3,667	\$42,206,869	-134	+394	+260
Finance and Insurance	661	5,865	\$80,960,793	-134	-763	-897
Real Estate, Rental and Leasing*	350	1,560	\$11,038,017	-178	-13	-191
Professional and Technical Services	747	3,679	\$41,933,273	-83	+141	+58
Management of Companies	55	2,937	\$70,172,154	+28	+422	+450
Administrative Support and Waste Management Services	461	9,730	\$57,926,794	-1,147	+2,753	+1,576
Educational Services	251	16,375	\$179,614,134	+1	+1,058	+1,059
Health Care and Social Assistance	1,027	59,752	\$952,111,735	+2,194	+1,677	+3,871
Arts, Entertainment and Recreation*	215	3,851	\$20,704,822	-217	-221	-438
Accommodation and Food Services*	1,097	18,571	\$67,084,601	-608	+840	+232
Other Services*	1,227	6,492	\$36,973,115	-215	+71	-144
Public Administration	350	11,012	\$122,589,467	-129	+71	-58

Source: DEED's Quarterly Census of Employment and Wages (QCEW)

\* Private Sector Data Only

hunting; management of companies; and utilities also gained jobs throughout the recession and recovery (see Table 1).

### Declining Unemployment Rate

As the economy has recovered, unemployment rates in Southeast Minnesota have dropped significantly. The region's annual average unemployment rate retreated from a peak of 7.3 percent in 2009 to 3.8 percent for 2014, remaining about 0.5 percent below the statewide rate the entire time.

The rapid decline in unemployment is more impressive when considering the growth of the region's labor force over time. Southeast Minnesota now has over 16,000 more workers than it had in 2000, a steady 6.2 percent increase. The region had nearly 277,000 available workers in 2014, including about 10,500 who were unemployed and actively seeking work (see Figure 2).

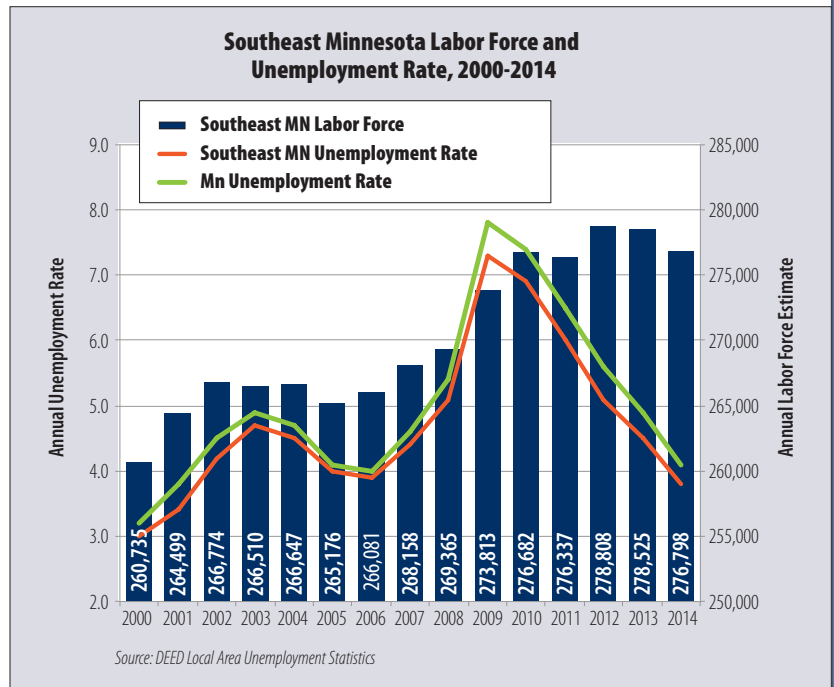
### Let the Competition Begin

At the same time, hiring demand was increasing rapidly in Southeast Minnesota, with employers in the region reporting over 4,000 more job vacancies in fourth quarter 2014 than in 2009. In contrast, the number of unemployed workers in the region was cut nearly in half from its peak in 2009 to the current level in 2014, creating a very tight labor market.

With just 1.2 job seekers per vacancy in fourth quarter 2014, regional employers are dealing with the tightest labor market conditions since DEED started conducting the Job Vacancy Survey



FIGURE 2



back in 2001. It is in direct contrast to the employment situation in 2009, when employers could choose from 7.5 unemployed workers for every job vacancy (see Figure 3).

While the employment and labor force growth is definitely a good sign for Southeast Minnesota, it does leave companies in a bit of a pickle. Many employers are finding it harder than ever to attract qualified candidates, and the competition between businesses is becoming more intense.

In order to recruit and retain high-quality candidates, companies may find themselves having to raise starting wages and emphasize other positive aspects of working at their company, such as fringe benefits like profit sharing, bonuses or an attractive workplace culture.

It appears that there has been a shift from potential employees trying to convince companies to hire them, to employers wrestling to convince job seekers why they offer the best place to work.


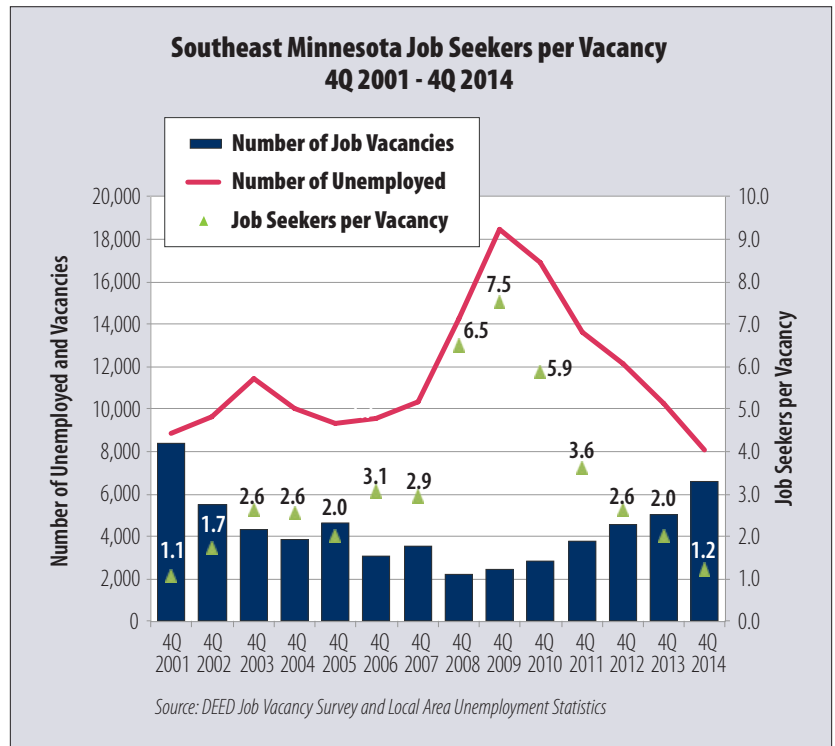
With all of this labor market activity going on, Southeast Minnesota finds itself in a position to continue to thrive. The growing labor force and strong recovery present the opportunity for a positive future in Southeast Minnesota. 

FIGURE 3





Meet

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