

MINNESOTA ECONOMIC

TRENDS

STATE OF THE ECONOMY 2019

MINNESOTA EMPLOYERS
GRAPPLE WITH TIGHT
EMPLOYMENT CONDITIONS



JUNE 2019



A Likely Slowdown

Our annual state-of-the-state issue of Trends provides an overview of the Minnesota economy and takes a close look at each of the state's six planning regions. At the midway point of 2019, we're seeing slowing job growth paired with demographic trends – retirements of baby boomers – that can no longer be ignored.

Last year, Minnesota's 2.9 percent unemployment rate was the lowest since 1999 – and a cat's whisker above the all-time low of 2.7 percent in 1998. In addition to record snowfall, February marked the first time annual total employment declined since July 2010.

Tight labor market conditions persist and as the state of the state writers indicate it will take a multi-pronged approach to address the shortage of workers. Higher wages, specialized training programs, and policy responses to break down barriers to education and employment for Minnesotans of color and other groups will help. But it may not be enough to ease the very tight labor market conditions.

This September, we will formally release results and narrative from the third round of the Hiring Difficulties Survey. But in this issue we offer a preview of what's to come, including the specific occupations we're focusing on.

The state of the state article ends with a forecast of what next year might hold for job growth in Minnesota.

Carol Walsh
Editor

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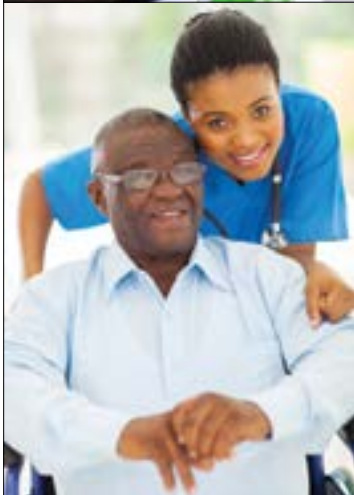
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State of the State 2019

A record long expansion and aging workforce have led to employment conditions that are as tight as any Minnesota has experienced.

June 2019 marks the 10th anniversary of the current expansion, just matching the expansion of the 1990s as the longest in our history. From here on in, we are in uncharted territory. So this annual issue on the state of Minnesota's economy comes at an auspicious time, giving us a review of conditions as we hit this historic threshold and providing an opportunity to speculate on what the future might bring.

These articles present employment conditions that are as tight as any we have experienced, with unemployment persistently near levels as low as any on record. They also emphasize that while the duration of the current expansion has been a major factor in producing these conditions, the demographic trends have also contributed extensively.

A number of developments

will impact employment conditions in the years ahead. One is the continuation of demographic trends that are reducing workforce availability. Baby boomers will age into retirement throughout the next 10 years, thereby continuing to put pressure on an economy increasingly desperate for workers to start and expand businesses. Exacerbating these pressures is the fact that Minnesota's relatively low



unemployment rate, including the broader U6 measure and high labor force participation rate, leaves less slack to offset the impact of our aging population.

Addressing the worker shortage will require a multi-pronged approach. For example, much has been said in previous issues of Trends about the growing importance that our immigrant population has had and will have when it comes to providing the workers we need. Clearly, any solution will require that we promote Minnesota as a destination of abundant employment opportunities for those coming from other countries.

We have also said much about the stark disparities along racial and ethnic lines that unfortunately persist today. Here, too, a continuation of our efforts to resolve these racial gaps is a necessary part of any successful effort. Effectively connecting job seekers to opportunities, removing the multitude of barriers to employment that many face, providing assistance to succeed in an increasingly dynamic and demanding economy, and many other efforts are needed as much or more now than ever before.

A second event that we should anticipate is the inevitable downturn that finally brings this

historic expansion to an end. While the 1990s led some to claim the business cycle was all but dead, they were eventually proven wrong, and we shouldn't be so naïve as to think that this time around. But while we know we will eventually enter a recession, when, how and what it will look like are still unknown. Lacking these details does not, however, suggest we can wait for them to emerge before we start to develop a response. DEED leadership and the LMI Office are already taking steps to design our response to this inevitability to best prepare Minnesota to weather the storm when it does arrive.

A third inescapable event sure to have significant consequences is the ongoing and accelerating application of artificial intelligence (AI) to our world of work. Machine learning technology has clearly demonstrated its potential to change the way we perform many job-related tasks, but we also know that we have only seen the tip of a huge technological iceberg. Exactly which applications of AI will advance most rapidly and expansively, and how the jobs impacted will change is another great unknown, but here again we can't afford to wait until these changes are revealed before developing strategies to mitigate disruptions and exploit opportunities that

AI promises. We need to start now to develop policies and practices that will yield an agile and appropriately skilled workforce through responsive training programs, social safety net protections, better employer/worker engagement, and other responses to the coming changes, even if we don't know exactly what they are yet.

As with previous Trends issues on State of the State, this issue provides a good snapshot of the current conditions of our labor markets and a guide to navigating the challenges we face in the years ahead. Those challenges, outlined here, represent a few of the most significant on the horizon. And these alone are enough to guarantee exciting times ahead, if one likes a challenge!

Payroll Employment

Minnesota nonfarm payroll employment growth slowed through 2018 and into the first part of 2019. Over-the-year job growth slid from 1.1 percent in January down to 0.3 percent in December 2018. In February 2019 Minnesota briefly lost jobs over the year before bouncing back to 0.5 percent growth in preliminary April estimates. At 0.7 percent, annual average employment growth in 2018 was the first time the state dipped below 1 percent since 2010.



Growth was concentrated among service providing industries, averaging 1.3 percent for the year. Growth in goods production actually improved in 2018, from 1.1 percent in January to 2.2 percent in December, and all the way up to 2.7 percent in April.

Employment among service providing industries fell precipitously, averaging 0.6 percent in 2018, ending the year with 0.0 percent over the year growth, and reaching a low of -0.3 percent in February 2019, before rebounding slightly in April preliminary estimates.

Education and health services, the state's largest supersector, had one of its most notable slowdowns. Over the year growth in the sector dropped from 2.3 percent at the end of 2017 to 0.3 percent at the end of 2018, and fell to -0.5 by April. This was the largest over-the-year decline of any supersector during that time, save for the smaller and perennially declining Information supersector.

The only other supersector with over-the-year declines as of April 2019 was Trade, Transportation and Utilities, where growth fell from 1.1 percent in 2017 to 0.3 percent in 2018, and has been negative in every month since December 2018. Declines were concentrated in Transportation, Warehousing and Utilities.

Employment services, which is primarily comprised of temporary workers and is often considered a leading indicator for the labor market, had the largest over-the-year decline of any published series, dropping 13.6 percent in April.

Labor Force and Employment

The annual average number of unemployed Minnesotans fell below 100,000 for the first time since 2000 last year as the state's annual unemployment rate dropped to 2.9 percent. The state's annual unemployment rate has only been lower in 1998 (2.7 percent) and 1999 (2.8 percent) and was the eighth lowest nationwide in 2018. The declining unemployment rate was not due to strong job growth, which continued to wane, but due more to Minnesota's labor force growth rate tailing off to 0.4 percent in 2018 from 0.8 percent in 2017.

So far in 2019 seasonally adjusted (SA) labor market numbers have moved in unexpected directions with unemployment increasing, employment flattening, and labor force growth accelerating. All the numbers will be revised at the end of the year, but trends so far in 2019 suggest that Minnesota's economy has slowed considerably from last year. The unemployment rate has climbed

slightly to 3.3 percent, job growth has been minimal, and the number of unemployed has jumped to more than 100,000 for the first time in 19 months.

The positive news is that labor force growth has picked up in 2019, which in light of little job growth may explain why the unemployment rate and unemployed levels are up. The tight job market may be drawing discouraged workers back into the labor force and attracting workers to move to the state. Some states with unemployment rates similar to or lower than Minnesota have experienced recent spurts in labor force and job growth.

Labor force participation rose slightly during 2015 and 2016 before gradually slipping in 2017 and for most of 2018, reaching a low of 69.7 percent last November before ticking up to 69.9 percent in March and April 2019. If the uptick in labor force growth holds, the net result may be a moderate rebound in job growth over the rest of the year. Any uptick is likely to be moderate and short term given the long-term prospects of labor force growth in the state. Minnesota's labor force growth will continue to trend along historically low levels unless immigration into the state accelerates.

Labor force growth is unlikely

to come from higher labor force participation, which is still possible in many states, because Minnesota already had the third highest participation rate last year. The labor force participation rate measures the percent of individuals 16 and older who are employed or unemployed.

By race, black unemployment stood at 6.3 percent in April, a 0.5 percentage point decrease over the year in Minnesota. Despite this improvement, the black unemployment rate continues to be more than double the white unemployment rate (2.7 percent in April) in Minnesota. Hispanic unemployment stood at 5.4 percent in April having jumped by 1.5 percentage points from last year.

What about individuals, 16 years and older, who are neither employed nor unemployed and not counted as part of the labor force? Some of the individuals not included in the labor force are captured in the broadest unemployment measure, U-6. The U-6 rate includes discouraged workers who have given up looking for work because they think they cannot find it, marginally attached who have looked for work in the past year but not the past month, and workers who are working fewer than 35 hours per week but want to work a full-time job. Possible labor force growth from

Minnesota's U-6 unemployed pool is limited relative to most states as Minnesota's current U-6 rate was fifth lowest among states. Room for Minnesota's labor force to pick up is extremely small compared to most other states.

Job Vacancies

The number of job vacancies in Minnesota reached another fourth quarter record last year at 136,917. The result of this, combined with very low unemployment, is that there are more job vacancies than unemployed workers in both Greater Minnesota and the Metro Area.

and personal care and service (\$12.00).

The top seven occupations with the most vacancies accounted for 25 percent of all vacancies in Minnesota during fourth quarter 2018. In order of size, they are: retail salespersons with a median wage offer of \$12.32 per hour; personal care aide (\$12.00); combined food preparation and serving worker (\$11.39); cashier, janitors and cleaners (\$13.25); nursing assistants (\$13.28); and heavy and tractor-trailer truck drivers (\$21.21). Six of these seven occupations had wage offers below the statewide median of \$15.01, with truck drivers being the exception.

Addressing the worker shortage will require a multi-pronged approach.

The number of vacancies was up in every industry except utilities and public administration compared to one year ago. The occupational groups with the highest number of openings were food preparation and serving with a median wage offer of \$11.88 per hour, followed by sales and related (\$13.20)

The vast majority of these jobs required no post-secondary education with two exceptions: The most common educational requirement for nursing assistants is vocational training, and heavy and tractor-trailer truck drivers are required to have a specialized license.



Over a five-year period, fourth quarter 2013 to 2018, vacancies requiring a high school diploma or less were up by 52,318 or 140 percent, those requiring vocational training or an associate degree were up by 10,569 or 108 percent, and those requiring a bachelor's or advanced degree were up by 13,641 or 104 percent.

The overall median wage offer for vacancies during fourth quarter 2018, at \$15.01 per hour, was up 4.7 percent from one year ago. This compares to 2.4 percent inflation (based on the Consumer Price Index). About 37 percent of the openings were for part-time work and nine percent for temporary or seasonal work. Overall, 56 percent offered health insurance, but the share was much higher for full-time vacancies at 86 percent.

Median wage offers rose in 264 occupations and decreased in 148 occupations over the past year. Median wage offers are higher than they have ever been for vacancies requiring no education, a high school diploma or vocational training.

Over a five-year period, fourth quarter 2013 to 2018, median wage offers rose most for vacancies with no educational requirement, up 32.6 percent, or that required a high school

diploma, up 23.5 percent and less for vacancies that required post-secondary education. Wage offers were up 20.6 percent for vacancies requiring vocational training, 13.7 percent for those requiring an associate degree, and 16.6 percent for those requiring a bachelor's degree. In comparison, median wage offers for all vacancies rose 15.5 percent, and the consumer price index rose 8.0 percent over the same five-year period.

Overall, job vacancy survey results present a picture of very high labor demand, particularly in lower skilled and/or lower wage occupations, resulting in growth in wage offers and increasing numbers of openings. The data show that median wage offers are up at a rate exceeding inflation and that this increase is widespread across occupations.

Job Growth Forecast

Last year job growth got off to its slowest start since 2010, averaging only a 0.8 percent over-the-year gain through the first four months of 2018. Job growth over the same period in 2019 is even slower, averaging only 0.3 percent.

A tightening labor market, rather than waning labor demand, is curbing job growth as Minnesota employers find it increasingly

difficult to fill their job openings. Job vacancy levels, the best proxy for labor demand, continue to set record highs, while initial claims, the best proxy for labor supply, continue to set record lows. Both proxies point toward job growth being constrained by the shrinking pool of individuals looking for jobs while demand for labor remains robust.

Job growth is expected to be 0.7 percent in 2019, roughly matching job growth last year. The forecasted job growth rate is roughly half the 1.4 percent average annual pace achieved between 2011 and 2018.¹ The last eight years have been a relatively robust period of job growth compared with the 2001 to 2010 period when job growth averaged -0.2 percent annually. During the 68-year period of the wage and salary job data used here, Minnesota averaged 2.0 percent annual job growth.

The predicted 20,600 new wage and salary jobs in 2019 will be spread across most industries, but payroll numbers are anticipated to shrink in six industries (Table 1). Small job loss is expected in utilities, retail trade, transportation and warehousing, information, administrative and support, and nursing and residential care. Job growth in 2019 will be slower in most industries

¹The forecast presented here is for the 12-month period between the first quarter of 2019 and first quarter 2020.

Table 1. Minnesota Industry Forecast to 2020 First Quarter*

Industries	2011	2019	2020	Average Annual Percent Change 2011 - 2019	Percent Change 2019-2020
Total All Industries	2,610,784	2,906,488	2,927,071	1.4	0.7
Goods Producing	372,641	433,401	440,755	1.9	1.7
Natural Resources and Mining	6,085	6,451	6,558	0.7	1.7
Construction	73,805	111,031	116,488	5.2	4.9
Manufacturing	292,750	315,919	317,709	1.0	0.6
Service Providing	2,238,144	2,473,087	2,486,316	1.3	0.5
Utilities	12,752	12,069	11,997	-0.7	-0.6
Wholesale Trade	120,125	129,749	130,762	1.0	0.8
Retail Trade	270,035	293,680	292,797	1.1	-0.3
Transportation and Warehousing	77,494	92,347	92,149	2.2	-0.2
Information	53,361	47,652	47,102	-1.4	-1.2
Finance and Insurance	129,957	150,239	151,530	1.8	0.9
Real Estate and Rental and Leasing	32,417	33,864	34,086	0.5	0.7
Professional, Scientific, and Technical Services	133,250	162,737	164,139	2.5	0.9
Management of Companies and Enterprises	72,625	80,881	81,600	1.4	0.9
Administrative and Support and Waste Management and Remediation Services	119,402	124,766	122,986	0.6	-1.4
Private Educational Services	64,659	67,595	68,572	0.6	1.4
Ambulatory Health Care Services	126,325	155,878	158,675	2.7	1.8
Hospitals	98,716	115,306	117,100	2.0	1.6
Nursing and Residential Care Facilities	100,610	105,470	104,316	0.6	-1.1
Social Assistance	73,057	94,493	95,307	3.3	0.9
Arts, Entertainment, and Recreation	32,385	43,908	45,235	3.9	3.0
Accommodation, including Hotels and Motels	23,630	26,668	26,959	1.5	1.1
Food Services and Drinking Places	165,649	193,115	195,377	1.9	1.2
Other Services (except Government)	113,091	112,455	112,876	-0.1	0.4
Government	418,604	430,215	432,751	0.3	0.6
Federal Government	32,529	31,738	32,799	-0.3	3.3
State Government, Excluding Education	37,155	41,059	41,700	1.3	1.6
State Government Higher Education	64,953	62,109	62,400	-0.6	0.5
Local Government, Excluding Education	141,356	144,418	144,552	0.3	0.1
Local Government Education	142,610	150,891	151,300	0.7	0.3

*All employment data is unadjusted Current Employment Statistics (nonfarm wage and salary employment) jobs for the first quarter of each year.

Source: DEED, *Employment Outlook, Short-Term Forecast to 2020 First Quarter, Industry*



compared to the average annual rate achieved between 2011 and 2019. However, a few industries will see faster job growth in 2019 than the average annual rate recorded over the last eight years.

Federal government employment will expand by 3.3 percent in 2019 with a boost from hiring for the 2020 Census. Natural resources and mining hiring will also be higher this year (1.7 percent) than annual average hiring during the past eight years. Private educational service employment growth will also pick up from recent years as job reductions in private colleges and professional schools will level off.

This will also be the case for state government (public colleges and universities) education payrolls. Post-secondary enrollment initially soared when the recession hit but slumped as the economy improved over the last eight years. Enrollment numbers will likely increase slightly in 2019 leading to a slight increase in post-secondary education employment.

Sixteen industries are projected to expand payrolls faster than overall job growth. The construction, federal government, and arts, entertainment, and recreation industries are expected to see the fastest job growth.

Construction jobs will increase the fastest but at a rate slightly below the post-recession annual average. Home-building permits are off to their best start since 2006 through the first four months this year as the housing market continues to be strong. Publicly funded construction activity is also expected to be up this year with the fiscal shape of all levels of government continuing to improve as recovery from the Great Recession turns into the longest expansion on record. Construction employment is still one or two years off from reaching its 2005 pre-recession peak, but by the end of 2019 it will have recovered over 90 percent of the jobs lost during the home-building bust.

The next four fastest-growing industries will be ambulatory health care services, natural resources and mining, state government (excluding education) and hospitals. Job growth in ambulatory health care services and hospitals will be slower compared to average growth during the previous eight years while job growth in state government and natural resources and mining will be faster this year than during recent years.

Table 2 displays forecasted job growth in 2019 from the



Table 2. Minnesota Occupation Forecast to 2020 First Quarter*

	2011	2019	2020	Average Annual Percent Change 2011-2019	Percent Change 2019-2020
Total	2,610,784	2,906,488	2,927,071	1.4	0.7
Management	148,052	175,129	176,777	2.1	0.9
Business and Financial Operations	147,360	175,375	176,821	2.2	0.8
Computer and Mathematical	79,996	98,045	98,466	2.6	0.4
Architecture and Engineering	46,211	55,674	56,352	2.4	1.2
Life, Physical, and Social Science	22,829	26,122	26,344	1.7	0.8
Community and Social Service	61,316	64,083	64,443	0.6	0.6
Legal	17,013	19,839	19,994	1.9	0.8
Education, Training, and Library	189,156	204,878	206,012	1.0	0.6
Arts, Design, Entertainment, Sports, and Media	41,368	38,100	38,249	-1.0	0.4
Healthcare Practitioners and Technical	155,394	179,987	181,917	1.9	1.1
Healthcare Support	95,177	86,268	86,688	-1.2	0.5
Protective Service	45,195	50,902	51,102	1.5	0.4
Food Preparation and Serving Related	204,916	237,091	239,505	1.8	1.0
Building and Grounds Cleaning and Maintenance	79,380	81,491	82,710	0.3	1.5
Personal Care and Service	100,274	135,071	136,491	3.8	1.1
Sales and Related	258,003	269,157	269,324	0.5	0.1
Office and Administrative Support	402,745	418,836	421,057	0.5	0.5
Farming, Fishing, and Forestry	4,222	2,884	2,876	-4.7	-0.3
Construction and Extraction	69,423	95,980	99,745	4.1	3.9
Installation, Maintenance, and Repair	83,280	96,723	97,659	1.9	1.0
Production	205,187	216,024	215,452	0.6	-0.3
Transportation and Material Moving	154,287	178,829	179,087	1.9	0.1

*All employment data is unadjusted Current Employment Statistics (nonfarm wage and salary employment) jobs for the first quarter of each year.

Source: DEED, *Employment Outlook, Short-Term Forecast to 2020 First Quarter, Occupation*

occupational side of jobs. Job growth is predicted to be positive in all but two of the 22 major occupational groups with 11 of the groups adding positions faster than overall job growth. Job growth will top one percent

in five major groups with construction and extractive and building and grounds cleaning and maintenance jobs expanding the fastest. Jobs are expected to decline slightly in production and farming, fishing and forestry

occupations. Farming, fishing and forestry job loss will be lower than in recent years. Employment in sales and related and transportation and material moving occupations is expected to be essentially flat.

Job growth this year will be higher than average growth over the previous eight years in three occupational groups: healthcare support; arts, design, entertainment, sports and media; and building and grounds cleaning and maintenance. All the other occupational groups will see slower growth in 2019 compared to their average annual growth over the last eight years.

Hiring for all industries and for most occupations will remain a struggle given that Minnesota had the fifth lowest U-6 (broadest measure of unemployment) unemployment rate and the second highest labor force participation rate among states last year. This combination means that Minnesota has one of the smallest pools of potential job seekers (as a percent of the population age 16 and up) that feasibly could fill numerous job openings and boost job growth.

Minnesota's job growth outpaced national job growth 62 percent of the years between 1950 and 2000 but only 44 percent of the years between 2000 and 2018. The state's job growth has lagged behind the national pace for the last five, with 2019 making six, years in a row. Employment is expected to increase at 0.7 percent this year compared to the nation's 1.5 percent forecasted job growth. ■

The following writers contributed to this article: Steve Hine, Dave Senf, Nick Dobbins, and Oriane Casale.





Hiring Difficulties in Minnesota

This survey aims to pinpoint the extent and reasons for hiring difficulties in skilled manufacturing occupations.

The third round of Minnesota's Hiring Difficulties Survey focuses on skilled production, repair and engineering technician occupations in manufacturing. This survey follows up with Minnesota employers that had job postings in these occupations during second quarter 2018 to learn about their hiring experience. The survey is being conducted currently with results due out soon.

The specific occupations that are included in the current study round are:

- Production Supervisors
- Machinists
- Computer Controlled Machine Tool Operators
- CNC Programmers
- Machinery Maintenance Technicians
- Industrial Machinery Mechanics
- Engineering Technicians including Mechanical, Industrial and Electrical

These occupations were chosen because they showed the most difficulty to fill in previous rounds of the survey. As the labor market tightens with low unemployment and continued job growth, it is likely that hiring difficulties have increased in these occupations. Moreover, the Job Vacancy Survey provides evidence that demand for workers in these occupations has increased.


Greater numbers of vacancies and high vacancy rates indicate that most of these occupations are increasingly in high demand. Demand for production supervisors picked up in 2011 and reached its highest number of vacancies on record at 562 during fourth quarter 2018. Other occupations follow similar patterns. CNC programmers, a relatively new and very small occupation, also saw its highest number of job vacancies to date during fourth quarter 2018, and job postings for machinists reached an all-time high during fourth quarter 2017 at 1,101. Likewise, demand for industrial engineering technicians picked up in 2015 and has remained high with a vacancy rate of 10.8 percent.

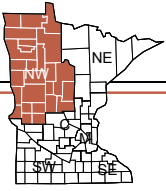
Furthermore, anecdotal evidence from discussions with employers and media reports indicate that, in particular, skilled production and repair jobs are increasingly difficult to fill.

The Hiring Difficulties Survey questions were developed to gather more information on the educational and skill requirements of the jobs, identify if employers experienced difficulty filling the positions, and gather information on what specifically the difficulties were. The survey also asks employers what their strategies are when they do face hiring difficulties and what the consequences would be if they are unable to fill these positions.

Part of the goal of the survey is to identify if skilled manufacturing jobs are difficult to fill because of a skills gap or because of a demand-side reason like low pay, hours or inadequate advertising of the vacancy. Where skills gaps do exist, the study aims to identify the specific in-demand skills and disseminate that information to job seekers and the education system.

Another goal of the survey is to identify best employer practices in recruiting and training staff in hard-to-fill occupations. Particularly in manufacturing, where jobs require specific skills that often can only be acquired through work experience, employers have a role to play in training.

Stay tuned. Results from the current round of the Hiring Difficulties Survey will be published in the September 2019 issue of Trends. 



Northwest Minnesota: Filling the Pipeline

A more diverse and older labor force brings new opportunities for employers and job seekers.



After adding 25,000 new workers since the turn of the century, the labor force in the 26-county Northwest region surpassed 300,000 workers in 2015, and has hovered right around that number ever since (Figure 1). The region's growth rate of 9.2 percent since 2000 slightly outpaced the statewide increase of 9.1 percent, leaving

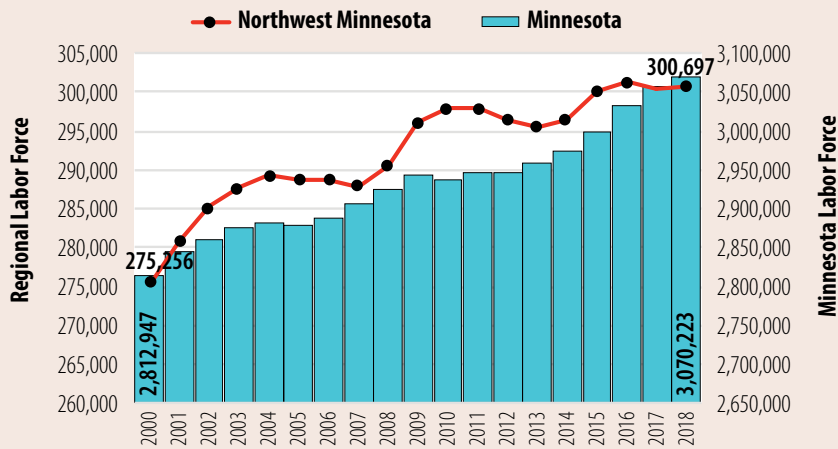
Northwest with the second largest regional workforce outside the Twin Cities area.

While the region's available labor force is still growing, the pace has slowed in recent decades. After averaging a gain of nearly 4,500 net new workers each year from 1990 through 2000, then just over 2,250 new workers

annually in the 2000s, the region has added only 2,700 workers total from 2010 to 2018, an average of 339 workers per year.

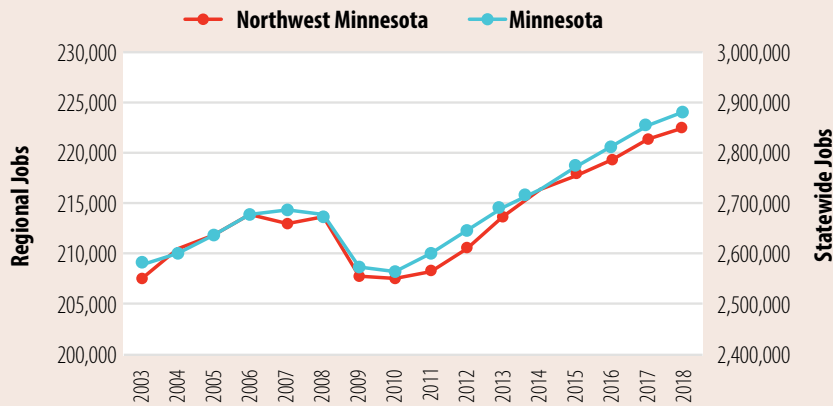
Employers in Northwest have benefited from this deep talent pool over the past decades, but the aging population and slowing growth means that luxury is starting to dry up. What's more,

Figure 1. Annual Labor Force Estimates, 2000-2018



Source: DEED Local Area Unemployment Statistics (LAUS)

Figure 2. Industry Employment, 2003-2018



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

labor force projections from the Minnesota State Demographic Center show that the region is expected to see a decline in available workers in the next decade, dropping about 2.1 percent from 2020 to 2030. Even if participation rates increase for older workers, projections show it will still be a challenge to find workers to fill jobs.

The Northwest Angle

Northwest Minnesota has enjoyed eight straight years of job growth since bottoming out with about 207,500 jobs at employer establishments in 2010 at the end of the Great Recession. It is now at a new peak of almost 222,500 jobs in 2018 (Figure 2). Expanding just over 7 percent from 2010 to 2018, the region's economy didn't quite keep pace with the state's 12 percent growth rate, but labor force availability has become a constraint for employers looking to expand even more.

A strong economy that added nearly 15,000 jobs compared with a workforce that added only 2,700 workers over the same time frame has led to a much tighter labor market. As evidence, the unemployment rate in the region dropped from a high of 8.2 percent in 2009 to just 3.8 percent in 2018, the lowest rate ever reported for Northwest Minnesota.

Likewise, recent Job Vacancy Survey results showed a record number of job openings in the region. Employers posted nearly 20 percent more jobs in 2018 than in 2017, the previous peak. There were just over 14,000 job vacancies in the second quarter of 2018, a 32 percent jump compared to the previous year; and over 9,000 vacancies in the fourth quarter of 2018. Both 2018 vacancy counts were triple the amount posted in 2010.

Increasing demand has led to increasing wages: The median wage offer topped \$15 an hour for the first time in the fourth quarter of 2018. While that was a larger than expected jump, the wage trend line is very clearly pointing upward along with the number of job vacancies (Figure 3). It appears that employers are responding by raising wage offers – especially in lower-skilled, lower-paying jobs such as sales and related occupations and food preparation and serving occupations – to compete for available workers.

Pipeline Replacement Project

Moving forward, employers will need to start tapping into other pipelines to find the workers they need to fill available jobs. While 91.5 percent of people reported being white, the region has seen rapid increases in the

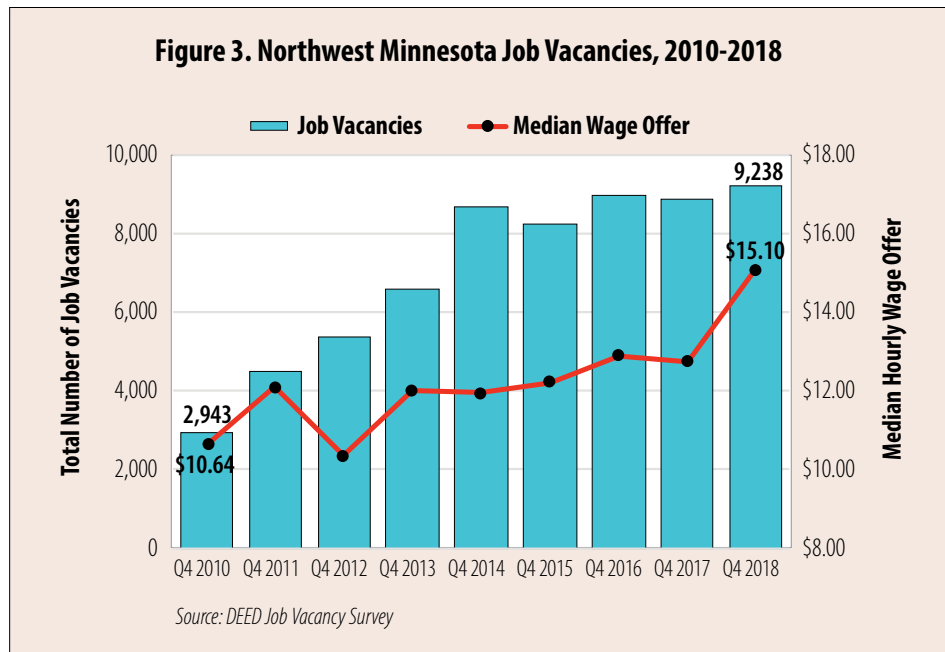


Table 1. Northwest Minnesota Population by Race and Hispanic Origin, 2017

	Number	Percent	Change from 2000-2017	
			Numeric	Percent
Total Population	560,326	100.0%	+33,534	+6.4%
White	512,783	91.5%	+18,310	+3.7%
Black or African American	5,809	1.0%	+4,363	+301.7%
American Indian and Alaska Native	22,900	4.1%	+3,726	+19.4%
Asian and Other Pacific Islander	3,973	0.7%	+1,555	+64.3%
Some Other Race	2,531	0.5%	-786	-23.7%
Two or More Races	12,330	2.2%	+6,366	+106.7%
Hispanic or Latino Origin	15,714	2.8%	+7,722	+96.6%

Source: U.S. Census Bureau, 2013-2017 American Community Survey

number of people of other races. Almost half of the new residents in the region since the turn of the century are of a different race

than white, and about one in every four new residents is of Hispanic or Latino origin (Table 1).

With 22,900 people, Northwest Minnesota has the largest and the largest growing American Indian population of any region in the state. However, the labor force participation rate is much lower, and the unemployment rate is more than five times higher for American Indians in comparison to whites.

without changing the size of the labor force at all.

The region's Hispanic or Latino population doubled since 2000, and Hispanic residents now account for almost 7,250 workers. These workers have contributed greatly to the region's labor force, with

growth to the labor force, despite higher unemployment rates.

The fastest upswing occurred for black or African Americans, following a 300 percent increase from 2000 to 2017. However, the region's black unemployment rate was 10.4 percent in 2017 – nearly three times higher than the white unemployment rate. Applying the region's white unemployment rate across all races would fill almost 1,700 jobs.

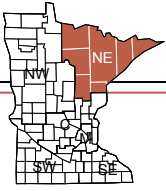
Minority students now make up nearly 20 percent of the region's total enrollment, after increasing more than 50 percent in the last decade. The number of white students increased just 2 percent during the same time frame. Enrollment data from the Minnesota Department of Education show larger numbers of minority students in the younger grade levels, meaning they will make up a larger portion of the region's workforce moving forward.

Employers who want to find workers will need to tap into new pipelines to fill their available jobs in the future. Even as labor force growth has slowed down, labor force diversity has picked up, creating new opportunities for job seekers and employers. **T**



Bringing the American Indian participation rate up to the white rate would add nearly 850 additional workers, while bringing the American Indian unemployment rate down to the white rate could fill 1,350 jobs

participation rates over 10 percent higher than for white workers, but unemployment rates that were 1.5 percent higher. The number of people of two or more races also doubled over the past decade and a half, providing



Arrowhead's Aging Population

Population growth is vital to economic expansion.

In 2018, just over 325,000 people resided in the seven-county Arrowhead region, considerably less than the high-water mark of the 1960s and 1980s when nearly 345,000 people lived here. What's more, Northeast Minnesota has recorded further population declines so far this decade while Minnesota as a whole has gained over 307,000 new residents (Figure 1). In fact, the region lost just over 1,100 people since 2010, a 0.3 percent decline and the second largest loss of any region in Minnesota behind Southwest Minnesota.

Without population increases the region will be hard-pressed to support economic expansion as industries have a hard time finding new workers for growth. Not only is population growth – or the lack of it – a pronounced problem in the region, but the age of the population has the potential to stifle economic growth, as well.

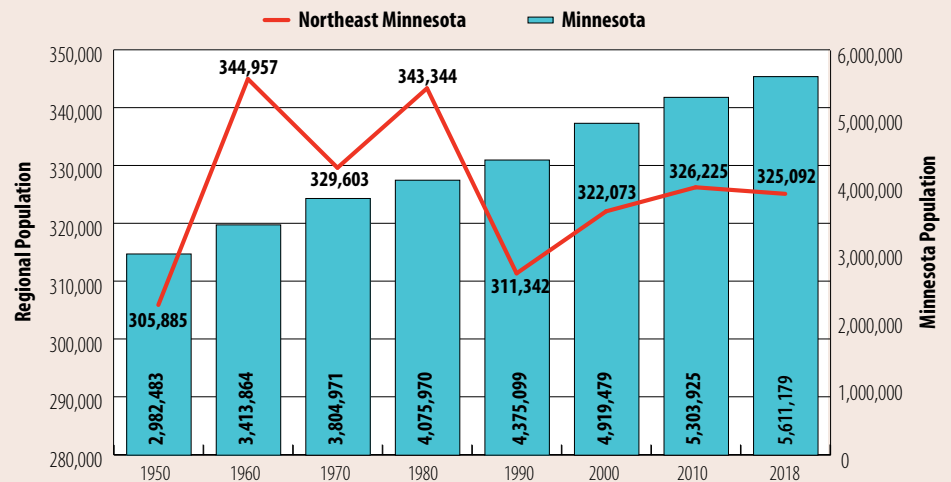
In Northeast Minnesota, 36.2 percent of the population is 55 years or older, compared to

just 28.8 percent of the state's population. This age cohort of soon-to-be or already retired persons has dramatically increased since 2000 and explains the difficulties employers experience in replacing retiring workers. In 2000, there were 32,068 people in the region who were 55 to 64 years old, but that age group has increased by nearly 60 percent – or 19,156 people – since then. Likewise, the number of people age 65 and older in Northeast Minnesota

has increased by 12,543 people since the start of the century, up 23.4 percent.

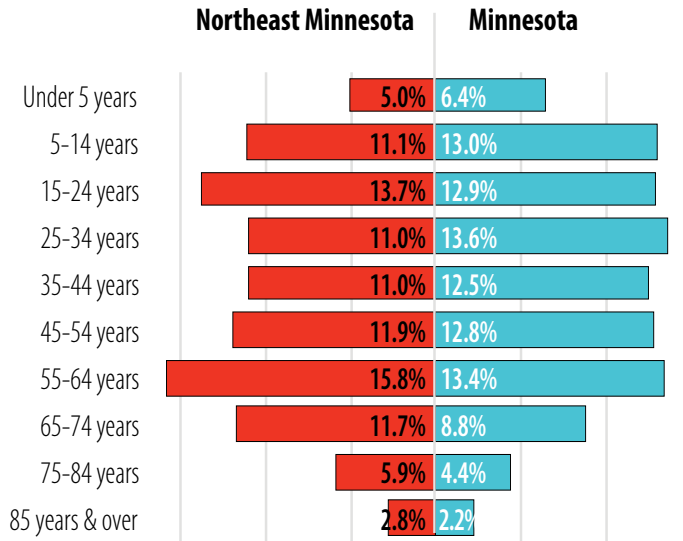
The youngest age cohorts provide more signals of future hiring difficulties for Northeast Minnesota. Just 16.1 percent of the population is under 14 years of age, considerably less than the 19.4 percent statewide. In 2000, there were 58,937 people in this age cohort in Northeast, but now there are only 52,450 people 14 years and younger, a decrease of

Figure 1. Population Change, 1950-2018



Source: U.S. Census Bureau, Population Estimates

Figure 2. Percentage of Population by Age Group, 2017



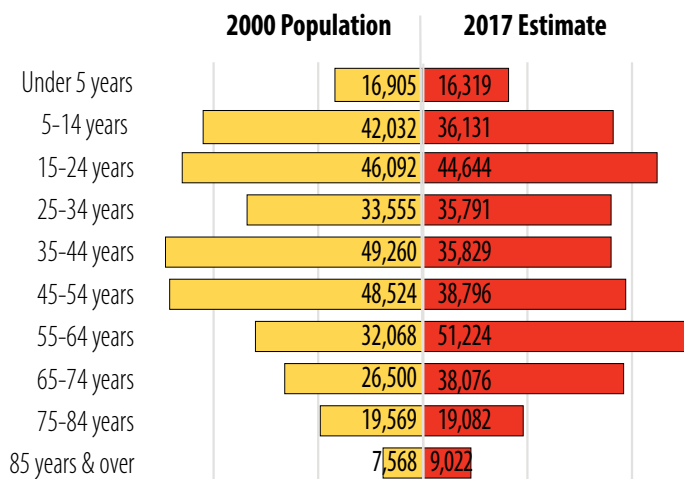
Source: U.S. Census Bureau, Population Estimates

6,487 people or 12.4 percent. Fewer young people means it will continue to be difficult to replace retiring workers, and efforts will be needed to attract new residents to ensure economic stability (Figures 2 and 3).

Same Old Same Old

Projections from the Minnesota State Demographic Center show that these trends will continue into the foreseeable future. The total population for the Arrowhead region is expected to decrease to around 320,000 people by 2040, a 2.3 percent decrease. Meanwhile, Minnesota is projected to grow in total population by 8.8 percent, with a gain of over 500,000 people, during the same time frame.

Figure 3. Northeast Minnesota Population Pyramid, 2000-2017



Source: U.S. Census Bureau, Population Estimates

Moreover, the population will continue to age. By 2020 there will be 77,737 people in the region who are 65 and older, and by 2040 that number is expected to rise by another 15,753 people, a 20.3 percent increase. Furthermore, the growth is concentrated at the older end of the distribution with the population 75 and older expected to almost double between 2020 and 2040.

Unless labor force participation rates increase greatly, an increase in population in the oldest age cohorts will constrict economic growth as people retire during

the next 20 years without the same number of people coming into the workforce as new entrants (Figure 4).

Effect on the Economy

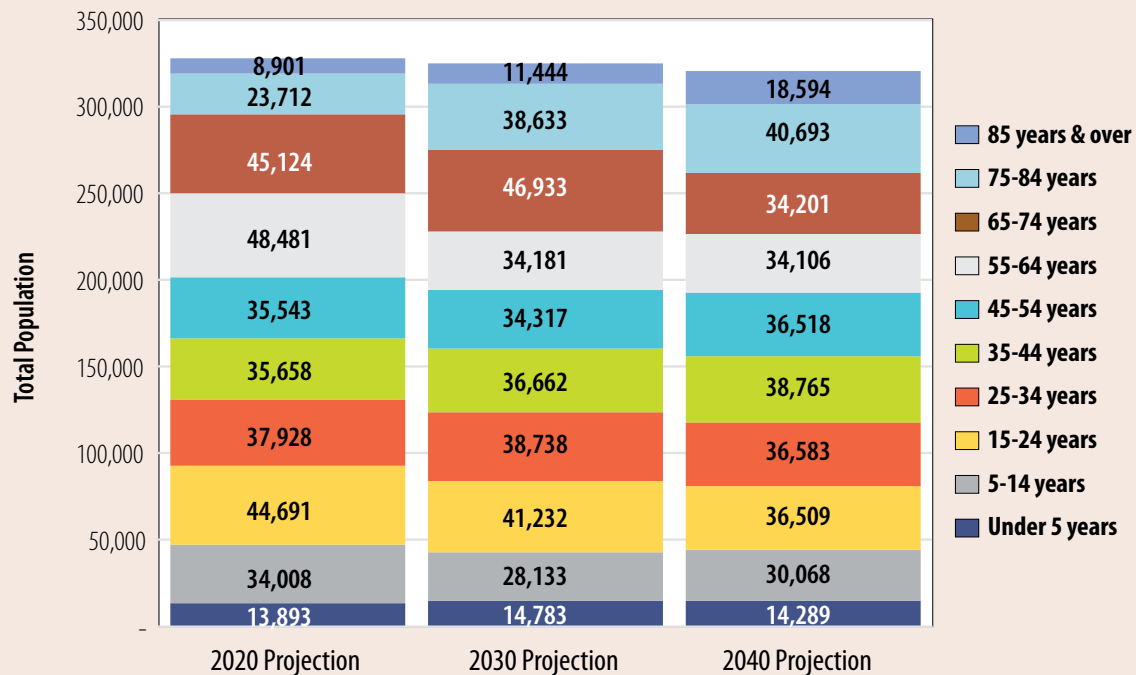
There are consequences of a declining and aging population on the economy, as evidenced by DEED's 2016 to 2026 employment projections. Overall, the Arrowhead region is projected to grow by 1.1 percent with an increase of 1,725 jobs by 2026,

the second lowest growth rate of Minnesota's six planning regions (Table 1). Northeast growth lags considerably behind projected statewide employment growth of 5.9 percent. Without population growth, it may be difficult to accommodate job growth, but some sectors are projected to do better than others.

On the plus side, an aging population will create stronger demand for health care services, and this sector is expected to

gain the most jobs in the area. Health care and social assistance is projected to grow by 10.7 percent with an increase of 3,525 jobs to reach a total of 36,322 jobs, constituting 22.4 percent of all employment in the region. Another large sector expected to gain jobs is Accommodation and Food Services, with an increase of 440 jobs by 2026. Professional and Technical Services is projected to increase by 13.3 percent with an increase of 579 jobs. Finally, as new ventures

Figure 4. Northeast Minnesota Population Projections by Age Group, 2020-2040



Source: Minnesota State Demographic Center

continue to move forward and the industry rebounds from its slowdown, Mining is expected to see high employment growth.

While 10 of the 20 industry sectors are projected to gain jobs, the other half are projected to decline, including some high employment industries. Retail trade is projected to lose 1,750

jobs by 2026, a nearly 10 percent decline in total employment. Manufacturing is expected to lose 748 jobs, and construction is projected to cut nearly 5 percent of its workforce with the loss of 312 jobs.

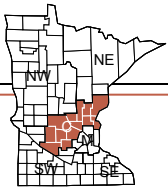
Employment projections show that some sectors will be hit hard due to economic factors and

demographic trends while some sectors are likely to experience growth. But this growth will only happen if Northeast can attract and retain residents. If not, the region's declining and aging population will stress the local economy and inhibit growth. **T**

Table 1. Industry Projections for Northeast Minnesota, 2016-2026

NAICS Code	Industry	Estimated Employment 2016	Projected Employment 2026	Percent Change 2016 - 2026	Numeric Change 2016 - 2026
0	Total, All Industries	160,337	162,062	+1.1%	+1,725
62	Health Care and Social Assistance	32,797	36,322	+10.7%	+3,525
54	Professional and Technical Services	4,365	4,944	+13.3%	+579
72	Accommodation and Food Services	14,654	15,094	+3.0%	+440
21	Mining	3,610	4,044	+12.0%	+434
81	Other Services, Ex. Public Admin.	6,845	7,093	+3.6%	+248
56	Administrative and Waste Services	3,602	3,776	+4.8%	+174
71	Arts, Entertainment, and Recreation	3,522	3,680	+4.5%	+158
52	Finance and Insurance	4,954	5,069	+2.3%	+115
53	Real Estate and Rental and Leasing	1,332	1,435	+7.7%	+103
61	Educational Services	12,988	13,044	+0.4%	+56
55	Management of Companies	828	821	-0.8%	-7
22	Utilities	1,489	1,440	-3.3%	-49
11	Agriculture, Forestry, Fishing and Hunting	1,875	1,694	-9.7%	-181
48	Transportation and Warehousing	4,727	4,528	-4.2%	-199
51	Information	1,589	1,343	-15.5%	-246
23	Construction	6,380	6,068	-4.9%	-312
42	Wholesale Trade	3,278	2,931	-10.6%	-347
92	Public Administration	14,724	14,358	-2.5%	-366
31	Manufacturing	8,473	7,725	-8.8%	-748
44	Retail Trade	17,625	15,875	-9.9%	-1,750

Source: DEED Employment Outlook 2016 to 2026



Central Minnesota Moves Toward Equilibrium

It's been a powerhouse of growth, but is a slowdown on the horizon?

The fastest growing region of the state since the turn of the century, Central Minnesota is now home to more than 715,000 people, making it the largest region outside of the Twin Cities metro area. The rapidly expanding population has provided for substantial labor force growth, including nearly 63,000 new workers since 2000. In spite of having the state's fastest labor force growth, organizations and human resource managers are now finding workers in scarce supply. The economy is showing few signs of slowing but continued growth depends on the ability of employers to fill open positions.

The story of baby boomers exiting the labor market is still being written, but few surprises are left. Projections have been predicting this demographic shift for decades. The net impact is a significant slowdown in labor force growth, with some unprecedented challenges in the near future. Since 2010, Central Minnesota's labor force saw net gains averaging just 1,605 new workers per year. Considering growth the previous two decades was over three times faster, it's

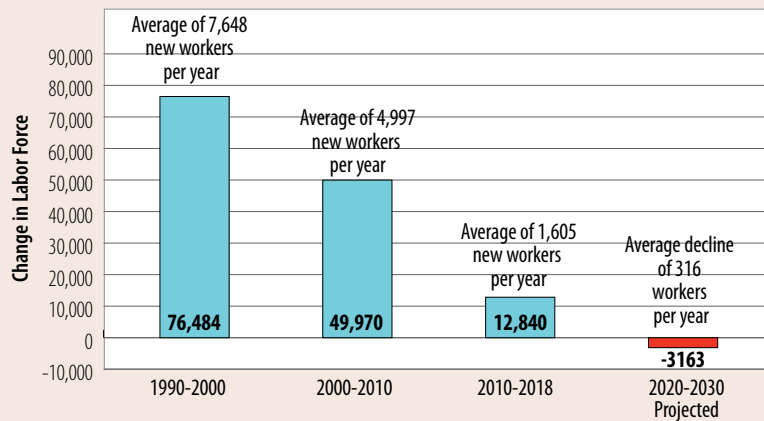
no wonder that employers are struggling to adjust (Figure 1).

In fact, Central Minnesota's labor force is expected to decline between 2020 and 2030, the first time in modern history. The most recent year's data signals the transition with a net increase of just 539 workers from 2017 to 2018, a 0.1 percent rise. Lackluster labor force growth is constraining employers' ability to expand and add jobs (Figure 2).

The relationship between Central Minnesota's employment and labor force is moving closer to equilibrium. Of course, the

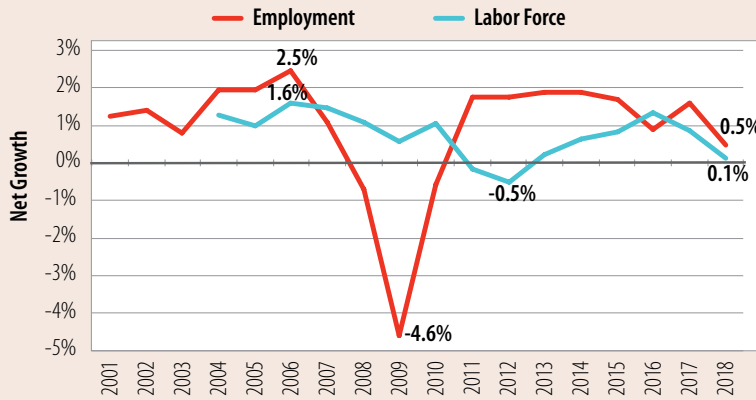
nuance is the "going rate" or wage offer – individuals will respond to changes in the going rate differently, and if there's room for employers to sweeten the pot considering how slowly wages have risen, more people may join the labor force. After adjusting for inflation, data shows that median wage offers for all job vacancies have only risen modestly, about three cents from 2017 to 2018, for example. At the bottom of the recession in 2009 the inflation-adjusted median wage offer dropped to \$7.72 in 2001 dollars, but has since risen to \$10.42 in 2001 dollars, the highest on record.

Figure 1. Labor Force Trends, Central Minnesota



Source: DEED, LAUS and Minnesota State Demographic Center

Figure 2. Labor Force and Employment Year-Over-Year Change, Central Minnesota



Source: DEED, QCEW and LAUS

Build It – They Will Come

Central Minnesota’s employment growth in the last five years has been faster than any other region outside of the Twin Cities. Construction – oftentimes a leading indicator of the economic condition of a region – is painting a rosy picture of the economy. From 2013 to 2018, construction employment has grown by an astounding 26.8 percent in the region, faster than any other region and significantly faster than statewide.

From 2013 to 2018, all but three industry sectors expanded their payrolls in the region, with the largest job additions in construction, health care and social assistance, and manufacturing. Substantial declines in arts, entertainment and recreation¹, utilities, and

administrative support/waste management contributed a combined loss of 2,504 jobs, but were more than offset by gains elsewhere for net growth of 17,428 jobs (Figure 3).

Winds of Change?

After consistently leading the state in growth, Central Minnesota’s economy grew just 0.5 percent in the most recent year, slightly slower than either the Twin Cities, Northeast or Southeast Minnesota. Manufacturing, retail trade and construction all enjoyed strong job gains, while accommodation and food services, information and professional and technical services all lost more than 100 jobs. Overall, nine of the 20 industry sectors lost jobs from 2017 to 2018. This is far from

a trend given the short time period, but it begs the question: Is there trouble on the horizon?

While employer sentiment and most data do not indicate any change in the current direction of the economy, Central Minnesota was not alone in experiencing declines in that period. A number of the same industries cut jobs across the state. Within regions, 11 of the 20 major sectors shed jobs in Northeast Minnesota, 12 in Northwest, five in the Twin Cities, nine in Southeast, and 14 in Southwest Minnesota. Still, only Northwest and Southwest Minnesota saw overall employment declines.

The distinguishing industries² in Table 1 provide a more detailed look at the specialization of Central Minnesota’s economy. Synergy within these industries often occurs in the training of labor, supply chain infrastructure and networks, as well as support industries that can benefit from a large concentration of similar types of businesses. The synergy that helps current businesses in these industries expand also attracts newcomers, looking to capitalize on previous work and partnerships.

Recent employment and projected trends are generally positive for the top ten distinguishing industries in

¹Casinos were reclassified from the entertainment industry to the accommodation and food industry during this period.

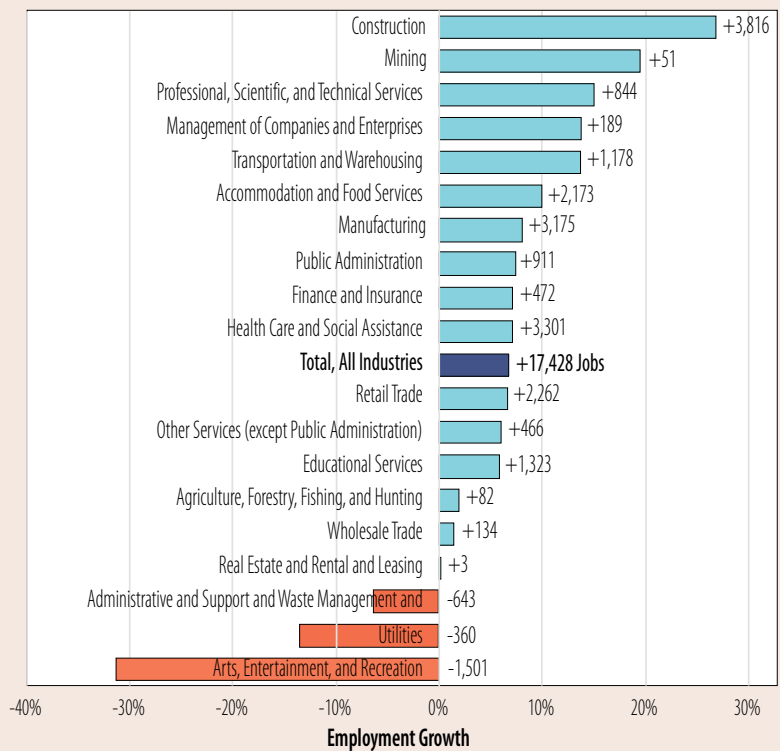
²Designated by a location quotient (LQ) above 1. LQs are a measure of how concentrated an industry is in a region compared to the state as a whole. An LQ of 1.0 means that the share of employment in a particular industry in a local economy is exactly the same as its share statewide. An LQ greater than 1.0 means the local share of employment in the industry exceeds the state share.

Central Minnesota, with only animal production expected to decline by 2026, likely a result of automation and increased efficiency. Common economic development strategies include boosting the number of jobs in high paying industries that are likely to continue growing, and half of the industries in Table 1 have median wages that top \$20 per hour.

Job Vacancies

The region averaged almost 15,000 job vacancies during the two survey periods in 2018, the largest number ever recorded. The low rate of unemployment coupled with the high number of vacancies means there was less than one unemployed person for each opening. In contrast, during 2009 there were 12.6 unemployed workers for every vacancy.

Figure 3. Employment Growth and Job Change in Central Minnesota, 2013-2018



Source: DEED, QCEW

Table 1. Central Minnesota Distinguishing Industries, 2018

Industry Title	Establishments	Employment	Location Quotient	Median Wage	Employment Change 2013-2018	Projected Change 2016-2026
Total, All Industries	17,920	276,231	1.0	\$17.53	6.7%	+17,428
Furniture and Related Product Manufacturing	103	2,759	3.0	\$20.63	13.4%	+326
Paper Manufacturing	10	2,195	2.6	\$25.27	7.1%	+145
Animal Production and Aquaculture	177	2,671	2.6	\$14.35	-2.1%	-56
Transportation Equipment Manufacturing	37	2,609	2.5	\$17.83	-0.2%	-04
Nonmetallic Mineral Product Manufacturing	80	2,238	2.3	\$20.43	0.4%	+08
Support Activities for Agriculture and Forestry	92	500	2.1	\$15.89	42.0%	+149
Heavy and Civil Engineering Construction	206	4,550	2.1	\$29.37	18.7%	+717
Gasoline Stations	347	4,718	1.9	\$11.48	30.0%	+1,088
Food Manufacturing	102	8,580	1.9	\$16.91	14.1%	+1,062
Beverage and Tobacco Product Manufacturing	20	500	1.9	\$20.94	27.0%	+149

*Median wage is the average of first two quarter median wages
Source: DEED, QCEW and QED

Aside from large numbers of openings, a telling translation of how openings impact the job market is the job vacancy rate. Job vacancy rates are the ratio of openings to current employment, so the overall job vacancy rate of 5 percent in the region means that roughly 5 percent of current jobs are unfilled. Job seekers are finding opportunity in a broad range of occupational categories: eight of the 22 occupational

categories have record job vacancy rates in 2018. The far right column in Table 2 indicates when job vacancy rates peaked. Rates rise when the growth of vacancies outpaces employment, another clear example of a tight labor market potentially constricting employment growth.

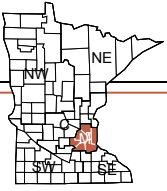
With employment growth increasingly linked to labor force growth, Central Minnesota’s

economy could be on track to slow down, or fall more closely in line with the rate of labor force growth. However, it’s unknown how many people on the sidelines would join the labor force if wages increase. What is certain is that workers matter – their compensation, attitude, and productivity is on the minds of employers who can’t afford to leave any stone unturned. **T**

Table 2. Central Minnesota Job Vacancy Trends

	2018 Job Vacancies				Job Vacancy Rate Trends 2002-2018	
	Vacancies	Median Wage Offer	Requiring Post-Secondary Education	Job Vacancy Rate	2002	2018
Total, All Occupations	14,888	\$14.08	27%	5%		
Management	225	\$31.97	64%	2%		
Business and Financial Operations	147	\$25.18	77%	2%		
Computer and Mathematical	244	\$26.56	86%	6%		
Architecture and Engineering	147	\$22.24	78%	3%		
Life, Physical, and Social Science	50	\$24.46	99%	3%		
Community and Social Service	229	\$19.58	68%	4%		
Legal	28	\$23.16	93%	3%		
Education, Training, and Library	640	\$18.61	89%	3%		
Arts, Design, Entertainment, Sports, and Media	115	\$16.19	40%	5%		
Healthcare Practitioners and Technical	776	\$25.03	92%	5%		
Healthcare Support	598	\$13.92	38%	6%		
Protective Service	139	\$12.25	24%	4%		
Food Preparation and Serving Related	2,366	\$11.02	5%	16%		
Building and Grounds Cleaning and Maintenance	702	\$12.34	4%	9%		
Personal Care and Service	1,160	\$11.74	19%	8%		
Sales and Related	2,069	\$12.32	2%	7%		
Office and Administrative Support	1,160	\$13.15	13%	3%		
Farming, Fishing, and Forestry	162	\$9.84	1%	35%		
Construction and Extraction	641	\$21.65	20%	5%		
Installation, Maintenance, and Repair	1,014	\$19.11	52%	9%		
Production	1,059	\$14.37	14%	3%		
Transportation and Material Moving	1,064	\$16.42	8%	5%		

*Job vacancy data is a weighted average of two periods
Source: DEED, JVS



Metro Continues to Grow

Keep an eye on population trends and labor force growth while addressing employment disparities.

The seven-county Twin Cities Metro Area is the most-populated and largest-employing region in Minnesota and the gap is growing. Recent population and employment growth outpaced the state’s. With this growth comes new opportunities as well as challenges, for employers and job seekers.

Looking at the Trends

As of 2018, just under 3.1 million people called the Twin Cities Metro Area their home. And since 2010, nearly 250,000 more people have moved into the region, growing 8.5 percent over the past eight years. The growth significantly outpaced

Minnesota and the United States, with growth rates of 5.7 percent and 5.8 percent, respectively. Hennepin and Ramsey counties together accounted for three-fifths of the Metro Area’s population growth during those eight years. Recent population estimates from the Metropolitan Council¹

Table 1. Metro Area Population and Employment Trends, 2010 – 2018

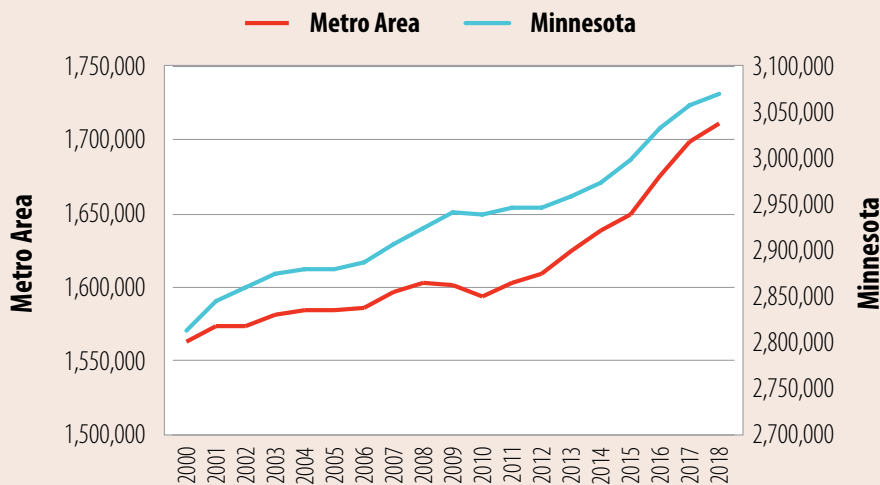
Geography	2018 Population	2010 – 2018 Population Change		2018 Number of Jobs	2010 – 2018 Employment Change	
		Numeric	Percent		Numeric	Percent
Anoka County	353,813	+22,377	+6.8%	125,509	+20,190	+19.2%
Carver County	103,551	+12,148	+13.3%	40,563	+8,861	+28.0%
Dakota County	425,423	+26,217	+6.6%	189,417	+20,549	+12.2%
Hennepin County	1,259,428	+105,236	+9.1%	928,667	+124,934	+15.5%
Ramsey County	550,210	+40,821	+8.0%	333,337	+17,804	+5.6%
Scott County	147,381	+16,870	+12.9%	53,933	+13,340	+32.9%
Washington County	259,201	+20,265	+8.5%	87,124	+15,832	+22.2%
Metro Area	3,099,007	+243,934	+8.5%	1,758,550	+221,509	+14.4%
Minnesota	5,611,179	+300,336	+5.7%	2,881,172	+317,781	+12.4%

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

¹Metro Area Growth Continues, Housing Challenges Remain, Metropolitan Council, 20 May 2019, metro council.org/News-Events/Communities/Newsletters/Preliminary-population-estimates-2018.aspx.



Figure 1. Metro Area Labor Force Trends, 2000-2018



Source: DEED Local Area Unemployment Statistics

highlight this with growth led by Minnesota’s most-populated cities, Minneapolis and St. Paul. Like the Council’s estimates, however, recent Census estimates show rapid population growth in Carver and Scott counties (Table 1). Blaine, Woodbury, Lakeville, Plymouth, Savage and Shakopee are growing rapidly.

Like in Minnesota and nationwide, the Twin Cities population is becoming older. The 2000 and 2017 Census Bureau estimates show that only those age cohorts 55 and older experienced faster growth than the overall population growth.

As the region’s total population ages, its labor force also ages, resulting in slower labor force growth. During the 1990s, the Metro Area’s labor force grew by an annual average rate of 1.5 percent. This slowed dramatically during the 2000s with the Great Recession, dipping to 0.2 percent average annual growth (Figure 1). While labor force growth has rebounded to 0.9 percent average annual growth in the 2010s, projections anticipate this growth will cool off again through the next decade, at an annual average 0.6 percent between 2020 and 2030.²

Industry Trends Up Close

After declining by 5.3 percent, equivalent to more than 85,600

²Labor force projections calculated from Minnesota State Demographic Center population projections and 2013-2017 American Community Survey 5-Year Estimates

jobs, the Twin Cities Metro Area’s total employment has continuously expanded since the end of the Great Recession in 2010. Specifically, the region has gained over 221,500 jobs in the past eight years, expanding by 14.4 percent. For reference, total state employment expanded by 12.4 percent, equivalent to just under 317,800 jobs. Where the Metro Area accounts for 61.0 percent of the state’s total employment, it has accounted for 69.7 percent of the state’s total employment *growth* since 2010.

Health Care and Social Assistance has led the charge in industry growth. Between 2010 and 2018, this industry sector gained over 58,500 jobs, growing by 27.0 percent. This was nearly twice as many jobs gained as the next industry, Professional, Scientific, and Technical Services, which gained just over 31,000 jobs during that time, up 32.0 percent. Coming in third, Construction added nearly 22,000 jobs, up 43.9 percent making Construction the region’s fastest-growing industry sector since 2010. Overall, 18 of 20 major industry sectors have gained employment since 2010 in the Metro Area, with only Information and Real Estate, Rental and Leasing dipping into the red. Growth trends have remained largely the same over the past five years as well, with Health Care and

Social Assistance, Professional, Scientific and Technical Services and Construction leading the pack between 2013 and 2018.

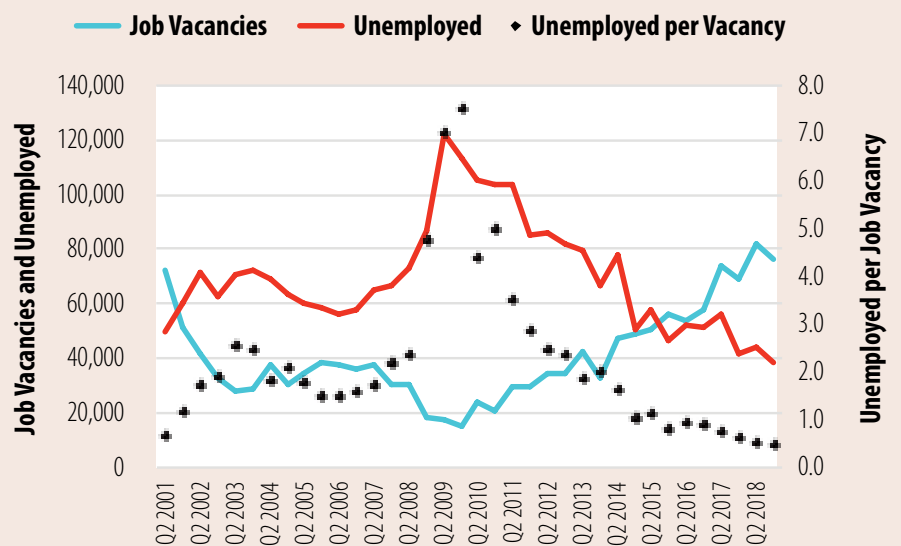
A Tight Labor Market

Despite population and labor force growth, the aging labor force, increasing retirements and continued need for workers is causing the Metro Area to experience an increasingly tight labor market. As of fourth quarter 2018, job vacancies in the Metro Area climbed to over 76,500. This represents the most fourth quarter vacancies

ever recorded in the history of DEED’s Job Vacancy Survey, and second only to second quarter 2018 results (Figure 2).

As of 2018, the unemployment rate in the Metro Area dipped down to 2.6 percent, the lowest annual rate since 1999. During fourth quarter 2018, this low unemployment represented approximately 38,200 persons. When taken together, there was less than one unemployed person (0.5 to be exact) for every job vacancy in the region. Metro Area employers are experiencing challenging labor shortages.

Figure 2. Metro Area Job Vacancies and Unemployment



Source: DEED, Job Vacancy Survey and Local Area Unemployment Statistics

Here are the most vacancies in the Metro Area, by industry level:

- Health Care and Social Assistance: 13,900 job vacancies
- Retail Trade: 11,800 job vacancies
- Accommodation and Food Services: 10,200 job vacancies
- Administrative and Support Services: 6,700 job vacancies
- Manufacturing: 6,000 job vacancies

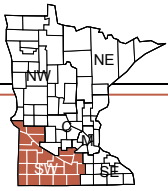
Between fourth quarters 2017 and 2018, vacancies increased the most in Administrative and Waste Services; Wholesale Trade; Finance and Insurance; Real Estate, Rental, and Leasing; Management of Companies; Manufacturing; and Transportation and Warehousing.

Analyzing the job vacancy rate is another way of determining labor market demand. This rate is an estimate of the percent of job vacancies relative to all filled jobs in an occupation or industry. Occupations in the

Metro Area with both a high job vacancy rate and a high number of total vacancies include: Fitness Trainers and Aerobics Instructors, Landscaping and Grounds-keeping Workers, First-Line Supervisors of Food Preparation and Serving Workers, Combined Food Preparation and Serving Workers, Nursing Assistants, School Bus Drivers, Retail Salespersons, Licensed Practical and Licensed Vocational Nurses, Childcare Workers, Janitors, Personal Care Aides, Applications Software Developers, and Machinists. While there are hundreds of specific occupations in demand in the Metro Area, this list goes to show the wide variety of opportunities available for job seekers, especially in terms of occupational field and educational requirements.

Keeping a close eye on population trends, labor force growth, industry statistics and occupational demand is more important than ever in the Metro Area's current economy. The labor market is strong, given population and industry expansion since 2010. Greater emphasis on the region's robust diversity, as well as reducing employment disparities, will be needed to meet the challenges of a tight labor market. **■**





Roller Coaster Labor Force Growth

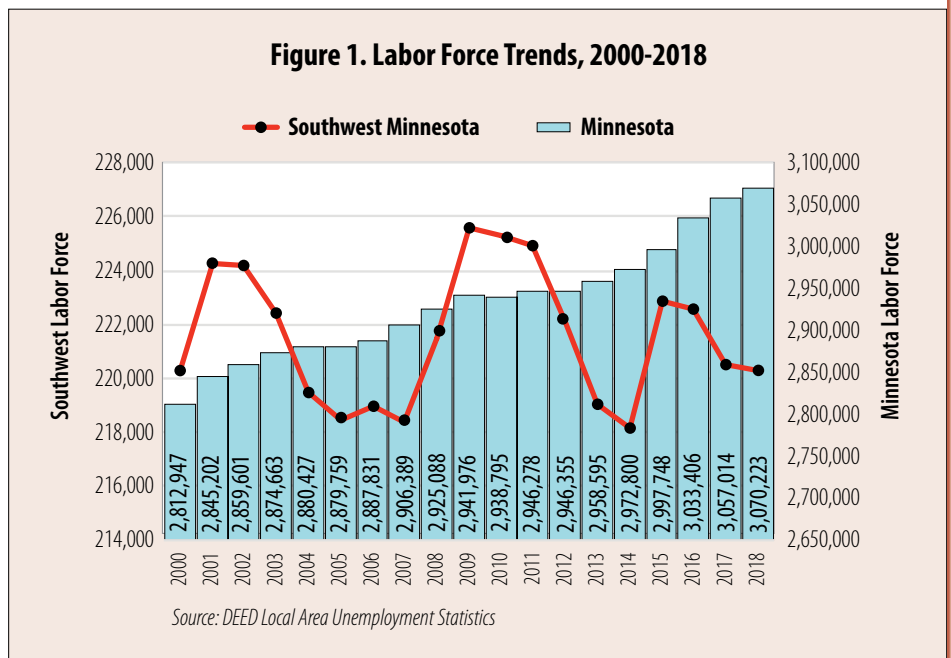
Creative hiring incentives counter regional reductions in the labor force and unemployment rate.

While Minnesota has enjoyed a steady increase in labor force participants year after year, the Southwest planning region has not been as fortunate, experiencing ebbs and flows since 2000. In fact, there have been three periods during this time in which the regional labor force saw dramatic decreases, including a drop of almost 6,000 available workers from 2001 to 2007. As the Great Recession set in, workers flooded back into the labor market, reaching a new peak of 225,616 workers in 2009.

As the economy began to recover, the region again saw declines from 2009 to 2014, losing over 7,450 participants, to a new low of 218,153 workers. Southwest then saw a one-year jump of more than 4,700 additional workers, followed by another series of losses over the next three years. At the end of the roller coaster ride, the net result was an increase of only 51 labor force participants between 2000 to 2018, but a decrease of almost 5,300 workers since the peak in 2009 (Figure 1).

The region's unemployment rate has seen somewhat similar ebbs and flows, also peaking in 2009 before seeing a fairly steady decline through 2018. Going back to 2000, the unemployment rate in Southwest has decreased by 0.3 percent, indicating a healthy economy and a tight labor market. Since its peak in 2009, the rate dropped from 6.9 to 3.1 percent (Figure 2).

These reductions in the labor force and unemployment rate have led to a troublesome reality in which the job seeker-per-vacancy ratio has dropped to 0.6-to-1. That means that for every 10 job openings, only six unemployed people were actively seeking work. As a result of this imbalance, many companies are struggling to fill their job vacancies, prompting some employers to adopt



hiring and retention incentives such as higher starting wages, hiring bonuses, educational reimbursement, or flexible scheduling.

Economic Recovery

Despite the labor market fluctuations, Southwest saw growth of over 4,100 jobs from 2009 to 2018, a 2.4 percent

jump. The largest numeric increases were in health care and social assistance, up 1,318; transportation and warehousing, up 1,210; and agriculture, forestry, fishing and hunting, up 1,052 jobs. The fastest growing industry sectors included agriculture, forestry, fishing and hunting, up 24.6 percent; transportation and warehousing, up 20.5 percent; and real estate,

rental and leasing, up 17.1 percent. Unfortunately, seven industry sectors lost jobs during this period, including over 500 jobs lost in accommodation and food services and almost 490 fewer jobs in management of companies and enterprises (Table 1).

Despite some peaks and valleys, the number of job vacancies

Table 1. Southwest Minnesota Industry Employment

Industry Sector	2009 to 2018				2018 Annual Average		
	2009 Jobs	2018 Jobs	Numeric Change in Jobs	Percent Change in Jobs	2018 Establishments	2018 Total Payroll	2018 Average Annual Wage
Total, All Industries	172,617	176,790	4,173	2.4%	12,308	\$7,382,049,343	\$41,704
Health Care and Social Assistance	29,987	31,305	1,318	4.4%	1,272	\$1,296,435,868	\$41,392
Manufacturing	31,293	31,135	-158	-0.5%	602	\$1,610,843,866	\$51,740
Retail Trade	19,848	19,877	29	0.1%	1,520	\$485,979,390	\$24,440
Educational Services	15,477	16,278	801	5.2%	240	\$682,060,526	\$42,224
Accommodation and Food Services	12,620	12,072	-548	-4.3%	868	\$165,352,210	\$13,676
Public Administration	9,805	10,036	231	2.4%	588	\$438,109,795	\$43,680
Construction	7,444	8,181	737	9.9%	1,530	\$431,286,361	\$52,416
Wholesale Trade	8,099	7,939	-160	-2.0%	651	\$466,179,322	\$58,656
Transportation and Warehousing	5,894	7,104	1,210	20.5%	750	\$271,467,603	\$38,168
Finance and Insurance	5,776	6,003	227	3.9%	720	\$369,941,791	\$61,620
Agriculture, Forestry, Fishing, and Hunting	4,274	5,326	1,052	24.6%	657	\$229,727,310	\$43,004
Other Services (except Public Administration)	5,078	4,919	-159	-3.1%	1,039	\$144,348,623	\$29,328
Professional, Scientific, and Technical Services	3,757	3,967	210	5.6%	605	\$226,850,812	\$57,200
Admin. and Support and Waste Mgmt. and Remediation	3,873	3,923	50	1.3%	383	\$135,429,701	\$34,476
Information	3,012	2,624	-388	-12.9%	214	\$127,538,523	\$48,620
Arts, Entertainment, and Recreation	1,946	1,963	17	0.9%	236	\$32,874,494	\$16,744
Real Estate and Rental and Leasing	1,221	1,430	209	17.1%	285	\$39,922,699	\$27,872
Management of Companies and Enterprises	1,894	1,408	-486	-25.7%	48	\$116,952,525	\$82,940
Utilities	1,008	960	-48	-4.8%	80	\$86,737,341	\$90,376
Mining	307	337	30	9.8%	25	\$24,010,583	\$72,228

Source: DEED Quarterly Census of Employment and Wages

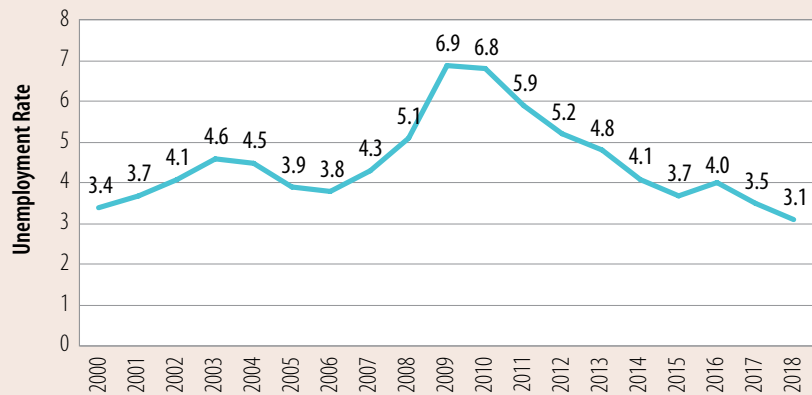
in the Southwest region has increased as well, jumping from just over 2,000 openings during 2009 to well over 10,000 vacancies in 2018, an increase of more than 400 percent. The largest number of vacancies ever reported in the region dating back to 2001, at 12,355 openings, occurred during the second quarter of 2018 (Figure 3).

Hiring Demand and Difficulties

Beyond flat population growth and low unemployment, certain characteristics of the region’s job vacancies may make it even more difficult for some employers to fill their jobs as well. For example, three of the five largest occupational groups in demand offer predominantly part-time jobs, and 40 percent of all openings are part-time. Many of these part-time openings do not offer benefits such as health care, and many offer low wages, resulting in compensation that is inadequate to meet the region’s basic cost-of-living.

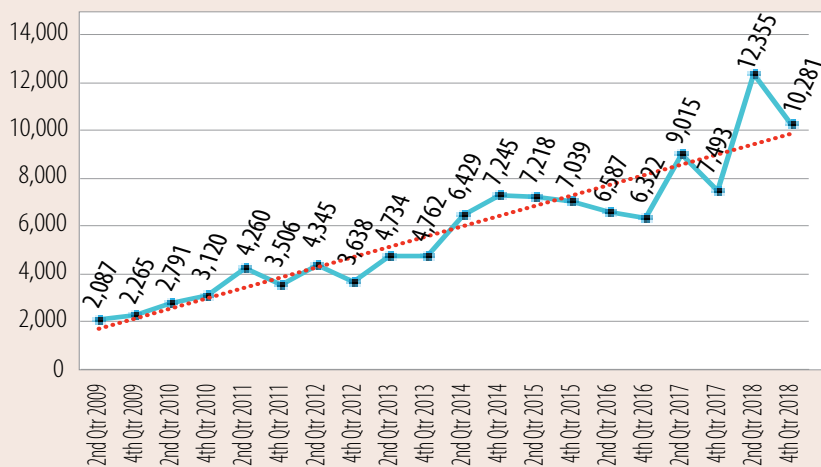
On the other end, a smaller group of vacancies are characterized by high education or experience requirements and higher wages. For example, 95 percent or more openings in education, training and library, health care practitioners, and management occupations require post-secondary education and

Figure 2. Southwest Minnesota Annual Unemployment Rate Trends, 2000-2018



Source: DEED Local Area Unemployment Statistics

Figure 3. Southwest Minnesota Job Vacancy Trends, 2009-2018



Source: DEED Job Vacancy Survey

95 percent or more vacancies in management and business and financial operations occupations require one or more years of experience (Table 2). Not surprisingly, the median wage offers for these openings are

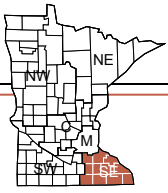
significantly higher than those that don't require education and experience. However, higher wages may not make these jobs easier to fill if qualified workers do not live in the area.

Fewer people are out there looking for work, meaning the combination of a low job seeker-per-vacancy ratio and some challenging job characteristics are making it more difficult for employers to fill their vacancies. **T**

Table 2. Southwest Minnesota Job Vacancies, 4th Qtr. 2018

Occupational Group	Number of Job Vacancies	Percent of Total Vacancies	Percent Part-Time	Percent Requiring Post-Secondary Education	Percent Requiring 1+ Years Experience	Median Wage Offer
Total, All Occupations	10,281	100.0%	40%	28%	30%	\$13.63
Personal Care and Service	1,326	12.9%	76%	6%	3%	\$11.98
Food Preparation and Serving Related	1,300	12.6%	59%	14%	14%	\$10.95
Production	996	9.7%	6%	9%	18%	\$14.00
Transportation and Material Moving	911	8.9%	28%	9%	61%	\$19.22
Protective Service	817	7.9%	99%	1%	2%	\$9.98
Healthcare Practitioners and Technical	790	7.7%	41%	96%	43%	\$22.70
Building/Grounds Cleaning and Maintenance	611	5.9%	14%	3%	7%	\$12.43
Sales and Related	608	5.9%	39%	42%	41%	\$13.73
Installation, Maintenance, and Repair	421	4.1%	4%	50%	75%	\$17.92
Office and Administrative Support	376	3.7%	30%	18%	47%	\$14.01
Construction and Extraction	323	3.1%	1%	13%	14%	\$16.52
Healthcare Support	296	2.9%	51%	24%	2%	\$12.76
Education, Training, and Library	281	2.7%	51%	98%	79%	\$14.28
Farming, Fishing, and Forestry	281	2.7%	50%	10%	5%	\$13.40
Life, Physical, and Social Science	227	2.2%	0%	36%	40%	\$14.92
Management	202	2.0%	0%	95%	99%	\$28.66
Business and Financial Operations	155	1.5%	3%	77%	96%	\$26.08
Architecture and Engineering	151	1.5%	2%	73%	79%	\$24.23
Community and Social Service	80	0.8%	20%	57%	81%	\$19.32
Computer and Mathematical	70	0.7%	23%	81%	76%	\$26.47
Arts, Design, Entertainment, Sports, and Media	19	0.2%	9%	90%	74%	\$18.48

Source: DEED Job Vacancy Survey



Hold Tight

Job seeker-per-vacancy ratio is the lowest it's been since the Job Vacancy Survey began – and unemployment is below 3.0 percent.

Like the rest of the state, Southeast Minnesota is squeezed by a tight labor market. After employers posted a record number of job vacancies in the fourth quarter of 2018, the region had almost three times as many open jobs as it had unemployed workers available to fill them. Employers reported 18,505 job vacancies in fourth quarter 2018 compared to just 6,537 unemployed workers. While it's nice to see so few

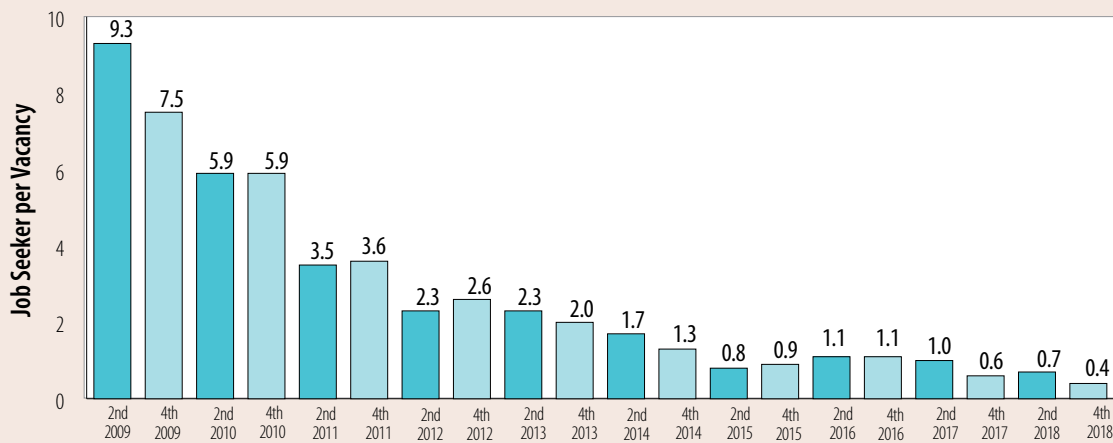
Southeast residents unemployed, many companies are struggling to fill their job openings (Figure 1).

The region's job seeker per vacancy ratio of 0.4 to 1 is not only the lowest of the six planning regions in the state, it is also the lowest Southeast has experienced since the Job Vacancy Survey began in 2001. While the region's labor force has grown by nearly 20,000

workers since 2001, the current estimate of about 283,500 total workers means the region's unemployment rate is now well below 3.0 percent.

For employers, it looks as if this problem will continue in upcoming years. According to Minnesota State Demographic Center projections, the region's labor force may see a decline of over 6,000 participants from 2020 to 2030. Much of the drop

Figure 1. Southeast Minnesota Job Seekers per Vacancy



Source: DEED Local Area Unemployment Statistics and Job Vacancy Survey

is due to an aging population, with the largest loss anticipated for workers between 55 and 64. In fact, this loss is larger than the total gains expected in all other age groups combined during this time period (Table 1).

Encouraging Economics

Save for drops during recessionary periods, the region has seen significant employment growth since 2000, with the number of jobs increasing by

18,910 between 2000 and 2018. Almost half of those jobs have been added in the past five years, with employment climbing 3.9 percent from 2013 to 2018. While not quite as fast as the state, the region's economy is expanding steadily (Figure 2).

Table 1. Southeast MN Labor Force Projections, 2020-2030

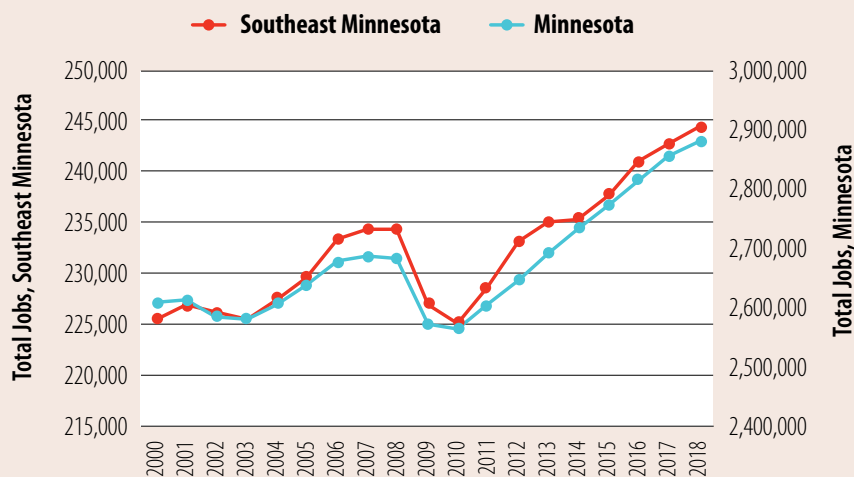
Age Group	2020 Labor Force	2030 Labor Force	2020-2030 Change in Labor Force	
16 to 19 years	17,145	15,434	-1,711	-10.0%
20 to 24 years	36,676	38,654	1,978	5.4%
25 to 44 years	99,819	102,497	2,678	2.7%
45 to 54 years	50,647	49,536	-1,111	-2.2%
55 to 64 years	53,253	40,644	-12,609	-23.7%
65 to 74 years	15,213	18,442	3,228	21.2%
75 years & over	2,898	4,199	1,300	44.9%
Total Labor Force	275,651	269,404	-6,247	-2.3%

Source: Minnesota State Demographic Center

Since 2013, the largest job gains were in health care and social assistance (+5,108 jobs), manufacturing (+1,864 jobs), and accommodation and food services (+1,446 jobs); while the fastest growth was in construction, which increased by 15.7 percent. In sum, 12 of the 20 main industry sectors saw employment growth from 2013 to 2018.

Unfortunately, eight industry sectors lost jobs over this time period, with the most notable cuts in administrative support and waste management services which includes temporary staffing agencies. However, some of these losses have turned into employment gains in industries that typically rely on personnel services, especially manufacturing. Other industries that suffered declines include retail trade, professional and technical services, wholesale trade, finance and insurance, and utilities (Table 2).

Figure 2. Southeast Minnesota Industry Employment



Source: DEED Quarterly Census of Employment and Wages

Hiring Demand and Difficulties

As noted, with just over 18,500 job vacancies, Southeast Minnesota currently has the highest number of openings ever reported, while the 6,500 unemployed workers was the lowest number on record since 2001, leading to unprecedented tightness in the labor market. This has had profound effects

on employers, as many are struggling to fill their open positions. Some have enhanced their desirability with increased wages, hiring bonuses, and flexible work schedules, and given stronger consideration to candidates who may have been overlooked, such as workers with disabilities, foreign-born immigrants, and individuals with criminal backgrounds.

Unfortunately, many of the occupational groups that have higher numbers of vacancies are also among the lowest-paying, creating a crunch on the job seeker side as well. The top three occupational groups with the highest numbers of vacancies all had a median wage offer below \$13.25 per hour, which falls about \$0.25 below the median hourly wage required for a

Table 2. Southeast Minnesota Industry Employment, 2018

NAICS Industry Title	2018 Annual Data				2013-2018	
	Number of Firms	Number of Jobs	Total Payroll (\$1,000s)	Average Annual Wage	Change in Jobs	Percent Change
Total, All Industries	12,552	244,297	\$12,771,391	\$52,278	+9,137	+3.9%
Health Care and Social Assistance	1,338	65,235	\$4,672,938	\$71,632	+5,108	+8.5%
Manufacturing	674	38,492	\$2,280,207	\$59,238	+1,864	+5.1%
Retail Trade	1,717	26,587	\$713,416	\$26,833	-539	-2.0%
Accommodation and Food Services	1,106	19,677	\$347,582	\$17,664	+1,446	+7.9%
Educational Services	261	19,651	\$897,476	\$45,671	+857	+4.6%
Public Administration	374	10,853	\$587,389	\$54,122	+625	+6.1%
Construction	1,453	9,525	\$542,206	\$56,924	+1,293	+15.7%
Admin. Support and Waste Mgmt. Services.	498	7,846	\$287,660	\$36,663	-1,567	-16.6%
Transportation and Warehousing	587	7,608	\$343,515	\$45,152	+285	+3.9%
Wholesale Trade	511	6,671	\$437,934	\$65,647	-177	-2.6%
Other Services	1,284	6,410	\$172,486	\$26,909	+40	+0.6%
Finance and Insurance	661	5,783	\$419,914	\$72,612	-173	-2.9%
Arts, Entertainment, and Recreation	244	4,010	\$99,711	\$24,866	+482	+13.7%
Professional and Technical Services	771	3,583	\$195,585	\$54,587	-290	-7.5%
Information	189	3,389	\$163,761	\$48,321	-54	-1.6%
Agriculture, Forestry, Fish and Hunting	392	3,080	\$104,443	\$33,910	+71	+2.4%
Management of Companies	51	2,941	\$288,555	\$98,114	+108	+3.8%
Real Estate and Rental and Leasing	378	1,462	\$48,205	\$32,972	-92	-5.9%
Utilities	46	1,347	\$160,461	\$119,125	-165	-10.9%
Mining	20	143	\$7,946	\$55,568	+17	+13.5%

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

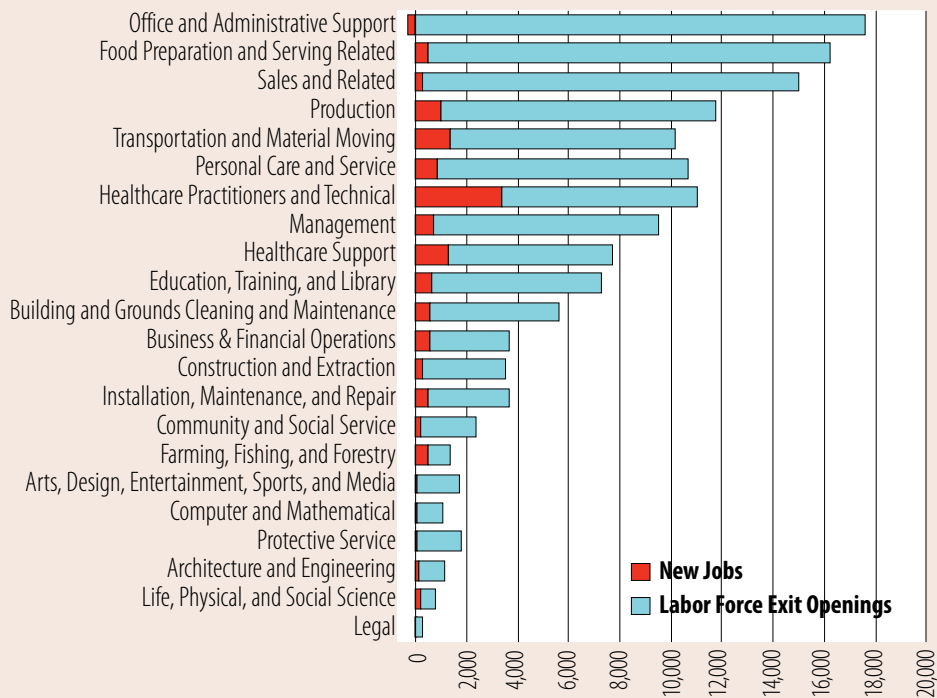
single person to meet the basic needs cost of living in Southeast Minnesota. Likewise, each parent in a typical household (two parents, one working full-time and one working part-time, with one child) would need to earn \$15.81 per hour to meet a basic needs cost of living, meaning over half of the vacancies don't pay enough for workers to meet that threshold. This wage imbalance is also placing a strain on the labor market.

And while the labor market feels tight now, according to DEED's

2016 to 2026 employment projections, the demand for workers is only going to increase in the future. The region is expected to see about 310,000 total openings through 2026 due to both job growth and labor force exits, primarily retirements. Among those occupational groups projected to see the highest number of total openings are office and administrative support, food preparation and serving related, and sales and related. These groups are also among the lowest paying occupational groups.

Not surprisingly, the largest numeric growth (new jobs) is projected to be for health care practitioners and technical occupations in which there are anticipated to be just over 3,350 new jobs. The largest number of openings due to labor force exits is expected to be among office and administrative support occupations. Employers will need to work hard to attract and retain workers to fill all these jobs. ■

Figure 3. Southeast Minnesota Employment Projections, 2016-2026



Source: DEED Employment Outlook 2016 to 2026

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MINNESOTA ECONOMIC TRENDS

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

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