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Labor Force Surging in Southwest

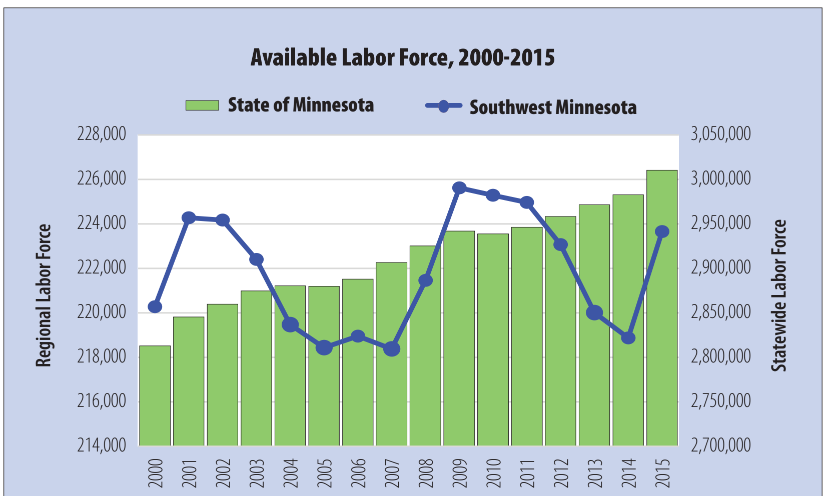
The 23-county region gained 4,800 workers in 2015, but the labor market remains tight.

Southwest Minnesota has experienced some substantial fluctuations in the size of the labor force over the last 15 years in response to changing economic conditions. During the recessions in both 2001 and 2007, workers – specifically mothers with children at home and minority workers – flooded into the region's labor market. But as the economy improved, the labor force shrank.

The region saw a steady decline of about 6,700 workers between 2009 and 2014, dropping the workforce back to pre-recession levels. Then Southwest's labor force saw an unexpected jump of 2.2 percent with the addition of almost 4,800 workers from 2014 to 2015.

The 23-county region is now home to almost 223,700 workers, about 2,000 below the peak recorded in 2009 and 3,400 above the regional labor force in 2000. This surge is even more notable because it occurred during a strong economy rather than in response to a recession (see Figure 1).

FIGURE 1



Source: DEED Local Area Unemployment Statistics, (LAUS) program

While the number of total workers and employed workers saw a big jump in the past year, the number of unemployed workers in Southwest Minnesota dropped to the lowest level reported since 2006, prior to the recession. The region is now home to just over 8,300 unemployed workers, yielding an unemployment rate of 3.7 percent in 2015. This has created a very tight labor market for employers who are seeking to fill jobs.

Hard-Work Ethic

With 68.5 percent of the population ages 16 and over in the labor force, Southwest Minnesota has slightly lower labor force participation rates than the state's 70.1 percent rate. Known for a strong work ethic, the region actually has higher labor force participation rates than the state in all but one age group, but the overall rate is lower because a higher percentage of Southwest Minnesota's labor force is in the older age groups (see Table 1).

Teenagers in the region are much more likely to be in the workforce compared with statewide, but they face challenges in finding work and are less likely than all other age groups to find a job. While the teenage unemployment rate has come down from much higher levels since the recession, labor force participation rates are also coming down as teenagers continue to fill their time with other activities. Entry-level workers from 20 to 24 years of age also have a notably higher unemployment rate than all older age groups, but the rate is half that of teenagers.

About 60 percent of the workforce in the region is between 25 and 54 years old, typically considered the "prime working years" both in terms of earnings and labor force participation. The region's concentration is about 5 percent lower than the state and suffered a decline over the past decade. Still, nearly 90 percent of the residents in these age groups actively participate in the labor force.

While the middle-aged workforce is shrinking, the region is seeing an increase in the number of workers ages 55 and over. Though labor force participation rates drop off quickly for workers as they reach the traditional retirement age of 65, they have been increasing over time. Even with the

TABLE 1

Southwest Minnesota Employment Characteristics, 2014

	Southwest Minnesota			Minnesota	
	In Labor Force	**Labor Force Participation Rate**	**Unemployment Rate**	**Labor Force Participation Rate**	**Unemployment Rate**
Total Labor Force	**215,393**	**68.5%**	**4.9%**	**70.1%**	**6.5%**
Employment Characteristics by Age Group					
16 to 19 years	12,765	56.2%	14.1%	51.1%	18.7%
20 to 24 years	23,716	81.2%	7.1%	81.8%	10.2%
25 to 44 years	80,057	89.2%	4.9%	88.1%	5.8%
45 to 54 years	47,075	88.3%	3.2%	87.3%	5.0%
55 to 64 years	39,814	77.1%	3.1%	71.8%	4.9%
65 to 74 years	9,755	30.0%	3.8%	26.6%	4.1%
75 years and over	2,216	6.3%	4.3%	5.9%	3.5%
Employment Characteristics by Race and Hispanic Origin					
White Alone	204,665	68.6%	4.6%	70.2%	5.6%
Black or African American	2,570	61.4%	17.9%	68.0%	16.4%
American Indian	951	53.9%	7.1%	59.4%	17.4%
Asian or Other Pacific Islanders	3,258	70.5%	4.6%	70.6%	7.2%
Some Other Race	2,347	75.1%	13.2%	76.2%	11.0%
Two or More Races	1,595	63.7%	8.8%	69.5%	13.2%
Hispanic or Latino	10,092	72.7%	12.7%	75.0%	10.1%
Employment Characteristics by Disability					
With Any Disability	10,697	58.1%	10.5%	51.0%	14.0%

Source: 2010-2014 American Community Survey, 5-Year Estimates increases, though, just 30 percent of people in the region from 65 to 74 years of age are in the labor force, and only about 6 percent of residents over 75 years are still working, though that was slightly higher than the rest of the state.

Diverse Cities

In contrast, the region has lower participation rates than the state for every racial group, with significant gaps for blacks, American Indians and people of two or more races.

Southwest Minnesota is seeing rapid population growth in other racial groups over time, particularly in the largest cities like Mankato, Marshall and Worthington. Smaller, more rural counties are also seeing increases in racial diversity, but many still have at least 95 percent of the population reporting white alone as their race. Workers of other races provide an opportunity for population and labor force growth in the future.

Like the state, the region also has large unemployment rate disparities for minority groups, with the exception of Asians. The unemployment rate for black workers in the region is more than three times the rate for white workers, and rates are over twice as high for workers of "some other race" and for Hispanic workers.

TABLE 2

Southwest Minnesota Labor Force Projections, 2015-2025

	2015 Labor Force	2025 Labor Force Projection	2015-2025 Change	
			Numeric	Percent
16 to 19 years	14,643	14,214	-429	-2.9%
20 to 24 years	23,978	26,332	+2,355	+9.8%
25 to 44 years	78,168	81,581	+3,413	+4.4%
45 to 54 years	44,956	36,918	-8,038	-17.9%
55 to 64 years	42,243	38,605	-3,638	-8.6%
65 to 74 years	11,130	16,078	+4,948	+44.5%
75 years and over	2,425	3,064	+639	+26.3%
Total Labor Force	**217,542**	**216,791**	**-751**	**-0.3%**

Source: Minnesota State Demographic Center

Raising participation rates for blacks, American Indians and people of two or more races in line with whites would add nearly 700 workers to the regional economy. Moreover, lowering unemployment rates for all other race groups in line with the white rate could help fill another 1,445 jobs.

Applying current labor force participation rates to future population projections from the Minnesota State Demographic Center creates labor force projections for the region over the next decade. These show a small drop in workforce numbers (see Table 2).

Late Bloomers

In addition to the overall decline, the labor force will also continue to age over time, with large gains in the number of workers ages 65 and over against huge declines in the number of workers ages 45 to 64 years.

The region, however, is still expected to see gains in the number of entry-level workers and 25 to 44 year olds. Continuing the recent trend, the 25- to 54-year-old age group is expected to make up just 55 percent of the total workforce by 2025. Employers will need to respond to changing labor force availability in the region with new methods of retaining and recruiting workers.

Certain industries will be more affected by the shift to older workers than others. Across all industries, the number of jobs held by workers ages 55 and over jumped by almost 50 percent in the region over the past decade, from 30,517 workers in 2005 to 44,778 workers in 2015.

Across the region, workers over 55 now hold about one-quarter of total jobs, up from 18 percent a decade ago. The industries with the highest shares of older workers include transportation and warehousing, real estate, rental and leasing, educational services, and finance and insurance. Meanwhile, the health care and social assistance, manufacturing, and educational services industries will have the most replacement needs in the next decade (see Table 3).

TABLE 3

Southwest Minnesota Workforce by Industry, Second Quarter 2015

	Total Workers	Jobs Held by Workers 55 Years and Over	
	Number	Number	Percent
Total, All Industries	**177,026**	**44,778**	**25.3%**
Health Care and Social Assistance	29,336	7,499	25.6%
Manufacturing	31,487	7,457	23.7%
Educational Services	18,837	6,128	32.5%
Retail Trade	20,165	4,805	23.8%
Public Administration	9,140	2,664	29.1%
Wholesale Trade	8,475	2,439	28.8%
Transportation and Warehousing	5,209	2,158	41.4%
Finance and Insurance	6,285	1,898	30.2%
Construction	7,834	1,576	20.1%
Accommodation and Food Services	12,686	1,493	11.8%
Other Services	5,295	1,408	26.6%
Professional and Technical Services	4,393	1,090	24.8%
Agriculture	5,238	1,019	19.5%
Admin. Support and Waste Mgmt.	3,805	835	21.9%
Information	2,898	720	24.8%
Real Estate, Rental and Leasing	1,242	447	36.0%
Management of Companies	1,804	427	23.7%
Arts, Entertainment and Recreation	1,679	400	23.8%
Utilities	833	224	26.9%
Mining	373	80	21.4%

Source: DEED Quarterly Workforce Indicators (QWI) program