2001 Labor Force Assessment
Northeast Minnesota

SUMMARY
Including Preface and Executive Summaries for the 2001 Household and Firm Surveys

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- Iron Range Resources and Rehabilitation Board
- Minnesota Department of Economic Security
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- Minnesota Power
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- Team Duluth
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- UMD SBE Bureau of Business and Economic Research
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Preface

This report summarizes two separate surveys, one of firms and the other of households, administered in Northeast Minnesota during the 2001 calendar year. Each contains an executive summary and a complete listing of the results. This preface summarizes some of the more important findings, reveals surprises we found in the data, and suggests ways in which these data might be used for economic development purposes.

Some Significant Findings:

Both surveys were conducted so that two sub-regions could be delineated.

- The first of these was termed the Twin Ports Region, consisting of Duluth, Minnesota and Douglas County, Wisconsin. While this report is written for Minnesota, the Twin Ports constitutes a single labor market. Therefore, to ignore Douglas County would result in a distortion of some of the findings.

- The second region consists of the Iron Range. This region is made up of northern St. Louis County, all other counties in planning region three, with the addition of Crow Wing County.

When both the firm and the household data were organized into these two regional definitions, in most cases, statistical differences between the two regions were generally found to be insignificant when comparing firms with firms and households with households. From a labor market point of view, the two regions can most productively be considered as one.

The vast majority of regional firms were small (less than 20 employees). This result is true for both the Twin Ports and the Range.

There were a significant number of households reporting relatively high level skills. Firms, however, were generally looking for lower skills than were available in the region.

There are three generally recognized types of underemployment:

- Individuals working fewer hours than they would prefer,

- Individuals working in jobs that require less than the individual’s level of expertise or skills, and

- Individuals working within their skill for a wage below that generally paid to this particular skill.

The survey found significant under-employment in the first two categories. The Minnesota Department of Economic Security wage and salary surveys points to significant underemployment in the third category as well.

There are strong indications of a positive work ethic in the region and a strong willingness to upgrade skills to meet potential future skill requirements even if the training/education has to be paid out of the individual’s own pocket.
There are a significant number of people that are unemployed that would like to be employed or start a business of their own. Many of these have self-reported skills and skill-based certificates or licenses. Further, many are retired individuals who would like to work part or full-time.

Individuals looking for either a job or interested in finding a job that better utilizes their skills are willing to commute significant distances to their place of work.

**Some Surprises**

It is not uncommon for a surveyor to anticipate responses to particular questions. Surprises come when the reality of the response does not agree with the anticipated results. There are three areas where these surprises were found within this survey.

It seems that regional households are better prepared for future labor markets than are the firms. While households are heavily involved in training and education, even at their own expense, firms appear to provide a minimum of training for future work requirements. Households report several specific computer skills that are either taken for granted by firms or the firms have confidence that the employees can handle these skills. While the households report a large number of certificates and skills, firms appear to be looking for lower skilled individuals. These differences might be attributed to the disproportionate number of smaller firms that characterize the region.

Regional firms employing less than 20 individuals appear to be using the regional universities for support and advice. As an example, the University of Minnesota Duluth’s Center for Economic Development is one entity that is utilized by regional firms.

It is often said that Northeast Minnesota is heavily unionized and that these unions tend to be particularly aggressive. The household survey finds that union membership is relatively low (20% of the workers). Unionized firms generally report that their relations with the union are satisfactory and that unions often work with, rather than against, the firm’s interests.

**Usefulness to Developers**

Available workforce has emerged as a major determinant of firm location. While firms used to accept local developer’s estimates of labor availability, work ethic, and level of training, they now require evidence. The most important contribution surveys like this one can make is to provide the information firms require.

Evidence of underemployment (a hidden labor force), individuals outside the official definition of labor force that are available under the right conditions (such as retired individuals or individuals willing to but not seeking work), the importance of small business to the region, the number of workers belonging to an union, indications of the relationships between unions and firms, evidence of a strong, regional work ethic, lists of skills and certificates, and many other components of the data in this survey provide the information prospective firms can use in making their location decisions.

This is the fourth in a yearly series of surveys of this type. Two of the previous survey users, the Iron Range Resources and Rehabilitation Board and the County of St. Louis have expressed satisfaction with the usefulness of the data for informing firms of our labor force advantages. Members of the School of Business and Economics, Bureau of Business and Economic Research team have made presentations to prospective firms for the City of Duluth. A regularly updated
Web site has been utilized by firms interested in the region as well as by individuals responsible for the economic development of the region.

Carefully constructed surveys and resulting data represent another element in the firm location package. From many perspectives, data is power. Those regions with useful information on the local economy are a step ahead of regions that continue to provide information on a, “Take my word for it” basis.

**Household Survey Executive Summary**

The Bureau of Business and Economic Research conducted its fourth telephone survey of a stratified random sample of a random adult in 1453 Northeastern Minnesota households to determine work skills, potential under-employment and work preferences of the workforce aged 16 and over. Interviews were conducted by the Minnesota Center for Survey Research (MCSR) between July 2nd and September 27th, 2001 using a revised and expanded survey schedule. A cooperation rate of 61% was achieved. Since the survey was conducted during a period of economic downturn, including a terrorist attack in New York, readers are encouraged to keep the historic context in mind in interpreting these findings. Statistical findings are reported in nine tables with appendices providing some specific job and skill detail.

Following the preferences of match funders, this report compares the Range and Port Cities, although there are more similarities than differences between these two regions. Overall, 36% of respondents were not currently employed (Range 40%, Port Cities 29%) and 70% of these were retired. Some 11% of the non-working, retired would like part-time work and 3% would like full-time work. A third of the not retired, unemployed would like part-time work and 40% would like full-time work. About 8% were attempting to start a new business. When asked about work skills, not working respondents listed an average of 1.9 skills, although 56% felt it would be somewhat or very difficult to find such a job in the area. These potential workers prefer, on average, to work 33 hours per week and 43 weeks during the year. The lowest starting wage they would consider was $10.00 per hour although the majority would be willing to forgo some other benefits to start work.

Overall, 64% were currently employed at an average of 1.2 jobs with 1.2 different employers including, for 16%, being self-employed. They worked an average of 40 hours per week at these jobs and 70% were paid more than $10.00 per hour; a majority had medical, life, retirement and vacation benefits. Most were satisfied with their work situation but 36% wanted to change how much they worked. Two thirds of these would like to work fewer hours at their current jobs but 24% wanted to work more hours, and 8% were looking for additional full or part-time jobs. About 16% had quit a job in the past year, and 14% planned to quit some current job within the next year.

The currently employed were asked about under use of their skills. About a third said that their jobs did not use all of their skills and they listed, on average, 1.3 unused work skills. Three quarters of these felt that it would be difficult to find a job using their skills in the region. Over sixty percent would be willing to change employment if a job using more of their skills became available. On average the starting wage they would require would be $12.40 per hour and a quarter would be willing to drive over 30 miles one way to such a job. With the possible exception of paid vacations, a majority would accept a job using more of their skills, even if it did not include other job benefits.
Over half of working or job-seeking respondents would prefer work in the Port Cities area (91% of those living in the Port Cities and 36% of those on the Range). About 45% prefer another area in Northeast Minnesota (54% of those living on the Range and 29% of those living in the Port Cities). Only 14% of these respondents would take a suitable job in the Twin Cities but 24% would take a job outside Minnesota. Of those who would prefer a job in Northeast Minnesota, some 70% would take a suitable job even if it meant a lower wage than they could command elsewhere. About 7% plan to leave Northeast Minnesota in the next year. Almost half (46%) of respondents would like to telecommute from home.

Over half of all respondents had some job-related certificate, license or degree (1.7 on average). A fifth of the respondents were currently taking courses or training programs (about a quarter at work, a quarter reimbursed for other training, and 39% paying for the training themselves). Respondents were asked about their interest in a list of 9 skills. In general, there was most interest in finding information on the Internet and least interest in repair, machine process control programming and sales. About 19% would like to learn software development and programming skills, 16% felt they could do Internet searching with some updating of their skill, 40% indicate they need no training to use Internet search skills in a job. When asked about 6 more technical knowledge areas, 63% felt very or somewhat skilled at figuring out technical problems, 57% were similarly skilled in algebra, 48% in some physical science area (e.g. biology, physics), 35% in managing technical work teams, 27% in some computer programming language, and 17% in calculus. A measure of work ethic attitudes again suggests a substantial work ethic among Northeast Minnesota respondents.

**Firm Survey Executive Summary**

The 2001 telephone survey of Northeast Minnesota firms was conducted during October and November 2001. Historic events such as the market downturn and the September 11th terrorist attack on New York’s Trade Center should be kept in mind as a context for these data. The random sample of firms was stratified by firm size and county, including the Port Cities. The three size strata (0-19, 20-99, 100+) were dictated by the way the available list of firms was aggregated. A knowledgeable official (usually the owner) was interviewed. The final sample of 298 firms had a response rate of 79%. Data are weighted to be representative of all firms of record in the region. The report provides comparisons by firm size and also by Port Cities and the Range.

Average firm size is 8.6 employees for small firms, 35.5 for medium sized firms and 204 for large firms. They reported having, respectively, 2.7, 17.6 and 54.1 job openings in the past year. Firms were asked the number of employees they expected to hire in the following year for two jobs that were most critical to their business. Small firms expect to hire 2 such employees, medium firms 13 and large firms 29. Eighty percent expect critical-job employees to be readily available or available with some effort. Critical jobs are listed in Appendix B. However, one quarter (28%) of respondents have concerns about the availability of a suitable labor force in 2-3 years, higher for larger firms (70%) than for small firms (24%).

On average 17% of employees are union members (15.5% for small firms to 45.8% for large firms). Some 93.6% of firms with union members report that the union-management relationship is satisfactory to highly successful. Only about 5% of these firms say they have a combative relationship.
Firms were asked about expected change in their use of employees in nine standard job categories and these data provide a rich insight into expected hiring patterns. Most companies expected no change. A larger percent of large firms expect to use fewer employees. Over 10% of large firms expect to use fewer handlers, executives, professionals, clerical, and service employees. A higher percentage of medium sized firms expect to use more employees in each category except sales and service occupations where a greater percentage of larger firms expect to use more and handlers where a larger percent of small firms expect to use more.

A series of questions dealt with the firm’s use of the internet and its expected impact. Overall, firms report that about 8% of their communication with customers is by e-mail, higher for larger firms (24.6%) than for small firms (7.5%). Three quarters of medium sized firms, two-thirds of large firms, and half of small firms expect the internet to have an impact on their business in the next 2-3 years. Impacts are seen as potentially positive except for a concern that it will increase competition. Most (80%) feel their current labor force is equipped to handle internet developments.

A quarter of all firms in the region export products or services outside the region (23% of small firms, 41% for medium and 51% of large firms). About 70% of firms had business relationships with firms in the Twin Cities but only 10% (8.7% for small firms and 20.8% for large firms) with firms in two cities in Canada (Thunder Bay and Winnipeg). About 28% had a business relationship with a medical firm in the region, 9% with aviation firms in the region and 14% with various units within the University of Minnesota Duluth. In most cases, only slight changes were expected in these categories of business relationships.

Finally, about 70% of firms felt that the business climate for their firm in the region was good or excellent (21.9% felt it was “fair” and 7.8% felt it was poor or very poor for them). A third said the business climate had improved in the last 2-3 years, a 20.4% felt it had declined and 44.7% felt there had been little or no change. Comments about declines pointed to things related to the general economy.

Comparisons of Range and Port City firms on survey items show relatively few statistically significant differences. There was some difference in expectations for use of professional, executive, clerical and service occupations (Port Cities generally expect to use more). Range firms, on average, used e-mail more (9.4% vs. 5.5%) and expect the internet to have an impact on their business in the next 2-3 years (59.9% vs. 37.1% for Port Cities firms). Range firms were more likely than Port Cities firms to feel both that employees for critical jobs were readily available and probably not available. Port Cities firms were more likely than Range firms to have business relationships with firms in Canada, the Twin Cities and regional medical firms. Range firms were more likely to have relationships with regional aviation firms or units of UMD. Range and Port Cities firms did not differ significantly in their assessment of the business climate.