

# Troubling Jobs Numbers

Cover Story

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Big loss  
in construction,  
manufacturing,  
service jobs  
hurt locally



Mankato City Manager  
Pat Hentges.

Hentges, like other area officials, does not believe the slight gain in employment by other regional centers and a loss in this area is a sign of fundamental economic weakness here. In fact, they say the region's diverse economic base puts it in a better position than many other areas of the state.

The difference in job trends here, they say, is due to a few factors, including a lag in layoffs.

"I think if you go back two years, compared to the other (regional centers) we had a lower unemployment rate and sustained pretty well and didn't have the job loss comparative to other," Hentges said.

"(The jobs data) was better than other (regional centers) except for about six months ago where they started gaining and we started losing." And while a spring rebound in the economy in Minnesota and the U.S. has given way to a renewed round of economic slowdown and concern, Zierdt said there are some hopeful signs locally.

"Anecdotally, there seems to be more employment ads in the paper, and in my conversations with business owners, there are jobs they're filling and adding. There is expansion going on in some areas, but it depends on what the business is and where

they were two years ago and how the past two years affected them."

#### Construction worrisome

One of the hardest hit areas locally has been in construction and manufacturing.

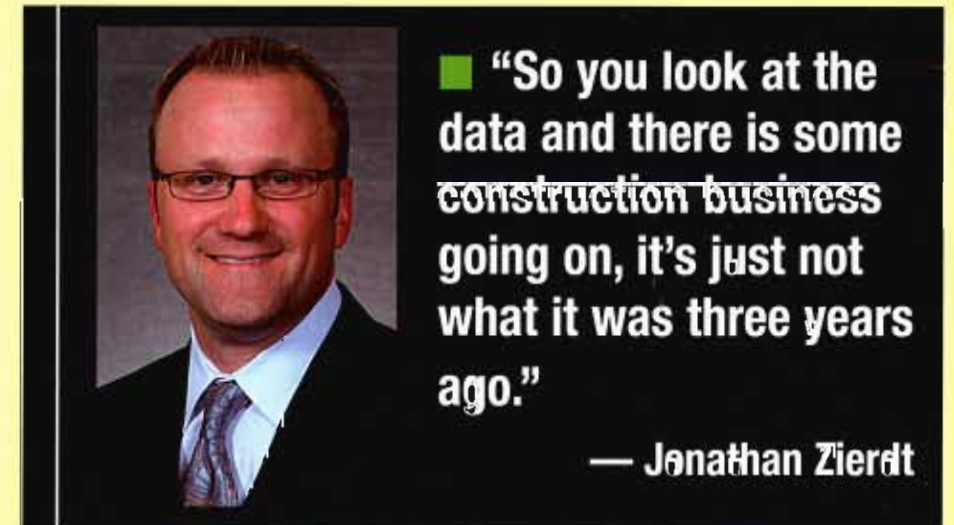
The news coming from state employment reports hasn't been good for the Mankato-North Mankato region.

For months, local economic and civic leaders have had to hear the same news with each monthly data release from the Department of Employment and Economic Development: While St. Cloud, Rochester and other regional centers were slowly adding jobs, the Mankato region was losing jobs compared to the previous 12-month period.

But local leaders are taking hope from signs of recent improvements. "The data is not inaccurate when you look at our year-over-year numbers," said Jonathan Zierdt, president and CEO of Greater Mankato Growth. "But I'm more interested in looking at trend numbers in recent months."

For the Mankato-North Mankato Metropolitan Statistical Area (all of Blue Earth and Nicollet counties), there have been small signs of rebound. From February to June 2009, the number of jobs fell 2 percent. But from February to June of this year, jobs rose 0.6 percent.

Mankato City Manager Pat



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■ **"I'm not real optimistic we're going to get jobs back unless the manufacturing and service industries recover;"** — Pat Hentges

"It appears our biggest losses were in construction sectors. We lost our construction in September and we haven't recovered. The construction side is a real concern," Hentges said.

Casey McCabe, economic development specialist with the city, said when it comes to construction, "There's nothing major in the works."

There are a couple of CVS pharmacies coming, some renovations of existing office buildings and the new Marigold site office/residential building in North Mankato, but few of the major projects that bring a lot of the construction workers back in the ranks of the employed.

"My personal feeling is we're moving ahead in the right direction. There's not major construction, but there is quite a bit of infill activity," McCabe said.

One indication of the lack of new construction is shown in the city's property-tax base.

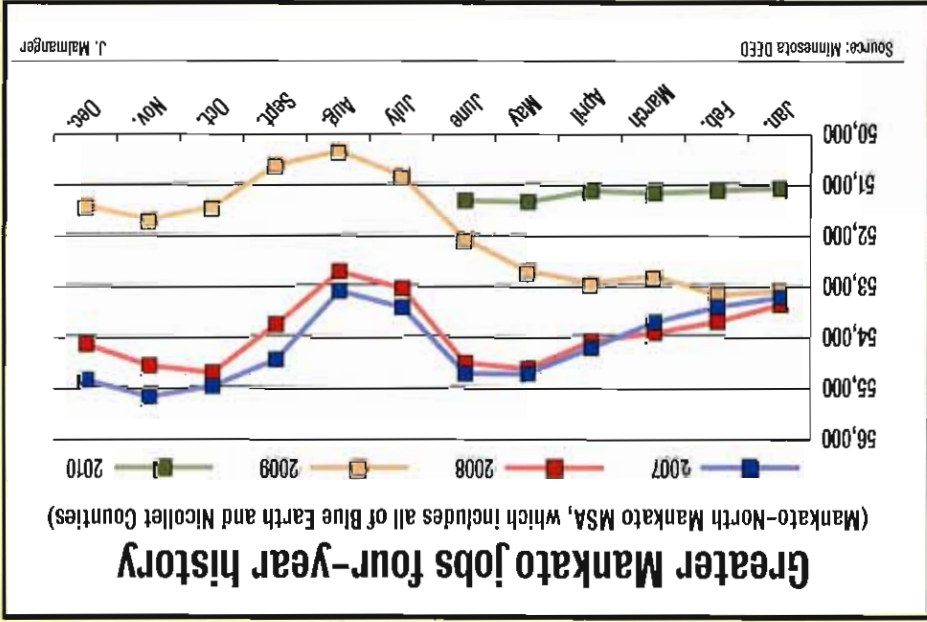
"We've gained tax base every year, forever," Hentges said. "But next year it will likely be down 5 percent. That's compared to going up double digit numbers in most years." He said the 5 percent decline predicted next year is about what's expected in most parts of the state.

Zierdt admits the lack of new house construction and major developments hurts, but said there are numerous smaller projects that do add up.

GMG is beginning to post a Pipeline Report on its website, listing projects that have been completed in the previous 12 months and listing future projects that can be publicly announced.

"In gathering that data, we found there are 60 or 70 different projects totaling \$30 million that have been done."

That doesn't include one major project that is getting under way — the \$30 million construction of the ISJ Emergency Department and related work.



"So you look at that data and there is some construction business going on, it's just not what it was three years ago," Zierdt said.

Zierdt said the Pipeline Report is helpful not only for locals to keep tabs on what's happening but for other interested parties as well. "There are companies all over that look for information like that. They see there is development taking place and that influences their decisions (on where to locate)."

#### Manufacturing/service hit

Another hard hit area when it comes to unemployment figures in the region is in manufacturing. While exact numbers haven't been provided by North Mankato-based Taylor Corp., the large printing operation has had waves of layoffs beginning at least two years ago.

"We lost a lot of manufacturing and I think Taylor Corp. had to have an effect. But we're starting to see a little of that come back," Hentges said.

Hentges said the region also suffered significant losses in the service sector, even in the more recession-proof health care sector, where service jobs were reduced.

"I'm not real optimistic we're going to get jobs back unless the manufacturing and service industries recover."

#### Public jobs

Hentges said he's also worried about the future of public sector jobs — which generally have better than average pay and benefits. "Right now we're down 25 percent, which is 10 percent of our workforce." Those numbers are from attrition, not layoffs.

But he expects layoffs are likely next year as a whopping state budget deficit and other economic pressures reduce the city's budget. "The city and MSU have lost jobs and the county is not filling

#### Some good news

While there's no way to paint a happy face on the near-term job outlook or economic performance of the region, state or nation, Hentges and Zierdt say the Mankato region is at least better poised than most as recovery inches along.

"I'm very bullish on the economy we have here because of the diversity," Zierdt said.

He noted that Rochester has about half its economy in health care and some 25 percent in technology manufacturing. Such large segments of the economy in a few areas can cause major problems if one sector is hit hard.

"In our area, health care is 16 or 17 percent and manufacturing is 16 percent, education 12 percent and all the rest," Zierdt said. "Even in our manufacturing we're very diverse — ag, heavy equipment tech."

Hentges said local sales tax collections are also a sign that the local economy is hanging in there as best as can be expected.

"The sales tax collections in the first year of the recession were above the year before overall, although there was a de-

cline at the end of (2008). Last year they were about on par (with 2008). This year it's pretty steady, but we're starting to see some slippage again," Hentges said.

"So there hasn't been a dramatic decline there," MV

Construction on an office/residential building on the former Marigold site in North Mankato is one of precious few construction projects going on in the region.



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