The EDA CENTER
at the University of Minnesota, Crookston

The EDA Chronicle-May 2013 www.edacenter.org Volume 3, Issue 5

**Events of Interest:**

May 21

- Entrepreneur and Small Business Exchange hosted by UMC Center for Rural Entrepreneurial Studies in Bede Ballroom at UMC from 11AM-2:30PM. Go to http://www.umccres.org/2013/05/upcoming-event-for-entrepreneurs-and-small-businessess/ for more information.
- Encore Entrepreneur Mentor Event hosted by the SBA in St. Paul from 9-11AM. Contact Susan McClosky at 651-454-2698 for more information.

June 4

- 2013 Gateway to Europe Conference hosted by the MN District Export Council and the U.S. Commercial Service in Minneapolis. For more information , please go to http://exportassistance.com/eu-about-the-conferences.

June 12

- Seminar: Employment Taxes and Employer Responsibilities hosted by the Minnesota Business Tax Education Partnership at the Centennial Lakes Office Park in Edina from 8:30AM-4PM. There is no chargeTo register, please go to http://www.uimn.org/uimn/employers/help-and-support/educational-seminars/seminar-schedule.jsp.

**Inside This Issue**



## Minnesota Management & Budget Office Releases April Economic Update

The April Economic Update shows an overall increase in the general fund receipts of $145 million (6% more than the February Forecast). For the past February and March Minnesota received $307 million in corporate taxes (18.2% increase), $706 million in sales taxes (3.2% increase), $1.22 billion from income taxes (4.9% increase), and $337 million from other revenues (6% increase) than previously projected in February. Some of these additional revenues may be a result of some high-income taxpayers shifting anticipated revenue from 2013 into the 2012 tax year to avoid higher federal tax rates for 2013. The MMB also estimates wages for the last quarter of 2012 were 9 percent higher in Minnesota than the last quarter of 2011.

Global Insight Inc. made significant short-term changes to their outlook due to sequestration and payroll tax increases with real GDP grow rates expected to be 3.8 percent in the first quarter (revised from 2.0% in February) and 0.4 percent in the second quarter (revised from 1.8% in February). Long-term real GDP projections have not changed much from February. Global Insight expects growth of 2.0 percent in 2013, 2.8 percent in 2014, and 3.2 percent in 2015. Their February forecast of growth in 2013, 2014, and 2015 were 1.9 percent, 2.8 percent, and 3.3 percent, respectively.

According to the U.S. Department of Labor, Minnesota employment has now surpassed pre-recession job levels (December 2007) by approximately 8,000 jobs. As of this economic update, Minnesota employment stands at 2.78 million jobs. While Minnesota has been able to gain back all of the jobs lost since the start of the recession, employment recovery has not been as good nationally. Only 2/3 of the 8.7 million jobs lost in the U.S have come back.

*For the entire April 2013 Economic Update, please go to http://www.mmb.state.mn.us/doc/fu/13/update-apr.pdf.*

## 5th Annual IDEA Competition Winners and Hall of Fame Inductees Announced

On April 24th at the Ralph Engelstad Arena in Thief River Falls, the Northwest Minnesota Foundation announced 4 winners of the 5th Annual IDEA Competition. The winners received $10,000 cash plus additional technical assistance, such as "business coaches". The winners are as follows:

- Brian & Coreen Berdahl, Red Lake Falls (Spot-Knot) – a fast, easy, and economical on-the-spot slip knot tie device that is the only one of its kind in the fishing industry.
- Dr. Jack V. Lundbohm, Roseau (Stand Alone Game Calls) – an elk hunting call which allows an elk hunter to hunt alone while remotely operating a call set up in a second location.

- Tim and Jenny Slukynsky, Warroad (Lamplighter Hockey) – a hockey stick weight which overcomes the weaknesses of other hockey stick training tools on the market today.
- Jerry Titera, Bagley (Hubmaster Inc.) – an innovative tool which helps remove a tapered wheel hub from bobcat skidsteers for maintenance and repair.

In addition to the 4 new winners of the IDEA Competition, Mark Larson (President and Chief Operating Officer of Digi-Key Corporation) and Ron Stordahl (Founder and Chief Executive Officer of Digi-Key Corporation) were inducted into the IDEA Hall of Fame.

*For more information about the Hall of Fame Inductees, please go to [http://www.ideacompetition.org/pdf/Digi-Key-HoF.pdf](http://www.ideacompetition.org/pdf/Digi-Key-HoF.pdf).*

## DEED Debuts New Blog for Minnesota Small Businesses

*May 1, 2013 DEED Press Release*

The Minnesota Department of Employment and Economic Development (DEED) launched a new blog today aimed at providing practical guidance for aspiring entrepreneurs and new business owners in Minnesota.

Dubbed Minnesota Business 101, the weekly blog touches on topics ranging from how to organize and register a business to licensing, regulations and financing. It will focus primarily on helping new business owners navigate through DEED's Guide to Starting a New Business in Minnesota.

"Small businesses are the driving force of the economy and account for half of our private sector jobs in Minnesota," said DEED Commissioner Katie Clark Sieben. "This new blog is just one tool we are using to connect those hoping to start a small business with the expertise and resources we offer at DEED."

Minnesota Business 101 will also include videos offering expert guidance from DEED consultants, advice from real Minnesota small-business owners, and profiles of small businesses.

The blog launches today and will appear on Mondays thereafter. Find it at http://mnbusiness101.wordpress.com/.

DEED is the state's principal economic development agency, promoting business recruitment, expansion and retention, workforce development, international trade and community development. For more details about the agency and our services, visit us at www.PositivelyMinnesota.com. Follow us on Twitter at www.twitter.com/PositivelyMN.

*Contact: Madeline Koch, 651-398-9459 or madeline.koch@state.mn.us.*

## EDA Center Report Available Soon: An IDEA Competition Examination

On April 24th the 5th Annual IDEA Competition concluded with the announcement of 4 more winners of cash prizes as well as valuable support services to help these new entrepreneurs get their businesses started. Since the competition began in 2008, there have been 20 winners. There have also been a wide variety of innovations to win at the IDEA Competition, such as children's toys, craft kit, hockey sticks, and machine attachments.

While there have been a wide variety of entries into this entrepreneurial competition, it is still a very young competition. Last year, The EDA Center entered into an agreement with the Northwest Minnesota Foundation to examine the IDEA Competition and make some recommendations for future competitions. In order to complete this project, The EDA Center interviewed a wide range of groups involved (both directly and indirectly) with the IDEA Competition: past participants, judges, sponsors, and the communities in which past participants reside.

By interviewing past participants, judges, sponsors, and members of relevant communities we wanted to determine the IDEA Competition's broader impact in northwest Minnesota as it relates to program awareness, impact on regional economic developers/bankers/financiers, and the ability of the program to foster a strong culture of entrepreneurship in the surrounding communities. The information we received from these four groups have allowed us to give the Northwest Minnesota Foundation vital recommendations to enhance the IDEA Competition as it moves forward.

*Look for the full report by the 3rd week of May at http://www.edacenter.org/publications_researchPublications.php.*

## 2012-2013 Local Area Unemployment Statistics and Current Employment Situation

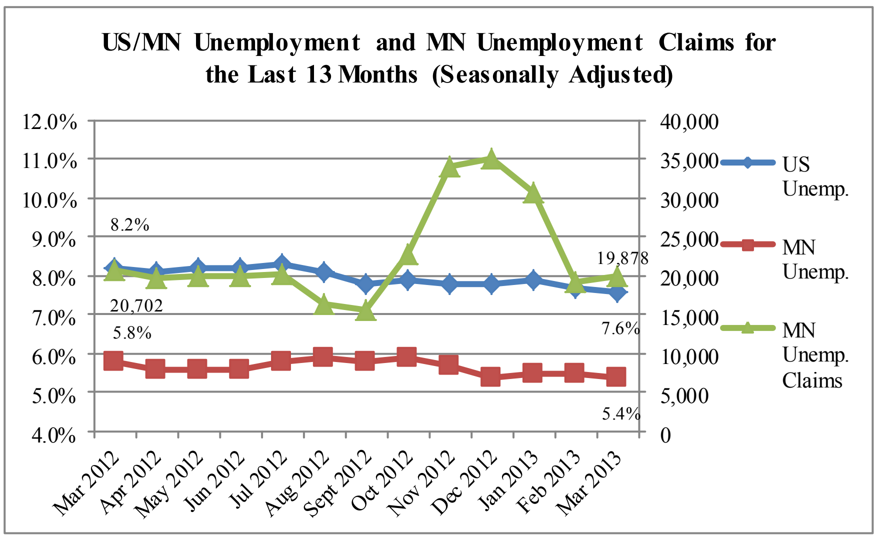
After seasonal adjustments, unemployment in March dropped from 7.7% to 7.6% in the U.S. and 5.5% to 5.4% in Minnesota. Unemployment claims in March rose 724 to 19,878 when compared to February. Over the year unemployment claims dropped 4% when compared to March 2012.

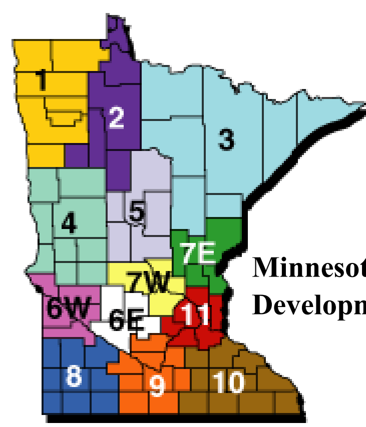
Minnesota employers cut 5,200 jobs in March. Trade/Transportation/Utilities (1,400) posted the largest gains in March. Construction (800) and Professional/Business Services (400) were the only other industries to experience gains. Mining/Logging and Information industries added no jobs in March. Education/Health Services (-2,900), Leisure/Hospitality (-2,100), Government (-1,500), Financial Activities (1,700), Manufacturing (-400), and Other Services (-100) posted job losses in March.

Minnesota drops to 1.7% growth with 46,374 additional jobs over the past year. The 1.7% growth in Minnesota is still above the U.S. growth rate of 1.5% for the last 12 months.

All of the EDRs' unemployment rates remained steady or dropped in March. Unemployment numbers for the EDRs are NOT seasonally adjusted.

*Go to the DEED website; www.positivelyminnesota.com to view more employment and wage statistics.*




**Minnesota Economic Development Regions**

### 2012-2013 Minnesota Unemployment by Economic Development Region (Not Seasonally Adjusted)

| Date | EDR1 | EDR2 | EDR3 | EDR4 | EDR5 | EDR6E | EDR6W | EDR7E | EDR7W | EDR8 | EDR9 | EDR10 | EDR11 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Mar 2012 | 7.5% | 9.7% | 8.1% | 6.4% | 9.4% | 7.8% | 6.6% | 10.0% | 7.4% | 5.5% | 6.4% | 6.3% | 5.9% |
| Apr 2012 | 5.8% | 7.6% | 6.7% | 4.5% | 6.8% | 5.8% | 4.8% | 7.5% | 5.5% | 3.9% | 5.0% | 4.8% | 5.0% |
| May 2012 | 4.8% | 7.0% | 6.4% | 4.2% | 6.1% | 5.5% | 4.6% | 6.8% | 5.3% | 4.0% | 5.0% | 4.9% | 5.2% |
| Jun 2012 | 5.1% | 7.6% | 7.0% | 4.7% | 6.6% | 6.1% | 5.2% | 7.0% | 5.7% | 4.7% | 5.5% | 5.5% | 5.8% |
| Jul 2012 | 5.2% | 7.8% | 7.1% | 4.7% | 6.6% | 6.2% | 5.2% | 6.9% | 5.8% | 5.1% | 5.7% | 5.6% | 5.9% |
| Aug 2012 | 4.8% | 7.1% | 6.7% | 4.4% | 6.3% | 5.8% | 4.9% | 6.6% | 5.5% | 4.5% | 5.3% | 5.3% | 5.7% |
| Sept 2012 | 4.3% | 6.5% | 6.2% | 4.1% | 6.0% | 5.3% | 4.4% | 6.2% | 5.2% | 4.2% | 4.9% | 4.8% | 5.4% |
| Oct 2012 | 4.1% | 6.7% | 6.1% | 4.1% | 6.2% | 5.3% | 4.4% | 6.2% | 5.1% | 4.7% | 4.9% | 4.8% | 5.3% |
| Nov 2012 | 4.5% | 7.1% | 6.5% | 4.1% | 6.9% | 5.4% | 4.2% | 6.5% | 5.1% | 3.9% | 4.6% | 4.5% | 4.9% |
| Dec 2012 | 5.7% | 8.1% | 6.9% | 5.2% | 8.1% | 6.1% | 5.4% | 7.9% | 6% | 4.2% | 5.2% | 4.9% | 5% |
| Jan 2013 | 8.1% | 10.1% | 8.4% | 6.7% | 10.2% | 7.9% | 7.4% | 10% | 7.6% | 5.8% | 6.7% | 6.2% | 5.8% |
| Feb 2013 | 7.1% | 9.2% | 7.7% | 6.1% | 9.3% | 7.3% | 6.5% | 9% | 6.9% | 5.4% | 6.1% | 5.8% | 5.3% |
| Mar 2013 | 7.1% | 9.1% | 7.5% | 5.9% | 9% | 7.1% | 6.4% | 9% | 6.6% | 5.2% | 5.9% | 5.5% | 5.1% |

## Unemployment and Labor Participation Across the U.S. and Minnesota Going Down: More Discouraged Workers or More Retirees?

The latest numbers for both the U.S. and Minnesota indicate unemployment is still trending downward. Current seasonally adjusted unemployment is at 7.6 percent for the U.S. and 5.4 percent for Minnesota. Unemployment in the U.S. is at its lowest level since January 2009 while unemployment in Minnesota is at its lowest level since June 2008. Figure 1 shows the labor force in the U.S. has increased by 1,842,000 people with 3,963,000 more people employed since January of 2011 (seasonally adjusted). During that same time, Minnesota's labor force has increased by 12,958 with 55,415 more people employed (Figure 2). While this still leaves many people without jobs, it is a good sign that more than twice as many people have found employment than have entered the labor force in the U.S. since January 2011. The news is even better for Minnesota with more than three times as many people finding employment than have entered the labor force since January 2011. However, this only tells part of the story.

In Minnesota, March unemployment went down 0.1 percent even though we lost 5,200 jobs compared to February. The reason being is the size of the labor force has gone down this past month both in the U.S. and Minnesota. The labor force includes people 16 and older who are employed as well as unemployed, but are still seeking employment. Since labor force size can go down for a number of reasons, such as disability, retirement, or no longer looking for employment, the Bureau of Labor Statistics calculates labor force participation rate along with the unemployment rate.

The U.S. Bureau of Labor Statistics (BLS) defines labor force participation rate as "the labor force as a percent of the civilian non-institutional population". The civilian non-institutional population refers to members of the population not in the military as well as those who are incarcerated, hospitals, psychiatric wards, nursing homes, or resides in any other form of "group quarters". When calculating this percentage, they determine the number of people 16 and older who are employed and unemployed (but still searching) and divide it by the number of people 16 and older in the civilian non-institutionalized population.

Labor participation rate in Minnesota has always been among the highest in the nation. As seen in Figure 3, even during the recession Minnesota has had an annual labor participation rate above 70 percent. The largest decline in Minnesota labor participation rate was around the beginning of the recession in 2007. Since 2007 labor participation rate stayed around 72 percent with the next drop of 1.2 percent coming between 2011 and 2012. For the beginning of 2013, Minnesota labor participation rate has been at around 71 percent. Labor participation in the U.S. has only dropped 2.3 percent since 2008, but is still over 7 percentage points lower than Minnesota (see figure 3). With the labor participation rates dropping, does this mean the unemployment numbers we see every month are inaccurate?

As mentioned earlier, people remove themselves from the labor participation rate for a variety of reasons. The group with the most negative impact is those who stop looking for employment because they believe there are no jobs for them. This group is identified as discouraged workers. The BLS calculates unemployment in six different ways. The number reported every month is the U3 statistic (total unemployed as a percent of the civilian labor force). Another calculation takes into account those discouraged workers; the U4 statistic (total unemployed plus discouraged workers as a percent of the civilian labor force plus discouraged workers). If you compare these two statistics, the larger the difference between the U3 and U4 unemployment rates, the more people are identified as discouraged workers.

As seen in Figure 4, the annual U3 and U4 unemployment rates for the U.S. and Minnesota are very close to one another until sometime after the start of recession (around 2009). You then begin to see more of a disparity between the two unemployment rates between 2009 and 2011, which indicates a higher percentage of people are being categorized as discouraged workers than in the past (especially in the U.S.). Over the past year the difference between U3 and U4 unemployment rates have been coming closer to one another, which would indicate fewer discouraged workers (although there are still more since before the recession).

Discouraged workers are only one group of people who are removed from the labor force. Another group which could contribute greatly to the decrease in labor participation rate is retirees. As more and more baby boomers approach retirement they will obviously be removing themselves from the labor force and, as a result, reducing the labor participation rate. Shortly after the recession started, it's a possibility that many people who were close to retirement continued to work because they simply could not afford to retire due to the poor stock market performance. Now that the stock market has rebounded (as of May 9th, it is at record levels above 15,000) many of these people may feel they can afford to retire.

The preceding examples are merely possibilities but it is almost impossible to definitively say what is causing the decrease in labor participation rates. One component which sometimes gets lost is the degree of unpredictability related to human behavior (i.e. why are some people removing themselves from the labor force?). Therefore, we will never be able to point to one thing as the lone reason for declining labor participation rates. However, with all calculations of unemployment trending downwards and more jobs becoming available it at least appears our economy is presently heading in a positive direction.

**Figure 1: U.S. Labor Force and Employment Between January 2011 and March 2013 (Seasonally Adjusted)**

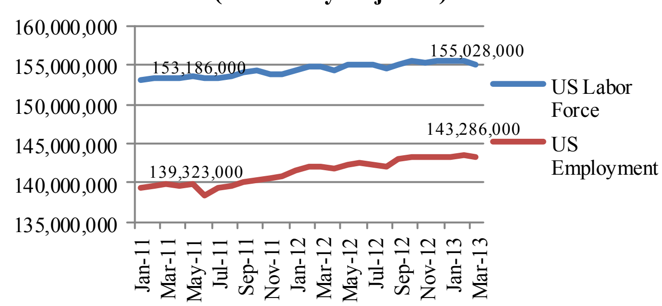



**Figure 2: Minnesota Labor Force and Employment Between January 2011 and March 2013 (Seasonally Adjusted)**

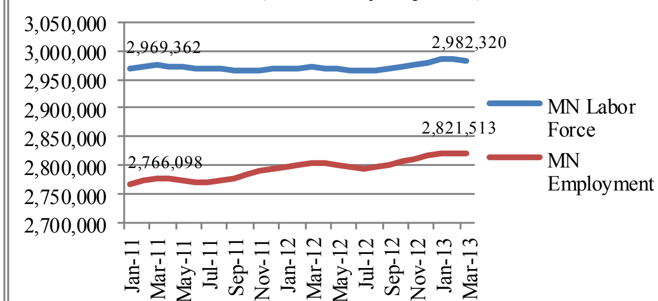



**Figure 3: Annual Labor Participation Rate in Minnesota and the U.S. from 2004 to 2012 (Seasonally Adjusted)**

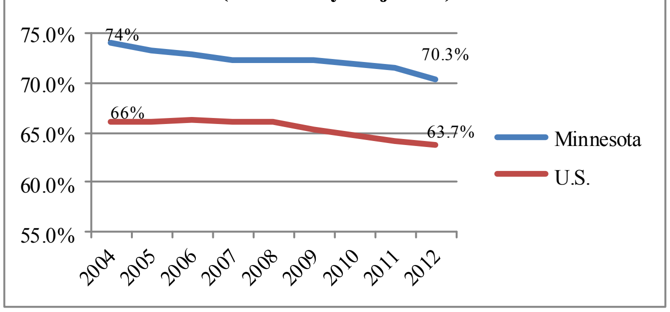
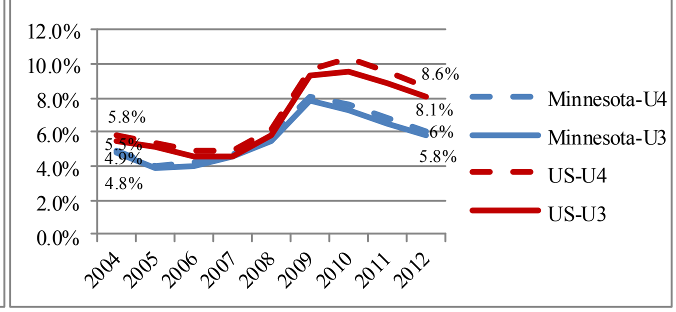



**Figure 4: Annual U3 and U4 Unemployment in Minnesota and the U.S. from 2004 to 2012 (Seasonally Adjusted)**




## DEED: Minnesota Businesses Exported $20.6 Billion in 2012

In the recent 2012 Annual Export Report, DEED values the amount of goods exported at $20.6 billion for 2012. This is a $246 million increase from 2011, or approximately 1.2 percent growth. This ranks Minnesota 20th among all states in 2012. The top five countries remain the same as 2011 (with Mexico and Japan switching places): Canada ($6 billion, +2.7%), China (2.48 billion, +7.1%), Mexico ($1.3 billion, +6.7%), Japan ($1.18 billion, -9.9%), and Germany ($728 million, -0.8%). While the growth in exports over the past year was lower than the U.S. average (4.5%), the past year in Minnesota saw record numbers of exports. More than 8,500 businesses in the state of Minnesota exported goods and services which helped generate approximately 114,900 jobs in Minnesota, 15th largest among all states (according to 2009 International Trade Administration data).

*For the complete 2012 Annual Export Report, please go to [http://www.positivelyminnesota.com/Data_Publications/Data/Export_Statistics/2012_Stats/Export_Annual_2012_FINAL.pdf](http://www.positivelyminnesota.com/Data_Publications/Data/Export_Statistics/2012_Stats/Export_Annual_2012_FINAL.pdf).*

## Blandin Foundation Releases 2013 Rural Pulse Study

Since 1998 the Blandin Foundation has periodically released a "Rural Pulse" study to highlight perceptions, priorities and areas of concern for rural residents. The last report was released in 2010. Recently the Blandin Foundation released the 2013 version of the report to "understand the issues rural residents and leaders prioritize within their communities; learn if community needs are being adequately addressed; compare and contrast issue movement in comparison to past Rural Pulse studies; and, new for 2013, gain an understanding of how the opinions of urban Minnesotans and those of ethnic and cultural differences compare to at-large findings".

In order to collect data, independent research and communications consultant Russell Herder conducted numerous phone interviews and email surveys to obtain residents from a wide variety of places across Minnesota (which also included 549 urban residents). The one consistent concern/priority across all areas of the state was the ability of the respondent's region to attract new, high-quality jobs. This was a larger concern in the northeast (44%), the southeast (40%), and the southwest (37%) but was still the top concern in all regions of rural and urban Minnesota.

Respondents were not only asked specific questions about the job situation in their regions, but also asked about the impact the economy has had on their families as well as if they considered moving to a larger area. With respect to economic impact, 33 percent of the respondents reported an increase in income (compared to 29% in 2010) while 21 percent reported a decrease in income (compared to 27% in 2010). With respect to migrating to a larger area, 15 percent of rural respondents contemplated moving within the past two years. The younger and low-income earners were the most likely to report contemplating such a move (25% of 18-34 year olds and 20% of those people making $35,000 or less). The most often cited reason for contemplating a move was new job opportunities (49% of rural respondents).

*For the entire 2013 Rural Pulse Report, please go to* [http://www.ruralpulse.org/wp-content/uploads/2013/05/RuralUrbanReport_Public.pdf](http://www.ruralpulse.org/wp-content/uploads/2013/05/RuralUrbanReport_Public.pdf).

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*The EDA Center at the University of Minnesota, Crookston is one of more than 40 university centers nationwide, supported by the Economic Development Administration, U.S. Department of Commerce.*

*We conduct applied research, provide direct technical assistance and deliver educational programs development agencies that support the economy of economically-distressed rural communities throughout Minnesota.*

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