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Cities battle economic forces to shape their recoveries

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A year ago, nearly 70 percent of leading Sioux City businesses said they expected to expand - investing \$372 million and adding 519 workers. This year, about half of the same businesses said they're considering expanding - investing \$10 million to create 75 jobs. "It's a dramatically different picture," Debi Durham, president of the Siouxland Initiative, said about the economic development group's first-quarter surveys.

As Iowa cities weather one of the worst economies in history, economic development leaders said many companies are struggling to hold their own. They're faced with declining national and world demand, limited access to capital and parent companies looking to consolidate.

"The economy is telling us what it wants the state to look like," said Liesl Eathington, an Iowa State University economist. "Despite a lot of policies and economic development efforts, it will be hard to overcome these forces." Trends to watch, Eathington and other specialists said:

Migration: The economic downturn will accelerate the longtime drive of workers and jobs from small towns and rural areas to large cities. State data show most of Iowa's largest cities gained workers in 2008 from 2007, primarily from inside Iowa.

"It's a chicken-and-egg thing," Eathington said. "Workers go where they expect to find jobs. Companies expand where they're likely to find adequate work force."

Shifting employment: Down 27,700 factory jobs in June, Iowa will never see some of those jobs return as corporations permanently downsize, leaders said. But other types of jobs have been created - especially in renewable energy - helping Iowa workers as the recession rages.

"Renewable fuels is one of those things we saw take off a year or two ago ... and it has helped stabilize us," said John Kramer, a Fort Dodge economic development leader.

Emerging advantages: A newly trained corps of dislocated workers could give the state an economic development edge as businesses again look to expand. Also, Iowa's low costs could attract businesses and workers, especially as states raise taxes to regain a financial footing, leaders said.

"Workers and businesses weren't as desperate for affordability," said Martha Willits, chief executive of the Greater Des Moines Partnership. "They could live in Chicago, New York. But the recession has changed that. Affordability will be huge. Lifestyle will be huge."

Iowa's biggest cities are getting bigger

Gasoline prices exceeding \$4 a year ago started prompting people to move closer to their jobs in the Davenport area, said Tara Barney, chief executive of DavenportOne, an economic development group.

The eastern Iowa city added 860 workers in 2008 from 2007, based on annual work force averages, a measure of workers searching for jobs. Barney said workers, especially young professionals, have continued moving into the Mississippi River metro area.

"I run into people who chose to live in Davenport and the Quad Cities because they think there are more opportunities here," Barney said. "They were working in Chicago and found themselves unemployed or underemployed and they can make their money stretch further here. It's a better-value proposition here than a larger market."

Experts say Des Moines and Cedar Rapids should benefit most.

The state's largest cities saw the greatest gains in 2008, with Des Moines adding 3,100 potential workers and Cedar Rapids 2,200, based on annual averages. In addition to workers who are relocating, the new labor additions could be high school and college graduates, said Kerry Koonce, a spokeswoman for Iowa Workforce Development.

A snapshot of June's work force compared with a year earlier shows the trend continues, with Des Moines adding 3,000 potential workers and Cedar Rapids 2,600, even though the state's two largest cities lost a combined 6,900 jobs, seasonally unadjusted data show. Dubuque, Fort Dodge and Waterloo-Cedar Falls all lost 300 to 500 people in the work force in June.

The snapshot may not be providing a true picture of work force employment, because it's not adjusted for seasonal changes that can occur, such as last year's floods and storms, Koonce said. She said workers are moving little, because few cities are adding more jobs than they're losing.

Mike Blouin, a Dubuque economic development leader, said the situation is unlike the 1980s farm crisis. "I don't think workers are panicking. Most workers still have unemployment insurance. ... Iowa hasn't been pulled into the recession as deep as other states. Many of the jobs will come back."

Fort Dodge's Kramer is aware of the potential to lose skilled workers, especially highly specialized jobs like those at Fort Dodge Animal Health, a subsidiary of Wyeth. Pfizer announced earlier this year its plans to buy Wyeth. "So far, we've been OK. But as the recession continues, it could get a lot worse."

Manufacturing jobs have disappeared in most Iowa cities, including Des Moines, better known as a hub of finance and insurance businesses.

The state's capital city shed 1,200 factory jobs in June compared with a year earlier. It was second only to construction losses, which tallied 1,500 in the metro area. Financial activities added 200 jobs, based on seasonally unadjusted data.

Shrinking companies shift employment

Many of those jobs will never return as out-of-state corporations consolidate and close operations, said Blouin, a former state economic development director. "My gut tells me we're not through the worst of it yet."

Cedar Rapids is losing Cryovac, Midland Forge and Terex Cedarrapids. Mark Seckman, president of Priority One, the Cedar Rapids economic development group, said: "Companies are looking at their corporate footprint, asking: Where can we consolidate? Where can we contract? "Sometimes there's growth, and sometimes you lose."

Cedar Rapids has won expansions at companies like Iowa Precision Industries and GE Capital, he said.

Food manufacturers such as Quaker Oats, Cargill and Ralston Food, aeronautic communications equipment maker Rockwell Collins and wind companies Clipper Windpower and Acciona have stabilized the economy, despite a devastating flood a year ago.

Seckman said he expects more high-dollar capital expansions that require fewer workers.

For example, Archer Daniels Midland has a \$557 million ethanol expansion under way in Cedar Rapids that will create about 80 jobs. Red Star Yeast is adding \$75 million in production for a project with Bio Springer of France, a sister company. It will add about 40 jobs.

Like the state, Seckman is focused on attracting suppliers for Iowa's growing wind energy manufacturers, which make turbines, blades and towers.

"Those companies will employ a significant number of people," Seckman said. "They're capital intensive, but also labor intensive. They're supplying very large pieces of equipment to wind turbine manufacturers. It no longer makes sense to manufacture them in Europe" and transport them.

Durham and Kramer, too, expect energy to play a role in their economic futures. Kramer said northwest Iowa's wind generation will attract more energy-producing farms.

Poet Energy and Valero Renewable Fuels are expected to add more products and processing to their area plants, Kramer said.

Durham pointed to Hyperion's energy center across the Iowa border in South Dakota.

The proposed \$10 billion oil refinery would generate low-sulfur gas and diesel and eventually hydrogen. The Dallas company said it would need an average of 4,500 construction workers over four years to build the plant that will permanently employ 1,800 workers.

"There are a lot more opportunities for our skilled factory workers," she said.

Hard times force workers to learn

Iowa's growing legion of unemployed - now more than 100,000 - could have a silver lining, ISU economist Eathington said.

"The recession has really accelerated people's plans to change careers," she said, adding that the national attention on displaced workers means more money for retraining. "It's forced people to make transitions that could end up helping them out."

Cedar Rapids' Seckman said he saw it when Farmstead Foods closed a meatpacking plant in 1990 and workers sought retraining.

"In the long run, workers had better skills and were more employable and eventually earned a higher income," he said. "There can be a light at the end of the tunnel."

Eathington said workers will need an advantage.

The recession erodes many Iowans' earnings with rolling layoffs, fewer hours, furloughs and across-the-board pay cuts.

"It's very probable people will have to work more hours to maintain household incomes - with multiple part-time jobs, side businesses to supplement their earnings," Eathington said. "That will be one of the outcomes of the slowdown."

A skilled, available work force is an economic development selling point, said Iowa leaders who across the state see growing interest from companies after weeks of mostly silence.

Willits, of the Greater Des Moines Partnership, said she sees the Des Moines metro area becoming a place where workers "weather the storm and start over and rebuild," Willits said. "That's going to help us emerge stronger than the rest of the nation."

Willits points to workers such as Hillary Brown, 30, who returned to Des Moines last year after living in Los Angeles six years.

Brown said her hometown seems safe in the recession. She has family, friends and business contacts she could tap if ever she lost her job.

Also, living expenses are reasonable here. "I could do any work that's available to me," said the social media marketing consultant. "I could take a service job and still pay my rent."

Brown said she is paying off debt she accumulated in Los Angeles, using credit cards to help cover living expenses. "Now, I'm saving money."

Additional Facts

A snapshot of Iowa metro economies

CEDAR RAPIDS: Recession-resistant industries such as food manufacturing, combined with farm-based advanced manufacturing, have helped stabilize the metro economy, Mark Seckman of Priority One said. The city has lost manufacturing jobs as corporations have shrunk operations nationwide.

DES MOINES: Nick Reddin of Manpower Des Moines said he's beginning to see increasing demand for manufacturing workers, primarily for part-time temporary employees. Reddin said it's the first step before companies begin hiring permanent replacements, and it could signal the beginning of a recovery, if demand continues. "More temps are getting hired after 90 days," Reddin said. "That's an encouraging shift."

DUBUQUE: Mike Blouin, an area economic development leader, said manufacturers such as Deere & Co. have begun to recall a few workers. Still, he said he believes more factory cuts are ahead as the state and nation struggle to recover from the recession that began in December 2007.

Companies expanding in Dubuque, such as IBM and Hormel Foods, are beginning to hire as they prepare operations. "It doesn't happen overnight," Blouin said. "But it's positive news for our economy."

FORT DODGE: Ethanol producers Poet Energy and Valero Renewable Fuels, which purchased VeraSun's Fort Dodge operation, have continued to operate despite the renewable fuel slump, helping shore up the area economy, said John Kramer, an economic development leader. Other employers, such as Fort Dodge Animal Health and Nestle Purina pet food, also have remained steady. "People keep feeding their pets," Kramer said.

SIoux CITY: Debi Durham, president of Siouxland Initiatives, said job losses have been small but consistent in the past year, in manufacturing and call-center employment. "The employment market has softened as you might expect," Durham said. "But at least we're seeing not plant shutdowns or massive layoffs."

In-state migration

Iowa cities across the state have shed jobs, particularly manufacturing jobs. Experts say some of the factory jobs will never return as companies have permanently shrunk their operations. Development leaders expect industries such as renewable energy will help replace them.



LARGE METROS

	June unemployment rate			Annual work force			June nonfarm jobs total		
	2009	2008	Change	2008	2007	Change	2009	2008	% change
Ames	4.9%	3.7%	+1.2	48,700	48,200	+500	46,300	45,900	+0.9%
Cedar Rapids	6.0%	3.9%	+2.1	144,500	143,200	+2,200	139,800	141,500	-1.2%
Davenport*	6.9%	4.0%	+2.9	89,860	89,000	+860	88,590	92,050	-3.8%
Des Moines	5.7%	3.8%	+1.9	313,600	310,500	+3,100	325,400	330,600	-1.6%
Dubuque	6.5%	4.1%	+2.4	52,100	52,200	-100	54,400	56,300	-3.4%
Iowa City	4.8%	3.3%	+1.5	90,900	89,700	+1,200	88,800	90,700	-2.1%
Sioux City	5.5%	3.8%	+1.7	78,800	77,500	+1,300	75,900	77,200	-1.7%
Waterloo/ Cedar Falls	5.6%	4.3%	+1.3	94,300	93,500	+800	87,800	89,900	-2.3%

Source: Iowa Workforce Development

*Scott County

Note: Not seasonally adjusted

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Moving jobs

Des Moines and Cedar Rapids are gaining more jobs at the expense of smaller cities and rural areas, experts say. About half of the state's smaller cities gained jobs from 2007 to 2008, state data show.



SMALL METROS	June unemployment rate			Annual work force			June nonfarm jobs total		
	2009	2008	Change	2008	2007	Change	2009	2008	% change
Boone	6.0%	3.4%	+2.6	15,670	15,520	+150	10,060	10,320	-2.5%
Burlington	7.7%	5.8%	+1.9	24,790	25,180	-390	N/A	N/A	N/A
Clinton	7.9%	4.1%	+3.8	28,100	27,510	+590	23,380	24,840	-5.9%
Fort Dodge	7.6%	4.6%	+3.0	20,040	19,880	+160	19,050	20,080	-5.1%
Fort Madison/Keokuk	10.2%	5.8%	+4.4	20,880	20,960	-80	N/A	N/A	N/A
Marshalltown	6.6%	4.6%	+2.0	20,410	20,520	-110	18,740	19,080	-1.8%
Mason City	6.7%	4.8%	+1.9	30,390	30,240	+150	27,930	28,930	-3.5%
Muscatine	8.3%	3.9%	+4.4	30,280	30,500	-220	26,440	27,980	-5.5%
Newton	8.0%	7.2%	+0.8	17,690	17,980	-290	11,410	11,400	+0.1%
Oskaloosa	7.6%	4.5%	+3.1	11,790	11,770	+20	8,110	8,240	-1.6%
Ottumwa	8.2%	4.6%	+3.6	18,880	18,900	-20	16,660	16,980	-1.9%
Pella	6.1%	3.8%	+2.3	17,850	17,860	-10	17,500	18,600	-5.9%
Spencer	6.2%	3.1%	+3.1	9,850	9,780	+70	10,030	9,640	+4.0%
Spirit Lake	5.4%	3.6%	+1.8	9,840	9,770	+70	9,880	10,520	-6.1%
Storm Lake	5.6%	3.9%	+1.7	10,560	10,410	+150	10,540	10,520	+0.2%

Source: Iowa Workforce Development

Note: Not seasonally adjusted

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