



# The EDA CENTER

at the University of Minnesota, Crookston

The EDA Chronicle

www.edacenter.org

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## Minnesota Unemployment Down, Yet More Jobs Cut?

In the December 15, 2011 press release from the Minnesota Department of employment and Economic Development, it is reported that unemployment in Minnesota dipped down to 5.9%. Yet in the same press release, they report employers cut 13,700 jobs in November. This brings the total number of jobs cut over the past 3 months to 22,900. What could cause these two seemingly counter-intuitive events?

DEED states that many things could account for the lowering of unemployment as well as reduction in jobs. These results could be due to “sampling errors in the separate surveys that are used to tabulate the unemployment rate and employer hiring, more people becoming self-employed or contract workers, changes in Bureau of Labor Statistics methodology, or a declining labor force participation rate”.

One interesting possibility is people dropping out of the workforce. There could be numerous reasons for dropping out of the workforce. A person is considered “out of the workforce” if he/she stop

looking for work, retire, go back to school full-time, or become institutionalized (e.g. prison). The Bureau of Labor and Statistics collects unemployment data early every month (procedures are outlined at [http://www.bls.gov/cps/cps\\_htgm.htm](http://www.bls.gov/cps/cps_htgm.htm)). All people surveyed that are employed, looking for jobs, and available to work are considered in the workforce. Those not falling into any of those categories are NOT considered in the workforce.

If you examine the workforce and employment numbers reported by DEED each month, the size of the workforce stays roughly consistent at about 72% of the population from month to month and the employment numbers have increased over the past few months. This would seem to indicate people are not necessarily dropping out of the workforce. Perhaps Minnesota residents living near bordering states may be finding jobs in other states. One state Minnesota residents might be looking towards for employment is North Dakota. BLS reports North Dakota has gained 17,300 jobs over the past year. In that same time pe-

riod, 1085 of the unemployed in North Dakota have either become employed or dropped out of the workforce. That would leave 16,215 jobs filled by either new people in the North Dakota workforce or possibly by residents of neighboring states, such as Minnesota. Minnesota residents asked if they are employed would be reflected in the Minnesota workforce numbers, but they are not asked which state they are employed in (especially if they live in communities bordering North Dakota, such as Moorhead or East Grand Forks).

While sampling techniques and other reasons listed in the DEED press release may be possible for the counter-intuitive statistics we see, there are other possibilities that exist. As DEED Commissioner stated in the December 15, 2011 press release, “The mixed results make it difficult to draw clear conclusions about how well the labor market is doing. I’m cautiously optimistic, however, that the economy is moving in the right direction.”

## Seasonal Businesses and the Peaks That Go With Them.

Seasonal businesses all have one thing in common they both have ups and downs, whether it is the Christmas Season, summer season in a beach resort town or a lodge in the winter. Experiencing a whirlwind of business in

the first year or two is also a normal trend for seasonal businesses followed by an extreme lull. If you fall into this category, there are some helpful tips that may help you survive a seasonal business.

Use the off season to your advantage, keep a few of your seasonal employees on staff by finding jobs for them to do. In the long run, it saves money keep them

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### Events of Interest:

January 17

- “How Did you Do It?” #4 Energy/Cleantech Entrepreneurship (TiE Minnesota). St. Paul, MN 6:15-9:00 PM. To register go to <https://www.123signup.com/register?id=cpnqj>
- “Access I: Basics of Database Management”. UMD Center for Economic Development workshop 9 AM -12 PM (\$60 fee) Visit [www.umdced.com/workshops/business.html](http://www.umdced.com/workshops/business.html) for more information.

January 27

- LinkedIn! 12 PM –4 PM . DEED Workshop for Job Seekers and How to Maintain a Positive Internet Presence. To Register go to <https://www.minnesotaworks.net/eventregistration.aspx?eventid=89577>

February 2

- Minnesota Smart Grid Business Roundtable. 9AM-1:30 PM at Carlson School of Management. Minneapolis, MN.

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on staff than having to retrain new employees each year. Keep in touch with your loyal patrons with social media, mailers, and e-mails. Take advantage of off-season holidays. For example, owning an Inn that is mostly utilized during the summer could benefit from a Halloween Who-Dunnit. Staging the old fashion mystery could even bring in new patrons.

## 10 Small Business Predictions for 2012.

With a new year upon us, reflections of the previous year are currently still in high gear. People are asking themselves, what happened badly? What went really well? What can we do to continue to improve? What could possibly happen in 2012? More specifically, what could possibly happen with small businesses? Carol Tice of The Daily Dose states in her blog she's fairly confident of her predictions for 2012 based on her previous year predictions for 2011.

Looking into her entrepreneurial crystal ball Tice saw volatility ahead along with nine other predictions. Volatility seems like a pretty steady prediction in the United States but Tice states with Europe economies teetering, economic uncertainty will remain the number one issues for small businesses this year. On the plus side, right-time multichan-

## New Year, New Trends.

Every year thousands of people have a desire to start their own business and as the years move forward so does technology, and the trends associated with a new business. For 2012, there are several ideas to keep your eye on: Decision, Collaborative, Commerce, Customization, True Mobility, Creativity, Urban Farming, Gamification, Design, Extreme Fitness, and Jobs.

Some of these ideas may seem self explanatory such as decision; however the idea is much more complex

For Christmas, turn it into Santa's Village and for the lovers; transform it into a couple's paradise for Valentine's Day. The possibilities are endless with creative thinking.

Coordinate with a company who has a seasonal business opposite of yours. Sharing the space can reduce costs and bring in customers for both companies that will open their eyes to other items. It can be beneficial for

nel marketing will be more prevalent to businesses. New tools that allow businesses to analyze consumer usage and online data will become more available, in fact Facebook already offers a service similar for paid ads.

Tice predicts online, social media paid ads are going to lower in price. A paid search is where the company only pays if their ad is clicked on. It's also a great way to see how many people a company is reaching. With Internet advertising growing, it's no surprise mobile purchasing continues to grow. Websites such as eBay already have applications that allows customers to buy and bid right from their phone.

Backed up with statistics from Elance, it is predicted that more jobs will be sent overseas causing another possible increase in unemployment

than the name. Decision is more than making a simple decision; it's about making an inventive decision based on discovering a new product, purchasing, producing and distributing. The Apple iPhone was an inventive decision that turned into a huge success. It offers mobility to all of its owners. So being a business that offers true mobility is exactly what its name says by giving your customer full ability to complete all their business needs with you online. For example, many airlines, including Delta Airlines offer the ability to check in

both businesses. Create your ads for the following peak season during the off season, that way you will be able to devote more time when it's at its busiest. One final tip is to join your industry's trade association if one is available; it will help get your business the numbers it needs. With some creative thinking and marketing, seasonal businesses can thrive even during off seasons.

rates of the United States. Also, for those businesses who may utilize the daily deal, Tice believe that trend is going to die down in 2012 as the daily deal is saturated with competitors and space allotment.

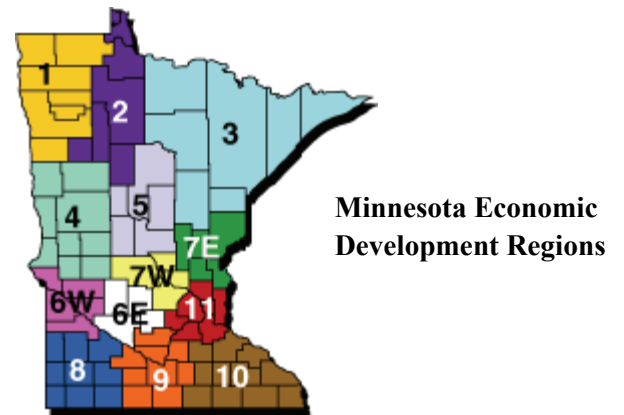
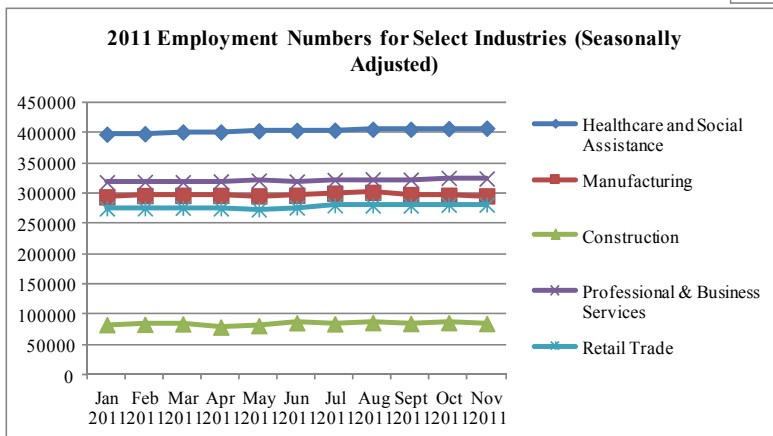
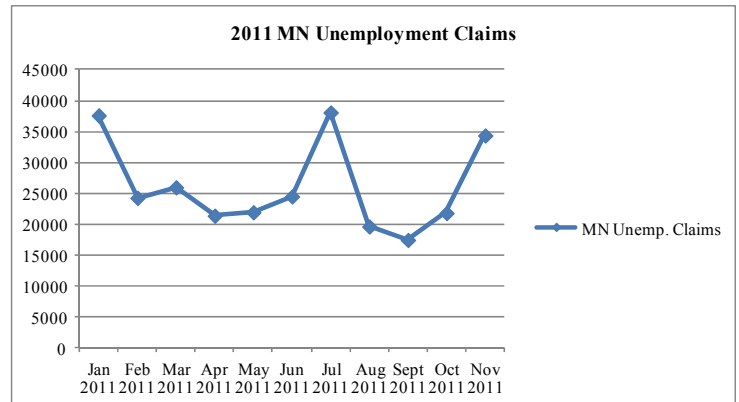
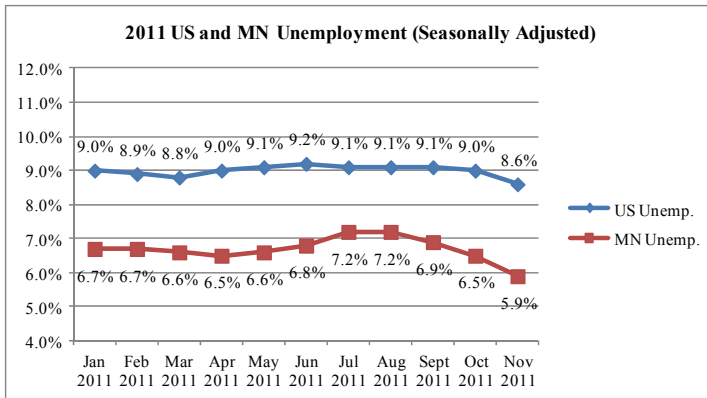
Tice rounds up her last predictions on a positive note. Credit is predicted to get easier. Odysseas Papadimitriou, CEO of CardHub states underwriting standards were relaxed in 2011 and are believed to be even more relaxed in 2012. Target and Wal-Mart have a typically unnoticed similarity: the same type of layout in their stores. In 2012, look for retailers experimenting with different types of layouts to attract and retain customers. The final prediction for 2012 is seeing more collaboration with businesses. With a weakened economy, businesses will be relying on each other to help keep their businesses afloat.

at the airport 100% via a phone application, standing in line for a boarding pass is no longer an issue.

What goes through your mind when you think of Customization? If you answered offering the customers the ability to individualize what they want, you are absolutely correct. Customization services are expected to expand beyond computers, cars, houses, etc. Customization businesses are popping up all over the

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## 2011 Local Area Unemployment Statistics and Current Employment Situations in Select Industries



### 2011 Minnesota Unemployment by Economic Development Region (Not Seasonally Adjusted)

Date	EDR1	EDR2	EDR3	EDR4	EDR5	EDR6E	EDR6W	EDR7E	EDR7W	EDR8	EDR9	EDR10	EDR11
Jan 2011	8.2%	10.4%	9.0%	7.6%	11.3%	8.7%	8.0%	11.3%	8.5%	6.4%	7.3%	7.0%	6.7%
Feb 2011	8.3%	10.5%	8.8%	7.6%	11.2%	8.8%	7.8%	11.5%	8.4%	6.4%	7.3%	7.0%	6.6%
Mar 2011	8.2%	10.6%	8.7%	7.2%	10.7%	8.7%	7.5%	11.1%	8.2%	6.4%	7.3%	6.9%	6.5%
Apr 2011	7.0%	9.6%	8.1%	6.1%	8.9%	7.4%	6.3%	9.8%	7.2%	5.2%	6.2%	6.1%	6.1%
May 2011	6.2%	8.5%	7.6%	5.4%	7.7%	6.6%	5.7%	8.6%	6.6%	4.8%	5.9%	5.9%	6.3%
Jun 2011	6.3%	8.8%	8.0%	6.0%	8.0%	7.1%	6.4%	8.7%	7.1%	5.5%	6.5%	6.6%	7.0%
Jul 2011	6.4%	9.6%	8.6%	6.1%	8.4%	7.4%	6.5%	9.3%	7.0%	5.8%	6.8%	6.6%	7.5%
Aug 2011	6.5%	8.5%	7.5%	5.6%	7.6%	6.9%	6.1%	8.2%	6.7%	5.4%	6.2%	6.2%	6.7%
Sept 2011	5.3%	7.3%	6.5%	5.0%	6.7%	6.0%	5.2%	7.2%	5.9%	4.7%	5.3%	5.4%	6.0%
Oct 2011	4.6%	6.7%	6.0%	4.4%	6.2%	5.3%	4.5%	6.6%	5.3%	4.3%	4.8%	4.9%	5.4%
Nov 2011	5.0%	7.5%	6.3%	4.6%	7.1%	5.5%	4.4%	6.9%	5.4%	4.0%	4.7%	4.7%	5.1%

After seasonal adjustments, US unemployment in November dropped to 8.6% while unemployment in Minnesota fell for a 3rd straight month to 5.9%. Even though unemployment fell for November, unem-

ployment claims increased again from 21,812 in October to 34,370 in November. However, November unemployment claims are down 18.1% when compared to November 2010. Minnesota saw a loss of 13,700 jobs

in November. Southern EDRs saw a decrease in unemployment for November. Go to the DEED website; [www.positivelyminnesota.com](http://www.positivelyminnesota.com) to view more interesting employment and wage statistics.

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Internet. In fact, Facebook houses thousands of personal out-of-home businesses that create clothing, jewelry, and other items to their customer's preference. Creativity is a trend that is linked with Customization; if a person has a creative talent they can offer their product in any adaptable way to their client. Well, what about design? Doesn't that fit into creativity and customization? Absolutely. The differences between customization, creativity and design is that customization is the ability to change the base product to your liking, creativity is the talent to make the product or be the product, and design is the ability to make it aesthetically appealing.

Collaborative Commerce can be summed up by a simple phrase, "always remember to share." Collaborative Commerce is all about the sharing of goods, skills, money, space or services at a local, peer-to-

peer level, or any other imaginable level. The trend of fitness and health is constantly rising; day-by-day it becomes more popular so it is no surprise that Extreme Fitness made this top ten list. Extreme doesn't mean a fear factor way of training but more along the lines of a physical boot camp. Such as Muddy Buddy which hosts events across the United States promoting competitive exercise through off-road running and mountain-biking.

While it's not as extreme as off-road running, urban gardening still promotes health. The Worldwatch Institute reports that 15-20% of crops are now grown in cities. Curious how it may work for an urban homeowner? Check out Urbio; it offers a magnetic planter system that transforms any wall into a vertical urban garden. On the opposite end of the spectrum of health and fitness is Gamification. If there are

any Facebook users out there, you may know the sight of "request from Farmville". Even if you don't have Facebook, the word Farmville is familiar to many. Games are becoming a bigger part of daily life for many online users, making gaming a bigger part of daily life. Nathan Lands, creator of Gamification.org states all have wide-ranging business applications that can be implemented to increase customer loyalty and employee engagement.

The final idea to consider is about Jobs; something that hopefully will be in greater supply in 2012. Therefore, it's no surprise that new businesses offering employment support or apps promoting job searches are on the rise. Career Enlightenment reported that 14.4 million people used social media to find their jobs in 2011. With all these potentially trending for 2012, which trend will you follow?

## The Use of Foreign Trade Zones in Rural Minnesota

Denis Maier, Art Nash and Jack Geller

*(Maier is an Assistant Professor of Management, Nash is an Extension Educator with U of M Extension, and Geller is a Professor & Director of the EDA Center at the University of Minnesota, Crookston)*

### Introduction

Rural manufacturers today are continually being confronted by competitive globalism; and those who were once provincial in their sales markets are now looking to export more products overseas. Supply chains often bring part components used in the manufacturing process from overseas distributors with significant import tariffs to be paid. To offer a degree of relief to component importers, some have been utilizing Foreign Trade Zones

(FTZs) to import their product. Foreign Trade Zones are jurisdictions which allow a producer under particular circumstances to bring foreign component product into the U.S. treating such input as though it had never entered the US. Thus FTZs may reduce, eliminate or defer such tariffs into the future which allows current capital to be utilized on other high return, short run investments. Further, if a producer imports several high duty components and ships the final product to dealers within the US under a FTZ, they may be able to obtain tariff reductions on the overall product, rather than paying all the individual duties of the components. Finally, the same firm may be able to save on the opportunity cost of the funds it usually has tied up in large duty payments when a sizeable compo-

nent inventory shipment comes in, as with a FTZ the firm has to pay the duty on each component only when it leaves the FTZ as a part of the finished product.

### Expanding Foreign Trade Zones

Firms that are currently manufacturing or distributing products containing high tariff part components may be able to decrease input costs leading to increased profitability by applying for Foreign Trade Zone status with the U.S. Department of Customs. This designation originates from legislation that is over three-quarter of a century old, yet many firms are not familiar with it. In order to promote Foreign Trade Zones as an additional way of saving costs, the three Foreign Trade Zone Authorities in Minnesota (Twin Cities, Duluth

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and International Falls) developed a new approach with the assistance of the EDA Center at the University of Minnesota in Crookston ([www.edacenter.org](http://www.edacenter.org)).

### **New Cost and Benefit Calculator**

A further expansion of the Foreign Trade Zone concept requires a much more holistic and integrated approach. Companies need to be better supported in their information, decision-making and implementation process. Yet the ideas and details behind Foreign Trade Zones (FTZs) can be intimidating and frustrating for most businesses. Professional assistance throughout the application and approval process and providing the best possible support in the decision making process are key elements in promoting FTZs.

There are numerous savings calculators available on FTZ-related websites which provide a fairly good overview of the potential savings, but what is really needed for busi-

ness decision makers is something that outlines the full costs as well as benefits. Establishing a FTZ requires payments of various fees and application costs, while the approval and implementation process may take more than a year. Accordingly, from the business's perspective, a FTZ may very well be in competition with other projects for resources and time, and therefore needs to fulfill the same requirements.

As a result of this assistance from the EDA Center, a new cost and benefit calculator is now available for free on the Minnesota Foreign Trade Commission's website ([www.mnftz.com](http://www.mnftz.com)). The results are a much more comprehensive as well as an overview of expected savings and associated costs and an accurate source for the estimated time of the application and approval process. This overview puts businesses in a better position to see the full picture in advance and thus avoid gradually finding out about additional costs

and time elements, which may drive the firm to step back from the project. The tool delivers the main components to give companies some confidence and support in their decision and ultimately supports the perseverance to implement it successfully.

You can find further information regarding the Foreign Trade Zones in Minnesota at the Commission's website at [www.mnftz.com](http://www.mnftz.com) or contact your closest FTZ Authority:

#### **Twin Cities - The Greater Metropolitan Area Foreign Trade Zone Commission**

Contact: Steve Anderson (612-725-8361) [www.mnftz.com](http://www.mnftz.com)

#### **Duluth Seaway Port Authority**

Contact: Andy McDonough (218-727-8525) [www.duluthport.com](http://www.duluthport.com)

#### **International Falls**

Contact: Paul Nevanen (218-283-8585) [www.businessupnorth.com](http://www.businessupnorth.com)



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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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