



ECONOMIC EMERGENCY PROGRAM

Long Prairie Printing Plant Closure

In mid-January 2018, LSC Communications filed notice of the closure of its printing plant in Long Prairie, Minnesota. The closure will lay off 236 employees. Workers affected include press operators, technicians, mechanics, maintenance workers, and managers.¹

The plant's closing has implications for Long Prairie's economy. The loss of a major employer affects not only those at the plant, but also many community members. To respond to this major economic change, decision makers in Long Prairie and Todd County need information about the potential economic impact of operations ceasing at LSC Communications.

University of Minnesota Extension prepared this economic emergency report. The Minnesota Department of Employment and Economic Development provided data on employment and unemployment trends in the area. The federally-funded Economic Development Administration (EDA) Center at the University of Minnesota-Crookston supported the work.²

SUMMARY OF FINDINGS

The loss of 236 jobs at the printing plant will affect an estimated 311 jobs in Todd County. Beyond jobs at the plant, workers at Main Street businesses—restaurants, grocery stores, and general merchandise retailers—will see their jobs affected as printing plant workers have less disposable income to spend in the community. Businesses supplying the printing plant, such as wholesalers, security companies, and real estate will also be affected.

The loss of 236 jobs is predicted to cause a decline in economic output of an estimated \$43.2 million in Todd County. This includes an estimated \$12.5 million of lost labor income in the county. **These figures are based on an average printing plant.**

On a positive note, the relatively tight labor market may provide an opportunity for employees of LSC Communications to obtain new employment. As this happens, the effects of lost income should dissipate relatively quickly. The lost business-to-business transactions, however, may linger as suppliers adjust.

The data, analysis, and findings described in this report are specific to the geography, period, and project requirements of Todd County. Findings are not transferable to other jurisdictions.

¹ From "Small Minnesota town hit with big layoff by Chicago printing company." Minneapolis St. Paul Business Magazine. January 17, 2018. Author Nick Williams. Retrieved from <https://www.bizjournals.com/twincities/news/2018/01/17/small-minnesota-town-hit-with-big-layoff-by.html>.

² The EDA Center at University of Minnesota Crookston is part of the University Center network. University Centers have the mission of connecting University resources with the economic development community. They are funded by the U.S. Economic Development Administration, which is a bureau of the U.S. Department of Commerce.

University of Minnesota Extension neither approves nor endorses the use or application of findings and other contents in this report by other jurisdictions.

WHAT IS AN ECONOMIC EMERGENCY?

Communities often face a sudden and unanticipated change in their local economy. A major employer announces it is reducing its workforce, a fire destroys an operating facility, or a flood damages the downtown. In these situations, community leaders often need to make quick, but important, decisions about how to react. They work closely with the local business(es) affected and work to help the business(es) and community recover. The University of Minnesota Extension's economic emergency program provides community leaders with information to assist in making decisions regarding the community's future.

There are a few important things to note related to this analysis and the tool used. Information from the IMPLAN (MIG, Inc.) model is used in this analysis. In the IMPLAN model, one job is one job, regardless of whether the job is full-time, part-time, or seasonal. This should be considered when interpreting the results related to employment in this report. Further, core IMPLAN data is gathered from a variety of government sources. When data is incomplete or missing, econometric techniques are implemented to fill in gaps.

This analysis relies on the default IMPLAN data for the printing industry in Todd County.

THE ROLE OF PRINTING IN LONG PRAIRIE'S ECONOMY

Printing has been an important component of Long Prairie's economy. In 2017, the printing industry employed 230 people in the Long Prairie zip code. The concentration of printing jobs was high—Long Prairie's location quotient for printing was 17. That means there were 17 times more jobs in printing in Long Prairie than the average U.S. city.

While now LSC Communications, the printing plant has a history in Long Prairie. LSC Communications is a spin-off of the Fortune 500 company R.R. Donnelley & Sons Co. Prior to being part of LSC Communications, the printing facility was owned by Banta Company.

Printing also has a long history in Minnesota. In fact, printing companies like the one in Long Prairie reinforced the printing industry as a strength in Minnesota—15 Minnesota companies made the top 500 companies in U.S. printing in 1987.³

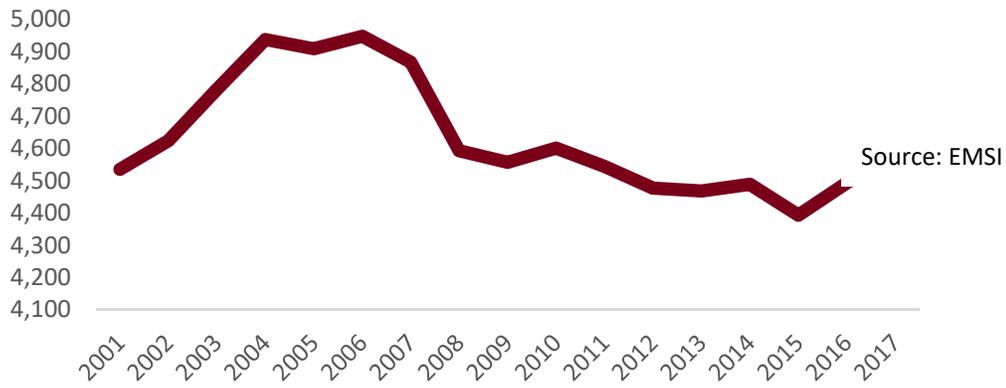
In 2017, there were 4,590 jobs in the Long Prairie zip code.⁴ This is roughly the same number of jobs as in 2001. The number of jobs grew in Long Prairie through the early 2000s. Consistent with the Great Recession (2008-2009), the number of jobs in the zip code fell between 2007 and 2010.

³ History drawn from Funding Universe. Retrieved from <http://www.fundinguniverse.com/company-histories/brown-printing-company-history/>.

⁴ For the data provided in this section, the city of Long Prairie includes all businesses within the 56347 zip code. Data is from the EMSI database, www.economicmodeling.com.

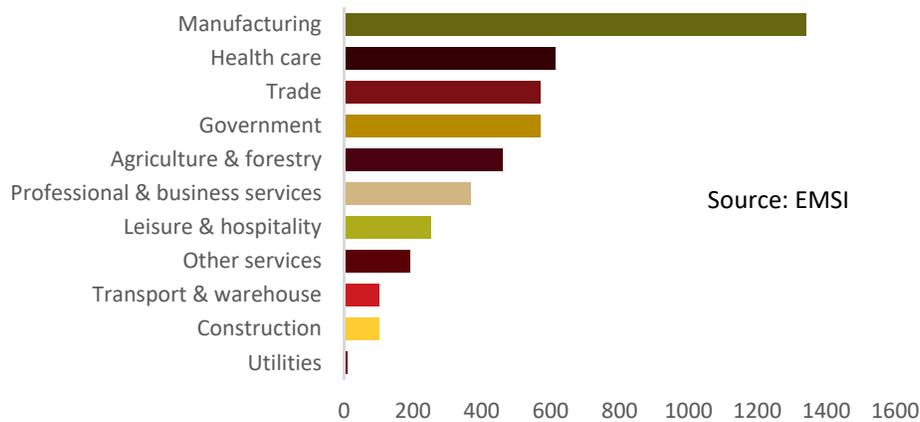
The number of jobs in the Long Prairie zip code has grown since 2016, but have not recovered to pre-recession levels (Chart 1).

Chart 1: Employment, Long Prairie Zip Code, 2001-2017



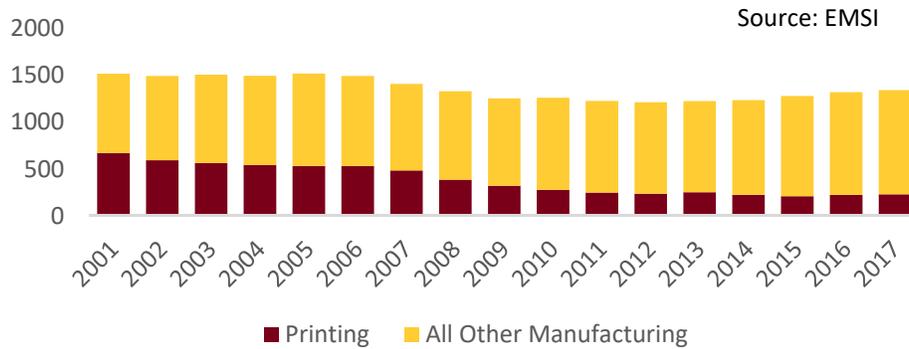
Manufacturers employ the highest share of workers in the Long Prairie zip code (Chart 2). In 2017, manufacturers employed 1,340 people, or 29 percent of workers. In comparison, manufacturers employ 10 percent of Minnesota’s workers. Other major industries in Long Prairie include health care, trade, and government.

Chart 2: Employment by Industry, Long Prairie Zip Code, 2017



Historically, printing has been a significant component of Long Prairie’s manufacturing industry (Chart 3). In 2001, at its highest point, printing employed 670 workers in the zip code. Printing, at the time, accounted for 44 percent of all manufacturing jobs. In 2017, the printing industry employed only 230 people, accounting for just 17 percent of manufacturing jobs.

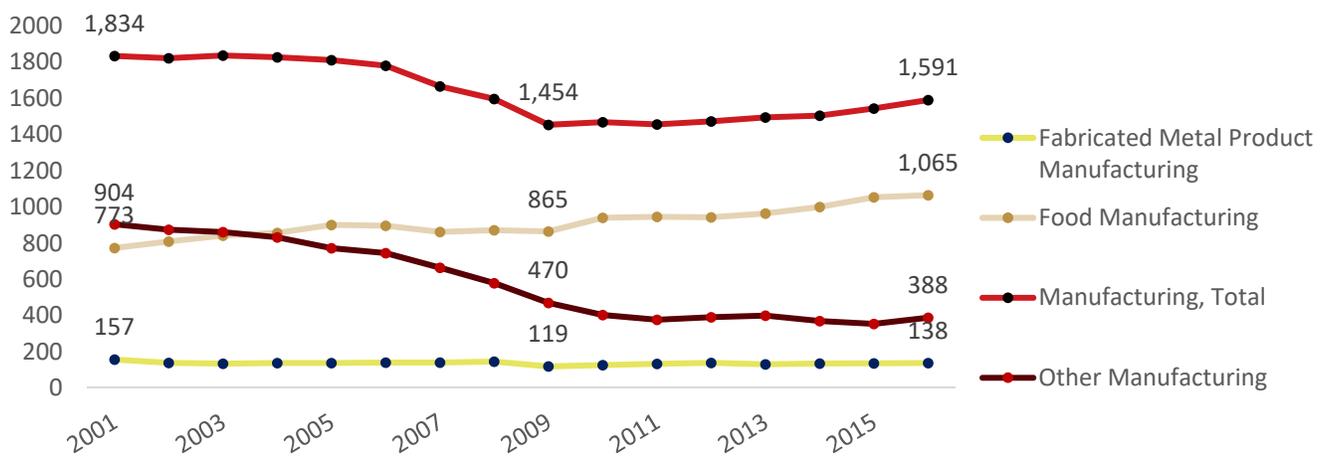
Chart 3: Employment, Printing, and Manufacturing, Long Prairie Zip Code, 2001-2017



Overall, the number of manufacturing jobs in Long Prairie fell during the Great Recession. Since 2012, the number of manufacturing jobs has slowly been increasing. This follows the trend of Todd County. Manufacturing employment in Todd County decreased by 380 jobs between 2001 and 2009, but added back 139 jobs during the 2009 to 2016 period. Thus, the industry is down 243 jobs since 2001.

Despite that overall trend, food manufacturing employment has grown by 292 jobs since 2001. This growth comes as most other sectors of the manufacturing industry in Todd County have shed jobs.

Chart 4: Manufacturing Employment by Sector, Todd County, 2001-2017



Source: QCEW/DEED

Minnesota’s economy has steadily added jobs since the end of the 2008-2009 Great Recession. Job growth has led to increasingly lower unemployment rates in the state. The unemployment rate in Todd County averaged 4.3 percent in 2017 (Table 1). Unemployment rates in neighboring communities and counties are also low. The unemployment rate in Douglas County was 3.3 percent in 2017, 3.5 percent in Stearns County, and 5.5 percent in Morrison County.

Table 1: 2017 Annual Unemployment Statistics, Select Minnesota Counties

| Local Area | Labor Force | Unemployment | Unemployment Rate |
|-----------------|-------------|--------------|-------------------|
| Todd County | 12,993 | 553 | 4.3% |
| Morrison County | 17,811 | 978 | 5.5% |
| Stearns County | 89,109 | 3,145 | 3.5% |
| Douglas County | 20,245 | 677 | 3.3% |

Source: DEED Local Area Unemployment Statistics (LAUS). 2017

Relatively low unemployment rates suggest laid off LSC Communication employees may find employment quickly. In the second quarter of 2017, DEED reported 4,117 job vacancies in EDR 5-North Central, which included Cass, Crow Wing, Morrison, Todd, and Wadena counties. This was the most regional vacancies reported since at least 2005. Of those, 128 vacancies were in manufacturing, which had a median wage offer of \$12.90 per hour. Re-employing workers from LSC Communications may be possible with or without retraining assistance, but not necessarily in Long Prairie.

ECONOMIC IMPACT OF A PRINTING PLANT CLOSURE

LSC Communications in Long Prairie, Minnesota currently employs 236 people. The company will lay off all the workers when the plant closes. The loss of these jobs at the plant, and the corresponding decrease in sales, will affect other businesses in Todd County. This section of the report describes the impacts of a printing plant closing in Todd County. **The analysis presented is for an average printing plant in the county.**⁵

According to the IMPLAN model, 236 employees in the printing industry in Todd County produce an estimated \$35.5 million in output annually. These employees, based on averages for printing facilities, earn an estimated \$10.4 million in salaries, wages, and benefits. This is the direct impact shown in Table 2.

A printing plant generates additional economic activity in the county as the business makes purchases in the local economy. When a business makes purchases of inputs and supplies in the local economy, this creates indirect or business-to-business impacts. When the business’ employees make purchases in the local economy, this creates induced or consumer-to-business

⁵ The job layoff figure is a given number. The IMPLAN model estimates the associated output and labor income losses based on an average printing plant. The numbers presented here are meant to be instructive for a conversation. They may differ slightly from actual output and labor income for LSC Communications.

impacts. If these purchases decrease, the corresponding local purchases will also decrease, causing a ripple of economic loss in the local community.

The loss of 236 jobs at a printing plant in Todd County will have direct, indirect, and induced economic impacts on the county (Table 2). When 236 employees are laid off, an additional estimated 75 jobs in industries that serve the printing plant and its employees will be affected. Thus, a total of 311 jobs in the county will be affected.

The plant closure will result in an estimated total loss of \$43.2 million in output (sales) in the county. This includes \$35.5 million less in output from the printing plant itself and a loss of \$7.7 million in indirect and induced sales. The total loss of labor income will be an estimated \$12.5 million—\$10.4 million in direct impact of wages from the plant and about \$2.1 million in wages for employees of businesses affected by the closure.

On a positive note, the relatively tight labor market provides an opportunity for employees of LSC Communications to obtain new employment. As this happens, the effects of lost income (induced effects) should dissipate relatively quickly. The lost business-to-business transactions, however, may linger longer as suppliers adjust.

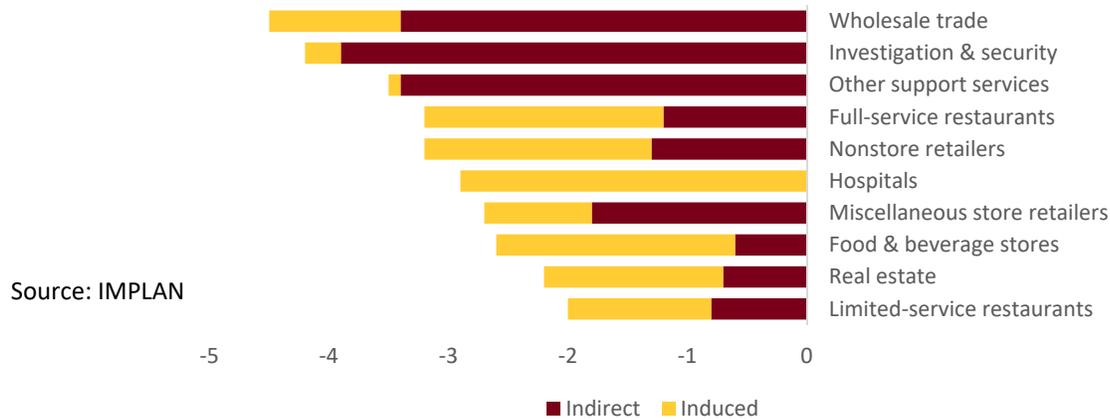
Table 2: Economic Impact of Printing Plant Closure With 236 Jobs Lost: Todd County, Minnesota

| | Direct | Indirect | Induced | Total |
|--------------------------------|--------------------------|--------------------------|--------------------------|--------------|
| | At Printing Plant | Business-Business | Consumer-Business | |
| Output (millions) | -\$35.5 | -\$3.8 | -\$3.9 | -\$43.2 |
| Employment | -236 | -40 | -35 | -311 |
| Labor Income (millions) | -\$10.4 | -\$1.1 | -\$1.0 | -\$12.5 |

Estimates by the Extension Center for Community Vitality

Of the total 311 jobs affected by the plant closure, 75 are at businesses other than the printing plant. Chart 5 shows the top industries affected. Industries expected to have the highest number of jobs affected include wholesale trade, investigation and security services, support services, and restaurants. The top industries affected reflect both the impacts of reduced spending by employees (induced) and by the plant (indirect).

Chart 5: Top Industries Impacted by the Loss of 236 Printing Manufacturing Jobs, Todd County



Between 2001 and 2017, the number of jobs in printing declined steadily in Todd County. In 2001, printing employed 670 individuals. By 2017, employment had fallen to 230 people. With the plant closure, employment will drop to zero.

Leaders in Todd County are developing strategies to adjust to the loss of 236 employees. On a positive note, the Todd County economy has a history demonstrating it can adjust to the declining number of printing jobs. While printing jobs have gone down, food manufacturing jobs have been growing. This shows Todd County has been diversifying away from printing. The historical ability to do so may hold promise for the county.

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PREPARED DATE

March 2018

APPENDIX: ASSUMPTIONS AND TERMS

Economic impact analysis is based on several critical assumptions. An understanding of these assumptions ensures the results are interpreted properly. Here are the key assumptions made in the analysis for Todd County.

First, there are assumptions that are standard for all economic impact analyses based on IMPLAN software and data. They are:

- One job is one job, regardless if the job is full-time, part-time, or seasonal. The jobs considered here are not full-time equivalents. Therefore, it is not unusual for industries with high levels of part-time employment to experience higher employment impacts.
- The model is linear. A one-unit change in output or employment will have a fixed unit change in the other measures.
- The model assumes all employees of the facility live in the county. It does make adjustments for where their incomes are spent. If the regional hub is located in a nearby county, it will adjust to assume employees spend some of their wages and salaries in the nearby county. This may be an issue here, as Todd County and Long Prairie are located near St. Cloud and Brainerd, both regional economic hubs.
- The database is built on publicly available data. When data is not available for a specific industry, say due to data disclosure issues, econometric models are used to create estimates for the industry.

Second, there is an assumption unique to the analysis in Todd County.

- The number of employees at LSC Communications was taken from published news reports. The IMPLAN model estimated the amount of output and labor income created by those employees, based on national and state benchmarks for the industry.

The following are a few key terms used in economic impact analysis.

Output

Output is measured in dollars and is equivalent to total sales. The output measure can include significant double counting. For example, think of corn. The value of the corn is counted when it is sold to the mill, again when it is sold to the dairy farmer, again as part of the price of fluid milk, and then yet again when it is sold as cheese. The value of the corn is built into the price of each of these items and then the sales of each of these items are added up to get total sales (or output).

Employment

Employment includes full- and part-time workers and is measured in annual average jobs. Total wage and salaried employees, as well as the self-employed, are included in employment estimates in IMPLAN. Because employment is measured in jobs and not in dollar values, it tends to be a very stable metric.

In the model, one job is one job, regardless if the job is full-time, part-time, and seasonal.

Labor Income

Labor income measures the value that is added to the product by the labor component. For example, in the corn example, when the corn is sold, a certain percentage of the sale goes to the farmer for his/her labor. Then when the mill sells the corn as feed to the dairy farmer, it includes a markup for its labor costs in the price. When the dairy farmer sells the milk to the cheese manufacturer, he/she includes a value for his/her labor. These individual value increments for labor can be measured. This is labor income. Labor income does not include double counting.

Direct Impact

The direct impact is equivalent to the initial change in the economy.

Indirect Impact

The indirect impact is the summation of changes in the local economy that occur due to **spending for inputs** (goods and services) by the industry or industries directly impacted. For instance, if employment in a manufacturing plant increases by 100 jobs, this implies a corresponding increase in output by the plant. As the plant increases output, it must also purchase more of its inputs, such as electricity, steel, and equipment. As it increases its purchase of these items, its suppliers must also increase its production, and so forth. As these ripples move through the economy, they can be captured and measured. Ripples related to the purchase of goods and services are indirect impacts.

Induced Impact

The induced impact is the summation of changes in the local economy that occur due to **spending by labor** by the employees in the industry or industries directly impacted. For instance, if employment in a manufacturing plant increases by 100 jobs, the new employees will have more money to spend to purchase housing, buy groceries, and go out to dinner. As they spend their new income, more activity occurs in the local economy. This can be quantified and is called the induced impact.

Total Impact

The total impact is the summation of the direct, indirect, and induced impacts.