

BUREAU OF BUSINESS AND ECONOMIC RESEARCH
SCHOOL OF BUSINESS AND ECONOMICS
UNIVERSITY OF MINNESOTA-DULUTH

Working Paper No. 86-6

A
BRIEF LOOK AT
THE STATUS OF THE
CONSTRUCTION INDUSTRY
IN DULUTH AND
NORTHEASTERN
MINNESOTA
VOLUME XIV

by

Glenn O. Gronseth
Research Fellow

February 1986

Published by
Bureau of Business and Economic Research
Dr. Donald N. Steinnes, Director
(218) 726-7298

The University of Minnesota is an equal opportunity educator and employer.

A C K N O W L E D G E M E N T

The cooperation of the business agents of the unions participating in this study is gratefully appreciated. Mr. George Sundstrom, Business Representative for the Sheet Metal Workers, Local 10, is also to be commended for his valuable assistance in directing the mailing and monitoring the return of the questionnaires.

C O N S T R U C T I O N S T U D Y

Construction employment slowed down seasonally in December and unemployment more than doubled among construction workers in the September-December period. The value of building permits issued in Duluth in 1985 fell drastically from 1984. Smaller sized building projects were noted in 1985. Alteration and repair work continues to absorb the major part of the construction dollar.

Usual seasonal layoffs plus project completions resulted in the number of tradesmen attached to the 11 building trades unions listed in Table I, dropping from 1,801 in September to 832 in December. The job total in December 1985 was down by 67 workers compared to one year previous. These figures represent union tradesmen working in the Duluth area. When the 423 workers on out-of-the area projects in December are added to the 832 working locally the total of 1,255 workers represent 43.7 percent of the union membership who are working. This compares to the 78 percent figure in September and 43.7 one year ago.

Out-of-the area jobs have slowed slightly since September but the 423 workers employed out of the area, down from 461 in September, was 119 more than was the case in December 1984. A major share of the current out-of-town workers are employed in the Twin Cities and St. Cloud areas.

The 56.3 percent rate of unemployment among construction workers in December rose substantially over the 21.8 percent rate in September, but was the same as the December 1984 rate. In December 1985, the overall jobless rate for all types of workers in Duluth was 7.7 percent. In actual numbers there were 1,620 construction workers without jobs in December compared to 631 in September and 1,548 in December 1984.

The rate of unemployment among the 11 building trades unions in December was lowest for asbestos, electrical and sheetmetal workers.

The dollar value of building permits issued during 1985 dropped to

\$16,284,000, a 46 percent decline from the 1984 total permit valuation of \$30,372,000. Smaller sized projects were undertaken in 1985 than was the case in 1984. During the past year the average cost of the permits issued was \$7,732 compared to \$12,452 for the previous year. Alteration and repair work continues to absorb the major part of the building dollar. In 1985, about 77 percent of the dollar value of building permits issued went to this type of activity compared to 67 percent in 1984. In 1985, about three-fourths of the remodeling dollar was to nonresidential properties.

Although the figures in Table III reflect only the value of permits issued for Duluth construction, other jobs are available in nearby areas that are not reflected in the Duluth only permit statistics.

In Northeastern Minnesota, the value of building permits issued also recorded a decline. During 1984 the value of building permits issued totaled \$84,379,056 and this figure dropped to \$50,179,139 in the following year. The average size of the individual permits issued also shrank in 1985 to \$11,436 from the previous year's average size of \$15,710. The Northeastern Minnesota statistics cover the January-November period as data for December was not currently available.

The outlook for the building industry during the year and into 1987 is very upbeat. A number of large building projects are set to go while others are expected to be finalized before the year is out. In addition, work on the freeway and other street and highway work will get underway as soon as the weather permits. The major single construction project expected to get started by mid-year is the \$400 million Lake Superior Paper mill.

It probably will be mid-year before employment levels will show the impact of the upturn in construction employment in any significant numbers. Given the length of time the large construction projects will take, construction tradesmen

can expect the longest spell of employment locally they have experienced in years. After mid-year the rate of unemployment among construction workers should be approaching a very low level and the individual rates probably will vary among the various skills depending on which phase of construction is underway. Although workers from other jurisdictions are beginning to contact local union officers regarding the work opportunities here, it is not known at this time when or how many outside building tradesmen may need to be recruited to meet the demand. The construction time schedule will be a governing factor in this matter as well as the needs for the other projects expected to get underway this year.

TABLE I

EMPLOYMENT STATUS OF SELECTED
BUILDING TRADES MEMBERSHIP
December 1985

U N I O N	TOTAL MEMBERS			N U M B E R W O R K I N G						U N E M P L O Y E D			P E R C E N T U N E M P L O Y E D		
	Dec. 1985	Sept. 1985	Dec. 1984	D U L U T H O N L Y			O T H E R A R E A S			Dec. 1985	Sept. 1985	Dec. 1984	Dec. 1985	Sept. 1985	Dec. 1984
				Dec. 1985	Sept. 1985	Dec. 1984	Dec. 1985	Sept. 1985	Dec. 1984						
Asbestos Workers #49	40	40	40	15	20	37	11	15	1	14	5	2	35.0	12.5	5.0
Bricklayers & Others #3	121	83	85	23	76	60	4	7	8	94	0	17	77.7	0.0	20.0
Laborers #1091	350	365	325	100	300	50	0	0	0	250	65	275	71.4	17.8	84.6
IBEW #242	421	432	328	190	228	133	90	98	68	141	106	127	33.5	24.5	38.7
Sheet Metal Workers #10	157	155	158	114	101	120	6	25	15	37	29	23	23.6	18.7	14.6
Plumbers/Steamfitters #11	285	289	320	95	110	121	70	125	40	120	54	159	42.1	18.7	49.7
Carpenters #361	307	312	327	95	261	113	7	21	14	205	30	200	66.8	9.6	61.2
IUOE #49	500	510	475	75	405	120	140	65	90	285	40	265	57.0	7.8	55.8
Iron Workers #563	376	387	363	45	50	25	80	80	50	251	257	288	66.8	66.4	79.3
Painters #106	210	210	230	30	140	45	15	25	18	165	45	167	78.6	21.4	72.6
Roofers #96	108	110	100	50	110	75	0	0	0	58	0	25	53.7	0.0	25.0
Totals	2,875	2,893	2,751	832	1,801	899	423	461	304	1,620	631	1,548	56.3	21.8	56.3

Source: Duluth Building Trades Council.

TABLE II
 AVERAGE ANNUAL EMPLOYMENT
 IN CONSTRUCTION - DULUTH
 BY YEAR

<u>Year</u>	<u>Employment</u>	<u>Actual Change From Previous Year or Month</u>
1978	1,861	--
1979	1,650	-211
1980	1,620	-30
1981	1,319	-301
1982	1,098	-221
1983	876	-222
1984	1,118	+242
<u>1985</u>	<u>Monthly</u>	<u>--</u>
January	894	--
February	790	-104
March	911	+121
April	991	+80
May	1,195	+204
June	1,437*	+242*
July	1,405	-32
August	1,478*	+73
September	1,474	-4
October	1,427	-47
November	1,307	-120
December	953	-354

* Revised

Source: Minnesota Department of Jobs and
 Training - St. Paul.

TABLE III
 ANNUAL VALUE OF BUILDING PERMITS
 ISSUED - DULUTH
 (In Current Dollars)

<u>CATEGORY</u>	<u>1982</u> '000's	<u>1983</u> '000's	<u>1984</u> '000's	<u>1985</u> '000's
TOTAL	\$33,749	\$15,627	\$30,372	\$16,284
(AVERAGE COST) ¹	(15,322)	(7,306)	(12,452)	(7,732)
NEW RESIDENTIAL	2,020	2,604	1,003	921
NONRESIDENTIAL	12,667	2,922	8,956	2,892
ALTER. and REPAIR	19,061	10,101	20,413	12,471
RESIDENTIAL	2,356	2,825	3,240	3,216
NONRESIDENTIAL	14,454	5,292	15,509	7,779
OTHER	2,251	1,984	1,664	1,476

Source: Duluth Building Inspector's Office.

¹ Actual value; not rounded.

TABLE IV
 ANNUAL VALUE OF BUILDING PERMITS ISSUED
 IN REGION 3, 1983-1985¹
 (Current Dollars)

CATEGORY	1983	1984	JANUARY-NOVEMBER [*]	
			1984	1985
TOTALS:				
NUMBER OF PERMITS	5,210	5,608	5,371	4,388
VALUATION	\$64,465,706	\$87,212,358	\$84,379,056	\$50,179,139
(AVERAGE COST)	(\$12,373)	(\$15,551)	(\$15,710)	(\$11,436)
VALUE OF PERMITS ISSUED FOR:				
NEW RESIDENTIAL	\$25,298,108	\$29,309,818	\$29,183,349	\$16,944,660
PRIVATE NONHOUSEKEEPING	370,000	3,557,650	3,541,150	185,738
NONRESIDENTIAL- PRIVATE	22,022,325	28,682,625	27,710,551	17,911,985
ALTERATIONS AND ADDITIONS	16,775,273	25,662,265	23,944,006	15,131,756

Source: Department of Commerce. Aitkin and Cook Counties not available.

¹ Excludes public construction.

* Latest data available.