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

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by

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

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CONSTRUCTION STUDY

- *Unemployment Declines*
- *More Workers on Jobs*
- *Duluth Permit Valuations Lagging*
- *Region 3 Permit Valuations Up*

Unemployment among union building construction tradesmen recorded a significant decline in June from the previous quarter. As of the end of June, the jobless rate was 21.5 percent, a sharp drop from the 38.3 percent rate as of the end of March. The June rate, however, was still above the year ago rate of 19.2 percent. The occupation suffering the most is the millwright category with a June unemployment rate of 92.9 percent. This rate is up over the 84.3 percent rate of March and double the June 1989 rate of 40.8 percent.

As of the end of June there were 634 union members without jobs who are members of the building trades shown in Table I. This total is an improvement over the March number of jobless members when 1,156 were without work.

As of the end of June a total of 1,882 union tradesmen had jobs within their union's jurisdiction and another 436 were on jobs outside their jurisdiction for a total of 2,318 with jobs. The figures compare favorably with the March breakdown of 1,444 local and 42.2 out of area jobs for a total of 1,866 jobs. One year ago 2,426 union tradesmen were on jobs, 1,682 within their union's jurisdiction and 744 on out-of-area jobs.

The figures in Table II represent a head count of workers employed in local building construction projects as well as those working on other types of construction. In addition, the figures in Table II include both union and nonunion workers. The employed figures in Table I and Table II are not necessarily in agreement since the

figures in Table I for local workers include persons on jobs in the Duluth area but not specifically in the City of Duluth as is the case for the employment figures shown in Table II.

Peak employment for construction workers on Duluth projects in recent years was in 1987 when the average annual employment reached 2,283 workers. The low year since 1978 was in 1983 when the annual average was 915 workers. For each month in the January-June period this year the number of construction workers surpassed the corresponding month of last year with the exception of the month of June when construction employment fell below its year ago figure by 26 workers. With the slowdown in second quarter employment compared to 1989 the average margin of gain over last year slipped from 240 at the end of the first quarter to 115 at mid-year.

The value of building permits issued, in current dollars, in Duluth in 1989 was \$51.9 million which was greater than for either of the two preceding years (See Table III). Statistics for the first five months of this year reveal that permit valuations so far total \$10.4 million which is down 9.7 percent from last year's figure of \$11.5 million. The number of permits issued is down from last year but little change is noted in the average value of each permit issued, \$13,649 so far this year compared to \$13,451 last year.

Last year there was only one permit issued for multiple family units compared to four so far this year. Construction of single family dwellings this year is on the increase. By May there were 43 permits issued for these units compared to 26 last year. The average value per permit this year is \$77,351 while last year the average was \$74,845.

The figures in Table IV reveal that building construction dollars in the seven counties of Northeastern Minnesota (Region 3) has been on the rise so far this year. By May a total of 1,548 permits have been issued with a valuation of \$35.8 million as compared to 1,575 permits issued for the comparable period last year with a total value

of \$27.3 million. The average value of each permit issued this year is \$23,120. Last year it was \$17,358. New residential construction so far this year, as measured by dollar value, is up 1.8 times over last year's expenditures. Alteration and repair dollars are up by only 9 percent over last year and account for 38.5 percent of the building dollar this year while last year they made up 46.1 percent of the total dollar valuation.

The outlook for the building construction industry for the balance of the year appears to offer no major change from last year. While work for the bricklayers and carpenters is good for the balance of this year, other skills do not foresee any major improvement over one year ago. Some of the unions have noted more short term employment this year with several weeks of work followed by periods of unemployment. There is some indication that new single residence construction is beginning to soften and may not attain levels predicted earlier in the year.

TABLE I
EMPLOYMENT STATUS OF SELECTED
BUILDING TRADES MEMBERSHIP

June 1990

UNION	TOTAL MEMBERS			NUMBER WORKING						UNEMPLOYED			PERCENT UNEMPLOYED		
	June 1990	Mar. 1990	June 1989	DULUTH ONLY			OTHER AREAS			June 1990	Mar. 1990	June 1989	June 1990	Mar. 1990	June 1989
Asbestos Workers #49	38	39	40	16	18	12	21	13	26	1	8	2	2.6	20.5	5.0
Bricklayers & Others #3	114	97	110	106	42	94	8	12	16	0	43	0	0.0	44.3	0.0
Laborers #1091	480	508	525	375	200	300	15	100	120	90	208	105	18.8	40.9	20.0
IBEW #242	305	309	322	203	211	182	38	28	47	64	70	93	21.0	22.7	28.9
Sheet Metal Workers #10	242	238	231	133	142	161	66	46	68	43	50	2	17.8	21.0	0.9
Plumbers/Steamfitters #11	273	271	267	251	199	226	8	33	33	14	39	8	5.1	14.4	3.0
Carpenters #361	445	496	430	366	320	315	3	10	10	76	166	105	17.1	33.5	24.4
IUOE #49	498	507	508	263	172	190	142	57	166	93	278	152	18.7	54.8	29.9
Iron Workers #563	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Painters #106	230	230	230	100	100	115	60	80	100	70	50	15	30.4	21.7	6.5
Roofers #96	130	130	120	65	31	78	65	21	38	0	78	4	0.0	60.0	3.3
Millwrights #1348	197	197	218	4	9	9	10	22	120	183	166	89	92.9	84.3	40.8
TOTALS	2,952	3,022	3,001	1,882	1,444	1,682	436	422	744	634	1,156	575	21.5	38.3	19.2

Source: Duluth Building Trades Council
 N.A.: Not Available
 NOTE: Totals exclude Iron Workers because data were not available.

TABLE II
AVERAGE ANNUAL EMPLOYMENT
IN CONSTRUCTION - DULUTH
By Month, By Year

<u>Year</u>	<u>Employment</u>	<u>Actual Change from Previous Year</u>	<u>Year</u>	<u>1990</u>	<u>1989</u>	<u>Change from Previous Year</u>
1978	1,861	--	January	1,644	1,386	+ 258
1979	1,697	- 164	February	1,549	1,331	+ 218
1980	1,620	- 77	March	1,612	1,372	+ 240
1981	1,268	- 352	April	1,670	1,440	+ 230
1982	1,060	- 208	May	1,674	1,605	+ 69
1983	915	- 145	June	1,720	1,746	- 26
1984	1,015	+ 100	July		1,910	
1985	1,200	+ 185	August		2,020	
1986	1,743	+ 543	September		1,880	
1987	2,283*	- 540	October		1,930	
1988	1,517*	- 766	November		1,870	
1989	1,683	+ 166	December		1,700	
1990	--	--				
<u>Jan.-June Average</u>						
1989	1,480	--				
1990	1,595	+ 115				

*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>January - May</u>				
	<u>1987</u> (000's)	<u>1988</u> (000's)	<u>1989</u> (000's)	<u>1990</u> (000's)	<u>1989</u> (000's)
TOTAL	\$49,436	\$49,555	\$51,881	\$10,401	\$11,514
Number of Permits	2,543	2,679	2,638	762	856
(Average Cost) ¹	(19,940)	(18,498)	(19,667)	(13,649)	(13,451)
New Residential	6,308	6,598	10,447	4,086	2,059
Nonresidential	21,331	14,053	3,833	1,038	661
Alter. & Repair	21,797	28,904	37,601	5,277	8,795
Residential	4,122	5,887	10,505	1,345	2,036
Nonresidential	15,570	20,031	24,728	3,377	5,973
Other	2,105	2,986	2,368	555	786

Source: Duluth Building Inspector's Office.

¹Actual value; not rounded.

TABLE IV
ANNUAL VALUE OF BUILDING PERMITS ISSUED
IN REGION 3, 1987-1989¹
(Current Dollars)

<u>CATEGORY</u>	<u>January - May²</u>			
	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1989</u>
TOTALS:				
Number of Permits	3,960	4,054	1,548	1,575
Valuation	\$87,226,490	\$90,766,875	\$35,790,333	\$27,339,281
(Average Cost)	(22,027)	(22,389)	(23,120)	(17,358)
VALUE OF PERMITS ISSUED FOR:				
New Residential	\$26,327,368	\$33,295,097	\$16,280,474	\$9,379,489
Private Nonhousekeeping	446,025	1,262,268	30,000	34,598
Nonresidential-Private	20,201,799	13,628,110	5,689,986	5,331,816
Alterations and Additions	40,231,298	42,581,400	13,789,873	12,593,378

Source: Department of Commerce.

¹Excludes public construction.

²Latest data available.