

BUREAU OF BUSINESS AND ECONOMIC RESEARCH
CENTER FOR ECONOMIC DEVELOPMENT
SCHOOL OF BUSINESS AND ECONOMICS
UNIVERSITY OF MINNESOTA, DULUTH

Working Paper No. 90-8

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

by

Glenn O.
Gronseth

Research
Fellow

April 1990

The University of Minnesota is an equal opportunity educator

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

- December Jobless Rate Up
- Building Construction Jobs Fall
- Duluth Building Valuations Improve
- Region 3 Valuations Up

At the close of 1989, the number of union construction workers on jobs in the Duluth area fell by about 370 workers from September. A fourth quarter decline in jobs in the building construction field from the end of the third quarter is typical for this area. Project completions and the onset of winter weather traditionally result in layoffs in this period. The number of union members still with jobs at the end of December still remained 133 higher than for the same month one year earlier.

Union workers still on jobs outside the union's jurisdiction also fell sharply from the September level. As of September 1989, there were 746 tradesmen working on out-of-area jobs but this number fell to 422 by December. Combining both in the area and out of the area jobs the figures show in December there were 1,818 tradesmen still with jobs compared to 2,514 in September. This represents a decrease of about 700 workers or 27.7 percent. The comparable figure for December 1988 was 1,713 union workers with jobs. Despite the usual seasonal slowdown in December, the job picture was improved over one year earlier.

The number of jobless union construction workers in December 1989 rose substantially over September as workers completed projects and cold weather curtailed some operations. The jobless rate of union construction workers in December was 40.4 percent compared to 16.6 percent in September. The December rate was still slightly better than the 45.6 percent rate for December 1988.

As the fourth quarter 1989 ended, unemployment among painters, roofers and millwrights ranked the highest of the union occupations. Each of these occupations posted unemployment rates of 60 percent or higher and in each of these trades the December rate was higher than they had been one year earlier. As shown on Table 1 the jobless rate for millwrights was about double its rate of one year earlier.

The figures shown in Table II represent a head count of workers employed in building construction as well as on other types of construction. It can be noted from the figures that the job picture for 1989 was up by 147 or 9 percent over the 1,615 worker average industry employment for 1988. The 1989 industry average was the highest since 1979 with the exception of 1987 when the building of the paper mill was under construction and the number of construction workers was at a peak level of about 1,500.

The value of building permits issued, in current dollars, in 1989 totaled \$51.9 million or up by 4.7 percent over 1988. After several years of high level nonresidential construction starts this component recorded a sharp cutback with a 72.7 percent drop from 1988. See Table III for more detail. Alteration and repair dollars in 1989 was the highest it has been for several years. Residential renovation projects doubled the 1988 valuation of permits issued for that type of work.

During the past several years, the number of permits issued has remained fairly constant as has the average cost per permit. The 1989 figure, however, was down from 1986 by \$6,100 per permit or 23.7 percent.

The dollar value of building permits issued in Duluth doesn't necessarily correlate with the trend in the number of local union tradesmen on jobs. The figures in Table III cover only the City of Duluth whereas local construction workers are also employed on job sites immediately surrounding

Duluth even though building permit data are not included in Table III for these areas.

The latest figures in Table IV cover the seven counties of Northeastern Minnesota and reflect an increase of 4.1 percent (in current dollars) over the same period one year earlier. The number of building permits issued was up by a minimal number from the 1989 count. The average value of the permits issued has changed only slightly from the previous two years. New residential construction permit valuations jumped up by 26.5 percent over 1988. While the value of permits issued for alterations and additions in 1989 was up by only 5.8 percent over the previous year, this sector still commanded the major share of the building dollar. In 1989 it accounted for 46.9 percent of the building dollar.

TABLE I
EMPLOYMENT STATUS OF SELECTED
BUILDING TRADES MEMBERSHIP

December 1989

UNION	TOTAL MEMBERS			NUMBER WORKING						UNEMPLOYED			PERCENT UNEMPLOYED		
	Dec. 1989	Sept. 1989	Dec. 1988	DULUTH ONLY			OTHER AREAS			Dec. 1989	Sept. 1989	Dec. 1988	Dec. 1989	Sept. 1989	Dec. 1988
Asbestos Workers #49	40	40	37	15	13	2	19	26	32	6	1	3	15.0	2.5	8.1
Bricklayers & Others #3	92	106	99	44	103	29	6	1	34	42	2	36	45.7	2.0	36.4
Laborers #1091	524	528	600	199	350	50	50	120	20	275	58	530	52.5	11.0	88.3
IBEW #242	316	320	352	216	217	232	42	50	57	58	53	63	18.4	16.6	17.9
Sheet Metal Workers #10	232	237	230	126	113	128	78	106	67	28	18	35	12.1	7.6	15.2
Plumbers/Steamfitters #11	291	261	261	245	225	253	3	9	2	43	27	6	14.8	10.3	2.3
Carpenters #361	500	454	493	394	364	333	15	9	10	91	81	150	18.2	24.4	30.4
IUOE #49	504	511	509	84	206	126	148	207	58	272	98	325	54.0	19.2	63.9
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	225	225	235	50	100	50	25	65	75	150	60	110	66.7	26.7	46.8
Roofers #96	121	121	120	23	68	30	20	53	15	78	0	75	64.5	0.0	62.5
Millwrights #1348	203	210	215	0	9	30	16	100	80	187	101	105	92.1	48.1	48.8
TOTALS (Excludes Iron Workers)	3,048	3,013	3,151	1,396	1,768	1,263	422	746	450	1,230	499	1,438	40.4	16.6	45.6

Source: Duluth Building Trades Council

N.A.: Not Available

NOTE: Totals exclude Iron Workers because data were not available for all three periods.

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>1989</u>	<u>1988</u>	<u>Change from Previous Year</u>
1978	1,861	--	January	1,601	1,268	+ 333
1979	1,697	- 164	February	1,470	1,170	+ 300
1980	1,620	- 77	March	1,471	1,138	+ 333
1981	1,268	- 352	April	1,606	1,277	+ 329
1982	1,060	- 208	May	1,696	1,481	+ 215
1983	915	- 145	June	1,772*	1,550	+ 222*
1984	1,015	+ 100	July	1,859	1,685	+ 174
1985	1,200	+ 185	August	2,033	1,874	+ 159
1986	1,743	+ 543	September	1,981	1,946	+ 35
1987	2,283*	- 540	October	2,029	2,043	- 14
1988	1,615*	- 668	November	1,923	2,130	- 207
1989	1,762	+ 147	December	1,719	1,813	- 94
<u>Jan-Sept. Average</u>						
1988	1,615	--				
1989	1,762	+ 147				

*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 - September</u>				<u>% Change</u> 1988 - 1989
	<u>1986</u> (000's)	<u>1987</u> (000's)	<u>1988</u> (000's)	<u>1989</u> (000's)	
TOTAL	\$53,248	\$49,436	\$49,555	\$51,881	+ 4.7
Number of Permits	2,066	2,543	2,679	2,638	- 1.5
(Average Cost) ¹	(25,773)	(19,440)	(18,498)	(19,667)	+ (6.3)
New Residential	3,239	6,308	6,598	10,447	+ 58.3
Nonresidential	26,664	21,331	14,053	3,832	- 72.7
Alter. & Repair	23,345	21,797	28,904	37,601	+ 30.1
Residential	3,101	4,122	5,887	10,505	+ 78.4
Nonresidential	18,416	15,570	20,031	24,728	+ 23.4
Other	1,828	2,105	2,986	2,368	- 20.7

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>1987</u>	<u>1988</u>	<u>January - August*</u>	
			<u>1989</u>	<u>% Change 1988 - 1989</u>
TOTALS:				
Number of Permits	4,735	3,960	4,054	+ 2.4
Valuation	\$110,108,026	\$87,226,490	\$90,766,875	+ 4.1
(Average Cost)	(23,254)	(22,027)	(22,389)	(+ 1.6)
VALUE OF PERMITS ISSUED FOR:				
New Residential	\$42,120,263	\$26,327,368	\$33,295,097	+ 26.5
Private				
Nonhousekeeping	1,324,360	466,025	1,262,268	+ 170.9
Nonresidential-				
Private	33,342,646	20,201,799	13,628,110	- 32.5
Alterations and				
Additions	33,320,757	40,231,298	42,581,400	+ 5.8

Source: Department of Commerce.
*Latest data available.

¹Excludes public construction.